

**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

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-37611

PYXIS TANKERS INC.

(Exact name of Registrant as specified in its charter and translation of Registrant's name into English)

Marshall Islands

(Jurisdiction of incorporation or organization)

59 K. Karamanli Street, Maroussi 15125 Greece

(Address of principal executive office)

Mr. Henry Williams, Chief Financial Officer

59 K. Karamanli Street, Maroussi 15125 Greece

Tel: +30 210 638 0200

Fax: +30 210 653 7715

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	PXS	Nasdaq Capital Market
Series A Cumulative Convertible Preferred Shares, par value \$0.001 per share	PXSAP	Nasdaq Capital Market
Warrants to purchase Common Stock, par value of \$0.001 per share	PXSAW	Nasdaq Capital Market

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

None

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

None

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.

Common Stock, par value U.S. \$0.001 per share: 21,962,881 as of December 31, 2020

Series A Cumulative Convertible Preferred Shares, par value U.S. \$0.001 per share: 181,475 as of December 31, 2020

Warrants to purchase Common Stock, par value of \$0.001 per share: 1,735,040 as of December 31, 2020

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

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>				

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.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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	<input checked="" type="checkbox"/>	International Financial Reporting Standards as issued by the International Accounting Standards Board	<input type="checkbox"/>	Other	<input type="checkbox"/>
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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

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

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INTRODUCTION

Unless otherwise indicated in this Annual Report on Form 20-F (“Annual Report”), “Pyxis,” the “Company,” “we,” “us” and “our” refer to Pyxis Tankers Inc. and its consolidated subsidiaries.

Our audited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or “U.S. GAAP” or “GAAP”.

All references in this Annual Report to “\$,” “US\$,” “U.S.\$,” “U.S. dollars,” “dollars” and “USD” mean U.S. dollars and all references to “€” and “euros,” mean euros, unless otherwise noted.

FORWARD-LOOKING STATEMENTS

Our disclosure and analysis in this Annual Report pertaining to our operations, cash flows and financial position, including, in particular, the likelihood of our success in developing and expanding our business and making acquisitions, include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” “seeks,” “targets,” “continue,” “contemplate,” “possible,” “likely,” “might,” “will,” “would,” “could,” “projects,” “forecasts,” “potential”, “may,” “should” and similar expressions are forward-looking statements. All statements in this Annual Report that are not statements of either historical or current facts are forward-looking statements. Forward-looking statements include, but are not limited to, such matters as our future operating or financial results, global and regional economic and political conditions, including piracy, pending vessel acquisitions, our business strategy and expected capital spending or operating expenses, including dry-docking and insurance costs, competition in the product tanker industry, statements about shipping market trends, including charter rates and factors affecting supply and demand, our financial condition and liquidity, including our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities, our ability to enter into fixed-rate charters after our current charters expire and our ability to earn income in the spot market 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 “Item 3. Key Information – D. Risk Factors” section of this Annual Report. Any of these factors or a combination of these factors could materially affect our future results of operations and the ultimate accuracy of the forward-looking statements.

Factors that might cause future results to differ include, but are not limited to, the following:

- changes in governmental rules and regulations or actions and compliance, including environmental and securities matters, taken by regulatory authorities;
- changes in economic and competitive conditions affecting our business, including market fluctuations in charter rates and charterers’ abilities to perform under existing time charters;
- our future operating or financial results;
- our continued borrowing availability under our debt agreements and compliance with the covenants contained therein;
- our ability to procure or have access to financing, our liquidity and the adequacy of cash flows for our operations;
- our ability to successfully employ our vessels, including under time charters;
- changes in our operating expenses, including bunker fuel prices, dry docking costs, general and administrative expenses and insurance costs, including adequacy of coverage;
- our ability to fund future capital expenditures and investments in the acquisition and refurbishment of our vessels (including the amount and nature thereof and the timing of completion thereof, the delivery and commencement of operations dates, expected downtime and lost revenue);
- planned, pending or recent acquisitions and divestitures, business strategy and expected capital spending or operating expenses, including drydocking, surveys, upgrades and insurance costs;
- vessel breakdowns and instances of off-hire;
- potential claims or liability from future litigation, government inquiries and investigations and potential costs due to environmental damage and vessel collisions;
- the arrest or detention of our vessels by maritime claimants or governmental authorities;
- any disruption of information technology systems and networks that our operations rely on or any impact of a possible cybersecurity breach;
- general product tanker shipping market trends, including fluctuations in charter hire rates and vessel values and their useful lives;
- changes in supply and demand in the product tanker shipping industry, including the market for our vessels and the number of newbuildings under construction;
- the strength of world and regional economies;
- stability of Europe and the Euro;
- disruption of world trade due to rising protectionism, breakdown of multilateral trade agreements, acts of piracy, terrorism, political events, public health threats, international hostilities and instability;
- fluctuations in interest rates, including the impact on our debt of the discontinuance of the London Interbank Offered Rate, or LIBOR, after 2021, and foreign exchange rates;
- changes in seaborne and other transportation;
- business disruptions due to natural disasters and health catastrophes, such as the outbreak of Coronavirus (“COVID-19”);

- the length and severity of epidemics and pandemics, including the going global outbreak of COVID-19 and its impact on the demand for seaborne transportation in the tanker sector;
- any non-compliance with the U.S. Foreign Corrupt Practices Act of 1977 or other applicable regulations relating to bribery or corruption;
- the impact of increasing scrutiny and changing expectations from investors, lenders and other market participants with respect to our Environmental, Social and Governance (“ESG”) policies;
- general domestic and international political conditions; the length and number of off-hire periods and dependence on key employees and third-party managers; and
- other factors discussed under the “Item 3. Key Information – D. Risk Factors” in this Annual Report and please see the Company’s other filings with the SEC for a more complete discussion of certain of these and other risks and uncertainties.

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 release publicly any revisions to these forward-looking statements 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 ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following table presents in each case for the periods and at the dates indicated, our selected consolidated financial and operating data. You should read the table together with “Item 5. Operating and Financial Review and Prospects”. Our selected consolidated financial data is a summary of, is derived from, and is qualified by reference to, our audited consolidated financial statements and notes thereto, which have been prepared in accordance with U.S. GAAP. The selected financial data as of December 31, 2016, 2017 and 2018 and for the years ended December 31, 2016 and 2017 have been derived from our audited consolidated financial statements not included herein. The selected financial data as of December 31, 2019 and 2020 and for the years ended December 31, 2018, 2019 and 2020, are derived from our audited consolidated financial statements together with the notes thereto and are included in “Item 18. Financial Statements” herein.

Statements of Comprehensive Income / (Loss) Data

(In thousands of U.S. dollars, except per share data)

	Year ended December 31,				
	2016	2017	2018	2019	2020
Revenues, net*	\$ 30,387	\$ 29,579	\$ 28,457	\$ 27,753	\$ 21,711
Voyage related costs and commissions*	(6,288)	(8,463)	(11,817)	(5,122)	(4,268)
Vessel operating expenses	(12,871)	(12,761)	(12,669)	(12,756)	(10,880)
General and administrative expenses	(2,574)	(3,188)	(2,404)	(2,407)	(2,378)
Management fees, related parties	(631)	(712)	(720)	(724)	(637)
Management fees, other	(1,024)	(930)	(930)	(930)	(819)
Depreciation and amortization of special survey costs	(6,004)	(5,640)	(5,633)	(5,560)	(4,671)
Loss on vessel held for sale	—	—	—	(2,756)	—
Gain from the sale of vessel, net	—	—	—	—	7
Vessel impairment charge	(3,998)	—	(2,282)	—	—
Bad debt provisions	—	(231)	(13)	(26)	—
Gain from debt extinguishment	—	—	4,306	—	—
Loss from financial derivative instrument	—	—	(19)	(27)	(1)
Interest expenses and finance cost, net	(2,810)	(2,897)	(4,490)	(5,775)	(4,964)
Net loss	\$ (5,813)	\$ (5,243)	\$ (8,214)	\$ (8,330)	\$ (6,900)
Dividend Series A Convertible Preferred Stock	—	—	—	—	(82)
Net loss attributable to common shareholders	\$ (5,813)	\$ (5,243)	\$ (8,214)	\$ (8,330)	\$ (6,982)
Loss per common share, basic and diluted	\$ (0.32)	\$ (0.28)	\$ (0.39)	\$ (0.39)	\$ (0.32)
Weighted average number of shares, basic and diluted	18,277,893	18,461,455	20,894,202	21,161,164	21,548,126

* Pursuant to the adoption of ASU 2014-09, Revenues have been presented net of address commissions which were previously recognized under Voyage related costs and commissions. Comparative amounts have been reclassified accordingly.

Balance Sheets Data

(In thousands of U.S. dollars)

	Year ended December 31,				
	2016	2017	2018	2019	2020
Total current assets	\$ 4,184	\$ 3,895	\$ 4,307	\$ 17,235	\$ 5,405
Total other non-current assets	5,215	5,144	4,318	4,027	4,011
Total fixed assets, net	121,341	115,774	107,992	87,507	83,774
Total assets	130,740	124,813	116,617	108,769	93,190
Total current liabilities	12,870	12,531	13,545	22,536	8,300
Total non-current liabilities	69,117	64,126	63,129	54,233	55,331
Total stockholders' equity	\$ 48,753	\$ 48,156	\$ 39,943	\$ 32,000	\$ 29,559

Statements of Cash Flows Data
(In thousands of U.S. dollars)

	Year ended December 31,				
	2016	2017	2018	2019	2020
Net cash provided by / (used in) operating activities	\$ 4,446	\$ 3,677	\$ (2,203)	\$ 5,661	\$ (13,030)
Net cash (used in) / provided by investing activities	—	—	(99)	(517)	12,630
Net cash used in financing activities *	(7,285)	(2,767)	(187)	(4,172)	(739)
Change in cash and cash equivalents and restricted cash	\$ (2,839)	\$ 910	\$ (2,489)	\$ 972	\$ (1,139)

*Comparative amounts have been reclassified due to current presentation of restricted cash pursuant to the adoption of ASU No. 2016-18-Statement of Cash Flows-Restricted Cash on January 1, 2018.

Fleet Operating Data	Year ended December 31,				
	2016	2017	2018	2019	2020
Ownership days (1)	2,196	2,190	2,190	2,190	1,830
Available days (2)	2,176	2,190	2,154	2,162	1,764
Operating days (3)	1,986	1,956	1,816	1,925	1,523
Utilization % (4)	91.3%	89.3%	84.3%	89.0%	86.3%
Daily time charter equivalent rate (5)	\$ 12,134	\$ 10,795	\$ 9,163	\$ 11,756	\$ 11,456
Daily vessel operating expenses (6)	\$ 5,861	\$ 5,827	\$ 5,785	\$ 5,825	\$ 5,847
Average number of vessels (7)	6.0	6.0	6.0	6.0	5.0
Number of vessels at period end	6	6	6	6	5
Weighted average age of vessels (8)	5.8	6.8	7.8	8.8	8.6

- (1) *Ownership days are the total number of days in a period during which we owned each of the vessels in our fleet. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues generated and the amount of expenses incurred during the respective period.*
- (2) *Available days are the number of ownership days in a period, less the aggregate number of days that our vessels were off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and intermediate dry-dockings and the aggregate number of days that we spent positioning our vessels during the respective period for such repairs, upgrades and surveys. Available days measures the aggregate number of days in a period during which vessels should be capable of generating revenues.*
- (3) *Operating days are the number of available days in a period, less the aggregate number of days that our vessels were off-hire or out of service due to any reason, including technical breakdowns and unforeseen circumstances. Operating days measures the aggregate number of days in a period during which vessels actually generate revenues.*
- (4) *We calculate fleet utilization by dividing the number of operating days during a period by the number of available days during the same period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys and intermediate dry-dockings or vessel positioning.*
- (5) *Daily time charter equivalent ("TCE") rate is a standard shipping industry performance measure of the average daily revenue performance of a vessel on a per voyage basis. TCE is not calculated in accordance with U.S. GAAP. We utilize TCE because we believe it is a meaningful measure to compare period-to-period changes in our performance despite changes in the mix of charter types (i.e. spot charters, time charters and bareboat charters) under which our vessels may be employed between the periods. Our management also utilizes TCE to assist them in making decisions regarding employment of the vessels. We believe that our method of calculating TCE is consistent with industry standards and is calculated by dividing voyage revenues after deducting voyage expenses, including commissions, by operating days for the relevant period. Voyage expenses primarily consist of brokerage commissions, port, canal and bunker costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract. Please see reconciliation of TCE under Item 5.A. Operating Results.*
- (6) *Daily vessel operating expenses are direct operating expenses such as crewing, provisions, repairs and maintenance, insurance, deck and engine stores, lubricating oils and tonnage tax divided by ownership days.*
- (7) *Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was part of our fleet during such period divided by the number of calendar days in the period.*
- (8) *Weighted average age of the fleet is the sum of the ages of our vessels, weighted by the dead weight tonnage ("dwt") of each vessel on the total fleet dwt.*

Recent Daily Fleet Data:*(In U.S. dollars, except for Utilization %)*

		Year ended December 31,				
		2016	2017	2018	2019	2020
Eco-Efficient MR2: (2 of our vessels)	TCE	15,015	13,027	10,524	14,337	14,377
	Opex	5,754	5,838	5,962	5,872	6,107
	Utilization %	97.0%	94.1%	91.8%	100%	97.2%
Eco-Modified MR2: (1 of our vessels)	TCE	10,705	13,042	12,383	13,410	14,130
	Opex	6,255	6,433	6,505	6,813	6,612
	Utilization %	92.9%	90.1%	86.6%	99.1%	97.5%
Standard MR2: (1 of our vessels)	TCE	15,504	12,209	8,887	13,115	-
	Opex	6,772	6,036	6,039	6,092	-
	Utilization %	90.5%	99.2%	91.0%	99.7%	-
Handysize Tankers: (2 of our vessels)	TCE	7,939	5,979	5,844	5,860	5,331
	Opex	5,315	5,408	5,122	5,150	5,204
	Utilization %	85.1%	79.2%	72.6%	68.1%	69.5%
Fleet: (6 vessels / 5 vessels)	TCE	12,134	10,795	9,163	11,756	11,456
	Opex	5,861	5,827	5,785	5,825	5,847
	Utilization %	91.3%	89.3%	84.3%	89.0%	86.3%

Vessel operating expenses per day (“Opex”) are our vessel operating expenses for a vessel, which consist primarily of crew wages and related costs, insurance, lube oils, communications, spares and consumables, tonnage taxes as well as repairs and maintenance, divided by the days in the applicable period. Please see “Item 4. Information on the Company – B. Business Overview – The International Product Tanker Shipping Industry – Eco Ships” for a description of the terms “eco-efficient”, “eco-modified” and “standard”.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Investing in our securities is highly speculative and involves a high degree of risk. Before making an investment in our securities, you should carefully consider the risks described below, as well as other information included or incorporated by reference in this Annual report before deciding to invest in our securities. The summary of risk factors below is qualified in its entirety by the more fulsome risk factors that follow.

Summary of Risk Factors

- Our vessels may be exposed to international and inherent operational risks that may reduce revenue or increase expenses.
- Our revenues are derived substantially from a single segment where charter hire rates for product tankers are cyclical and volatile.
- Product tanker rates fluctuate based on seasonal variations in demand.
- The continuation of the COVID-19 pandemic, and the emergence of other epidemic or pandemic crises, could have material adverse effects on our business, results of operations or financial condition.
- An over-supply of product tanker capacity may lead to reductions in charter rates, vessel values and profitability.
- Increased demand for and supply of “eco-efficient” vessels could reduce demand for certain of our vessels that are not classified as such and expose us to lower vessel utilization and/or decreased charter rates.
- Acts of piracy on ocean-going vessels could adversely affect our business.
- The current global economic condition and financial environment, including an economic slowdown or changes in the economic and political environment in the Asia Pacific region, could have a material adverse effect on our business and financial condition.
- The U.K.’s withdrawal from the European Union may have a negative effect on global economic conditions and our business.
- Changes in prices for fuel, or bunkers, may adversely affect results of operations.
- If our vessels call on ports located in or operate in countries or territories that are the subject of sanctions or embargoes imposed by the United States, the European Union, the United Nations, or other governmental authorities, it could result in monetary fines and penalties and adversely affect our reputation and the market price of our common shares.
- Our vessels could be arrested by maritime claimants, which could result in a significant loss of earnings and cash flow.
- The smuggling or alleged smuggling of drugs or other contraband onto the Company’s vessels may lead to governmental claims.
- Governments could requisition our vessels during a period of war or emergency.
- Increasing scrutiny and changing expectations from investors, lenders and other market participants with respect to our ESG policies may impose additional costs on us or expose us to additional risks.
- We are subject to increasingly complex laws and regulations, including environmental and safety laws and regulations, which expose us to liability and significant expenditures, and can adversely affect our insurance coverage and our business.
- The failure to maintain class certifications of authorized classification societies would affect our ability to employ such vessels.
- We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act of 1977 (the “FCPA”) and similar worldwide anti-bribery laws.
- The Company obtains some of its insurance through protection and indemnity associations, which could result in significant additional premium payments. We are also subject to funding calls by such associations, and our associations may not have enough resources to cover claims made against them.
- We will incur additional costs to retrofit ballast water treatment systems in our vessels to comply with new regulations.
- Safety and environmental requirements relating to the recycling of vessels may result in escalated and unexpected costs.
- Climate change and greenhouse gas restrictions may adversely impact our operations, markets and capital sources.
- Technological innovation and quality and efficiency requirements from our customers could reduce our charter hire income, future performance, and financial condition.
- We recently had a working capital deficit and may not be able to fund our ongoing operations.
- We operate in highly competitive international markets.
- We may be unable to secure medium- and long-term employment for our vessels at profitable rates and present and future vessel employment could be adversely affected by an inability to clear the oil majors’ risk assessment process.
- A substantial portion of our revenues is derived from a limited number of customers, and the loss of any of these customers could result in a significant loss of revenues and cash flow.
- The Company’s growth depends on its ability to expand relationships with existing customers and obtain new customers, for which it will face substantial competition.
- We may not be able to successfully mix our charter durations profitably.
- We have limited current liquidity and have become reliant on Pyxis Maritime Corp. (“Maritime”) and Maritime Investors Corp., (“Maritime Investors”), entities affiliated with our Chairman and Chief Executive Officer, Mr. Valentis, for our short-term working capital financing.
- Counterparties, including charterers or technical managers, could fail to meet their obligations to us.
- We depend on International Tanker Management (“ITM”) and Maritime to operate our business, and our business could be harmed if they fail to perform their services satisfactorily.
- We may fail to successfully control our operating and voyage expenses.
- We will be required to make substantial capital expenditures, for which we may be dependent on additional financing, to maintain the vessels we own or to acquire other vessels.
- Any vessel modification projects we undertake could have significant cost overruns, delays or fail to achieve the intended results.

- The Company does not plan to install scrubbers and may have to pay more for fuel which could adversely affect the Company's business, results of operations and financial condition.
- We may not be able to implement our business strategy successfully or manage our growth effectively.
- Purchase and operation of secondhand vessels can expose us to increased operating costs, which could adversely affect our earnings, and the risks associated with older vessels could adversely affect our ability to obtain profitable charters.
- New vessels may experience initial operational difficulties and unexpected incremental start-up costs.
- Delays in deliveries of additional vessels, 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 operating results.
- Declines in charter rates and other market deterioration could cause us to incur impairment charges.
- Our charterers may terminate charters early or choose not exercise options to extend charters or to re-charter with us, which could adversely affect our business, results of operations and financial condition.
- Our vessels may operate in pooling arrangements in the future, which may not be beneficial compared to those outside of a pool.
- We depend on the services of our founder and Chief Executive Officer and other members of our senior management team.
- Our founder, Chairman and Chief Executive Officer has affiliations with Maritime, which may create conflicts of interest.
- Several of our senior executive officers do not, and certain of our officers in the future may not, devote all of their time to our business, which may hinder our ability to operate successfully.
- As we expand our business, both we and Maritime may need to improve our operating and financial systems and Maritime will need to recruit and retain suitable employees and crew for our vessels.
- Our insurance may be insufficient to cover losses that may result from our operations.
- We may be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.
- We and our subsidiaries may be subject to group liability for damages or debts owed by one of our subsidiaries or by us.
- Maritime and ITM are privately held companies, and there is little or no publicly available information about them.
- Exchange rate fluctuations could adversely affect our revenues, financial condition and operating results.
- Failure to protect the safety and condition of the cargoes transported on our vessels may subject us to claims for loss or damage.
- Increase in frequency of immigrant salvage operations in the Mediterranean could adversely affect our business.
- We may face labor interruptions, which if not resolved in a timely manner, could have a material adverse effect on our business.
- We do not currently enter into hedging arrangements with respect to the cost of fuel.
- A cyber-attack and failure to comply with data privacy laws could materially disrupt our business.
- We may not be able to generate sufficient cash flow to meet our debt service and other obligations.
- Restrictive covenants in our current and future loan agreements may impose financial and other restrictions on us.
- Volatility of LIBOR and potential changes in the benchmark could affect our profitability, earnings and cash flow.
- Since we are no longer an "emerging growth company", we must comply with increased disclosure or governance requirements.
- The market price of our common stock has fluctuated widely and may fluctuate in the future.
- Future sales of our common shares could cause the market price of our common shares to decline.
- We may not generate sufficient cash to service our obligations, including our obligations under the Series A Preferred Shares.
- Conversion of the Series A Preferred Shares and Warrants will dilute the ownership interest of existing shareholders
- Reports published by analysts, including projections therein that exceed the Company's actual results, could adversely affect the price and trading volume of the Company's common stock.
- We are incorporated in the Marshall Islands, which does not have a well-developed body of corporate or bankruptcy law and, as a result, stockholders may have fewer rights and protections under Marshall Islands law than under a U.S. jurisdiction.
- As a holding company, we depend on the ability of our subsidiaries to distribute funds to us to satisfy our obligations.
- It may be difficult to serve process on or enforce a U.S. judgment against us, our officers or directors because we are not a U.S. corporation.
- We do not intend to pay common stock dividends in the near future and cannot assure you that we will ever pay such dividends.
- Maritime Investors beneficially owns approximately 47.3% of our total outstanding common stock, which may limit stockholders' ability to influence our actions.
- If our common stock does not meet the NASDAQ's minimum share price requirement, and if we cannot cure such deficiency within the prescribed timeframe, our common stock could be delisted.
- Anti-takeover provisions in our constituent documents could make it difficult for our stockholders to replace board of directors or could have the effect of discouraging acquisitions, which could adversely affect the market price of our common stock.
- We may have to pay tax on U.S. source income, which would reduce our earnings and cash flow.
- The Maltese subsidiaries are liable to tax in Malta by reason of their domicile and place of incorporation.
- Various tax rules may adversely impact the Company's business, results of operations and financial condition.
- Depending on U.S. tax authorities' treatment of the Company, there could be adverse tax consequences to U.S. holders.

Risks Related to Our Industry

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

The international shipping industry is an inherently risky business involving global operations. The operation of ocean-going vessels in international trade is affected by a number of risks. Our vessels and their cargoes will be at risk of being damaged or lost because of events, including bad weather, grounding, fire, explosions, mechanical failure, vessel and cargo property loss or damage, hostilities, labor strikes, adverse weather conditions, stowaways, placement on our vessels of illegal drugs and other contraband by smugglers, war, terrorism, piracy, human error, environmental accidents generally, collisions and other catastrophic natural and marine disasters. An accident involving any of our vessels could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, damage to our customer relationships, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business or higher insurance rates. These sorts of events could interfere with shipping routes (such as delay or rerouting), and result in market disruptions that may reduce our revenue or increase our expenses and also subject us to litigation. International shipping is also 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 cargo and/or our vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us. It is possible that changes to inspection procedures or an increase in the frequency of vessel inspections could impose additional financial and legal obligations on us. Furthermore, 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.

The operation of tankers has unique operational risks associated with the transportation of refined petroleum products. A spill of such cargoes may cause significant environmental damage, and the associated costs could exceed the insurance coverage available to the Company. 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 cause, due to the high flammability and high volume of the refined petroleum products transported in tankers. If the Company's vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. The Company may have to pay drydocking costs that its insurance does not cover 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 the Company's business, results of operations and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. The Company may be unable to find space at a suitable drydocking facility or its vessels may be forced to travel to a drydocking facility that is not conveniently located to the vessels' positions. The loss of earnings while these vessels are forced to wait for space or to travel to more distant drydocking facilities may adversely affect the Company's business, results of operations and financial condition. Further, the total loss of any of the Company's vessels could harm its reputation as a safe and reliable vessel owner and operator. If the Company is unable to adequately maintain or safeguard its vessels, it may be unable to prevent any such damage, costs, or loss which could negatively impact its business, results of operations and financial condition.

Our revenues are derived substantially from a single segment where charter hire rates for product tankers are cyclical and volatile.

Substantially all of our revenues are derived from a single market, the product tanker segment, and therefore our financial results depend on chartering activities and developments in this segment. The product tanker market is cyclical and volatile in charter hire rates. The degree of charter hire rate volatility among different types of product tankers has varied widely, and, as a result, our ability to charter, or to re-charter our vessels upon the expiration or termination of our current charters, the charter rates payable under any replacement charters and vessel values will depend upon, among other things, economic conditions in the product tanker market at that time and changes in the supply and demand for vessel capacity. Any renewal or replacement charters that the Company enters into may not be sufficient to allow the Company to operate its vessels profitably. After reaching historic highs in mid-2008, charter hire rates for product tankers declined significantly before increasing in 2015 and then declining again in 2016. Since then, charter hire rates have remained volatile, especially during 2020. If charter hire rates remain depressed or fall further in the future when our charters expire, we may be unable to re-charter our vessels at rates as favorable to us, with the result that our earnings and available cash flow will continue to be adversely affected. In addition, a decline in charter hire rates will likely cause the value of our vessels to decline.

Charter hire rates depend on the demand for, and supply of, product tanker vessels.

The factors that influence the demand for product tanker vessel capacity are unpredictable and outside of our control, and include, among others:

- demand and supply for refined petroleum products and other liquid bulk products such as vegetable and edible oils;
- competition from alternative sources of energy and a shift in consumer demand towards other energy resources such as wind, solar or water energy as well as greater use of electric powered vehicles;
- the globalization of manufacturing and developments of transportation services;
- regional availability of refining capacity and inventories;
- increases in the production of refined petroleum products in areas linked by pipelines to consuming areas, the extension of existing, or the development of new, pipeline systems in markets we may serve, or the conversion of existing non-oil pipelines to refined petroleum products pipelines in those areas;
- the distance oil and refined petroleum products are moved by sea; changes in seaborne and other transportation patterns, including changes in the distances over which refined petroleum and chemical cargoes are transported;
- competition from other shipping companies and other modes of transportation, such as railroads that compete with product tankers;
- availability of newbuild crude tankers to take refined petroleum products on their maiden voyage upon delivery from shipyards;
- product imbalances across regions (affecting the level of trading activity);
- global and regional economic and political conditions, including armed conflicts, terrorist activities, and strikes; environmental and other regulatory developments;
- health disasters, such as COVID-19, developments in international trade generally;
- international sanctions, embargoes, import and export restrictions, nationalizations and wars;
- currency exchange rates; and
- weather and natural disasters.

The factors that influence the supply of product tanker vessel capacity are also outside of our control and unpredictable and include, among others:

- demand and supply for refined petroleum products and other liquid bulk products such as vegetable and edible oils;
- availability and pricing of other energy resources such as natural gas;
- the number of product tanker newbuilding deliveries;
- the efficiency and age of the global product tanker fleet;
- the demolition prices and scrapping rate of older product tankers or casualties;
- the price of steel and vessel equipment;
- the cost of newbuildings and the cost of retrofitting or modifying secondhand product tankers as a result of charterer requirements;
- shipyard capacity, financial condition and new vessel construction throughput/delays in deliveries;
- availability, terms and cost of capital;
- cost and supply of labor;
- technological innovations and advances in product tanker design and capacity, including the introduction and operating performance of scrubbers;
- conversion of product tankers to other uses and the conversion of other vessels to product tankers;
- the number of product tankers used for floating storage;
- the number of product tankers trading crude or “dirty” oil products;
- product tanker freight rates, whether time or spot charters, including spot market related pools the Company may join, which are themselves affected by factors that may affect the rate of newbuilding, scrapping and laying-up of product tankers;
- port and canal congestion;

- the cost of bunkers and fuel oil, and their impact on vessel speed; currency exchange rate fluctuations;
- changes in governmental or maritime self-regulatory organizations' rules and regulations or actions taken by regulatory authorities;
- changes in environmental and other regulations that may limit the useful lives of product tankers; and
- the number of product tankers that are out of service.

These factors influencing the supply of and demand for product tanker capacity and charter rates are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions. A global economic downturn, such as in 2020, may reduce demand for transportation of refined petroleum products, edible oils and chemicals. We cannot assure you that we will be able to successfully charter our product tankers in the future at all or at rates sufficient to allow us to meet our contractual obligations, including repayment of our indebtedness.

Product tanker rates fluctuate based on seasonal variations in demand.

Product tanker markets are typically stronger in the winter months as a result of increased refined petroleum products consumption in the northern hemisphere and weaker in the summer months as a result of lower consumption in the northern hemisphere and refinery maintenance that is typically conducted in the summer months. Unpredictable weather patterns during the winter months in the northern hemisphere tend to disrupt vessel routing and scheduling. The price volatility of products resulting from these factors has historically led to increased product trading activities in the winter months. As a result, revenues generated by vessels are typically weaker during the quarters ended June 30 and September 30, and stronger in the quarters ended March 31 and December 31. If increased revenues generated in the fall/winter months are not sufficient to offset any decreases in revenue in the spring/summer months, it may have an adverse effect on our business, results of operations and financial condition.

The 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 COVID-19 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 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 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 or increase the cost of 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
- potential deterioration in the financial condition and prospects of industry participants.

Although disruption and effects from the 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 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.

In addition, the effects of the infectious disease, COVID-19, are rapidly evolving globally and are uncertain. The Company's business could be adversely affected by this outbreak. Any prolonged restrictive measures in order to control the spread of COVID-19 or other adverse public health development in Asia, U.S. or the Company's targeted markets may also have a material and adverse effect on the demand for the Company's vessels, operations and financial condition.

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

The market supply of product tankers is affected by a number of factors such as the demand for energy resources, oil, petroleum and chemical products, the level of current and expected charter hire rates, asset and newbuilding prices and the availability of financing, as well as overall global economic growth in parts of the world economy, including Asia, and has been increasing as a result of the delivery of substantial newbuilding orders over the last few years.

There has been a global trend towards energy efficient technologies, lower environmental emissions and alternative sources of energy. In the long-term, demand for oil may be reduced by increased availability of such energy sources and machines that run on them. In addition, reduced global supply of oil due to coordinated action, such as the production cuts recently agreed by the Organization of Petroleum Exporting Countries ("OPEC") and other oil producing nations, may lead to an over-supply of product tanker capacity due to lower demand for the transportation of refined petroleum products.

Newly built product tankers were delivered in significant numbers starting at the beginning of 2006 through 2020 and continuing into 2021. Furthermore, if the capacity of new ships delivered exceeds the capacity of product tankers being scrapped and lost, product tanker capacity will increase. For example, as of February 28, 2021, there were 100 product and product/chemical tankers on order, equivalent to 6.3% of the existing fleet by units and 6.6% of the existing fleet by dwt and the orderbook may increase further in the future. If the supply of product tanker capacity increases and if the demand for product tanker capacity does not increase correspondingly, charter rates and vessel values could materially decline. If that happens, as the Company's charters expire, the Company may only be able to re-charter its vessels at reduced or unprofitable rates, or the Company may not be able to charter its vessels at all. A reduction in charter rates and the value of our vessels for any of these reasons 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.

Over the last nine years, a number of vessel owners have ordered and taken delivery of so-called “eco-efficient” vessel designs, which offer significant bunker savings as compared to older designs. Increased demand for and supply of “eco-efficient” vessels could reduce demand for certain of our vessels that are not classified as such and expose us to lower vessel utilization and/or decreased charter rates.

We estimate that a significant proportion of newbuilding orders have been based on new vessel designs, which purport to offer material bunker savings compared to older designs, such as a significant proportion of our tanker vessels. See “Item 4. Information on the Company – B. Business Overview – The Fleet.” New vessel designs have resulted in a significant reduction of bunker consumption and consequently cost for charterers. As the supply of “eco-efficient” tankers expands, if charterers prefer those vessels over our tankers that are not classified as such, this may reduce demand for our non- “eco-efficient” tankers, impair our ability to re-charter such tankers at competitive rates or at all and 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 many regions of the world, such as South China Sea, the Indian Ocean, the Gulf of Aden off the coast of Somalia and the Gulf of Guinea region off Nigeria. Sea piracy incidents continue to occur, and tanker vessels are particularly vulnerable to attacks by pirates. If regions in which our vessels are deployed are characterized as “war risk” zones or “war and strikes” listed areas by insurers, or other parties such as the Joint War Committee of Lloyds Insurance and IUA Company, premiums payable for coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew and security equipment costs, including employing onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents. In addition, any detention hijacking as a result of an act of piracy against our vessels, increases in cost associated with seeking to avoid such events (including increased bunker costs resulting from vessels being rerouted or travelling at increased speeds as recommended by BMP4), or unavailability or increases in cost of insurance for our vessels, could have a material adverse impact on our business, results of operations and financial condition.

An economic slowdown or changes in the economic and political environment in the Asia Pacific region could have a material adverse effect on our business, financial condition and results of operations.

We anticipate a significant number of the port calls made by our vessels will continue to involve the loading or discharging of cargoes in ports in the Asia Pacific region. As a result, any negative changes in economic conditions in any Asia Pacific country, particularly in China, may have a material adverse effect on our business, financial condition and results of operations, as well as our future prospects. Before the global economic financial crisis that began in 2008, China had one of the world’s fastest growing economies in terms of gross domestic product, or GDP, which had a significant impact on shipping demand. The year-over-year growth rate of China’s GDP declined to 2.3% for the year ended December 31, 2020, as compared to approximately 6.0% for the year ended December 31, 2019, and continues to remain below pre-2008 levels. We cannot assure you that the Chinese economy will not experience a significant contraction in the future, especially in light of the impact of COVID-19. Furthermore, there is a rising threat of a Chinese financial crisis resulting from massive personal and corporate indebtedness and “trade wars”. The International Monetary Fund has warned that continuing trade tensions, including significant tariff increases, between the United States and China are expected to result in a 0.8% cumulative reduction of global GDP in 2020. We cannot assure you that the Chinese economy will not experience a significant contraction in the future.

Although state-owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is adjusting the level of direct control that it exercises over the economy through state plans and other measures. There is a questionable level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in emphasis to a “market economy” and enterprise reform. Limited price reforms were undertaken with the result that prices for certain refined petroleum products are principally determined by market forces. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. If the Chinese government does not continue to pursue a policy of economic reform, the level of imports to and exports from China could be adversely affected by changes to these economic reforms by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government, such as changes in laws, regulations or export and import restrictions. Notwithstanding economic reform, the Chinese government may adopt policies that favor domestic shipping and tanker companies and may hinder our ability to compete with them effectively. For example, China imposes a tax for non-resident international transportation enterprises engaged in the provision of services of passengers or cargo, among other items, in and out of China using their own, chartered or leased vessels. The regulation may subject international transportation companies to Chinese enterprise income tax on profits generated from international transportation services passing through Chinese ports. This could have an adverse impact on our charterers’ business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. Moreover, an economic slowdown in the economies of the European Union and other Asian countries may further adversely affect economic growth in China and elsewhere.

In addition, concerns regarding the possibility of sovereign debt defaults by European Union member countries, including Greece, have in the past disrupted financial markets throughout the world, and may lead to weaker consumer demand in the European Union, the United States, and other parts of the world. The possibility of sovereign debt defaults by European Union member countries, including Greece, and the possibility of market reforms to float the Chinese renminbi, either of which development could weaken the Euro against the Chinese renminbi, could adversely affect consumer demand in the European Union. Moreover, the revaluation of the renminbi may negatively impact the United States’ demand for imported goods, many of which are shipped from China. Future weak economic conditions could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders. Our business, financial condition, results of operations, as well as our future prospects, will likely be materially and adversely affected by another economic downturn in any of the aforementioned countries and regions.

The current global economic condition and financial environment, may negatively affect our business.

In recent years, businesses in the global economy have faced periods of slower growth, recessions, limited or no credit or credit on less favorable terms than previously obtained, lower demand for goods and services, reduced liquidity and volatile capital markets. These factors have had, and in part continue to have, a negative effect on the demand for refined petroleum products including fuel oil or bunkers, which, along with diminished trade credit available for the delivery of such cargoes have led to periodic decreased demand for product tankers, creating downward pressure on charter rates and reduced product tanker values. Beginning in February 2020, due in part to fears associated with the spread of COVID-19, global financial markets, and financial markets in the U.S., experienced greater than usual volatility and a steep and abrupt downturn. The volatility and downturn may continue as COVID-19 continues to spread. China’s economy has shown signs of slowing its growth rate, especially due to the recent impact of COVID-19. A significant number of the port calls we expect our vessels to make will likely involve the loading or discharging of cargo in ports in Organization of Economic Cooperation and Development countries (“OECD”) and the Asia Pacific region. We cannot assure you that the Chinese, Indian or Japanese economies, which generate a substantial amount of demand for shipping companies, will not experience a significant contraction or otherwise negatively change in the future, especially due to the recent effects from the turmoil in the Asian capital markets. Moreover, a significant or protracted slowdown in the economies of the United States, the European Union (“EU”) or various Asian countries may adversely affect economic growth in China and elsewhere. In addition, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the overall stability of the Euro. An extended period of adverse development in the outlook for European countries could reduce the overall demand for our services.

Moreover, we operate in a sector of the economy that is likely to be adversely impacted by the effects of political conflicts, including the current political instability in the Middle East and the South China Sea region and other geographic countries and areas, geopolitical events such as the withdrawal of the U.K. from the European Union, or “Brexit,” terrorist or other attacks, and war (or threatened war) or international hostilities, such as those between the United States and North Korea or Iran. Terrorist attacks such as those in New York on September 11, 2001, in London on July 7, 2005, in Mumbai on November 26, 2008 and in Paris on November 13, 2015, and the Manchester on May 22, 2017, as well as the frequent incidents of terrorism in the Middle East, and the continuing response of the United States and others to these attacks, as well as the threat of future terrorist attacks around the world, continues to cause uncertainty in the world’s financial markets and international commerce and may affect our business, operating results and financial condition. Continuing conflicts and recent developments in the Middle East, and including increased tensions between the U.S. and Iran which in January 2020 escalated into a U.S. airstrike in Baghdad that killed a high-ranking Iranian general, as well as the presence of U.S. or other armed forces in Iraq, Syria, Afghanistan and various other regions, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets and international commerce. Additionally, any escalations between the U.S. and Iran could result in retaliation from Iran that could potentially affect the shipping industry, through increased attacks on vessels in the Strait of Hormuz (which already experienced an increased number of attacks on and seizures of vessels in 2019). These uncertainties could also adversely affect our ability to obtain additional financing or insurance on terms acceptable to us or at all. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs. Additionally, Brexit, or similar events in other jurisdictions, could impact global markets, including foreign exchange and securities markets; any resulting changes in currency exchange rates, tariffs, treaties and other regulatory matters could in turn adversely impact our business and operations.

Further, governments may turn and have turned to trade barriers to protect their domestic industries against foreign imports, thereby depressing shipping demand. In particular, leaders in the United States and China have implemented certain increasingly protective trade measures which have been somewhat mitigated by the recent trade deal (first phase trade agreement) between the U.S. and China, which requires the purchase of over USD 50 billion of Chinese energy products including crude oil. Additionally, in March 2018, former President Trump announced tariffs on imported steel and aluminum into the United States that could have a negative impact on international trade generally and in January 2019, the United States announced expanded sanctions against Venezuela, which may have an effect on its oil output and in turn affect global oil supply. The results of the 2020 presidential election in the United States have created significant uncertainty about the future relationship between the United States, China and other exporting countries, including with respect to trade policies, treaties, government regulations and tariffs. However, it is not yet clear how the new United States administration under President Biden may deviate from the former administration's protectionist foreign trade policies. Protectionist developments, or the perception that they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade. Moreover, increasing trade protectionism may cause an increase in (a) the cost of goods exported from regions globally, (b) the length of time required to transport goods and (c) the risks associated with exporting goods. Such increases may significantly affect the quantity of goods to be shipped, shipping time schedules, voyage costs and other associated costs, which could have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations and financial condition.

In Europe, large sovereign debts and fiscal deficits, low growth prospects and high unemployment rates in a number of countries have contributed to the rise of Eurosceptic parties, which would like their countries to leave the Euro. The exit of the United Kingdom from the European Union, or Brexit, and potential new trade policies in the United States further increase the risk of additional trade protectionism.

These issues, along with the re-pricing of credit risk and the difficulties currently experienced by financial institutions, especially those lending in the shipping industry, have made, and will likely continue to make, it difficult to obtain financing. As a result of the disruptions in the credit markets and higher capital requirements, many lenders have enacted tighter lending standards, required more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts), increased margins or lending rates or have refused to refinance existing debt at all. Moreover, certain banks that have historically been significant lenders to the shipping industry have reduced or ceased lending activities in the shipping industry. Further tightening of capital requirements and the resulting policies adopted by lenders, could further reduce lending activities.

Global economic conditions remain fragile with uncertainty surrounding sustainable recovery and long-term prospects. If the current global economic and financial environment persists or worsens, we may be negatively affected in the following ways, among others:

- we may not be able to employ our vessels at charter rates as favorable to us as historical rates or operate our vessels profitably;
- the market value of our vessels could decrease, which may cause us to, among other things, recognize losses if any of our vessels are sold or if their values are impaired, violate covenants in our current loan agreements and future financing agreements and be unable to incur debt at all or on terms that are acceptable to us; and
- we may experience difficulties obtaining financing commitments or be unable to fully draw under loans we arrange in the future if the lenders are unwilling to extend financing to us or unable to meet their funding obligations due to their own liquidity, capital or solvency issues. We cannot be certain that financing will be available on acceptable terms or at all. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our future obligations as they come due. In the absence of available financing, we also may be unable to take advantage of business opportunities or respond to competitive pressures.

The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

The U.K.'s withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.

In June 2016, a majority of voters in the U.K. elected to withdraw from the EU in a national referendum (informally known as “Brexit”), a process that the government of the U.K. formally initiated in March 2017. Since then, the U.K. and the EU negotiated the terms of a withdrawal agreement, which was approved in October 2019 and ratified in January 2020. The U.K. formally exited the EU on January 31, 2020, although a transition period remained in place until December 2020, during which the U.K. was subject to the rules and regulations of the EU while continuing to negotiate the parties’ relationship going forward, including trade deals. On December 24, 2020, the U.K. and the EU entered into a trade and cooperation agreement (the “Trade and Cooperation Agreement”), which was applied on a provisional basis from January 1, 2021. While the new economic relationship does not match the relationship that existed during the time the U.K. was a member state of the EU, the Trade and Cooperation Agreement sets out preferential arrangements in certain areas such as trade in goods and in services, digital trade and intellectual property. Negotiations between the U.K. and the EU are expected to continue in relation to other areas which are not covered by the Trade and Cooperation Agreement. The long term effects of Brexit will depend on the effects of the implementation and application of the Trade and Cooperation Agreement and any other relevant agreements between the U.K. and EU.

It is unclear what long-term economic, financial, trade, and legal implications the withdrawal of the U.K. from the European Union would have and how such withdrawal would affect our business. In addition, Brexit may lead other European Union member countries to consider referendums regarding their European Union membership. Any of these events, along with any political, economic and regulatory changes that may occur, could cause political and economic uncertainty and harm our business and financial results.

Brexit contributes to considerable uncertainty concerning the current and future economic environment. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions, regulatory agencies and financial markets.

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

Fuel, or bunkers, is a significant expense in shipping operations for our vessels employed on the spot market and changes in the price of fuel may adversely affect the Company’s profitability and can have a significant impact on earnings. With respect to our vessels employed on time charter, the charterer is generally responsible for the cost and supply of fuel, but such cost may affect the charter rates we are able to negotiate for our vessels. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations. The cost of fuel is a significant factor in negotiating charter rates and can affect us in both direct and indirect ways. This cost will be borne by us when our tankers are not employed or are employed on voyage charters. Even where the cost of fuel is borne by the charterer, which is the case with all of our existing time charters, that cost may affect the level of charter rates that charterers are prepared to pay. In addition, as of January 1, 2020 the entry into force of the 0.5% global sulfur cap in marine fuels under the International Convention for Prevention of Pollution from Ships (“MARPOL”) Annex VI has initially led to a significant increase in the costs for low sulfur fuel used by vessels that are not equipped with exhaust gas scrubbers. Non-scrubber tankers may become less competitive (compared with ships equipped with exhaust gas scrubbers that can utilize the less expensive high sulfur fuel), and consequently may have difficulty finding employment, command lower charter hire, have difficulty in financing and/or need to be scrapped. Further, fuel may become much more expensive in the future, including as a result of the imposition of lower sulfur oxide emissions under new IMO 2020 regulations, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail. Also, older vessels usually consume more fuel than eco-efficient vessels. Consequently, employment of our older vessels may be lower and less profitable. Changes in the price of fuel may adversely affect our profitability.

If our vessels call on ports located in or operate in countries or territories that are the subject of sanctions or embargoes imposed by the United States, the European Union, the United Nations, or other governmental authorities it could result in monetary fines and penalties and adversely affect our reputation and the market price of our common shares.

Although none of our vessels called on ports located in countries or territories that are the subject of country-wide or territory-wide comprehensive sanctions and/or embargoes imposed by the U.S. government or other applicable governmental authorities (“Sanctioned Jurisdictions”) in violation of applicable sanctions or embargo laws in 2020, and we endeavor to take steps reasonably designed to mitigate such risks, it is possible that, in the future, our vessels may call on ports in Sanctioned Jurisdictions on charterers’ instructions and/or without our consent. If such activities result in a violation of sanctions or embargo laws, we could be subject to monetary fines, penalties, or other sanctions, and our reputation and the market for our common stock could be adversely affected.

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 expanded over time. Current or future counterparties of ours may be affiliated with persons or entities that are, or may be in the future, the subject of sanctions or embargoes imposed by the U.S., the EU, and/or other international bodies. If we determine that such sanctions or embargoes require us to terminate existing or future contracts to which we, or our subsidiaries, are party, or if we are found to be in violation of such applicable sanctions or embargoes, our results of operations may be adversely affected, we could face monetary fines or penalties, or we may suffer reputational harm.

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 at all times 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 our ability to access the U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or refrain from investing, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries or territories identified by the U.S. government as state sponsors of terrorism. The determination by these investors not to invest in, or to divest from, our common stock may adversely affect the price at which our common stock trades. Moreover, 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. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as entering into charters with individuals or entities that are not controlled by the governments of countries or territories that are the subject of certain U.S. sanctions or embargo laws, or engaging in operations associated with those countries or territories pursuant to contracts with third parties that are unrelated to those countries or territories or entities controlled by their governments. Investor perception of the value of our common stock may be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in the countries or territories that we operate in.

Our vessels could be arrested by maritime claimants, which could result in a significant loss of earnings and cash flow if we are not able to post the required security to lift the arrest or attachment.

Generally, under the terms of the time charters for our vessels, a vessel would be placed off-hire (that is, the charterer could cease to pay charter hire) for any period during which it is “arrested” for a reason not arising from the fault of the charterer. Under maritime law in many jurisdictions, and under the International Convention on Arrest of Ships, 1999, crew members, tort claimants, claimants for breach of certain maritime contracts, vessel mortgagees, suppliers of goods and services to a vessel and shippers and consignees of cargo and others entitled to a maritime lien against the vessel may enforce their lien by “arresting” or “attaching” a vessel through court processes. In addition, claims may be brought by parties in hostile jurisdictions or on fictitious grounds or for claims against previous owners, if any, or in respect of previous cargoes. Any such claims could lead to the arrest of the vessel, against which the ship owner would have to post security to have the arrest lifted and to defend against such claims.

In addition, in those countries adopting the International Convention on Arrest of Ships, 1999, and in certain other jurisdictions, such as South Africa, under the “sister ship” theory of liability, a claimant may arrest not only the vessel with respect to which the claimant’s maritime lien has arisen, but also any “associated” vessel owned or controlled by the legal or beneficial owner of that vessel. While in some of the jurisdictions which have adopted this doctrine, liability for damages is limited in scope and would only extend to a company and its vessel-owning subsidiaries, there can be no assurance that liability for damages caused by a vessel managed by an unaffiliated party, ITM, would not be asserted against us or one or more of our vessels. The arrest of one or more vessels in our fleet could result in a material loss of cash flow for us and/or require us to pay substantial sums to have the arrest lifted.

The smuggling or alleged smuggling of drugs or other contraband onto the Company's vessels may lead to governmental claims against the Company.

The Company expects that its vessels will call in ports where smugglers may attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent the Company's vessels are found with or accused to be carrying contraband, whether inside or attached to the hull of our vessels and whether with or without the knowledge of any of its crew, the Company may face governmental or other regulatory claims which could have an adverse effect on the Company's business, financial condition, results of operations and cash flows. Additionally, such events could have consequences on our share price.

Governments could requisition our vessels during a period of war or emergency.

A government could take actions for requisition of title, hire or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes its owner. Also, a government could requisition our vessels for hire, which occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Although we would expect to be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of payment, if any, would be uncertain. Government requisition of one or more of our vessels could negatively impact our business, results of operations and financial condition.

Increasing scrutiny and changing expectations from investors, lenders and other market participants with respect to our 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. Companies which 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 the business, financial condition, and/or stock price of such a company could be materially and adversely affected.

We may face increasing pressures from investors, lenders and other market participants, who 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. If we do not meet these standards, our business and/or our ability to access capital could be harmed.

Additionally, certain investors and lenders may exclude shipping companies, such as us, from their investing portfolios altogether due to environmental, social and governance factors. These limitations in both the debt and equity capital markets may affect our ability to develop as our plans for growth may include accessing the equity and debt capital markets. If those markets are unavailable, or if we are unable to access alternative means of financing on acceptable terms, or at all, we may be unable to implement our business strategy, which would have a material adverse effect on our financial condition and results of operations and impair our ability to service our indebtedness. Further, it is likely that 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 and financial condition.

We are subject to increasingly complex laws and regulations, including environmental and safety laws and regulations, which expose us to liability and significant additional expenditures, and can adversely affect our insurance coverage and access to certain ports as well as our business, results of operations and financial condition.

Our operations are affected by extensive and changing international, national and local laws, regulations, treaties, conventions and standards in force in international waters, the jurisdictional waters of the countries in which our vessels operate, as well as the countries of our vessels' registration.

These laws and regulations include, but are not limited to, the U.S. Oil Pollution Act of 1990 (the “OPA”), requirements of the U.S Coast Guard (“USCG”) and the U.S. Environmental Protection Agency (the “EPA”), the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980 (the “CERCLA”), the U.S. Clean Air Act of 1970 (as amended from time to time and referred to herein as the “CAA”), the U.S. Clean Water Act of 1972 (as amended from time to time and referred to herein as the “CWA”), the International Maritime Organization (the “IMO”), the International Convention on Civil Liability for Oil Pollution Damage of 1969 (as amended from time to time and referred to herein as the “CLC”), the IMO International Convention on Civil Liability for Bunker Oil Pollution Damages (the “Bunker Convention”), MARPOL, including designation of Emission Control Areas (“ECAs”) thereunder, the IMO International Convention for the Safety of Life at Sea of 1974 (as amended from time to time and referred to herein as the “SOLAS Convention”) and the International Management Code for the Safe Operation of Ships and Pollution Prevention (the “ISM Code”) promulgated thereby, the International Convention for the Control and Management of Ships’ Ballast Water and Sediments (the “BWM Convention”), the IMO International Convention on Load Lines of 1966 (as from time to time amended) (the “LL Convention”), the U.S. Maritime Transportation Security Act of 2002 (the “MTSA”), the International Labour Organization (“ILO”), the Maritime Labour Convention, EU regulations, and the International Ship and Port Facility Security Code (the “ISPS Code”).

Environmental laws often impose strict 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 OPA, for example, owners, operators and bareboat charterers are jointly and severally 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 and remediation costs for natural resource damages under other 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.

The safe operation of our vessels is affected by the requirements of the ISM Code, promulgated by the IMO under the SOLAS Convention. 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, we may be subject to increased liability, invalidation of our existing insurance, or reduction in available insurance coverage for our affected vessels. Such noncompliance may also result in a denial of access to, or detention in, certain ports which could have a material adverse impact on the Company’s business, results of operations and financial condition.

Compliance with such laws and regulations, where applicable, may require installation of costly equipment, vessel modifications, operational changes or restrictions, a reduction in cargo-capacity and may affect the resale value or useful lives of our vessels as well as result in the denial of access to, or detention in, certain jurisdictional waters or ports. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to 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 and insurance coverage or other financial assurance of our ability to address pollution incidents. Government regulation of the shipping industry, particularly as it may relate to safety, ship recycling requirements, greenhouse gas emissions and climate change, and other environmental matters, can be expected to become stricter in the future, and may require us to incur significant capital expenditures on our vessels to keep them in compliance, may require us to scrap or sell certain vessels altogether, may reduce the residual value we receive if a vessel is scrapped, and may generally increase our compliance costs. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of operations. Increased inspection procedures could increase costs and disrupt our business. International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination and trans-shipment points. Inspection procedures can result in the seizure of the cargo and/or our vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us. It is possible that changes to inspection procedures could impose additional financial and legal obligations on us, 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. All of the above, including any changes or developments, both individually and cumulatively, could have a material adverse effect on our business, results of operations and financial condition.

Recent action by the IMO’s Maritime Safety Committee and U.S. agencies indicates that cyber-security regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cyber-security threats. This might cause companies to cultivate additional procedures for monitoring cyber-security, which could require additional expenses and/or capital expenditures. However, the impact of such regulations is hard to predict at this time.

The failure to maintain class certifications of authorized classification societies on one or more of our vessels would affect our ability to employ such vessels.

The hull and machinery of every commercial vessel must be certified as meeting its class requirements by a classification society authorized by the vessel's country of registry. The classification society certifies that the vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the SOLAS Convention. The operating vessels in our fleet are classed by the major classification societies, Nippon Kaiji Kyokai ("NKK") and Det Norske Veritas ("DNV GL"). ITM and the vessels in our fleet have also been awarded certifications from major classification societies under the ISM Code. In order for a vessel to maintain its classification, the vessel must undergo annual surveys, intermediate surveys 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 from time to time over a five-year period. All of the vessels in our fleet on time charters or operating on the spot market are on special survey cycles for both hull and machinery inspection. Every vessel may also be required to be dry-docked every two to three years for inspection of the underwater parts of the vessel. If a vessel fails any survey or otherwise fails to maintain its class, the vessel will be unable to trade and will be unemployable, and may subject us to claims from the charterer if it has chartered the vessel, which would negatively impact our revenues as well as our reputation.

We could be adversely affected by violations of the FCPA and similar worldwide anti-bribery laws.

The FCPA and similar worldwide anti-bribery laws generally prohibit companies and their intermediaries from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Our policies mandate compliance with these laws. In certain circumstances, third parties may request our employees and agents to make payments that may not comply with the FCPA and other anti-bribery laws. Despite such compliance program, we cannot assure you that our internal control policies and procedures always will protect us from reckless or negligent acts committed by our employees or agents. Violations of these laws, or allegations of such violations, could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions and could have a negative impact on our business, results of operations and financial condition. In addition, actual or alleged violations could damage the Company's reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of the Company's senior management.

The Company obtains some of its insurance through protection and indemnity associations, which could result in significant additional premium payments.

The Company may be subject to increased premium payments, or calls, in amounts based on its claim records, the claim records of Maritime or ITM, as well as the claim records of other members of the protection and indemnity associations through which the Company receives insurance coverage for tort liability, including pollution-related liability. The Company's protection and indemnity associations may not have sufficient resources to cover claims made against them. The Company's payment of these calls could result in significant expense to the Company, which could have a material adverse effect on us. Changes in the insurance markets or increased risks to other members of the Company's protection and indemnity associations attributable to terrorist attacks, piracy, environmental disasters or other maritime and non-maritime perils may cause increases to premiums and may make certain types of insurance more difficult for the Company to obtain due to increased premiums or reduced or restricted coverage, which could have a material adverse impact on its business, results of operations and financial condition.

We are subject to funding calls by our protection and indemnity associations, and our associations may not have enough resources to cover claims made against them.

We are indemnified for certain liabilities incurred while operating our vessels through membership in protection and indemnity associations, which are mutual insurance associations whose members contribute to cover losses sustained by other association members. Claims are paid through the aggregate premiums (typically annually) of all members of the association, although members remain subject to calls for additional funds if the aggregate premiums are insufficient to cover claims submitted to the association. Claims submitted to the association may include those incurred by members of the association, as well as claims submitted to the association from other protection and indemnity associations with which our association has entered into inter-association agreements. We cannot assure you that the associations to which we belong will remain viable.

We will incur additional costs to retrofit ballast water treatment systems in our vessels to comply with new regulations.

Vessels unload ballast water during passage by taking ballast water in one port and unloading it in another. This helps maintain safety and stability. However, the ballast water can contain local organisms and pathogens. When vessels unload ballast water they can then release organisms and pathogens in different parts of the world, which can be invasive to that local ecosystem. To avoid transfers of invasive species in ballast water, the IMO and United States have regulations that require ballast water is treated prior to the discharge. In order to comply with IMO and U.S. ballast water regulations, we are required to install ballast water treatment plants on all MR's by September 2023.

In February 2004, the IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments. The BWM Convention aims to prevent the spread of harmful aquatic organisms from one region to another by establishing standards and procedures for the management and control of ships' ballast water and sediments. The BWM Convention contains an environmentally protective numeric standard for the treatment of 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 "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. Depending on the date of the IOPP renewal survey, existing vessels constructed before September 8, 2017 must comply with the updated D-2 standard on or after September 8, 2019. Ships constructed on or after September 8, 2017 are to comply with the D-2 standards on or after September 8, 2017.

Vessels trading internationally will have to comply with the BWM Convention upon their next special survey after September 8, 2019 and for an MR2 tanker, the retrofit cost could be as much as \$0.75 million per vessel including labor. The cost of compliance per vessel for us is estimated to be \$0.6 million, depending on specifications of the vessel. Significant investments in ballast water treatment systems ("BWTS") may have a material adverse effect on our future performance, results of operations, cash flows and financial position depending on the ability to install effective ballast water treatment systems, including ship yard availability, and the extent to which existing vessels must be modified to accommodate such systems

As of the date of this filing, two vessels in the Company's fleet, *Pyxis Malou* and *Pyxis Epsilon*, have a BWTS installed. The Company cannot be assured that this system will continue to be approved by the regulatory bodies of every jurisdiction in which it may wish to conduct its business. Accordingly, the Company may have to make additional investments in these vessels and substantial investments in the remaining medium range ("MR") tanker, the *Pyxis Theta*, that does not carry such equipment. Also, as part of future loan agreements, lenders may require us to periodically deposit additional funds as a reserve to cover these types of expenditures.

Furthermore, United States regulations are currently changing. Although the 2013 Vessel General Permit ("VGP") program and U.S. National Invasive Species Act ("NISA") are currently in effect to regulate ballast discharge, exchange and installation, the Vessel Incidental Discharge Act ("VIDA"), which was signed into law on December 4, 2018, requires that the EPA develop national standards of performance for approximately 30 discharges, similar to those found within the VGP, within two years. On October 26, 2020, the EPA published a Notice of Proposed Rulemaking for Vessel Incidental Discharge National Standards of Performance under VIDA. Within two years after the EPA publishes its final Vessel Incidental Discharge National Standards of Performance, 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.

Developments in safety and environmental requirements relating to the recycling of vessels may result in escalated and unexpected costs.

The 2009 Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships (the "Hong Kong Convention") aims to ensure ships, being recycled once they reach the end of their operational lives, do not pose any unnecessary risks to the environment, human health, and safety. The Hong Kong Convention has yet to be ratified by the required number of countries to enter into force. Upon the Hong Kong Convention's entry into force, however, each ship sent for recycling will have to carry an inventory of its hazardous materials. The hazardous materials, whose use or installation is prohibited in certain circumstances, are listed in an appendix to the Hong Kong Convention. Ships will be required to have surveys to verify their inventory of hazardous materials initially, throughout their lives, and prior to the ship being recycled.

The Hong Kong Convention will enter into force 24 months after the date on which 15 IMO Member States, representing 40% of world merchant shipping by gross tonnage, have ratified or approved accession. As of the date of this Annual Report, 16 countries have ratified or approved accession of the Hong Kong Convention, but the requirement of 40% of world merchant shipping by gross tonnage has not yet been satisfied. Even though the Hong Kong Convention is currently not in effect, the European Parliament and the Council of the EU have adopted the Ship Recycling Regulation, which retains the requirements of the Hong Kong Convention and requires that certain commercial seagoing vessels flying the flag of an EU Member State may be recycled only in facilities included on the European list of permitted ship recycling facilities. We are required to comply with EU Ship Recycling Regulation by December 31, 2020, since our ships trade in EU region.

These regulatory developments, when implemented, may lead to cost escalation by shipyards, repair yards and scrap yards. This may then result in a decrease in the residual scrap value of a vessel, and a vessel could potentially not cover the cost to comply with latest requirements which may have an adverse effect on our future performance, results of operations, cash flows and financial position.

Climate change and greenhouse gas restrictions may adversely impact our operations, markets and capital sources.

Due to concern over the risk of climate change, a number of countries and the IMO have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. These regulatory measures may include, among others, adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. More specifically, on October 27, 2016, the International Maritime Organization's Marine Environment Protection Committee announced its decision concerning the implementation of regulations mandating a reduction in sulfur emissions from 3.5% currently to 0.5% as of the beginning of January 1, 2020. Since January 1, 2020, ships must either remove sulfur from emissions or buy fuel with low sulfur content, which may lead to increased costs and supplementary investments for ship owners. The interpretation of "fuel oil used on board" includes use in main engine, auxiliary engines and boilers. Shipowners may comply with this regulation by (i) using 0.5% sulfur fuels on board, which are available around the world but at a higher cost; (ii) installing scrubbers for cleaning of the exhaust gas; or (iii) by retrofitting vessels to be powered by liquefied natural gas, which may not be a viable option due to the lack of supply network and high costs involved in this process. Costs of compliance with these regulatory changes may be significant and may have a material adverse effect on our future performance, results of operations, cash flows and financial position.

Additionally, 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, meaning that specific regulations on this are forthcoming and will require shipowners to buy permits to cover such emissions.

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions with targets extended through 2020. International negotiations are continuing with respect to a successor to the Kyoto Protocol, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the U.S. and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016 and does not directly limit greenhouse gas emissions from ships. The U.S. initially entered into the agreement, but on June 1, 2017, the U.S. President announced that the United States intends to withdraw from the Paris Agreement, which provides for a four-year exit process, meaning that the earliest possible effective withdrawal date cannot be before November 4, 2020. However, on January 20, 2021, newly-elected U.S. President Biden signed an executive order to rejoin the Paris Agreement, which the U.S. officially rejoined on February 19, 2021. The effect of such action has yet to be determined. Compliance with changes in laws, regulations and obligations relating to climate change could increase our costs related to operating and maintaining our vessels and require us to install new emission controls, acquire allowances or pay taxes related to our greenhouse gas emissions or administer and manage a greenhouse gas emissions program. Revenue generation and strategic growth opportunities may also be adversely affected.

On June 29, 2017, the Global Industry Alliance ("GIA"), was officially inaugurated. The GIA is a program, under the Global Environmental Facility-United Nations Development Program-IMO project, which supports shipping, and related industries, as they move towards a low carbon future. Organizations including, but not limited to, shipowners, operators, classification societies and oil companies, signed to launch the GIA.

Adverse effects upon the oil and gas industry relating to climate change, including growing public concern about the environmental impact of climate change, may also adversely affect demand for our services and investor interest in our common stock. For example, increased regulation of greenhouse gases or other concerns relating to climate change may reduce the demand for oil and gas in the future or create greater incentives for use of alternative energy sources and electric powered vehicles. Therefore, any long-term material adverse effect on the oil and gas industry could have a material adverse effect on our future performance, results of operations, cash flows and financial position. Also, increasing focus and selectivity by investors and certain lenders on environmentally sensitive and sustainable public companies could make our stock less appealing or bank debt to be become more restricted and/or costly due to the nature of our business. Please read "Item 4. Information on the Company – B. Business Overview – Environmental and Other Regulations in the Shipping Industry" in this Annual Report, incorporated by reference herein.

Technological innovation and quality and efficiency requirements from our customers could reduce our charter hire income and the value of our vessels.

Our customers, in particular those in the oil industry, have a high and increasing focus on quality and compliance standards with their suppliers across the entire supply chain, including the shipping and transportation segment. Our continued compliance with these standards and quality requirements is vital for our operations. 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 harbors, 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, the impact of the stress of operations and stipulations from classification societies. If new product 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 we receive for our vessels once their initial charters expire and the resale value of our vessels could significantly decrease. As a result, our financial condition and available cash could be adversely affected.

Risks Related to Our Business and Operations

We recently had a working capital deficit and may not be able to fund our ongoing operations.

We are operating in a challenging market with low charter rates and vessel utilization, which has significantly weakened our liquidity. We have incurred a net loss to common shareholders of \$7.0 million for the year ended December 31, 2020 and have a working capital deficit of \$2.9 million at December 31, 2020. Additionally, as of December 31, 2020, there was no amount available for us to draw down under our existing loan agreements.

In order to avoid there being substantial doubt about our ability to fund future operations, meet our obligations as they become due and help us fund our growth plans, we recently completed the 2021 Private Placement Transaction (as defined below), which generated \$23.1 million in net proceeds as well as refinanced the outstanding loan for the *Pyxis Epsilon* which extended our debt maturities and reduced interest costs.

We operate in highly competitive international markets.

The product tanker industry is highly fragmented, with many charterers, owners and operators of vessels, and the transportation of refined petroleum products is characterized by intense competition. Competition arises primarily from other tanker owners, including major oil companies as well as independent tanker companies, some of which have substantially greater financial and other resources than we do. Although we believe that no single competitor has a dominant position in the markets in which we compete, the trend towards consolidation in the industry is creating an increasing number of global enterprises capable of competing in multiple markets, which will likely result in greater competition to us. Our competitors may be better positioned to devote greater resources to the development, promotion and employment of their businesses than we are. Competition for charters, including for the transportation of refined petroleum products, is intense and depends on price as well as on vessel location, size, age, condition and acceptability of the vessel and its operator to the charterer and reputation. Competition may increase in some or all of our principal markets, including with the entry of new competitors. We may not be able to compete successfully or effectively with our competitors and our competitive position may be eroded in the future, which could have an adverse effect on our business, results of operations and financial condition.

Because we intend to charter some of the vessels in our fleet in the spot market or in pools trading in the spot market, we expect to have exposure to the cyclicity and volatility of the spot charter market and incur additional working capital. As of April 6, 2021, we operated two vessels in the spot market which is highly competitive and volatile. Spot charter rates may fluctuate dramatically based on the competitive factors listed in the preceding risk factor. Significant fluctuations in spot charter rates may result in significant fluctuations in our ability to continuously re-charter our vessels upon the expiration or termination of their current spot charters and in the earnings of our vessels operating on the spot market. Since we charter some of our vessels on the spot market, and may in the future also admit our vessels in pools trading on the spot market, we have exposure to fluctuations in cash flows due to the cyclicity and volatility of the spot charter market. By focusing the employment of some of the vessels in our fleet on the spot market, we will benefit if conditions in this market strengthen. However, we will also be particularly vulnerable to declining spot charter rates. Future spot charters may continue to be at the rates currently prevailing in the spot market at which we cannot operate our vessels profitably and may fall further. If spot charter rates remain at current levels or decrease further, our earnings will be adversely impacted to the extent we have vessels trading on the spot market. Trading our vessels in the spot market or in pools requires greater working capital than operating under a time charter as the vessel owner is responsible for various voyage related costs, such as, fuel, port and canal charges, as well as additional timing for collections of charter receivables, including additional demurrage revenues.

We may be unable to secure medium- and long-term employment for our vessels at profitable rates and present and future vessel employment could be adversely affected by an inability to clear the oil majors' risk assessment process.

One of our strategies is to explore and selectively enter into or renew medium- and long-term, fixed rate time and, possibly, bareboat charters for some of the vessels in our fleet in order to provide us with a base of stable cash flows and to manage charter rate volatility. However, the process for obtaining longer term charters is highly competitive and generally involves a lengthier and intense screening and vetting process and the submission of competitive bids, compared to shorter term charters. Shipping, and especially refined petroleum product tankers have been, and will remain, heavily regulated. The so-called "oil majors", together with a number of commodities traders, represent a significant percentage of the production, trading and shipping logistics (terminals) of refined products worldwide. Concerns for the environment have led the oil majors to develop and implement a strict ongoing due diligence process when selecting their commercial partners. This vetting process has evolved into a sophisticated and comprehensive risk assessment of both the vessel operator and the vessel, including physical ship inspections, completion of vessel inspection questionnaires performed by accredited inspectors and the production of comprehensive risk assessment reports.

In addition to the quality, age and suitability of the vessel, longer term charters tend to be awarded based upon a variety of other factors relating to the vessel operator, including:

- office assessments and audits of the vessel operator;
- the operator's environmental, health and safety record;
- compliance with heightened industry standards that have been set by several oil companies and other charterers;
- compliance with the standards of the IMO;
- compliance with several oil companies and other charterers' codes of conduct, policies and guidelines, including transparency, anti-bribery and ethical requirements and relationships with third-parties;
- shipping industry relationships, reputation for customer service, technical and operating expertise and safety record;
- shipping experience and quality of ship operations, including cost-effectiveness;

- quality, experience and technical capability of crews;
- the ability to finance vessels at competitive rates and overall financial stability;
- relationships with shipyards and the ability to obtain suitable berths with on-time delivery of new vessels according to customer's specifications;
- willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

We cannot assure you that we would be successful in winning medium- and long-term employment for our vessels at profitable rates.

A substantial portion of our revenues is derived from a limited number of customers, and the loss of any of these customers could result in a significant loss of revenues and cash flow.

We currently derive substantially all of our revenues from a limited number of customers. In 2019, three customers accounted for approximately 86% of our total revenues with one customer accounting for 71% of our total revenues and in 2020, two customers accounted for approximately 74% of our total revenues, one of which accounted for 58% of our total revenues. The loss of any significant customer or a decline in the amount of services provided to a significant customer could have a material adverse effect on our future performance, results of operations, cash flows and financial position.

Additionally, oil and natural gas companies, refineries and energy companies have undergone significant consolidation. Further consolidation is possible and could result in fewer companies to charter or contract our services. Merger activity may result in a budget for a combined company that is less than the combined budget of the companies before consolidation. Future consolidation of the Company's customer base could reduce demand for our vessels and could have a material adverse impact on our business, results of operations and financial condition.

Our financial performance and operations may be adversely affected by outbreaks of infectious diseases, such as the ongoing COVID-19 pandemic, and related governmental responses.

Since the beginning of calendar year 2020, the outbreak of COVID-19 that originated in China in late 2019 and that has spread to most nations around the globe has resulted in numerous actions taken by governments and governmental agencies in an attempt to mitigate the spread of the virus, including travel bans, quarantines, and other emergency public health measures, and a number of countries implemented lockdown measures. These measures have resulted in a significant reduction in global economic activity and extreme volatility in the global financial markets. If the COVID-19 pandemic continues on a prolonged basis or becomes more severe, the adverse impact on the global economy and the rate environment for tankers may deteriorate further and our operations and cash flows may be negatively impacted. Relatively weak global economic conditions during periods of volatility have and may continue to have a number of adverse consequences for tankers and other shipping sectors, including, among other things:

- low charter rates, particularly for vessels employed on short-term time charters or in the spot market;
- decreases in the market value of tankers and limited second-hand market for the sale of vessels;
- limited and higher cost of financing for vessels;
- loan covenant defaults; and
- declaration of bankruptcy by certain vessel operators, vessel owners, shipyards and charterers.

The COVID-19 pandemic and measures to contain its spread have negatively impacted regional and global economies and trade patterns in markets in which we operate, the way we operate our business, and the businesses of our charterers and suppliers. These negative impacts could continue or worsen, even after the pandemic itself diminishes or ends. Companies, including us, have also taken precautions, such as requiring employees to work remotely and imposing travel restrictions, while some other businesses have been required to close entirely. Moreover, we and our managers face significant risks to personnel and operations due to the COVID-19 pandemic. The crews on our vessels face risk of exposure to COVID-19 as a result of travel to ports in which cases of COVID-19 have been reported. Our shore-based personnel likewise face risk of such exposure, as we maintain offices in areas that have been impacted by the spread of COVID-19.

Measures against COVID-19 in a number of countries have restricted crew rotations on our vessels, which may continue or become more severe. As a result, in 2020, we experienced and may continue to experience disruptions to our normal vessel operations caused by increased deviation time associated with positioning our vessels to countries in which we can undertake a crew rotation in compliance with such measures. Delays in crew rotations have led to issues with crew fatigue and may continue to do so, which may result in delays or other operational issues. We have had and expect to continue to have increased expenses due to incremental fuel consumption and days in which our vessels are unable to earn revenue in order to deviate to certain ports on which we would ordinarily not call during a typical voyage. We may also incur additional expenses associated with testing, personal protective equipment, quarantines, and travel expenses such as airfare costs in order to perform crew rotations in the current environment. Delays in crew rotations may also cause us to incur additional costs related to crew bonuses paid to retain the existing crew members on board and may continue to do so.

The COVID-19 pandemic and measures in place against the spread of the virus have led to a difficult environment in which to dispose of vessels given difficulty to physically inspect vessels. The impact of COVID-19 has also resulted in reduced industrial activity globally, with temporary closures of factories and other facilities, labor shortages and restrictions on travel. We believe these disruptions along with other factors, including lower demand for some of the cargoes we carry, have contributed to lower tanker rates in the second half of 2020.

Epidemics may also affect personnel operating payment systems through which we receive revenues from the chartering of our vessels or pay for our expenses, resulting in delays in payments. Organizations across industries, including ours, are rightly focusing on their employees' well-being, while making sure that their operations continue undisrupted and at the same time, adapting to the new ways of operating. As such employees are encouraged or even required to operate remotely which could increase the risk of cyber security attacks.

While it is still too early to fully assess the overall impact that COVID-19 will have on our financial condition and operations and on the tanker industry in general, we assess that the tanker charter rates have been reduced significantly as a result of COVID-19 after an initial increase in rates through the spring of 2020 and that the shipping industry in general and our Company specifically are likely to continue to be exposed to volatility in the near term.

Further, containment measures and quarantine restrictions adopted by many countries worldwide have caused significant impact on our ability to embark and disembark crew members and on our seafarers themselves. As a result, since the outbreak of COVID-19 and as of the date of this Annual Report, we have encountered certain delays and surrounding complexities in embarking and disembarking crew onto our ships which further resulted in increased operational costs and decreased revenues by reason of off-hires associated with crew rotation and related logistical complications associated with supplying our vessels with spares

or other supplies.

The occurrence or continued occurrence of any of the foregoing events or other epidemics or an increase in the severity or duration of the COVID-19 or other epidemics could have a material adverse effect on our business, results of operations, cash flows, financial condition, and value of our vessels.

The Company's growth depends on its ability to expand relationships with existing customers and obtain new customers, for which it will face substantial competition.

The process of obtaining new charters is highly competitive, generally involves an intensive screening process and competitive bids and often extends for several months. Contracts are awarded based upon a variety of factors, including:

- the owner's management experience;
- the operator's industry relationships, experience and reputation for customer service, quality operations and safety;
- the quality and age of the vessels;
- the quality, experience and technical capability of the crew;
- the operator's willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- the competitiveness of the bid in terms of overall price.

The Company's ability to obtain new customers will also depend upon a number of factors, many of which are beyond our control, including:

- our ability to:
 - successfully manage our liquidity and obtain the necessary financing to fund our anticipated growth;
 - identify and consummate desirable acquisitions, joint ventures or strategic alliances; and
 - identify and capitalize on opportunities in new markets;
- ITM's ability to:
 - attract, hire, train and retain qualified personnel and managers to manage and operate its fleet; and
 - being approved through the vessel vetting process of certain charterers.

If we cannot meet our customers' quality and compliance requirements, we may not be able to operate our vessels profitably which could have an adverse effect on our future performance, results of operations, cash flows and financial condition.

Our customers, in particular those in the petroleum products industry, have a high and increasing focus on quality and compliance standards with their suppliers across the entire value chain, including the shipping and transportation segment. Our continuous compliance with these standards and quality requirements is vital for our operations. Related risks could materialize in multiple ways, including a sudden and unexpected breach in quality and/or compliance concerning one or more vessels, or a continuous decrease in the quality concerning one or more vessels occurring over time. Moreover, continuous increasing requirements from petroleum products industry customers can further complicate our ability to meet the standards. Any noncompliance by us, either suddenly or over a period of time, on one or more vessels, or an increase in requirements by petroleum products operators above and beyond what we deliver, may have a material adverse effect on our future performance, results of operations, cash flows and financial condition.

We may not be able to successfully mix our charter durations profitably.

It may be difficult to properly balance time and spot charters and anticipate trends in these markets. If we are successful in employing vessels under medium- and long-term charters, those vessels will not be available for the spot market during an upturn in the product tanker demand cycle, when spot trading may be more profitable. By contrast, at the expiration of our charters, if a charter terminates early for any reason or if we acquire vessels charter-free, we may want to charter or re-charter our vessels under medium- and long-term charters. Should more vessels be available on the spot or short-term market at the time we are seeking to fix new medium- to long-term time charters, we may have difficulty entering into such charters at profitable rates and for any term other than a short-term and, as a result, our cash flow may be subject to instability. A more active short-term or spot market may require us to enter into charters on all our vessels based on fluctuating market rates, as opposed to long-term contracts based on a fixed rate, which could result in a decrease in our cash flow in periods when the charter rates for product tankers are depressed. If we cannot successfully employ our vessels in a profitable mix of medium- and long-term time charters and on the spot market, our business, results of operations and financial condition could be adversely affected.

We have limited current liquidity and have become reliant on Maritime and Maritime Investors , entities affiliated with our Chairman and Chief Executive Officer, Mr. Valentis, for our short-term working capital financing.

At December 31, 2020, we had cash and cash equivalents and restricted cash of \$4.0 million. Of this amount, \$2.4 million was restricted cash deposits required by our lenders. At December 31, 2019, Maritime had extended \$6.8 million of advances which we used to pay various operating costs, debt service and other obligations. Through December 31, 2020, amounts due to Maritime were repaid and the balance due from Maritime as at December 31, 2020, amounted to \$2.3 million which was used to prepay management fees and certain vessel dry docking costs. In the near-term, Maritime may advance or receive from us additional funds for similar purposes. Currently there are no specific repayment terms with respect to these advances, which Maritime controls as our manager. We cannot assure you that in the future Maritime will continue to provide these advances or other working capital funding on similar or different terms, or at all. If our operating cash flows are insufficient to satisfy our liquidity needs, we may have to rely on the sale of assets or additional debt or equity financings to raise adequate funds or restructure our indebtedness, or a combination thereof.

Also, on October 28, 2015, we and Maritime Investors entered into a promissory note, which as subsequently amended and supplemented, has an outstanding principal balance of \$5.0 million payable on a quarterly basis at an annual interest rate of 9.0%, of which 4.5% is payable in cash and 4.5% in restricted common stock (the “Amended and Restated Promissory Note”). Please refer to “Item 7. Major Shareholders and Related Party Transactions” below for more information.

An inability to continue this financing in the future from Maritime or Maritime Investors, or the imposition by Maritime of repayment terms that are unfavorable to us may negatively affect our liquidity position and our ability to fund our ongoing operations.

Counterparties, including charterers or technical managers, could fail to meet their obligations to us.

We enter into, among other things, memoranda of agreement, charter parties, ship management agreements and loan agreements with third parties with respect to the purchase and operation of our fleet and our business. Such agreements subject us to counterparty risks. The ability and willingness of each of our counterparties to perform its obligations under these agreements with us depends 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. In particular, we face credit risk with our charterers. It is possible that not all of our charterers will provide detailed financial information regarding their operations. As a result, charterer risk is largely assessed on the basis of our charterers’ reputation in the market, and even on that basis, there can be no assurance that they can or will fulfill their obligations under the contracts we enter into with them.

Charterers are sensitive to the commodity markets and may be impacted by market forces affecting commodities. In addition, 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. Should a charterer counterparty fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for that vessel, and any new charter arrangements we secure on the spot market or on substitute charters may be at lower rates depending on the then existing charter rate levels. The costs and delays associated with the default by a charterer under a charter of a vessel may be considerable. In addition, if the charterer of a vessel in our fleet that is used as collateral under our loan agreements defaults on its charter obligations to us, such default may constitute an event of default under our loan agreements, which may allow the banks to exercise remedies under our loan agreements.

As a result of these risks, we could sustain significant losses, which could have a material adverse effect on our business, results of operations and financial condition.

We depend on ITM and Maritime to operate our business and our business could be harmed if they fail to perform their services satisfactorily.

Pursuant to our management agreements, ITM provides us with day-to-day technical management services (including crewing, maintenance, repair, dry-dockings and maintaining required vetting approvals) and Maritime provides us with ship management and administrative services for our vessels. Our operational success depends significantly upon ITM and Maritime's satisfactory performance of these services, including their abilities to attract and retain highly skilled and qualified personnel, particularly seamen and on-shore staff who deal directly with vessel operations. Our business would be harmed if ITM or Maritime failed to perform these services satisfactorily. In addition, if our management agreements with either ITM or Maritime were to be terminated or if their terms were to be altered, our business could be adversely affected, as we may not be able to immediately replace such services, and even if replacement services were immediately available, the terms offered could be less favorable than those under our management agreements. A change of technical manager may require approval by certain customers of ours for employment of a vessel.

Our ability to compete for and enter into new period time and spot charters and to expand our relationships with our existing charterers will depend largely on our relationship with ITM and Maritime, and their respective reputation and relationships in the shipping industry. If ITM or Maritime suffers material damage to its reputation or relationships, it may harm our ability to:

- obtain new charters;
- obtain financing on commercially acceptable terms;
- maintain satisfactory relationships with our charterers and suppliers; and
- successfully execute our business strategies.

If our ability to do any of the things described above is impaired, it could have a material adverse effect on our business, results of operations and financial condition.

We may fail to successfully control our operating and voyage expenses.

Our operating results are dependent on our ability to successfully control our operating and voyage expenses. Under our ship management agreements with ITM we are required to pay for vessel operating expenses (which includes crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses), and, for spot charters, voyage expenses (which include bunker expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and conversions). These expenses depend upon a variety of factors, many of which are beyond our or the technical manager's control, including unexpected increases in costs for crews, insurance or spare parts for our vessels, unexpected dry-dock repairs, mechanical failures or human error (including revenue lost in off-hire days), vessel age, arrest action against our vessels due to failure to pay debts, disputes with creditors or claims by third parties, labor strikes, severe weather conditions, any quarantines of our vessels and uncertainties in the world oil markets. Some of these costs, primarily relating to voyage expenses, have been increasing and may increase, possibly significantly, in the future. Repair costs are unpredictable and can be substantial, some of which may not be covered by insurance. If our vessels are subject to unexpected or unscheduled off-hire time, it could adversely affect our cash flow and may expose us to claims for liquidated damages if the vessel is chartered at the time of the unscheduled off-hire period. The cost of dry-docking repairs, additional off-hire time, an increase in our operating expenses and/or the obligation to pay any liquidated damages could adversely affect our business, results of operations and financial condition.

In addition, to the extent our vessels are employed under spot charters in the future, our expenses may be impacted by increases in bunker costs and by canal costs, including the cost of canal-related delays incurred by employment of the vessels on certain routes. Unlike time charters in which the charterer bears all bunker and canal costs, in spot charters we bear these costs. Because it is not possible to predict the future price of bunker or canal-related costs when fixing spot charters, a significant rise in these costs could have an adverse impact on the costs associated with any spot charters we enter into and our earnings. Additionally, an increase in the price of bunkers beyond our expectations may adversely affect our profitability at the time we negotiate time or bareboat charters, and new LSFO rules may result in a significant increase in vessel fuel costs starting in 2020.

We will be required to make substantial capital expenditures, for which we may be dependent on additional financing, to maintain the vessels we own or to acquire other vessels.

We must make substantial capital expenditures to maintain, over the long-term, the operating capacity of our fleet. Our business strategy is also based in part upon the expansion of our fleet through the purchase of additional vessels. Maintenance capital expenditures include dry-docking expenses, modification of existing vessels or acquisitions of new vessels to the extent these expenditures are incurred to maintain the operating capacity of our fleet. In addition, we expect to incur significant maintenance costs for our current and any newly-acquired vessels. A newbuilding vessel must be dry-docked within five years of its delivery from a shipyard, and vessels are typically dry-docked every 30 to 60 months thereafter depending on the vessel, not including any unexpected repairs. We estimate the cost to dry-dock a vessel is between \$0.3 and \$1.03 million (including estimated expenditures for upgrades to comply with new BWTS system regulations), depending on the age, size and condition of the vessel and the location of dry-docking. In addition, capital maintenance expenditures could increase as a result of changes in the cost of labor and materials, customer requirements, increases in the size of our fleet, governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment and competitive standards.

To purchase additional vessels from time to time, we may be required to incur additional borrowings or raise capital through the sale of debt or additional equity securities. Asset impairments, financial stress, enforcement actions and credit rating pressures experienced in recent years by financial institutions to extend credit to the shipping industry due to depressed shipping rates and the deterioration of asset values that have led to losses in many banks' shipping portfolios, as well as changes in overall banking regulations, have severely constrained the availability of credit for shipping companies like us. In addition, the re-pricing of credit risk and the difficulties currently experienced by financial institutions, have made, and will likely continue to make, it difficult to obtain financing. As a result of the disruptions in the credit markets and higher capital requirements, many lenders increased margins on lending rates, enacted tighter lending standards, required more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts), or refused to refinance existing debt at all. Furthermore, certain banks that have historically been significant lenders to the shipping industry have reduced or ceased lending activities in the shipping industry. Additional tightening of capital requirements and the resulting policies adopted by lenders, could further reduce lending activities. We may experience difficulties obtaining financing commitments or be unable to fully draw on the capacity under our committed term loans in the future if our lenders are unwilling to extend financing to us or unable to meet their funding obligations due to their own liquidity, capital or solvency issues. We cannot be certain that financing will be available on acceptable terms or at all. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our future obligations as they come due. Our failure to obtain such funds could have a material adverse effect on our business, results of operations and financial condition. In the absence of available financing, we also may be unable to take advantage of business opportunities or respond to competitive pressures.

In addition, our ability to obtain bank financing or to access the capital markets for future offerings may be limited by the terms of our existing credit agreements, our financial condition, the actual or perceived credit quality of our customers, and any defaults by them, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control.

We cannot assure you that we will be able to obtain such additional financing in the future on terms that are acceptable to us or at all. Our failure to obtain funds for capital expenditures could have a material adverse effect on our business, results of operations and financial condition. In addition, our actual operating and maintenance capital expenditures will vary significantly from quarter to quarter based on, among other things, the number of vessels dry-docked during that quarter. Even if we are successful in obtaining the necessary funds for capital expenditures, the terms of such financings could limit our ability to pay dividends to our stockholders. Incurring additional debt may significantly increase our interest expense and financial leverage, and issuing additional equity securities may result in significant dilution.

Any vessel modification projects we undertake could have significant cost overruns, delays or fail to achieve the intended results.

Market volatility and higher bunker prices, coupled with increased regulation and concern about the environmental impact of the international shipping industry, have led to an increased focus on bunker efficiency. Some shipowners have implemented vessel modification programs for their existing ships in an attempt to capture potential efficiency gains. We will consider making modifications to our fleet in instances when we believe the efficiency gains will result in a positive return for our stockholders. However, these types of projects are subject to risks of delay and cost overruns, resulting from shortages of equipment, unforeseen engineering problems, work stoppages, unanticipated cost increases, inability to obtain necessary certifications and approvals, shortages of materials or skilled labor, among other problems. In addition, any completed modification may not achieve the full expected benefits or could even compromise the fleet's ability to operate at higher speeds, which is an important factor in generating additional revenue in an improving freight rate environment. The failure to successfully complete any modification project we undertake or any significant cost overruns or delays in any retrofitting projects could have a material adverse effect on our business, results of operations and financial condition.

The Company does not plan to install scrubbers and may have to pay more for fuel which could adversely affect the Company's business, results of operations and financial condition.

Effective January 1, 2020 all vessels must comply with the IMO's low sulfur fuel oil ("LSFO") requirement, which cuts sulfur levels from 3.5% to 0.5%. Shipowners may comply with this regulation by (i) using 0.5% sulfur fuels, which is available in most ports globally but at a higher cost than high-sulfur fuel oil ("HSFO"); (ii) installing scrubbers for cleaning of the exhaust gas; or (iii) by retrofitting vessels to be powered by liquefied natural gas, which may not be a viable option due to the lack of supply network and high costs involved in this process. Costs of compliance with these regulatory changes may be significant and may have a material adverse effect on our future performance, results of operations, cash flows and financial position. See "Item 4. Information on the Company – B. Business Overview – Environmental and Other Regulations in the Shipping Industry" in this Annual Report.

In light of operating and economic uncertainties surrounding the use of scrubbers, the Company has chosen not to purchase and install these units. However, the Company may, in the future, determine to purchase scrubbers for installation on its vessels. While scrubbers rely on technology that has been developed over a significant period of time for use in a variety of applications, their use for maritime applications is a more recent development. Each vessel will require physical modifications to be made in order to install a scrubber, the scope of which will depend on, among other matters, the age and type of vessel, its engine and its existing fixtures and equipment. The purchase and installation of scrubbers will involve significant capital expenditures, currently estimated at \$1.5 million per vessel, and the vessel will be out of operation for more than 30 days in order for the scrubbers to be installed. In addition, future arrangements that the Company may enter into with respect to shipyard drydock capacity to implement these scrubber installations may be affected by delays or issues affecting vessel modifications being undertaken by other vessel owners at those shipyards, which could cause the Company's vessels to be out of service for even longer periods or installation dates to be delayed. In addition, as there is a limited operating history of scrubbers on vessels such as those owned and operated by the Company, the operation and maintenance of scrubbers and related ongoing costs to these vessels is uncertain. Any unforeseen complications or delays in connection with acquiring, installing, operating or maintaining scrubbers installed on the Company's vessels could adversely affect the Company's business, results of operations and financial condition.

As of February 28, 2021, approximately 14.8% of the worldwide fleet of MR2 were scrubber-fitted. Fuel expense reductions from operating scrubber-fitted vessels 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 tankers increases, (b) the differential between the cost of HSFO and LSFO is high and (c) charterers prefer such vessels over our tankers, demand for our vessels may be reduced and our ability to re-charter our vessels at competitive rates may be impaired.

Furthermore, it is uncertain how the availability of HSFO and LSFO around the world will be affected by implementation of the IMO 2020 Regulations, as well as the prices of HSFO and LSFO generally and the price differential between the two fuels after January 1, 2020, are also uncertain. If LSFO is unavailable in port and we or our charterers cannot obtain a temporary waiver to refuel and use HSFO for the next voyage, we or our charterers could be subject to fines by regulatory authorities and be in violation of the charter agreements. Scarcity and the quality in the supply of LSFO, or a higher-than-anticipated difference in the costs between the two types of fuel, may cause the Company to pay more than for its fuel than scrubber fitted vessels, which could adversely affect the Company's business, results of operations and financial condition.

Effective March 1, 2020, as part of the IMO 2020 Regulations, our vessels cannot carry HSFO. The charterer shall be responsible for off-loading of any remaining HSFO by that time. If any of our vessels are under spot charters and are carrying such bunker fuel, we would incur off-loading costs, tank cleaning expenses, potentially a write-down of inventory values and delays in our voyage activities.

There is limited operating history of using LSFO on our vessels and new compliant fuel blends which have been introduced but the vessel performance, economic impact and timing of using such fuels on our vessels is still evolving. In addition, our vessels will likely incur higher fuel costs associated with using more expensive compliant fuel. Such costs may be material and could adversely affect the Company's business, results of operations and financial condition, particularly in any case where we are unable to pass through the costs of higher fuel to charterers due to competition with vessels that have installed scrubbers, market conditions or otherwise.

We may not be able to implement our business strategy successfully or manage our growth effectively.

Our future growth will depend on the successful implementation of our business strategy. A principal focus of our business strategy is to grow by expanding the size of our fleet while capitalizing on a mix of charter types, including on the spot market. 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 operations into existing infrastructures. The expansion of the Company's fleet may impose significant additional responsibilities on our management and may necessitate an increase in the number of personnel. Other risks and uncertainties include distraction of management from current operations, insufficient revenue to offset liabilities assumed, potential loss of significant revenue and income streams, unexpected expenses, inadequate return of capital, regulatory or compliance issues, the triggering of certain covenants in the Company's debt instruments (including accelerated repayment) and other unidentified issues not discovered in due diligence. As a result of the risks inherent in such transactions, the Company cannot guarantee that any such transaction will ultimately result in the realization of the anticipated benefits of the transaction or that significant transactions will not have a material adverse impact on its business, results of operations and financial condition. Our future growth will depend upon a number of factors, some of which are not within our control. These factors include, among others, our ability to:

- identify suitable tankers and/or shipping companies for acquisitions at attractive prices;
- identify and consummate desirable acquisitions, joint ventures or strategic alliances;
- integrate any acquired tankers or businesses successfully with the Company's existing operations, including obtaining any approvals and qualifications necessary to operate vessels that the Company acquires;
- hire, train and retain qualified personnel to manage and operate our growing business and fleet;

- identify additional new markets;
- enhance the Company's customer base;
- improve our operating, financial and accounting systems and controls; and
- obtain required financing for our existing and new vessels and operations.

Acquisitions of vessels may not be profitable to us at or after the time we acquire them. We may:

- fail to realize anticipated benefits, such as new customer relationships, cost-savings or cash flow enhancements;
- decrease our liquidity by using a significant portion of our available cash or borrowing capacity to finance vessel acquisitions;
- significantly increase our interest expense or financial leverage if we incur additional debt to finance vessel acquisitions;
- fail to integrate any acquired tankers or businesses successfully with our existing operations, accounting systems and infrastructure generally;
- incur or assume unanticipated liabilities, losses or costs associated with the business or vessels acquired, particularly if any vessel we acquire proves not to be in good condition; or
- incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

The Company's failure to effectively identify, purchase, develop and integrate additional tankers or businesses could adversely affect our business, results of operations and financial condition. The number of employees that perform services for the Company and our current operating and financial systems may not be adequate as the Company implements its plan to expand the size of our fleet, and we may not be able to effectively hire more employees or adequately improve those systems. Future acquisitions may also require additional equity issuances or debt issuances (with amortization payments). If any such events occur, the Company's financial condition may be adversely affected. The Company cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with our future growth.

In addition, unlike newbuildings, secondhand vessels typically provide very limited or no warranties with respect to the condition of the vessel. While we expect we would inspect secondhand 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.

We also seek to take advantage of changing market conditions, which may include taking advantage of pooling arrangements or profit sharing components of the charters we may enter into. In addition, our future growth will depend upon our ability to: maintain or develop new and existing customer relationships; employ vessels consistent with our chartering strategy; successfully manage our liquidity and expenses; and identify and capitalize on opportunities in new markets. Changing market and regulatory conditions may require or result in the sale or other disposition of vessels we are not able to charter because of customer preferences or because they are not or will not be compliant with existing or future rules, regulations and conventions. Additional vessels of the age and quality we desire may not be available for purchase at prices we are prepared to pay or at delivery times acceptable to us, and we may not be able to dispose of vessels at reasonable prices, if at all.

However, even if we successfully implement our business strategy, we may not improve our net revenues or operating results. Furthermore, we may decide to alter or discontinue aspects of our business strategy and may adopt alternative or additional strategies in response to business or competitive factors or factors or events beyond our control. Our failure to execute our business strategy or to manage our growth effectively could adversely affect our business, results of operations and financial condition.

If we purchase and operate secondhand vessels, we will be exposed to increased operating costs which 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.

The Company's current business strategy includes additional future growth through the acquisition of secondhand vessels and, possibly, newbuild resales. While the Company typically inspects secondhand vessels prior to purchase, this does not provide the Company with the same knowledge about their condition that it would have had if these vessels had been built for and operated exclusively for us. Generally, the Company does not receive the benefit of warranties from the builders for the secondhand vessels that we acquire.

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.

In addition, unless we maintain cash reserves or raise external funds on acceptable terms for vessel replacement, we may be unable to replace the vessels in our fleet upon the expiration of their useful lives. We estimate the useful life of our vessels to be 25 years from the date of initial delivery from the shipyard and range from 2034 to 2040. Our cash flows and income are dependent on the revenues we earn by chartering our vessels to customers. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our business, results of operations and financial condition will be materially adversely affected. Any reserves set aside for vessel replacement may not be available for other cash needs, including improvement of working capital, early repayment of debt or possible cash dividends.

New vessels may experience initial operational difficulties and unexpected incremental start-up costs.

New vessels, during their initial period of operation, have the possibility of encountering structural, mechanical and electrical problems as well as unexpected incremental start-up costs. Typically, the purchaser of a newbuilding will receive the benefit of a warranty from the shipyard for newbuildings, but we cannot assure you that any warranty we obtain will be able to resolve any problem with the vessel without additional costs to us and off-hire periods for the vessel. Upon delivery of a newbuild vessel from a shipyard, we may incur operating expenses above the incremental start-up costs typically associated with such a delivery and such expenses may include, among others, additional crew training, consumables and spares.

Delays in deliveries of additional vessels, 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 operating results.

Although we currently have no vessels on order, under construction or subject to purchase agreements, we expect to purchase additional vessels from time to time. The delivery of these vessels, or vessels on order, 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 vessels we propose to order or that are on order could be delayed because of, among other things:

- work stoppages or other labor disturbances, engineering problems or other events that disrupt the operations of the shipyard building the vessels;
- changes in governmental regulations or maritime self-regulatory organization standards;
- lack of raw materials or supply chain issues for vessel parts and components;
- 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, political, health or economic disturbances in the countries where the vessels are being built;
- weather interference or a catastrophic event, such as a major earthquake, typhoon 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;
- a dispute with the shipyard building the vessels, non-performance of the purchase or construction agreement with respect to a vessel by the seller or the shipyard as applicable;
- non-performance of the vessel purchase agreement 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, results of operations and financial condition could be adversely affected.

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 Company reviews the carrying values of its vessels for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Whenever certain indicators of potential impairment are present, such as third party vessel valuation reports, the Company performs a test of recoverability of the carrying amount of the assets. The projection of future cash flows related to the vessels is complex and requires the Company to make various estimates including future freight rates, residual values, future dry-dockings and operating costs, which are included in the analysis. All of these items have been historically volatile. The Company recognizes an impairment charge if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair market value of the asset.

Although the Company believes that the assumptions used to evaluate potential impairment are reasonable and appropriate at the time they are 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 remain at depressed levels, future assessments of vessel impairments would be adversely affected. Any impairment charges incurred as a result of further declines in charter rates could have a material adverse impact on the Company's business, results of operations and financial condition.

Should the carrying value plus the unamortized dry-dock and survey balance of the vessel exceed its estimated future undiscounted net operating cash flows, impairment is measured based on the excess of the carrying amount over the fair market value of the asset. The Company determines the fair value of its vessels based on management estimates and assumptions and by making use of available market data and taking into consideration third party valuations. The review of the carrying amounts plus the unamortized dry-dock and survey balances in connection with the estimated recoverable amount indicated no impairment charge for the Company's vessels as of December 31, 2019 and 2020, respectively. See Note #2 (m) in the Consolidated Financial Statements.

Our charterers may terminate charters early or choose not exercise options to extend charters or to re-charter with us, which could adversely affect our business, results of operations and financial condition.

Our charters may terminate earlier than the dates indicated in the charter party agreements. The terms of our charters 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 generally include a total or constructive loss of the relevant vessel, the requisition for hire of the relevant vessel, the dry-docking of the relevant vessel for a certain period of time or the failure of the relevant vessel to meet specified performance criteria. Also, a time charter may grant a charterer an option to extend the contract for a certain period of time at a higher rate. However, the failure to exercise that option could result in the vessel being re-delivered to us in a more difficult market environment. An early termination or decision not to exercise an option to extend an existing charter by our charters may adversely affect our business, results of operations and financial condition.

We cannot predict whether any of our charterers will, upon the expiration of their charters, re-charter our vessels on favorable terms or at all. If our charterers 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. Also, we may incur additional costs depending on where the vessel is re-delivered to us. We may also employ our vessels on the spot-charter market, which is subject to greater rate fluctuation than the time charter market. If we receive lower charter rates under replacement charters or are unable to re-charter all of our vessels, our available cash may be significantly reduced or eliminated.

Our vessels may operate in pooling arrangements in the future, which may or may not be beneficial compared to chartering our vessels outside of a pool.

In a pooling arrangement, the net revenues generated by all of the vessels in a pool are aggregated and distributed to pool members pursuant to a pre-arranged weighting system that recognizes each vessel's earnings capacity based on factors, which may include its cargo capacity, speed and bunker consumption, and actual on-hire performance. Pooling arrangements are intended to maximize vessel utilization. However, pooling arrangements are dependent on the spot charter market, in which rates fluctuate. Also, the pool manager requires the prompt payment of up to \$0.5 million of vessel working capital upon entry into the pool. Exit from the pool typically requires a minimum of three months' advance notice to the pool manager. We cannot assure you that entering any of our vessels into a pool will be beneficial to us compared to chartering our vessels outside of a pool. If we participate in, or for any reason our vessels cease to participate in a pooling arrangement, their utilization rates could fall and the amount of additional hire paid could decrease, either of which could have an adverse effect on our business, results of operations and financial condition. We also cannot assure you that if we join a pooling arrangement that we will continue to use the pooling arrangement or whether the pools our vessels could participate in will continue to exist in the future.

We are dependent on the services of our founder and Chief Executive Officer and other members of our senior management team.

We are dependent upon our Chief Executive Officer, Mr. Valentis ("Eddie") Valentis, and the other members of our senior management team for the principal decisions with respect to our business activities. The loss or unavailability of the services of any of these key members of our management team for any significant period of time, or the inability of these individuals to manage or delegate their responsibilities successfully as our business grows, could adversely affect our business, results of operations and financial condition. If the individuals were no longer to be 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. We do not maintain "key man" life insurance for our Chief Executive Officer or other members of our senior management team.

Our founder, Chairman and Chief Executive Officer has affiliations with Maritime, which may create conflicts of interest.

Mr. Valentis, our founder, Chairman and Chief Executive Officer, also owns and controls Maritime. His responsibilities and relationships with Maritime could create conflicts of interest between us, on the one hand, and Maritime, on the other hand. These conflicts may arise in connection with the chartering, purchase, sale and operations of the vessels in our fleet versus vessels managed by other companies affiliated with Maritime and may not be resolved in our favor. Maritime entered into a Head Management Agreement (as defined herein) with us and into separate ship management agreements with our subsidiaries. The negotiation of these management arrangements may have resulted in certain terms that may not reflect market standard terms or may include terms that could not have been obtained from arms-length negotiations with unaffiliated third parties for similar services.

In addition, Maritime may give preferential treatment to vessels that are time chartered-in by related parties because our founder, Chairman and Chief Executive Officer and members of his family may receive greater economic benefits. In particular, as of December 31, 2020, Maritime provided commercial management services to one tanker vessel, other than the vessels in our fleet, that was owned or operated by one or more entities affiliated with Mr. Valentis. Such conflicts may have an adverse effect on our business, results of operations and financial condition.

Several of our senior executive officers do not, and certain of our officers in the future may not, devote all of their time to our business, which may hinder our ability to operate successfully.

Mr. Valentis, our Chairman and Chief Executive Officer, Mr. Lytras, our Chief Operating Officer and Secretary and Mr. Williams, our Chief Financial Officer, participate, and other of our senior officers which we may appoint in the future may also participate, in business activities not associated with us. As a result, they may devote less time to us than if they were not engaged in other business activities and may owe fiduciary duties to our stockholders as well as stockholders of other companies with which they may be affiliated. This may create conflicts of interest in matters involving or affecting us and our customers and it is not certain that any of these conflicts of interest will be resolved in our favor. This could have a material adverse effect on our business, results of operations and financial condition.

As we expand our business, both we and Maritime may need to improve our operating and financial systems and Maritime will need to recruit and retain suitable employees and crew for our vessels.

Our and Maritime's current operating and financial systems may not be adequate as the size of our fleet expands, and attempts to improve those systems may be ineffective. In addition, as we expand our fleet, Maritime may need to recruit and retain suitable additional seafarers and shore based administrative and management personnel. We cannot guarantee that Maritime will be able to continue to hire suitable employees as we expand our fleet. If we or Maritime encounter business or financial difficulties, we may not be able to adequately staff our vessels. If we are unable to accomplish the above, our financial reporting performance may be adversely affected and, among other things, it may not be compliant with the Securities and Exchange Commission ("SEC") rules.

Our insurance may be insufficient to cover losses that may result from our operations.

Although we carry hull and machinery, protection and indemnity and war risk insurance on each of the vessels in our fleet, we face several risks regarding that insurance. The insurance is subject to deductibles, limits and exclusions. Since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. As a result, there may be other risks against which we are not insured, and certain claims may not be paid. We do not carry insurance covering the loss of revenues resulting from vessel off-hire time based on our analysis of the cost of this coverage compared to our off-hire experience.

Certain of our insurance coverage, such as tort liability (including pollution-related liability), is maintained through mutual protection and indemnity associations, and as a member of such associations we may be required to make additional payments over and above budgeted premiums if member claims exceed association reserves. Claims submitted to the association may include those incurred by members of the association, as well as claims submitted to the association from other protection and indemnity associations with which our association has entered into inter-association agreements. We cannot assure you that the associations to which we belong will remain viable. If such associations do not remain viable or are unable to cover our losses, we may have to pay what our insurance does not cover in full.

We may be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain. We maintain for each of the vessels in our existing fleet pollution liability coverage insurance in the amount of \$1.0 billion per incident. A catastrophic oil spill or marine disaster could exceed such insurance coverage. In addition, our insurance may be voidable by the insurers as a result of certain of our actions, such as our vessels failing to maintain certification with applicable maritime self-regulatory organizations. The circumstances of a spill, including non-compliance with environmental laws, could also result in the denial of coverage, protracted litigation and delayed or diminished insurance recoveries or settlements. The insurance that may be available to us may be significantly more expensive than our existing coverage. Furthermore, even if insurance coverage is adequate, we may not be able to obtain a timely replacement vessel in the event of a loss. Any of these circumstances or events could negatively impact our business, results of operations and financial condition.

We may be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.

We may be, from time to time, involved in various litigation matters. These matters may include, among other things, contract disputes, environmental claims or proceedings, employment and personal injury matters, and other litigation that arises in the ordinary course of our business. Although we intend to defend these matters vigorously, we cannot predict with certainty the outcome or effect of any claim or other litigation matter, and the ultimate outcome of any litigation or the potential costs to resolve them may have a material adverse effect on us. Insurance may not be applicable or sufficient in all cases or insurers may not remain solvent, which may have a material adverse effect on our financial condition.

We and our subsidiaries may be subject to group liability for damages or debts owed by one of our subsidiaries or by us.

Although each of our vessels is and will be separately owned by individual subsidiaries, under certain circumstances, a parent company and its ship-owning subsidiaries can be held liable under corporate veil piercing principles for damages or debts owed by one of the subsidiaries or the parent. Therefore, it is possible that all of our assets and those of our subsidiaries could be subject to execution upon a judgment against us or any of our subsidiaries.

Maritime and ITM are privately held companies and there is little or no publicly available information about them.

The ability of Maritime and ITM to render their respective management services will depend in part on their own financial strength. Circumstances beyond each such company's control could impair its financial strength. Because each of these companies is privately held, information about each company's financial strength is not available. As a result, we and an investor in our securities might have little advance warning of financial or other problems affecting either Maritime or ITM even though its financial or other problems could have a material adverse effect on us and our stockholders.

Exchange rate fluctuations could adversely affect our revenues, financial condition and operating results.

We generate a significant part of our revenues in U.S. dollars, but incur costs in other currencies. The difference in currencies could in the future lead to fluctuations in our net income due to changes in the value of the U.S. dollar relative to other currencies. We have not hedged our exposure to exchange rate fluctuations, and as a result, our U.S. dollar denominated results of operations and financial condition could suffer as exchange rates fluctuate.

We must protect the safety and condition of the cargoes transported on our vessels and any failure to do so may subject us to claims for loss or damage.

Under our time and spot charters, we are responsible for the safekeeping of cargo entrusted to us and must properly maintain and control equipment and other apparatus to ensure that cargo is not lost or damaged in transit. Claims and any liability for loss or damage to cargo that is not covered by insurance could harm our reputation and adversely affect our business, results of operations and financial condition.

Increase in frequency of immigrant salvage operations in the Mediterranean could adversely affect our business.

In 2019 and 2020, a significant portion of *Northsea Alpha's* and *Northsea Beta's* trading routes occurred in the Mediterranean Sea. In recent years, the number of immigrants attempting to cross the Mediterranean from North Africa to Europe in unseaworthy vessels has increased significantly. Many of the vessels are in such a poor condition that they either capsize and sink, incur engine problems or are otherwise incapacitated en route to Europe. As a result, commercial ships may, if witnessing an immigrant vessel in distress, deviate from the task and course and conduct a salvage operation. Such salvage operation may prove costly in terms of time and resources spent and can thus prove a substantial cost for the commercial vessel and may pose risks to the safety of the crew, vessel and cargo. If we are not able to mitigate this potential exposure, and dependent on the number of such salvage operations which must be carried out in the future, this could have a material adverse effect on our future performance, results of operations, cash flows and financial position.

We may face labor interruptions, which if not resolved in a timely manner, 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. We may suffer labor disruptions if relationships deteriorate with the seafarers or the unions that represent them. A majority of the crew members on the vessels in our fleet that are under time or spot charters are employed under collective bargaining agreements. ITM is a party to some of these collective bargaining agreements. These collective bargaining agreements and any employment arrangements with crew members on the vessels in our fleet may not prevent labor interruptions, particularly since they are subject to renegotiation in the future. Any labor interruptions, including due to failure to successfully renegotiate collective bargaining employment agreements with the crew members on the vessels in our fleet, are 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, could disrupt our operations and could adversely affect our business, results of operations and financial condition.

We do not currently enter into hedging arrangements with respect to the cost of fuel.

We have not entered into hedging arrangements to establish, in advance, a price for the cost of fuel. As a result, although we may realize the benefit of any short-term decrease in the price of fuel, we will not be protected against increases in the price of fuel, which could materially adversely affect our business, results of operation and financial condition.

In addition, to the extent we decide to enter into hedging arrangements in the future, the success of any hedging arrangement generally depends on the degree of correlation between price movements of a derivative instrument and the position being hedged, the creditworthiness of the counterparty, the costs of the hedging transaction and other factors. While such transactions may reduce the risks of losses with respect to adverse movements in market factors, the transaction may also limit the opportunity for gain. In addition, these arrangements may require the posting of cash or other collateral at a time when we have insufficient cash or illiquid assets such that the posting of the cash is either impossible or requires the sale of assets at prices that do not reflect their underlying value. Moreover, these hedging arrangements may generate significant transactions costs, including potential tax costs and legal fees, which reduce the anticipated returns on an investment. There can be no assurance that any future hedging transaction we enter will successfully hedge the risks associated with hedged positions or that it will not result in poorer overall investment performance than if it had not been executed.

A cyber-attack and failure to comply with data privacy laws could materially disrupt our business.

We and our ship managers rely on information technology systems and networks in our and their operations and business administration. 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. Therefore, our or any of our ship managers' operations and business administration could be targeted by individuals or groups seeking to sabotage or disrupt such systems and networks, or to steal data and these systems may be damaged, shutdown or cease to function properly (whether by planned upgrades, force majeure, telecommunications failures, hardware or software break-ins or viruses, other cyber-security incidents or otherwise). A successful cyber-attack could materially disrupt our or our managers' operations, which could also adversely affect the safety of our operations or result in the unauthorized release or alteration of information in our or our managers' systems. Such an attack on us, or our managers, could result in significant expenses to investigate and repair security breaches or system damages and could lead to litigation, fines, other remedial action, heightened regulatory scrutiny, diminished customer confidence and damage to our reputation. We do not maintain cyber-liability insurance at this time to cover such losses. As a result, a cyber-attack or other breach of any such information technology systems could have a material adverse effect on our business, results of operations and financial condition.

Additionally, our information systems and infrastructure could be physically damaged by events such as fires, terrorist attacks and unauthorized access to our servers and facilities, as well as the unauthorized entrance into our information systems. Furthermore, we communicate with our customers through an ecommerce platform run by third-party service providers over which we have no management control. A potential failure of our computer systems or a failure of our third-party ecommerce platform provider to satisfy its contractual service level commitments to us may have a material-adverse effect on our business, financial condition and results of operation. Our efforts to modernize and digitize our operations and communications with our customers further increase our dependency on information technology systems, which exacerbates the risks we could face if these systems malfunction.

The EU has recently adopted a comprehensive overhaul of its data protection regime from the current national legislative approach to a single European Economic Area Privacy Regulation, the General Data Protection Regulation ("GDPR"). The GDPR came into force on May 25, 2018, and applies to organizations located within the EU, as well as to organizations located outside of the EU if they offer goods or services to, or monitor the behavior of, EU data subjects. It imposes a strict data protection compliance regime with significant penalties and includes new rights such as the "portability" of personal data. It applies to all companies processing and holding the personal data of data subjects residing in the EU, regardless of the company's location. Implementation of the GDPR could require changes to certain of our business practices, thereby increasing our costs. 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 our Indebtedness

We may not be able to generate sufficient cash flow to meet our debt service and other obligations.

Our ability to make scheduled payments on our outstanding indebtedness and other obligations will depend on our ability to generate cash from operations in the future. Our future financial and operating performance will be affected by a range of economic, financial, competitive, regulatory, business and other factors that we cannot control, such as general economic and financial conditions in the tanker sector or the economy generally. In particular, our ability to generate steady cash flow will depend on our ability to secure charters at acceptable rates. Our ability to renew our existing charters or obtain new charters at acceptable rates or at all will depend on the prevailing economic and competitive conditions.

Amounts borrowed under our loan agreements bear interest at both fixed rates and variable rates. Increases in prevailing interest 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.

In addition, our existing loan agreements require us to maintain various cash balances, while our financial and operating performance is also dependent on our subsidiaries' ability to make distributions to us, whether in the form of dividends, loans or otherwise. The timing and amount of such distributions will depend on restrictions on our various debt instruments, our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, the provisions of Marshall Islands and Maltese laws affecting the payment of dividends and other factors. Under Maltese law, dividends may only be distributed out of profits available for distribution and/or out of any distributable accumulated reserves.

At any time that our operating cash flows are insufficient to service our debt and other liquidity needs, we may be forced to take actions such as increasing our accounts payable and/or our amounts due to related parties, reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness, seeking additional capital, seeking bankruptcy protection or any combination of the foregoing. For example, on December 16, 2019, we announced the sale of *Pyxis Delta*, our 2006-built standard MR tanker. We chose to sell our oldest vessel for a number of strategic, operating and financial reasons. Upon closing in January 2020, the net proceeds after commissions of \$13.2 million were used to repay \$5.7 million of bank debt, reduce accounts payable and amounts due to related parties, and improve working capital. We cannot assure you that any of the actions listed above could be affected on satisfactory terms, if at all, or that they would yield sufficient funds to make required payments on our outstanding indebtedness and to fund our other liquidity needs. As of December 31, 2020, our total funded debt outstanding, net of deferred financing costs and Amended and Restated Promissory Note aggregated \$58.6 million. Also, the terms of existing or future debt agreements may restrict us from pursuing any of these actions as, among other things, if we are unable to meet our debt obligations or if some other default occurs under our loan agreements, the lenders could elect to declare that debt, together with accrued interest and fees, to be immediately due and payable and foreclose against the collateral vessels securing that debt. Any such action could also result in an impairment of cash flows and our ability to service debt in the future. Further, our debt level could make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally.

The market values of tanker vessels are highly volatile, have decreased in the past and may decrease further in the future which may cause the Company to recognize losses if we sell our tankers or record impairments and affect the Company's ability to comply with its loan covenants and refinance its debt. The fair market values of product tankers have generally experienced high volatility. The fair market values for tankers declined significantly from historically high levels reached in 2008, and currently approximate average levels of the past 10 years. You should expect the market value of our vessels to fluctuate. Values for ships can fluctuate substantially over time due to a number of factors, including, among others:

- prevailing economic conditions in the energy markets; general economic and market conditions affecting the international shipping industry;
- a substantial or extended decline in demand for refined products;
- competition from other shipping companies and other modes of transportation;
- number of vessels in the world fleet;
- the level of worldwide refined petroleum product production and exports;
- demand for product tankers; changes in the supply-demand balance of the global product tanker market;
- applicable governmental regulations;
- the availability of newbuild and newer, more advanced vessels at attractive prices compared to our vessels;
- changes in prevailing charter hire rates;
- the physical condition of the vessel;
- the vessel's size, age, technical specifications, efficiency and operational flexibility; and
- the cost of newbuildings and the cost of retrofitting or modifying existing ships, as a result of technological advances in ship design or equipment, changes in applicable environmental or other regulations or standards, customer requirements or otherwise.

As vessels grow older, they naturally depreciate in value. If the market value of our fleet declines further, we may not be able to refinance our debt or obtain additional financing and our subsidiaries may not be able to make distributions to the Company. An additional decrease in these values could cause us to breach certain covenants that are contained in our loan agreements and in future financing agreements. The prepayment of certain debt facilities may be necessary to cause the Company to maintain compliance with certain covenants in the event that the value of the vessels falls below certain levels.

If we breach covenants in our loan agreements or future financing agreements and are unable to cure the breach, our lenders could accelerate our debt repayment and foreclose on vessels in our fleet securing those debt instruments or seek other similar remedies. In addition, if a charter contract expires or is terminated by the charterer, the Company may be unable to re-charter the affected vessel at an attractive rate and, rather than continue to incur maintenance and financing costs for that vessel, the Company may seek to dispose of the affected vessel. If the Company sells one or more of its vessels at a time when vessel prices have fallen, the sale price may be less than the vessel's carrying value on the Company's consolidated financial statements, resulting in a loss on sale or an impairment loss being recognized, ultimately leading to a reduction of net income. Furthermore, if vessel values fall significantly, this could indicate a decrease in the recoverable amount for the vessel and may have a material adverse impact on its business, results of operations and financial condition.

Restrictive covenants in our current and future loan agreements may impose financial and other restrictions on us.

The restrictions and covenants in our current and future loan agreements could adversely affect our ability to finance future operations or capital needs or to pursue and expand our business activities. Our current loan agreements contain, and future financing agreements will likely contain, restrictive covenants that prohibit us or our subsidiaries from, among other things:

- paying dividends under certain circumstances, including if there is a default under the loan agreements or, only with respect to our subsidiary Seventhorne Corp. ("Seventhorne") under the Alpha Bank Facility entered into in July 2020, if the ratio of our (and our subsidiaries as a group) total liabilities to market value adjusted total assets is greater than 75% in the relevant year. As of December 31, 2020, the ratio of total liabilities over the market value of our adjusted total assets was 66%, and therefore, under the Alpha Bank Facility Seventhorne was permitted to distribute dividends to us as of December 31, 2020;
- incurring or guaranteeing indebtedness;
- charging, pledging or otherwise encumbering our vessels;
- changing the flag, class, management or ownership of our vessels;
- utilizing available cash;
- changing ownership or structure, including through mergers, consolidations, liquidations or dissolutions;
- making certain investments;
- entering into a new line of business;
- changing the commercial and technical management of our vessels;
- selling, transferring, assigning or changing the beneficial ownership or control of our vessels; and
- changing the control, or Mr. Valentis maintaining less than 40% ownership or Mr. Valentis ceases to be the Chairman, of the corporate guarantor.

In addition, the loan agreements generally contain covenants requiring us, among other things, to ensure that:

- we maintain minimum liquidity cash balances based on the number of vessels owned and debt service requirements. Our required minimum cash balance as of December 31, 2019 and 2020 was \$3.7 million and \$2.4 million, respectively;
- the fair market value of the mortgaged vessel plus any additional collateral must be no less than a certain percentage, ranging from 115% to 150%, of outstanding borrowings under the applicable loan agreement, less, in certain loan agreements, any money in respect of the principal outstanding with the credit of any applicable retention account and any free or pledged cash deposits held with the lender in our or its subsidiary's name; and
- we maintain vessel insurances of the higher of market value or at least 125% of the outstanding loan balance

As a result of the above, we may need to seek permission from our lenders in order to engage in some corporate actions. The lenders' interests may be different from ours and we may not be able to obtain our lenders' permission when needed. This may limit our ability to pay dividends, finance our future operations or capital requirements, make acquisitions or pursue business opportunities.

Our ability to comply with covenants and restrictions contained in our current and future loan agreements may also be affected by events beyond our control, including prevailing economic, financial and industry conditions, a change of control of the Company or a reduction in Mr. Valentis' shareholding. If our cash flow is insufficient to service our current and future indebtedness and to meet our other obligations and commitments, we will be required to adopt one or more alternatives, such as reducing or delaying our business activities, acquisitions, investments, capital expenditures, the payment of dividends or the implementation of our other strategies, refinancing or restructuring our debt obligations, selling vessels or other assets, seeking to raise additional debt or equity capital or seeking bankruptcy protection. However, we may not be able to affect any of these remedies or alternatives on a timely basis, on satisfactory terms or at all, which could lead to events of default under these loan agreements, giving the lenders foreclosure rights on our vessels.

Our ability to obtain additional debt financing may be dependent on the performance of our 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 our ability to do so only at a higher than anticipated cost, may materially affect our results of operations and our ability to implement our business strategy.

Volatility of LIBOR and potential changes in the benchmark could affect our profitability, earnings and cash flow.

London Interbank Offered Rate ("LIBOR") is the subject of recent national, international and other regulatory guidance and proposals for reform. These reforms and other pressures may cause LIBOR to be eliminated or to perform differently than in the past. The consequences of these developments cannot be entirely predicted but could include an increase in the cost of our variable rate indebtedness and obligations. LIBOR has been volatile in the past, with the spread between LIBOR and the U.S. prime lending rate widening significantly at times. Because the interest rates borne by a majority of our outstanding indebtedness fluctuates with changes in LIBOR, significant changes in LIBOR would have a material effect on the amount of interest payable on our debt, which in turn, could have an adverse effect on our financial condition. In order to hedge our variable interest rate exposure, on January 19, 2018, Seventhone entered into an interest rate cap agreement with its lender for a notional amount of \$10.0 million and a cap rate of 3.5%. The interest rate cap will terminate on July 18, 2022.

Furthermore, the calculation of interest in most financing agreements in our industry has been based on published LIBOR rates. Due in part to uncertainty relating to the LIBOR calculation process in recent years, it is likely that LIBOR will be phased out in the future. As a result, lenders have insisted on provisions that entitle the lenders, in their discretion, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate. If we are required to agree to such a provision in future financing agreements, our lending costs could increase significantly, which would have an adverse effect on our profitability, earnings and cash flow. In addition, on November 30, 2020, ICE Benchmark Administration, the administrator of LIBOR, with the support of the United States Federal Reserve and the United Kingdom's Financial Conduct Authority, announced plans to consult on ceasing publication of U.S. Dollar LIBOR on December 31, 2021 for only the one-week and two-month U.S. Dollar LIBOR tenors, and on June 30, 2023 for all other U.S. Dollar LIBOR tenors. The United States Federal Reserve concurrently issued a statement advising banks to stop new U.S. Dollar LIBOR issuances by the end of 2021. Such announcements indicate that the continuation of LIBOR on the current basis will not be guaranteed after 2021, and the banks currently reporting information used to set LIBOR will likely stop such reporting after 2021, when their commitment to reporting information ends. The Alternative Reference Rate Committee, a committee convened by the Federal Reserve that includes major market participants, has proposed an alternative rate to replace U.S. Dollar LIBOR: the Secured Overnight Financing Rate, or "SOFR." The impact of such a transition from LIBOR to SOFR could be significant for us.

Risks Related to our Common Stock

We are no longer an “emerging growth company” and, as a result, are required to comply with increased disclosure and governance requirements.

On December 31, 2020, we ceased to be an “emerging growth company” as defined in the JOBS Act. Since we are not an “accelerated filer” or a “large accelerated filer” (as such terms are defined under the U.S. securities laws) we are not required to comply with the provisions of Section 404(b) of the Sarbanes-Oxley Act (“SOX”), which would otherwise require our independent registered public accounting firm to provide us with an attestation report on the effectiveness of our internal control over financial reporting (“ICFR”). Compliance with Section 404 is expensive for our shareholders and time consuming for management and could result in the detection of internal control deficiencies of which we are currently unaware. However, we are required to comply with other SOX mandates, including CEO and CFO certifications, the requirement to establish and maintain ICFR and have management assess its effectiveness, and a financial statement audit by an independent auditor, who is required to obtain an understanding of ICFR in the performance of the financial statement audit but not for the purpose of expressing an opinion on the effectiveness of our ICFR. If we become subject to additional SOX provisions, including Section 404(b), in the future, compliance with these provisions will likely incrementally increase our legal and financial compliance costs and make some activities more time consuming and costly.

The market price of our common stock has fluctuated widely and the market price of our common stock may fluctuate in the future.

The market price of our common stock has fluctuated widely since our initial public offering in October 2015, reaching a high of \$12.22 per share in December 2017 and a low of \$0.62 per share in March 2020. Most recently during the period between January 4, 2021 and April 6, 2021 our shares reached a high of \$2.96 and low of \$0.83 with pricing continuing to be volatile as a result of many factors, including the issuance of additional shares of common stock in the 2021 Private Placement Transaction, our actual results of operations and perceived prospects, the prospects of our competitors and of the shipping industry in general and in particular the product tanker sector, differences between our actual financial and operating results and those expected by investors and analysts, changes in analysts’ recommendations or projections, changes in general valuations for companies in the shipping industry, particularly the product tanker sector, changes in general economic or market conditions and broader market fluctuations.

As such, our stock prices may experience rapid and substantial decreases or increases in the foreseeable future that are unrelated to our operating performance or prospects. In addition, the ongoing outbreak of the novel COVID-19 virus has caused broad stock market and industry fluctuations. The stock market in general and the market for shipping companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, investors may experience substantial losses on their investment in our common shares. In addition to the above, the market price for our common shares may be influenced by many other factors, including the following:

- investor reaction to our business strategy;
- our continued compliance with the NASDAQ listing standards;
- regulatory or legal developments in the United States and other countries, especially changes in laws or regulations applicable to our industry;
- variations in our financial results or those of companies that are perceived to be similar to us;
- our ability or inability to raise additional capital and the terms on which we raise it;
- declines in the market prices of stocks generally;
- trading volume of our common shares;
- sales of our common shares by us or our stockholders;
- general economic, industry and market conditions; and
- other events or factors, including those resulting from such events, or the prospect of such events, including war, terrorism and other international conflicts, public health issues including health epidemics or pandemics, such as the ongoing COVID-19 pandemic, adverse weather and climate conditions could disrupt our operations or result in political or economic instability.

These broad market and industry factors may seriously harm the market price of our common shares, regardless of our operating performance, and may be inconsistent with any improvements in actual or expected operating performance, financial condition or other indicators of value. Since the stock price of our common shares has fluctuated in the past, has been recently volatile and may be volatile in the future, investors in our common shares could incur substantial losses. In the past, following periods of volatility in the market, securities class-action litigation has often been instituted against companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management’s attention and resources, which could materially and adversely affect our business, financial condition, results of operations and growth prospects. There can be no guarantee that our stock price will remain at current prices.

Additionally, recently, securities of certain companies have experienced significant and extreme volatility in stock price due short sellers of shares of common shares, known as a “short squeeze”. These short squeezes have caused extreme volatility in those companies and in the market and have led to the price per share of those companies to trade at a significantly inflated rate that is disconnected from the underlying value of the company. Many investors who have purchased shares in those companies at an inflated rate face the risk of losing a significant portion of their original investment as the price per share has declined steadily as interest in those stocks have abated. While we have no reason to believe our shares would be the target of a short squeeze, there can be no assurance that we will not be in the future, and you may lose a significant portion or all of your investment if you purchase our shares at a rate that is significantly disconnected from our underlying value.

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 we deem appropriate.

We may not be able to generate sufficient cash to service our obligations, including our obligations under the Series A Preferred Shares.

In October 2020, we issued 200,000 units (“Units”) at a price of \$25.00 per Unit. Each Unit was immediately separable into (i) one 7.75% Series A Cumulative Convertible Preferred Share, par value \$0.001 per share (the “Series A Preferred Shares”), and (ii) eight warrants (the “Warrants”). Our ability to make dividend payments on any outstanding shares of preferred stock, including the Series A Preferred Shares and any other preferred shares that we may issue in the future, and outstanding indebtedness will depend on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities or excess cash balances sufficient to permit us to pay the liquidation preference and dividends on our preferred stock, including the Series A Preferred Shares, as well as principal and interest on our outstanding indebtedness. Please also see the risk factor “We currently have a working capital deficit and may not be able to fund our ongoing operations”.

Conversion of the Series A Preferred Shares and Warrants will dilute the ownership interest of existing shareholders

As of April 6, 2021, there are currently 141,186 Series A Preferred Shares and 1,590,540 Warrants outstanding. Each Series A Preferred Share is convertible into common stock at any time of the option of the holder. Additionally, each Warrant represents the right to purchase a common share at a pre-determined exercise price. The conversion of the Series A Preferred Shares and exercise of outstanding warrants will dilute the ownership interest of existing shareholders by up to 10%. Two separate warrants, the first exercisable for the purchase of an aggregate of 2,000 Series A Preferred Shares and the second exercisable for the purchase of an aggregate of 16,000 warrants to purchase common shares, which are not included in the figures provided above, were issued to certain employees of ThinkEquity as compensation in connection with ThinkEquity’s role as underwriter and placement agent in the Company’s recent Series A Preferred Shares and Warrants Transaction. The warrants issued to these certain employees of ThinkEquity referenced in the immediately preceding sentence are subject to a 180 day lockup period.

The price of our Common Stock may be volatile.

Our shares of common stock have been listed on the NASDAQ since November 2, 2015. We cannot assure you that the public market for our common stock will be active and liquid. The price of shares of our common stock may fluctuate due to a variety of factors, some of which are beyond our control, including:

- actual or anticipated fluctuations in our periodic results and those of other public companies in the shipping industry;
- changes in market valuations of similar companies and stock market price and volume fluctuations generally;
- speculation in the press or investment community, including on-line newsletters, trading platforms and chat-rooms, about our business or the shipping industry generally;
- mergers and strategic alliances in the shipping industry;
- market prices and conditions in the shipping industry;
- evolving investor preferences away from carbon- based companies and towards environmentally friendly or sustainable companies;
- changes in government regulation;
- introduction of new technology by the Company or its competitors;
- commodity prices and in particular prices of oil and natural gas;
- the ability or willingness of OPEC to set and maintain production levels for oil;
- oil and gas production levels by non-OPEC countries;
- potential or actual military conflicts or acts of terrorism;
- natural disasters affecting the supply chain or use of petroleum products;

- the failure of securities analysts to publish research about us, or shortfalls in our operating results compared to levels forecast by securities analysts;
- the thin trading market for our common stock, which makes it somewhat illiquid;
- the Company's capital structure;
- additions or departures of key personnel;
- announcements concerning us or our competitors;
- the general state of the securities market; and
- domestic and international economic, market and currency factors unrelated to our performance.

These market and industry factors may materially reduce the market price of shares of our common stock, regardless of our operating performance. The seaborne transportation industry has been highly unpredictable and volatile. The market for shares of our common stock may be equally volatile, and has been particularly volatile during the period August to September 2019 and February 2020. Consequently, you may not be able to sell shares of our common stock at prices equal to or greater than those paid by you in any previous or future offerings.

We may issue additional shares of our common stock or other equity securities without stockholder approval, which would dilute your ownership interests and may depress the market price of our common stock.

We may issue additional shares of our common stock or other equity securities of equal or senior rank in the future in connection with, among other things, future vessel acquisitions, repayment of outstanding indebtedness or our equity incentive plan, without stockholder approval, in a number of circumstances. Our issuance of additional common stock or other equity securities of equal or senior rank would have the following effects:

- our existing stockholders' proportionate ownership interest in us will decrease;
- the amount of cash available per share, including for payment of dividends in the future, may decrease;
- the relative voting strength of each previously outstanding share of our common stock may be diminished; and
- the market price of our common stock may decline.

Future sales of shares of our common stock by existing stockholders could negatively impact our ability to sell equity in the future and cause the market price of shares of our common stock to decline.

The market price for shares of our common stock could decline as a result of sales by existing stockholders of large numbers of shares of our common stock, including our affiliate Maritime Investors, and the selling stockholders named herein, or as a result of the perception that such sales may occur. Any future sales of shares of our common stock by these stockholders might make it more difficult to us to sell equity or equity-related securities in the future at a time and at the prices that we deem appropriate.

Reports published by analysts, including projections in those reports that exceed the Company's actual results, could adversely affect the price and trading volume of the Company's common stock.

The Company currently expects that securities research firms and analysts will continue to publish their own periodic estimates or projections for the Company's business. These projections may vary widely and may not accurately predict the results the Company actually achieves. The Company's share price may decline if our actual results do not match the projections of these securities research analysts. Similarly, if one or more of the analysts who write reports on the Company downgrades the Company's stock or publishes inaccurate or unfavorable research about the Company's business, our share price could decline. If one or more of these analysts ceases coverage of the Company or fails to publish reports on the Company regularly, our share price or trading volume could decline.

We are incorporated in the Marshall Islands, which does not have a well-developed body of corporate or bankruptcy law and, as a result, stockholders may have fewer rights and protections under Marshall Islands law than under a U.S. jurisdiction.

Our corporate affairs are governed by our Articles of Incorporation, Bylaws and 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. Stockholder 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 public stockholders may have more difficulty in protecting their interests in the face of actions by management, directors or significant stockholders than would stockholders of a corporation incorporated in a U.S. jurisdiction. Additionally, the Republic of the Marshall Islands does not have a legal provision for bankruptcy or a general statutory mechanism for insolvency proceedings. As such, in the event of a future insolvency or bankruptcy, our stockholders and creditors may experience delays in their ability to recover their claims after any such insolvency or bankruptcy. Further, in the event of any bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding involving us or any of our subsidiaries, bankruptcy laws other than those of the United States could apply. If we become a debtor under U.S. bankruptcy law, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States, or that a U.S. bankruptcy court would be entitled to, or accept, jurisdiction over such a bankruptcy case, or that courts in other countries that have jurisdiction over us and our operations would recognize a U.S. bankruptcy court’s jurisdiction if any other bankruptcy court would determine it had jurisdiction.

We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial and other obligations.

We are a holding company and have no significant assets other than the equity interests in our subsidiaries. Our subsidiaries own all of our existing vessels, and subsidiaries we form in the future will own any other vessels we may acquire in the future. All payments under our charters will be made to our subsidiaries. As a result, our ability to meet our financial and other obligations, and to possibly pay dividends in the future, will depend on the performance of our subsidiaries and their ability to distribute funds to us. The ability of a subsidiary to make these distributions could be affected by a claim or other action by a third party, including a creditor, by the terms of our loan agreements, any financing agreement we may enter into in the future, or by Marshall Islands or Maltese law, which regulates the payment of dividends by our companies. The loan agreement of our subsidiary, Seventhone, prohibits paying any dividends to us unless the ratio of the total liabilities to the market value adjusted total assets (total assets adjusted to reflect the market value of all our vessels) of us and our subsidiaries as a group is 75% or less. As of December 31, 2020, the ratio of total liabilities over the market value of our adjusted total assets (calculated in accordance with the Alpha Bank Facility) was 71%. If we or Seventhone do not satisfy the 75% requirement or if we or a subsidiary breach a covenant in our loan agreements or any financing agreement we may enter into in the future, such subsidiary may be restricted from paying dividends. If we are unable to obtain funds from our subsidiaries, we will not be able to fund our liquidity needs or pay dividends in the future unless we obtain funds from other sources, which we may not be able to do.

It may be difficult to serve process on or enforce a U.S. judgment against us, our officers and our directors because we are not a U.S. corporation.

We are a Marshall Islands corporation, and a substantial portion of our assets are located outside of the United States and many of our directors and executive officers are not residents of the United States. As a result, you may have difficulty serving legal process within the United States upon us. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in U.S. courts against us in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws. Furthermore, there is substantial doubt that the courts of the Marshall Islands or of the 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. As a result, it may be difficult or impossible for you to bring an original action against us or against individuals in a Marshall Islands court in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise because the Marshall Islands courts would not have subject matter jurisdiction to entertain such a suit. A judgment entered in a foreign jurisdiction is enforceable in the Marshall Islands without a retrial on the merits so long as the provisions of the Marshall Islands Uniform Foreign Money-Judgments Recognition Act are complied with. In addition, there is doubt as to the enforceability in Greece against us and/or our executive officers and directors who are non-residents of the U.S., in original actions or in actions for enforcement of judgments of U.S. courts, of liabilities predicated solely upon the securities laws of the U.S.

We do not intend to pay common stock dividends in the near future and cannot assure you that we will ever pay common stock dividends.

We do not intend to pay common stock dividends in the near future, and we will make dividend payments to our stockholders in the future only if our board of directors, acting in its sole discretion, determines that such payments would be in our best interest and in compliance with relevant legal, fiduciary and contractual requirements. The payment of any common stock dividends is not guaranteed or assured, and, if paid at all in the future, may be discontinued at any time at the discretion of the board of directors.

Our ability to pay common stock dividends will in any event be subject to factors beyond our control, including the following, among others:

- our earnings, financial condition and anticipated cash requirements;
- the terms of any current or future credit facilities or loan agreements;
- the loss of a vessel or the acquisition of one or more vessels;
- required capital expenditures;
- increased or unanticipated expenses;
- future issuances of securities;
- disputes or legal actions; and
- the requirements of the laws of the Marshall Islands, which limit payments of common stock dividends if we are, or could become, insolvent and generally prohibit the payment of common stock dividends other than from surplus (retaining earnings and the excess of consideration received for the sale of shares above the par value of the shares).

The payment of common stock dividends would not be permitted if we are not in compliance with our loan agreements or in default of such agreements.

Maritime Investors beneficially owns approximately 47.3% of our total outstanding common stock, which may limit stockholders' ability to influence our actions.

Maritime Investors, a corporation controlled by our Chief Executive Officer, Mr. Valentis, beneficially owns approximately 47.3% of our outstanding common stock as of April 6, 2021. Prior to the closing of the 2021 Private Placement Transaction, Mr. Valentis owned approximately 81% of our outstanding common stock. As a result, Maritime Investors has the power to exert considerable influence over our actions through its ability to effectively control matters requiring stockholder approval, including the determination to enter into a corporate transaction or to prevent a transaction, regardless of whether our other stockholders believe that any such transaction is in their or our best interests. For example, Maritime Investors could cause us to consummate a merger or acquisition that increases the amount of our indebtedness or causes us to sell all of our revenue-generating assets. We cannot assure you that the interests of Maritime Investors will coincide with the interests of other stockholders. As a result, the market price of shares of our common stock could be adversely affected.

Additionally, Maritime Investors may invest in entities that directly or indirectly compete with us, or companies in which Maritime Investors currently invests may begin competing with us. Maritime Investors may also separately pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. As a result of these relationships, when conflicts arise between the interests of Maritime Investors and the interests of our other stockholders, Mr. Valentis may not be a disinterested director. Maritime Investors will effectively control all of our corporate decisions so long as they continue to own a substantial number of shares of our common stock.

If our common stock does not meet the NASDAQ's minimum share price requirement, and if we cannot cure such deficiency within the prescribed timeframe, our common stock could be delisted.

Under the rules of NASDAQ, listed companies are required to maintain a share price of at least \$1.00 per share. If the share price declines below \$1.00 for a period of 30 consecutive trading days, then the listed company has a cure period of at least 180 days to regain compliance with the \$1.00 per share minimum. If the price of our common stock closes below \$1.00 for 30 consecutive days, and if we cannot cure that deficiency within the 180-day timeframe, then our common stock could be delisted. On July 2, 2020, Nasdaq had notified us of our noncompliance with the minimum bid price of \$1.00 over the previous 30 consecutive business days as required by Nasdaq's listing rules. On December 29, 2020, we received written notification granting us a 180-day extension, or until June 28, 2021 to regain compliance with the minimum bid price requirement. Subsequently, from January 28, 2021 to February 16, 2021, our closing bid price for our common shares has been \$1.00 per share or greater and Nasdaq has informed us that we have regained compliance with the exchange's minimum closing bid price rule and the matter is closed.

A continued decline in the closing price of our common shares on NASDAQ could result in suspension or delisting procedures in respect of our common shares. The commencement of suspension or delisting procedures by an exchange remains, at all times, at the discretion of such exchange and would be publicly announced by the exchange. If a suspension or delisting were to occur, there would be significantly less liquidity in the suspended or delisted securities. In addition, our ability to raise additional necessary capital through equity or debt financing would be greatly impaired. Furthermore, with respect to any suspended or delisted common shares, we would expect decreases in institutional and other investor demand, analyst coverage, market making activity and information available concerning trading prices and volume, and fewer broker-dealers would be willing to execute trades with respect to such common shares. A suspension or delisting would likely decrease the attractiveness of our common shares to investors and constitutes a breach under certain of our credit agreements as well as constitutes an event of default under certain classes of our preferred stock and would cause the trading volume of our common shares to decline, which could result in a further decline in the market price of our common shares.

Finally, if the volatility in the market continues or worsens, it could have a further adverse effect on the market price of our common shares, regardless of our operating performance.

Furthermore, as a foreign private issuer, our corporate governance practices are exempt from certain NASDAQ corporate governance requirements applicable to U.S. domestic companies. As a result, our corporate governance practices may not have the same protections afforded to stockholders of companies that are subject to all of the NASDAQ corporate governance requirements.

We believe that our corporate governance practices are in compliance with the applicable NASDAQ listing rules and are not prohibited by the laws of the Republic of the Marshall Islands.

Anti-takeover provisions in our Articles of Incorporation and Bylaws could make it difficult for our stockholders to replace our board of directors or could have the effect of discouraging an acquisition, which could adversely affect the market price of our common stock.

Several provisions of our Articles of Incorporation and Bylaws make it difficult for our stockholders to change the composition of our board of directors in any one year. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable. These provisions include:

- providing for a classified board of directors with staggered, three year terms;
- authorizing the board of directors to issue so-called “blank check” preferred stock without stockholder approval;
- 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 cast at an annual meeting of stockholders;
- prohibiting stockholder action by written consent unless consent is signed by all stockholders entitled to vote on the action;
- limiting the persons who may call special meetings of stockholders;
- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and
- restricting business combinations with interested stockholders.

These anti-takeover provisions could substantially impede the ability of public stockholders 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

We may have to pay tax on U.S. source income, which would reduce our earnings and cash flow.

Under the Internal Revenue Code of 1986, as amended (the “Code”), 50% of the gross shipping income of a vessel-owning or chartering corporation (or “shipping income”) that is attributable to voyages that either begin or end in the United States is characterized as “U.S.-source shipping income” and such income is generally subject to a 4% U.S. federal income tax (on a gross basis) unless that corporation qualifies for exemption from tax under Section 883 of the Code or under an applicable U.S. income tax treaty.

During our 2020 taxable year, we and our ship owning subsidiaries are organized under the laws of the Republic of the Marshall Islands and the laws of the Republic of Malta. The Republic of the Marshall Islands is a country that has in place with the United States of America both an Order affording relief from double taxation in relation to the taxation of income derived from the international operation of ships and aircraft which entered into force on the 11th March 1997 in respect of income derived on or after the 1st January 1997; as well as a Convention for the avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income which entered into force on the 23rd November 2010.

Whilst it was agreed between the Government of the United States of America and the Government of Malta that the provisions of the Convention shall not affect the continued validity and application of the preceding Order, the Convention nevertheless provides that it shall not restrict in any manner any benefit accorded by any other agreement to which the Contracting States are parties.

Under the Order, in accordance with Sections 872(b) and 883(A) of the Internal Revenue Code, the United States of America agreed to exempt from tax gross income derived from the international operation of ships by corporation which are incorporated in Malta. Such exemption is applicable only if the corporation meets one of the following conditions:

- (1) the corporation’s stock is primarily and regularly traded on an established securities market in Malta, another country which grants a reciprocal exemption to U.S. corporations or the United States, or
- (2) more than fifty (50) percent of the value of the corporation’s stock is owned directly or indirectly by individuals who are residents of Malta or of another foreign country which grants an equivalent exemption to U.S. corporations or by a corporation organized in a country which grants an equivalent exemption to U.S. corporations and whose stock is primarily and regularly traded on an established securities market in that country, another country which grants an equivalent

exemption to U.S. corporations, or the United States.

The Convention, in turn, under Article 8 dealing specifically with shipping and air transport, sets out the relevant rule to the effect that profits of an enterprise of a contracting state from the operation of ships in international traffic shall be taxable only in that state. The Convention defines the term “enterprise of a Contracting State” to mean an enterprise carried on by a resident of a Contracting State; and under Article 4 the term “resident” is defined to mean any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, citizenship, place of management, place of incorporation, or any other criterion of a similar nature.

The Maltese subsidiaries are liable to tax in Malta by reason of their domicile and place of incorporation.

We believe that our Maltese subsidiaries qualify for treaty-based exemption both under the Order, as well as under the Convention. However, in the event that we were to be unable to demonstrate due satisfaction of the conditions for exemption under the Order as set out above, then we would nevertheless enjoy exemption under the Convention.

Accordingly, income earned by our subsidiaries organized under the laws of Malta may qualify for a treaty-based exemption. Income earned by our subsidiaries under the law of the Marshall Islands don’t qualify for a treaty-based exemption. However, we believe that we qualify for the exemption from tax under Section 883 of the Code for the 2020 taxable year and intend to take such position on our returns for the 2020 taxable year. Nevertheless, for the 2021 or any later taxable year, 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 additional shares of our common stock are issued to new stockholders such that, due to their status or unwillingness to cooperate with certain substantiation and reporting requirements, we no longer satisfy one of the ownership test requirements for qualification. Due to the factual nature of the issues involved, we can give no assurances on the availability of the exemption to us.

If we and/or one or more of our Marshall Island subsidiaries are not entitled to this exemption under Section 883 of the Code for any taxable year, we and/or such subsidiaries would generally be subject for that year to a 4% U.S. federal income tax on the U.S.-source shipping income for that year. The imposition of this tax could have a negative effect on our business and would result in decreased earnings and cash flow. See “Item 10. Additional Information – E. Taxation – U.S. Federal Income Taxation of the Company” for a detailed discussion of the qualification for the exemption under Section 883 of the Code.

Our subsidiaries organized under the laws of the Republic of Malta would always benefit from the treaty based exemption since voyages that either begin or end in the United States (characterized by the Code as “U.S.-source shipping income”) would qualify as international transport for purposes of the tax treaty. Furthermore, and in addition to the tax treaty provisions, under article 12(1)(c)(iii)(k) of the Malta Income Tax Act, the profits of a non-resident shipowner as defined in article 28, are exempt from tax in Malta, provided that the country to which such non-resident shipowner belongs extends a similar exemption to shipowners who are not resident in such country but who are resident in Malta. This exemption is therefore extended on a reciprocity basis.

Various tax rules may adversely impact the Company’s business, results of operations and financial condition.

The Company may be subject to taxes in the United States and other jurisdictions in which it operates. If the Internal Revenue Service (the “IRS”), or other taxing authorities disagree with the positions the Company has taken on the tax returns of its subsidiaries, the Company could face additional tax liability, including interest and penalties. If material, payment of such additional amounts upon final adjudication of any disputes could have a material impact on the Company’s business, results of operations and financial condition. In addition, complying with new tax rules, laws or regulations could impact the Company’s financial condition, and increases to federal or state statutory tax rates and other changes in tax laws, rules or regulations may increase the Company’s effective tax rate. Any increase in the Company’s effective tax rate could have a material adverse impact on our business, results of operations and financial condition.

If U.S. tax authorities were to treat us or one or more of our subsidiaries as a “passive foreign investment company,” there could be adverse tax consequences to U.S. holders.

A non-U.S. corporation will be treated as a “passive foreign investment company” (or a “PFIC”) for U.S. federal income tax purposes if either (i) at least 75% of its gross income for any taxable year consists of certain types of “passive income,” or (ii) at least 50% of the average value of the corporation’s assets produce, or are held for the production of, such types of “passive income.” For purposes of these tests, “passive income” 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 trade or business. For purposes of these tests, time and voyage charter income is generally viewed as income derived from the performance of services and not rental income and, therefore, would not constitute “passive income.” U.S. stockholders of a PFIC are subject to a disadvantageous 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.

U.S. shareholders of a PFIC generally 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, and would be subject to annual information reporting to the U.S. Internal Revenue Service (the “IRS”). If we were to be treated as a PFIC for any taxable year (and regardless of whether we remained a PFIC for subsequent taxable years), a U.S. shareholder who does not make certain mitigating elections (as described more fully under “Item 10. Additional Information – E. Taxation – U.S. Federal Income Taxation of U.S. Holders”) would be required to allocate ratably over such U.S. shareholder’s holding period any “excess distributions” received (i.e., the portion of any distributions received on our common stock in a taxable year in excess of 125% of certain average historic annual distributions) and any gain realized on the sale, exchange or other disposition of our common stock. The amount allocated to the current taxable year and any year prior to the first year in which we were a PFIC would be subject to U.S. federal income tax as ordinary 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. An interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. Investors in our common stock are urged to consult with their own tax advisors regarding the tax consequences of the PFIC rules to them, including the benefit of any available mitigating elections. For a more complete discussion of the U.S. Federal income tax consequences of passive foreign investment company characterization, see “Item 10. Additional Information – E. Taxation – U.S. Federal Income Taxation of U.S. Holders.”

Based on our current and projected operations, we do not believe that we (or any of our subsidiaries) were a PFIC in our 2020 taxable year, and we do not expect to become (or any of our subsidiaries to become) a PFIC with respect to the 2021 or any later taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute “passive income,” and the assets that we own and operate in connection with the production of that income do not constitute “passive assets.” There is, however, no direct legal authority under the PFIC rules addressing our method of operation. Accordingly, no assurance can be given that the IRS or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are (or were in a prior taxable year) a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any taxable year if there were to be changes in the nature and extent of our operations.

If U.S. tax authorities were to treat us as a “controlled foreign corporation,” there could be adverse U.S. federal income tax consequences to certain U.S. investors.

If more than 50% of the voting power or value of our shares is treated as owned by U.S. citizens or residents, U.S. corporations or partnerships, or U.S. estates or trusts (as defined for U.S. federal income tax purposes), each of which owned at least 10% of our voting power or value (each, a “U.S. Stockholder”), then we and one or more of our subsidiaries will be a controlled foreign corporation (or “CFC”) for U.S. federal income tax purposes. If we were treated as a CFC for any taxable year, our U.S. Stockholders may face adverse U.S. federal income tax consequences and information reporting obligations. See “Item 10. Additional Information – E. Taxation – U.S. Federal Income Taxation of U.S. Holders.”

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Our legal and commercial name is Pyxis Tankers Inc. We are an international maritime transportation holding company that was incorporated under the laws of the BCA on March 23, 2015, and we maintain our principal place of business at the offices of our ship manager, Maritime, at 59 K. Karamanli, Maroussi 15125, Athens, Greece. Our telephone number at that address is +30 210 638 0200. Our registered agent in the Marshall Islands is The Trust Company of the Marshall Islands, Inc. located at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. Our website is www.pyxistankers.com. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. The address of the SEC’s internet site is www.sec.gov. None of the information contained on those websites is incorporated into or forms a part of this Annual Report.

We own the vessels in our current fleet through five separate wholly-owned subsidiaries that are incorporated in the Marshall Islands and Malta. We acquired the vessel-owning subsidiaries from affiliates of our founder and Chief Executive Officer in connection with our merger with LookSmart in October 2015. Pursuant to the foregoing, LookSmart merged with and into Maritime Technologies Corp. and we commenced trading on the NASDAQ Capital Market under the symbol “PXS”. As part of the merger transactions, LookSmart transferred all of its then existing business, assets and liabilities to its wholly-owned subsidiary, which was spun off to the LookSmart stockholders.

We periodically assess the value of our fleet from an operational and financial standpoint as well as potential strategic opportunities such as vessel acquisition or disposition. On January 13, 2020, we completed the sale of the *Pyxis Delta* for \$13.5 million. The net proceeds from the sale of the vessel were approximately \$13.2 million, out of which \$5.7 million was used for the prepayment of Pyxis Delta and Pyxis Theta loan facility and \$7.5 million for the repayment of our liabilities to our related party (Maritime) and for the repayment of obligations to our trade creditors.

Recent and Other Developments

Issuance of shares: On January 4, 2021 and April 2, 2021, following the second amendment to the Amended & Restated Promissory Note dated May 14, 2019, we issued 64,446 and 47,827, respectively, of our common shares at the volume weighted average closing share price for the 10-day period immediately prior to the quarter end.

Pyxis Regains Compliance with NASDAQ’s Minimum Closing Bid Price Rule: On July 2, 2020, NASDAQ had notified us of our noncompliance with the minimum bid price of \$1.00 over the previous 30 consecutive business days as required by the Listing Rules of the NASDAQ Stock Market. On December 29, 2020, we received written notification granting us a 180-day extension, or until June 28, 2021, to regain compliance with the minimum bid price requirement. Subsequently, from January 28, 2021 to February 16, 2021, our closing bid price for our common shares was \$1.00 per share or greater and, on February 17, 2021, NASDAQ informed us that we had regained compliance with the exchange’s minimum closing bid price rule (NASDAQ Listing Rule 5550(a)(2)).

Closing of \$25.0 Million Private Placement of Common Stock: On February 24, 2021 we announced that we had closed our definitive securities purchase agreements with a group of investors, which resulted in gross proceeds to the Company of \$25.0 million, before deducting placement offering expenses. We issued 14,285,715 shares of common stock at a price of \$1.75 per share. We will use the net proceeds from the offering for general corporate purposes, which may include the repayment of outstanding indebtedness and potential vessel acquisitions. The securities offered and sold by us in the private placement were subsequently registered under the Securities Act of 1933, as amended (the “Securities Act”), under a resale registration statement filed with the SEC and became effective on March 11, 2021. Any resale of our shares under such resale registration statement will be made only by means of a prospectus.

Series A Preferred Share Conversions & Warrant Exercises: Since October 13, 2020 through April 6, 2021, an aggregate of 58,814 of Series A Preferred Shares were converted into 1,052,529 registered common shares of the Company and 144,500 Warrants were exercised for 144,500 registered common shares.

As of April 6, 2021, we had a total of 37,225,792 common shares issued and outstanding of which Mr. Valentis beneficially owned 47.3%.

Amendment to Eighthone Loan: On March 4, 2021, Eighthone Corp., the owner of the *Pyxis Epsilon*, entered into a Third Amendment with Wilmington Trust, as agent, to modify two loan covenants. The minimum liquidity amount thereunder shall remain at \$0.5 million through 2021 and increase to \$0.75 million thereafter until maturity. The minimum security cover thereunder shall remain at 115% of the outstanding loan (currently \$24 million) through 2021 and increase to 125% thereafter. All other terms and conditions shall remain in full force and effect.

Refinancing of Eighthone Loan: On March 30, 2021, we announced that we had successfully completed the refinancing of a previous loan facility secured by the *Pyxis Epsilon* with a \$17 million loan which has an interest rate of Libor plus 3.35% and is repayable over 5 years.

Dividend Payments: On January 20, 2021, February 22, 2021 and March 22, 2021, we paid cash dividends of \$0.1615 per Series A Convertible Preferred Share for each month. Our board of directors has also declared a monthly dividend of \$0.1615 per share on our Series A Preferred Shares, for the month of April 2021. The cash dividend will be payable on April 20, 2021 to holders of record as of April 13, 2021.

B. Business Overview

Overview

We are an international maritime transportation company focused on the product tanker sector. Our fleet is comprised of five double hull product tankers, which are employed under a mix of spot and medium-term time charters. As of April 6, 2021, our fleet had an average age of 9.5 years, based on dwt, compared to an industry average of approximately 13 years, with a total cargo carrying capacity of 170,019 dwt. We acquired these five vessels in 2015 from affiliates of our founder and Chief Executive Officer, Mr. Eddie Valentis. Three of the vessels in the fleet are MR tankers, all of which have eco-efficient or eco-modified designs, and two are short-range tanker sister ships. Each of the vessels in the fleet has IMO certifications and is capable of transporting refined petroleum products, such as naphtha, gasoline, jet fuel, kerosene, diesel and fuel oil, as well as other liquid bulk items, such as vegetable oils and organic chemicals.

Our principal objective is to own and operate our fleet in a manner that will enable us to benefit from short- and long-term trends that we expect in the product tanker sector to maximize our revenues. We intend to expand the fleet through selective acquisitions of modern product tankers, primarily MRs, and to employ our vessels through time charters to creditworthy customers and on the spot market. We intend to continually evaluate the markets in which we operate and, based upon our view of market conditions, adjust our mix of vessel employment by counterparty and stagger our charter expirations. In addition, we may choose to opportunistically direct asset sales or acquisitions when conditions are appropriate. Management is considering the potential sale and / or bareboat charter for *Northsea Alpha* and *Northsea Beta*.

The Fleet

The following table provides summary information concerning our fleet as of April 6, 2021:

Vessel Name	Shipyard	Vessel type	Carrying Capacity (dwt)	Year Built	Type of Charter	Charter Rate (per day) ⁽¹⁾	Earliest Redelivery Date
<i>Pyxis Epsilon</i> ⁽²⁾	SPP* / S. Korea	MR	50,295	2015	Time	\$ 14,000	May 2021
<i>Pyxis Theta</i> ⁽²⁾	SPP / S. Korea	MR	51,795	2013	Time	\$ 14,000	June 2021
<i>Pyxis Malou</i> ⁽³⁾	SPP / S. Korea	MR	50,667	2009	Time	\$ 12,000	July 2021
<i>Northsea Alpha</i>	Kejin / China	Small Tanker	8,615	2010	Spot	n/a	n/a
<i>Northsea Beta</i>	Kejin / China	Small Tanker	8,647	2010	Spot	n/a	n/a
			170,019				

(1) These are gross charter rates and do not reflect any commissions payable.

(2) *Pyxis Epsilon* and *Pyxis Theta* are contracted with a charterer's option to extend the charter at the rate of \$15,500 per day for additional six months, minus 45 days or plus 70 days.

(3) *Pyxis Malou* is fixed for six months, minus 40 or plus 50 days at charterer's option at \$12,000 per day.

*SPP is SPP Shipbuilding Co., Ltd.

Our Charters

We generate revenues by charging customers a fee, typically called charter hire, for the use of our vessels. Customers utilize the vessels to transport their refined petroleum products and other liquid bulk items and have historically entered into the following types of contractual arrangements with us or our affiliates:

- **Time charters:** A time charter is a contract for the use of a vessel for a fixed period of time at a specified daily rate. Under a time charter, the vessel owner provides crewing and other services related to the vessel's operation, the cost of which is included in the daily rate. The customer, also called a charterer, is responsible for substantially all of the vessel's voyage expenses, which are costs related to a particular voyage including the cost for bunkers and any port fees, cargo loading and unloading expenses, canal tolls and agency fees. In addition, a time charter may include a profit share component, which would enable us to participate in increased profits in the event rates increase above the specified daily rate.
- **Spot charters:** A spot charter is a contract to carry a specific cargo for a single voyage. Spot charters for voyages involve the carriage of a specific amount and type of cargo on a load-port to discharge-port basis, subject to various cargo handling terms, and the vessel owner is paid on a per-ton basis. Under a spot voyage charter, the vessel owner is responsible for the payment of all expenses including voyage expenses, such as port, canal and bunker costs.

The table below sets forth the basic distinctions between these types of charters:

	Time Charter	Spot Charters
Typical contract length	Typically 3 months - 5 years or more	Indefinite but typically less than 3 months
Basis on which charter rate is paid	Per day	Per ton, typically
Voyage expenses	Charterer pays	We pay
Vessel operating costs (1)	We pay	We pay
Off-hire (2)	We pay	We pay

(1) We are responsible for vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses and the commercial and technical management fees payable to our ship managers. The largest components of our vessel operating costs are generally crews and repairs and maintenance.

(2) "Off-hire" refers to the time a vessel is not available for service due primarily to scheduled and unscheduled repairs or dry-docking.

Under both time and spot charters on the vessels in the fleet, we are responsible for the technical management of the vessel and for maintaining the vessel, periodic dry-docking, cleaning and painting and performing work required by regulations. We have entered into a contract with Maritime to provide commercial, sale and purchase, and other operations and maintenance services to all of the vessels in our fleet. Our vessel-owning subsidiaries have contracted with ITM, a third party technical manager and subsidiary of V. Ships Limited, to provide crewing and technical management to all of the vessels in our fleet. Please see “–Management of Ship Operations, Administration and Safety” below. We intend to continue to outsource the day-to-day crewing and technical management of all our vessels to ITM. We believe that ITM has a strong reputation for providing high quality technical vessel services, including expertise in efficiently managing tankers.

In the future, we may also place one or more of our vessels in pooling arrangements or on bareboat charters:

- *Pooling Arrangements.* In pooling arrangements, vessels are managed by a single pool manager who markets a number of vessels as a single, cohesive fleet and collects, or pools, their net earnings prior to distributing them to the individual owners, typically under a pre-arranged weighting system that recognizes a vessel’s earnings capacity based on various factors. The vessel owner also generally pays commissions on pooling arrangements generally ranging from 1.25% to 5.0% of the earnings.
- *Bareboat Charters.* A bareboat charter is a contract pursuant to which the vessel owner provides the vessel to the charterer for a fixed period of time at a specified daily rate, and the charterer generally provides for all of the vessel’s operating expenses in addition to the voyage costs and assumes all risk of operation. A bareboat charterer will generally be responsible for operating and maintaining the vessel and will bear all costs and expenses with respect to the vessel, including dry-dockings and insurance.

Our Competitive Strengths

We believe that we possess a number of competitive strengths relative to other product tanker companies, including:

- **High Quality Fleet of Modern Tankers.** As of April 6, 2021, our fleet had an average age of 9.5 years, based on dwt, compared to an industry average of approximately 13 years. Our fleet of vessels consists mainly of MR tankers that were built in Korean shipyards. We believe these MR tankers, along with our smaller tankers, provide our customers with high quality and reliable transportation of cargos at competitive operating costs. Owning a modern fleet reduces off-hire time, repairs and maintenance costs, including dry-docking expenses, and improves safety and environmental performance. Also, lenders are attracted to modern, well maintained vessels, which can result in more reasonable terms for secured loans.
- **Established Relationships with Charterers.** We have developed long-standing relationships with a number of leading tanker charterers, including major integrated and national oil companies, refiners, international trading firms and large vessel operators, which we believe will benefit us in the future as we continue to grow our business. Our customers have included, among others, Trafigura, BP, SK Energy, Equinor, Total, Petramina, Vitol, ST Shipping (an affiliate of Glencore), Greenergy, Repsol, Petrobras and their respective subsidiaries. We strive to meet high standards of operating performance, achieve cost-efficient operations, reliability and safety in all of our operations and maintain long-term relationships with our customers. In concert with our technical manager, we constantly monitor and report the environmental impact of our vessels to address increasing industry-wide emissions concerns. We believe that our charterers value our fleet of modern, quality tankers as well as our management team’s industry experience. These attributes should allow us to continue to charter our vessels and expand our fleet.
- **Competitive Cost Structure.** Even though we currently operate a relatively small number of vessels, we believe we are very cost competitive as compared to other companies in our industry. For example, during the year ended December 31, 2020, our total daily operational costs, including vessel operating expenses, technical commercial management fees plus allocable general and administrative expenses for our eco-efficient MR tankers averaged approximately \$8,200. This is a result of our fleet profile, our experienced technical and commercial managers as well as the hands-on approach and substantial equity ownership of our management team. Moreover, a constant focus on operational improvements is a key component of our corporate culture. Our technical manager, ITM, manages over 50 tankers, including our vessels. Our technical and commercial management fees aggregate to approximately \$755 per day per vessel, which is competitive within our industry. Our collaborative approach between our management team and our external managers creates a platform that we believe is able to deliver excellent operational results at competitive costs and positions us for further growth. Total daily operational costs is a non-U.S. GAAP measure. For a description of total daily operational costs and analysis of the components that make this measure, please see “Summary Financial Data—Non U.S. GAAP Measures.”

- **Well-Positioned to Capitalize on Improving Rates.** We believe our current fleet is positioned to capitalize when spot and time charter rates improve. As of April 6, 2021, we had three tankers contracted under time charter and two under spot voyages. As of April 6, 2021, 15% of our fleet's remaining available days in 2021 were contracted, exclusive of charterers' options. For any additional tankers we may acquire, we expect to continue to employ our mixed chartering strategy.
- **Experienced Management Team.** Our four senior officers, led by our Chairman and Chief Executive Officer, Mr. Eddie Valentis, have combined over 100 years of industry experience in shipping, including vessel ownership, acquisitions, divestitures, newbuildings, dry-dockings and vessel modifications, on-board operations, chartering, technical supervision, corporate management, legal/regulatory, accounting and finance.

Our Business Strategy

Our principal objective is to own, operate and grow our fleet in a manner that will enable us to benefit from short- and long-term trends that we expect in the tanker sector. Our strategy to achieve this objective includes the following:

- **Maintain High Quality Fleet of Modern Tankers.** We intend to maintain a high quality fleet that meets rigorous industry standards and our charterers' requirements and that has an average age of 10 years or less. We consider our fleet to be high quality based on the specifications to which our vessels were built and the reputation of each of the shipyards that built the vessels. We believe that our customers prefer the better reliability, fewer off-hire days and greater operating efficiency of modern, high quality vessels. Our MR tankers are all eco-efficient and eco-modified designed vessels which offer the benefits of lower bunker consumption and reduced emissions. In addition, we are able to cost-effectively operate standard older MRs. We also intend to maintain the quality of our fleet through ITM's comprehensive planned maintenance and preventive maintenance programs.
- **Grow the Fleet Opportunistically.** We plan to take advantage of what we believe to be attractive asset values in the product tanker sector to expand our fleet through acquisitions. We believe that demand for tankers will expand as trade routes for liquid cargoes continue to evolve to developed markets, such as those in the United States and Europe, and as changes in refinery production patterns in developing countries such as China and India, as well as in the Middle East, contribute to increases in the transportation of refined petroleum products. We believe that a diversified tanker fleet will enable us to serve our customers across the major tanker trade routes and to continue to develop a global presence. We have strong relationships with reputable owners, charterers, banks and shipyards, which we believe will assist us in identifying attractive vessel acquisition opportunities. We intend to focus primarily on the acquisition of IMO II and III class MR tankers of 10 years of age or less, which have been built in Tier 1 Asian shipyards and have modern bunker efficient designs given demands for lower bunker consumption and concerns about environmental emissions. We will also consider acquisitions of newbuild vessels (also called re-sales), which typically have lower operating costs, and of fleets of existing vessels when such acquisitions are accretive to stockholders or provide other strategic or operating advantages to us.
- **Optimize the Operating Efficiency of our Fleet.** We evaluate each of our existing and future vessels regarding their operating efficiency, and if we believe it will advance the operation of our fleet and benefit our business, we may make vessel modifications to improve fuel consumption and meet stricter environmental standards. We will consider making such modifications when the vessels complete their charter contracts or undergo scheduled dry-docking, including installation of required ballast water treatment systems, or with new acquisitions, at the time we acquire them. Among the modifications that we monitor and may make in the future to our vessels include: fitting devices that reduce main engine bunker consumption without reducing available power and speed; fitting devices that improve bunker combustion and therefore bunker consumption for auxiliary equipment; efficient electrical power generation and usage; minimizing hull and propeller frictional losses; systems that allow for optimized routing; and systems that allow for improved maintenance, performance monitoring and management. We refer to vessels that have one or more of these modifications as "eco-modified." We have evaluated and successfully installed in vessels a variety of technologies and equipment that have resulted in operating efficiencies and lower emissions. For example, we completed modifications on *Pyxis Malou* during its first special survey that we believe has resulted in our attaining an attractive return on such capital investment in the first year of operation. In 2019, we installed a BWTS during her second special survey in order to meet new environmental regulations. We will continue to build on our experience with these and other modifications and seek methods to efficiently improve the operational performance of our vessels while keeping costs competitive and meet full regulatory compliance and increasing environmental standards.
- **Utilize Portfolio Approach for Commercial Employment.** We expect to employ the vessels in our fleet under a mix of spot and time charters (with and without profit share), bareboat charters and pooling arrangements. We expect to diversify our charters by customer and staggered duration. In addition, any long-term time charters we enter into with a profit sharing component will offer us some protection when charter rates decrease, while allowing us to share in increased profits in the event rates increase. We believe that this portfolio approach to vessel employment is an integral part of risk management which will provide us a base of stable cash flows while providing us the optionality to take advantage of rising charter rates and market volatility in the spot market.
- **Preserve Strong Safety Record & Commitment to Customer Service and Support.** Maritime and ITM have strong histories of complying with rigorous health, safety and environmental protection standards and have excellent vessel safety records. We expect to continue to meet charterers' (and lenders') reporting requirements of vessel emissions. We intend to maintain these high standards in order to provide our customers with a high level of safety, customer service and support.
- **Maintain Financial Flexibility.** We intend to maintain financial flexibility to expand our fleet by targeting a balanced capital structure of debt and equity. As part of our risk management policies, we expect to enter into time charters for most of the vessels we acquire, which provide us predictable cash flows for the duration of the charter and attract lower-cost debt financing at more favorable terms. We believe this will allow us to build upon our strong commercial lending relationships and optimize our ability to access the public capital markets to respond opportunistically to changes in our industry and financial market conditions.
- **Support Good Environmental, Social & Governance Standards.** We comply with all current vessel environmental regulations, and continue to monitor and record vessel emissions and hazardous materials inventory. We emphasize operational safety and quality maintenance for all our vessels and crews. We try to ensure a productive work environment on board and on shore in order to meet all safety and health regulations, labor conditions and

respect for human rights. Our outsourcing of technical, commercial and administrative management services to ITM and Maritime are critical to effectively achieve these objectives. Lastly, we are committed to good corporate governance standards as a fully compliant, publicly-listed company in the U.S.

Seasonality

For a description of the effect of seasonality on our business, please see “Item 3. Key Information – D. Risk Factors – Product tanker rates fluctuate based on seasonal variations in demand”.

Management of Ship Operations, Administration and Safety

Our executive officers and secretary are employed by and their services are provided by Maritime.

Typically, Maritime and ITM enter into individual ship management agreements with our vessel-owning subsidiaries pursuant to which they provide us with:

- commercial management services, which include obtaining employment, that is, the chartering, for our vessels and managing our relationships with charterers;
- strategic management services, which include providing us with strategic guidance with respect to locating, purchasing, financing and selling vessels;
- technical management services, which include managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging the hire of qualified officers and crew, arranging and supervising dry-docking and repairs, arranging insurance for vessels, purchasing stores, supplies, spares and new equipment for vessels, appointing supervisors and technical consultants and providing technical support; and
- shoreside personnel who carry out the management functions described above.

Head Management Agreement and Ship Management Agreements with Maritime. Headquartered in Maroussi, Greece, Maritime was formed in May 2007 by our founder and Chief Executive Officer to take advantage of opportunities in the tanker sector. Maritime’s business employs or receives consulting services from 13 people in four departments: technical, operations, chartering and finance/accounting. We entered into a head management agreement with Maritime (the “Head Management Agreement”) pursuant to which they provide us and our vessels, among other things, with ship management services and administrative services. Under the Head Management Agreement, each vessel-owning subsidiary that owns a vessel in our fleet also enters into a separate ship management agreement with Maritime. Maritime provides us and our vessels with the following services: commercial, sale and purchase, provisions, insurance, bunkering, operations and maintenance, dry-docking and newbuilding construction supervision. Maritime also provides administrative services to us such as executive, financial, accounting and other administrative services. As part of its responsibilities, Maritime supervises the crewing and technical management performed by ITM for all our vessels. In return for such services, Maritime receives from us:

- for each vessel while in operation a fee of \$325 per day subject to annual inflationary adjustments, and for each vessel under construction, a fee of \$450 per day, plus an additional daily fee, which is dependent on the seniority of the personnel, to cover the cost of the engineers employed to conduct the supervision (collectively the “Ship-Management Fees”);
- 1.00% of the purchase price of any sale and purchase transaction from the seller of the vessel;
- 1.25% of all chartering, hiring and freight revenue we receive that was procured by or through Maritime; and
- a lump sum of approximately \$1.6 million per annum for the administrative services it provides to us (the “Administration Fees”).

The Ship-Management Fees and the Administration Fees are subject to annual adjustments to take into account inflation in Greece or such other country where Maritime was headquartered during the preceding year. Effective January 1, 2020, the Ship-Management Fees and the Administration Fees were increased by 0.26% in line with the average inflation rate in Greece in 2019 and were approximately \$330 per day per ship and \$1.6 million annually, respectively. However, in 2020 there was nominal deflation in Greece, so there was no scheduled increase in these fees for 2021. We believe these amounts payable to Maritime are very competitive to many of our U.S. publicly listed tanker competitors, especially given our relative size. We anticipate that once our fleet reaches 15 tankers, the fee that we pay to Maritime for its ship management services for vessels in operation will recognize a volume discount in an amount to be determined by the parties at that time.

The Head Management Agreement was automatically renewed on March 23, 2020 for a five-year period and may be terminated by either party on 90 days' notice prior to March 23, 2025.

For more information on our Head Management Agreement and our ship management agreements with Maritime, please see "Item 7. Major Shareholders and Related Party Transactions – B. Related Party Transactions."

Ship Management Agreements with ITM. We outsource the day-to-day technical management of our vessels to an unaffiliated third party, ITM, which has been certified for ISO 9001:2008 and ISO 14001:2004. Each vessel-owning subsidiary that owns a vessel in our fleet under a time or spot charter also typically enters into a separate ship management agreement with ITM. ITM is responsible for all technical management, including crewing, maintenance, repair, dry-dockings and maintaining required vetting approvals. In performing its services, ITM is responsible for operating a management system that complies, and ITM ensures that each vessel and its crew comply, with all applicable health, safety and environmental laws and regulations. In addition to reimbursement of actual vessel related operating costs, we also pay an annual fee to ITM which in 2020 was \$155,000 per vessel (equivalent to approximately \$425 per day). This fee is reduced to the extent any vessel ITM manages is not fully operational for a time, which is also referred to as any period of "lay-up."

Each ship management agreement with ITM continues by its terms until it is terminated by either party. The ship management agreements can be cancelled by us for any reason at any time upon three months' advance notice, but neither party can cancel the agreement, other than for specified reasons, until 18 months after the initial effective date of the ship management agreement. We have the right to terminate the ship management agreement for a specific vessel upon 60 days' notice if in our reasonable opinion ITM fails to manage the vessel in accordance with sound ship management practice. ITM can cancel the ship management agreement if it has not received payment it requests within 60 days. Each ship management agreement will be terminated if the relevant vessel is sold (other than to our affiliates), becomes a total loss, becomes a constructive, compromised or arranged total loss or is requisitioned for hire.

Insurance. We are obligated to keep insurance for each of our vessels, including hull and machinery insurance and protection and indemnity insurance (including pollution risks and crew insurances), and we must ensure each vessel carries a certificate of financial responsibility as required. We are responsible to ensure that all premiums are paid. Please see "Item 4. Information on the Company – B. Business Overview.– Risk Management and Insurance" below.

Classification, Inspection and Maintenance

Every large, commercial seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and is maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a party. In addition, where surveys of vessels are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned. The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class, regular and extraordinary surveys of hull and machinery, including the electrical plant and any special equipment, are required to be performed as follows:

Annual Surveys. For seagoing vessels, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable, on special equipment classed at intervals of 12 months from the date of commencement of the class period indicated in the certificate.

Intermediate Surveys. Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey.

Special (Class Renewal) Surveys. Class renewal surveys, also known as “special surveys,” are carried out on the vessel’s hull and machinery, including the electrical plant, and on any special equipment classed at the intervals indicated by the character of classification for the hull. During the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of funds may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period is granted, a ship owner has the option of arranging with the classification society for the vessel’s hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. At an owner’s discretion, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

Occasional Surveys. These are inspections carried out as a result of unexpected events, for example, an accident or other circumstances requiring unscheduled attendance by the classification society for re-confirming that the vessel maintains its class, following such an unexpected event.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years. Most vessels are also dry-docked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a “recommendation” which must be rectified by the ship owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as “in class” by a classification society which is a member of the International Association of Classification Societies (the “IACS”). In December 2013, the IACS adopted new harmonized Common Structure Rules which apply to oil tankers and bulk carriers constructed on or after July 1, 2015. All of our vessels are certified as being “in-class” by NKK and DNV GL. We expect that all vessels that we purchase will be certified prior to their delivery and that we will have no obligation to take delivery of the vessel if it is not certified as “in class” on the date of closing.

Risk Management and Insurance

General

The operation of any cargo carrying ocean-going vessel embraces a wide variety of risks, including the following:

- Physical damage to the vessel:
 - mechanical failure or damage, for example by reason of the seizure of a main engine crankshaft;
 - physical damage to the vessel by reason of a grounding, collision or fire; and
 - other physical damage due to crew negligence.
- Liabilities to third parties:
 - cargo loss or shortage incurred during the voyage;
 - damage to third party property, such as during a collision or berthing operation;
 - personal injury or death to crew and/or passengers sustained due to accident; and
 - environmental damage, for example arising from marine disasters such as oil spills and other environmental mishaps.

- Business interruption and war risk or war-like operations:

- this would include business interruption, for example by reason of political disturbance, strikes or labor disputes, or physical damage to the vessel and/or crew and cargo resulting from deliberate actions such as piracy, war-like actions between countries, terrorism and malicious acts or vandalism.

The value of such losses or damages may vary from modest sums, for example for a small cargo shortage damage claim, to catastrophic liabilities, for example arising out of a marine disaster such as a serious oil or chemical spill, which may be virtually unlimited. While we expect to maintain the traditional range of marine and liability insurance coverage for our fleet (hull and machinery insurance, war risks insurance and protection and indemnity coverage) in amounts and to extents that we believe will be prudent to cover normal risks in our operations, we cannot insure against all risks, and it cannot be assured that all covered risks are adequately insured against. Furthermore, there can be no guarantee that any specific claim will be paid by the insurer or that it will always be possible to obtain insurance coverage at reasonable rates. Any uninsured or under-insured loss could harm our business and financial condition.

The following table sets forth information regarding the insurance coverage on our existing fleet as of April 6, 2021.

<u>Type</u>	<u>Aggregate Sum Insured For All Vessels in our Existing Fleet</u>
Hull and Machinery	\$171.0 million
War Risk	\$171.0 million
Protection and Indemnity (“P&I”)	Pollution liability claims: limited to \$1.0 billion per vessel per incident

Hull and Machinery Insurance and War Risk Insurance

The principal coverages for marine risks (covering loss or damage to the vessels, rather than liabilities to third parties) are hull and machinery insurance and war risk insurance. These address the risks of the actual (or constructive) total loss of a vessel and accidental damage to a vessel’s hull and machinery, for example from running aground or colliding with another vessel. These insurances provide coverage which is limited to an agreed “insured value” which, as a matter of policy, is never less than the particular vessel’s fair market value. Reimbursement of loss under such coverage is subject to policy deductibles which vary according to the vessel and the nature of the coverage.

Protection and Indemnity Insurance

P&I insurance is the principal coverage for a ship owner’s third party liabilities as they arise out of the operation of its vessel. Such liabilities include those arising, for example, from the injury or death of crew, passengers and other third parties working on or about the vessel to whom the ship owner is responsible, or from loss of or damage to cargo carried on board or any other property owned by third parties to whom the ship owner is liable. P&I coverage is traditionally (and for the most part) provided by mutual insurance associations, originally established by ship owners to provide coverage for risks that were not covered by the marine policies that developed through the Lloyd’s market.

Our P&I coverage for liabilities arising out of oil pollution is limited to \$1.0 billion per vessel per incident in our existing fleet. As the P&I associations are mutual in nature, historically, there has been no limit to the value of coverage afforded. In recent years, however, because of the potentially catastrophic consequences to the membership of a P&I association having to make additional calls upon the membership for further funds to meet a catastrophic liability, the associations have introduced a formula based overall limit of coverage. Although contingency planning by the managements of the various associations has reduced the risk to as low as reasonably practicable, it nevertheless remains the case that an adverse claims experience across an association’s membership as a whole may require the members of that association to pay, in due course, unbudgeted additional funds to balance its books.

Uninsured Risks

Not all risks are insured and not all risks are insurable. The principal insurable risks which nevertheless remain uninsured across our fleet are “loss of hire” and “strikes.” We will not insure these risks because the costs are regarded as disproportionate. These insurances provide, subject to a deductible, a limited indemnity for revenue or “loss of hire” that is not receivable by the ship-owner under the policy. For example, loss of hire risk may be covered on a 14/90/90 basis, with a 14 days’ deductible, 90 days cover per incident and a 90-day overall limit per vessel per year. Should a vessel on time charter, where the vessel is paid a fixed hire day by day, suffer a serious mechanical breakdown, the daily hire will no longer be payable by the charterer. The purpose of the loss of hire insurance is to secure the loss of hire during such periods.

Competition

We operate in international markets that are highly competitive. As a general matter, competition is based primarily on the supply and demand of commodities and the number of vessels operating at any given time. We compete for charters, in particular, on the basis of price and vessel location, size, age and condition, as well as the acceptability of the vessel's operator to the charterer and on our reputation. We will arrange charters for our vessels typically through the use of brokers, who negotiate the terms of the charters based on market conditions. Competition arises primarily from other product tanker owners, including major oil companies as well as independent tanker companies, some of which have substantially greater financial and other resources than we do. Although we believe that no single competitor has a dominant position in the markets in which we compete, the trend towards consolidation in the industry is creating an increasing number of global enterprises capable of competing in multiple markets, which will likely result in greater competition to us. Our competitors may be better positioned to devote greater resources to the development, promotion and employment of their businesses than we are. Ownership of product tankers is highly fragmented and is divided among publicly listed companies, state-controlled owners and independent shipowners, some of which also have other types of tankers or vessels that carry diverse cargoes. Several of our publicly listed competitors include Scorpio Tankers Inc., Ardmore Shipping Corporation, Diamond S Shipping Inc., and Top Ships Inc.

Customers

We market our vessels and related services to a broad range of customers, including international commodity trading companies and oil, gas, and large shipping companies.

Our significant customers that accounted for more than 10% of our revenues in 2019 and 2020 were as follows:

Charterer	2019	2020
Trafigura Maritime Logistics Pte. Ltd.	71%	58%
Clearlake Shipping Pte. Ltd	—	16%
	71%	74%

In addition to these companies, we and our ship manager, Maritime, also have historical and growing chartering relationships with major integrated oil and international trading companies, including BP, SK Energy, Equinor, Total, Vitol, Clearlake (a subsidiary of Gunvor), ST Shipping (an affiliate of Glencore), Greenergy, Repsol, Valero and their respective subsidiaries.

As of December 31, 2020, we did not have any material trade receivable outstanding from any of our customers that accounted more than 10% of our revenues during 2020. We do not believe that we are dependent on any one of our key customers. In the event of a default of a charter by any of our key customers, we could seek to re-employ the vessel in the spot or time charter markets, although the rate could be lower than the charter rate agreed with the defaulting charterer.

International Product Tanker Shipping Industry

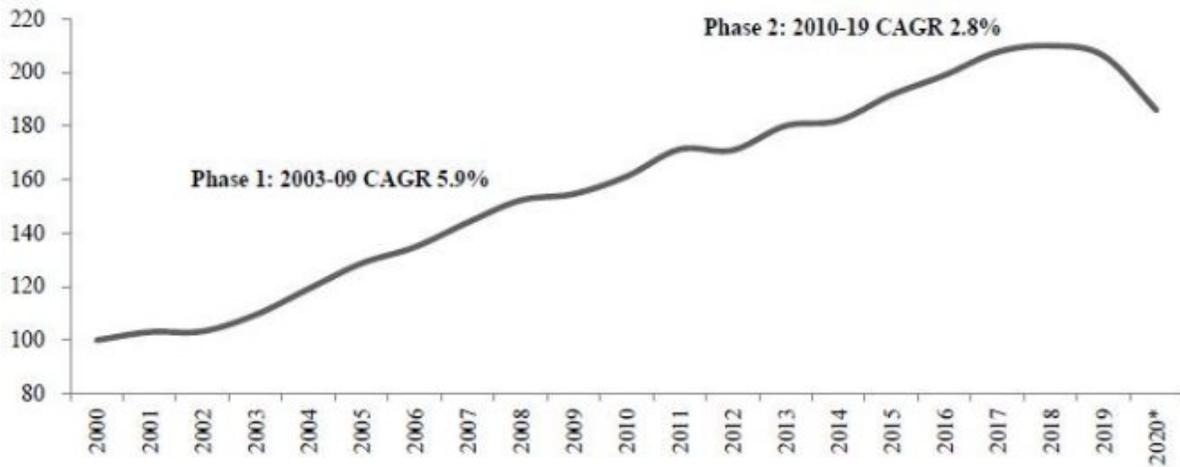
All the information and data contained in this section, including the analysis of relating to the international product tanker shipping industry, has been provided by Drewry Maritime Advisors ("Drewry"). Drewry has advised us that the statistical and graphical information contained in this section is drawn from its database and other sources. In connection therewith, Drewry has advised that: (i) certain information in its database is derived from estimates or subjective judgments, (ii) the information in the databases of other maritime data collection agencies may differ from the information in its database, and (iii) while Drewry has taken reasonable care in the compilation of the statistical and graphical information and believe it to be accurate and correct, data compilation is subject to limited audit and validation procedures. We believe that all third-party data provided in this section, "The International Product Tanker Shipping Industry," is reliable.

Summary

The refined petroleum products ("products") tanker shipping industry has undergone some fundamental changes since 2003. From 2003 to 2008 seaborne trade in products was spurred on by rising global oil demand and by changes in the location of refinery capacity. While in recent years, the development of shale oil reserves in the United States (U.S.) has helped to underpin the continued expansion in seaborne products trades, with the U.S. becoming the world's largest exporter of products.

Overall, seaborne trade in products grew by a compound annual growth rate (CAGR) of 2.8% between 2010 and 2019, rising from 810 million tons to 1,036 million tons. Product tanker ton-mile demand also increased at a CAGR of 2.8% over the same period from 2,514 billion-ton miles to 3,218 billion-ton miles. However, mobility restrictions due to the outbreak of COVID-19 adversely affected the demand for products. Provisional estimates indicate that seaborne trade of products fell 9.9% yoy to 934 million tons in 2020 with the ton-mile demand also dropping 8.8% yoy to 2,935 billion-ton miles. The sharp decline in seaborne trade in 2020 can be seen as an outlier. The roll out of various vaccines and gradual easing of restrictions by various governments are expected to support the growth in demand and seaborne trade of products. Apart from the U.S., countries such as India, China, and Saudi Arabia have also exported substantially higher quantities of products in the past decade.

Products - Seaborne Trade Index



* Provisional estimates

Source: GTIS, Drewry

Future growth in seaborne product trades is dependent on a number of factors, not least of which will be prevailing trends in the global economy and in oil demand. However, it is apparent that seaborne trade will continue to be underpinned by the emergence of the U.S. as a major exporter of products and the growth in refining capacity in areas such as China, India and the Middle East, which are heavily focused on servicing export markets.

In terms of vessel supply, products are carried in product tankers, product/chemical tankers and to a limited extent in chemical tankers. Within the context of this report, product tankers include coated and uncoated ships with average tank sizes in excess of 3,000 cubic meters and product/chemical tankers, which are certified by the IMO to transport products, and certain chemicals/edible oils, with average tank sizes of less than 3,000 cubic meters. Chemical tankers are all IMO certified and they normally possess multiple tanks of less than 3,000 cubic meters, which are used almost exclusively to transport bulk liquid chemicals and edible oils. They have therefore been excluded in this report. The fleet trading in products, therefore, consists principally of product tankers and product/chemical tankers. As of February 28, 2021, the total fleet of these two categories amounted to 2,957 ships with a combined capacity of 160.7 million deadweight tons (dwt).

Between 2010 and 2014, fleet growth in these sectors was relatively subdued and this helped to create a tighter balance between vessel supply and demand, which ultimately led to an improvement in freight rates. However, there were other factors which also facilitated the creation of a healthier market, including:

- (i) increased trade due to higher stocking activity and improved demand for oil products
- (ii) longer voyage distances because of refining capacity additions in Asia and the Middle East
- (iii) encouraged by firm freight rates for dirty tankers, product tankers are also carrying crude oil
- (iv) lower bunker prices contributed to higher net earnings

As a result of these developments, the average daily time charter equivalent (TCE) rate for a Medium Range 2 (MR2) product tanker was \$20,133/day in 2015, compared with \$6,875/day in 2014. On a one-year time charter rate basis, MR2 rates rose from \$14,438/day in 2014 to \$17,271/day in 2015. However, the increase in freight rates encouraged new ordering, and at its highest point in 2016, the ratio of the MR2 product tanker orderbook to the existing global MR2 fleet was 11.7%. Negative market sentiment coupled with elevated newbuild deliveries pushed the market down. As a result, one-year time charter rates for an MR2 tanker in 2016 averaged \$15,125/day – a decline of 12.4% from 2015.

A spate of newbuilding deliveries in 2017 aggravated the situation further for shipowners, and the average one-year time charter rate for an MR2 tanker declined by another 12.8% to average \$13,188/day in 2017. The market remained weak in 2018 and the average time charter rate for these vessels slid marginally to \$13,133/day. Nevertheless, the product tanker market bottomed out in the fall of 2018. Vessel earnings surged substantially in the last quarter of 2018 on account of record high demolitions and steady increase in the demand for tankers. In 2019, the increase in product tanker freight rates was driven by a spike in diesel trade before IMO 2020 regulations came into effect on January 1, 2020. Product tanker freight rates surged to multi-year highs in October 2019 on trickle-down effect from the crude tanker market, where rates surged after the U.S. sanctions on Cosco Shipping Tanker (Dalian) Co, squeezed tonnage supply. Fading seasonality and uncertainty due to COVID-19 led to a decline in vessel earnings in the initial months of 2020. However, the surge in earnings of crude tankers in March and April on account of the unprecedented oversupply of crude oil due to the price war between Saudi Arabia and Russia as well as demand destruction on account of lockdown measures in several economies to contain the spread of the virus cascaded into the products market as well. Steep contango of crude oil and, to a lesser extent refined products, resulted in a rapid inventory build-up onshore and demand spilling over to floating storage. TCE rates for MR2 tankers averaged a record high of \$38,367/day in April 2020 before undergoing a severe correction in later months on seasonal weakness, inventory de-stocking and return of vessels that were locked in floating storage to active trade. Accordingly, TCE rates for MR2 tankers averaged \$13,117/day in the second half of 2020. One-year time charter rate for an MR2 tanker reflected a similar uptrend in the initial months of 2020 before easing to \$13,500/day in December 2020. However, one-year time charter rate of these vessels improved 5.6% in January 2021 to \$14,250/day on the back of gradual recovery in demand and optimism infused by vaccine rollouts in several economies in recent months.

Product Tanker One-Year Time Charter Rates
(US\$ Per Day)

Vessels	2011-2020			2014	2015	2016	2017	2018	2019	2020
	Averages	Low	High	Averages						
MR1	12,846	11,000	16,500	12,938	14,958	13,833	11,458	11,646	13,471	13,100
MR2	14,390	12,000	19,500	14,438	17,271	15,125	13,188	13,133	14,667	14,879
LR1	15,183	12,500	24,250	15,188	19,333	17,000	12,979	12,938	16,542	17,246
LR2	17,691	12,500	36,000	15,708	21,688	22,063	15,625	15,125	21,396	22,800

Source: Drewry

There is also a vibrant second-hand market for ships and product tankers change hands between owners on a regular basis. Second-hand prices are generally influenced by potential vessel earnings, which in turn are influenced by trends in the supply and demand for shipping capacity. The improvement in freight rates and more positive market sentiment in the period from late 2014 to early 2016 had a beneficial impact on second-hand vessel values. For example, in the winter months of 2015-16, a five-year old MR2 was valued at \$27.0 million, compared with \$25.0 million in the corresponding period of 2014-15. However, limited access and higher cost of capital, including traditional bank debt, have slowed down sale and purchase activity and resulted in lower vessel valuations; the value of these vessels dropped to \$22.0 million by October 2016.

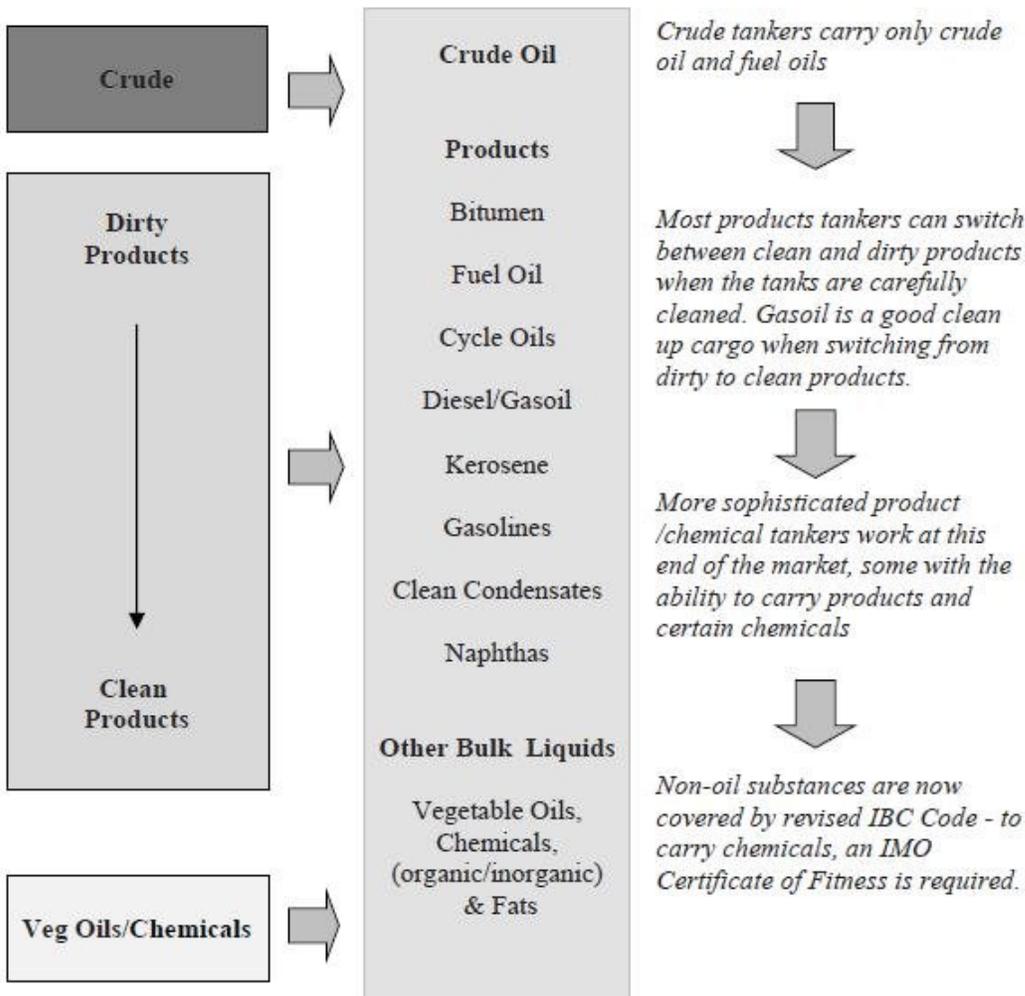
Despite low freight rates in both 2017 and 2018, second-hand values of younger vessels with lower fuel consumption have inched up. Increased activity in the S&P market at historically low vessel values in 2017 and expected recovery in the tanker market were the key factors that drove asset prices in 2018. In 2019, second-hand values of product tankers continued to climb up in tandem with the recovery in charter rates. Asset values improved further in the first four months of 2020 on the back of a spike in vessel earnings. However, the correction in freight rates and increased uncertainty in the backdrop of COVID-19 led to their decline in the latter half of the year. Accordingly, a five-year old MR2 was valued at \$26.0 million in December, 2020 compared with \$31.0 million in April. A potential recovery in demand driven by the launch of COVID-19 vaccinations supported the asset prices in early 2021 with a five-year old MR2 priced at \$27.5 million in February 2021.

The Products Market

The maritime transport industry is fundamental to international trade as it is the only pragmatic and economic way of transporting large volumes of many essential commodities, semi-finished and finished goods around the world. In turn, the product tanker shipping industry is a vital link in the global energy supply chain, given its ability to carry large quantities of products and bulk liquid chemicals as well as vegetable oils and fats between points of production and points of consumption.

The product tanker shipping industry is highly competitive, with vessel earnings sensitive to changes in the demand for and supply of shipping capacity and it is consequently cyclical and volatile in nature. The wider oil tanker market is divided between crude tankers that carry either crude oil or dirty products such as residual fuel oil, product tankers that carry cargoes such as gas oils and gasoline and more sophisticated product/chemical and chemical tankers, which can carry additionally chemicals and vegetable oils and fats. Petroleum products consist of a number of different grades of dirty products (e.g. fuel oil) and different grades of clean products (e.g. gasoline). The basic structure of the tanker shipping market is shown in the following diagram.

The Tanker Market

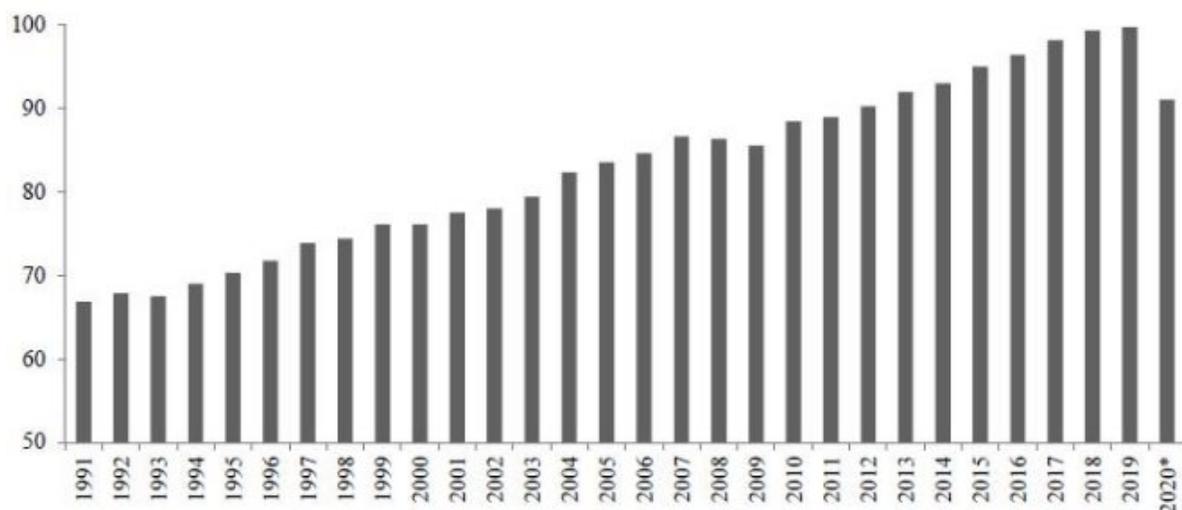


Source: Drewry

Demand for tanker shipping is a product of the physical quantity of the cargo (measured in tons) together with the distance the cargo is carried (measured in miles). Generally, demand cycles move in line with developments in the global economy, but other factors such as changes in sources of oil production and refinery capacity, plus movements in oil prices play a key role.

The volume of oil moved by sea was adversely affected by the global financial crisis of 2008 and 2009, but since then, renewed growth in the world economy and in oil demand has had a positive impact on seaborne trade. Oil demand has benefited from economic growth in Asia, especially in China, where oil consumption increased at a CAGR of 4.8% to 13.7 million barrels per day (mbpd) between 2010 and 2019 which inched up further to 13.8 mbpd in 2020 as the country remained largely unaffected by the COVID-19 pandemic despite the initial outbreak in Wuhan. World oil demand grew from 88.4 mbpd in 2010 to 99.7 mbpd in 2019 at a CAGR of 1.4%. However, the spread of COVID-19 to various parts of the world adversely affected the global oil demand in April 2020. Lockdown measures enforced by several economies to contain the spread of the virus to minimize potential damages resulted in unprecedented demand destruction. As a result, global oil demand plunged by nearly 30 mbpd in April. With gradual easing of these restriction and resumption of economic activities, oil demand partially rebounded in the latter part of the year and global oil demand averaged 91.0 mbpd in 2020 – a decline of 8.7% from the level in 2019.

World Oil Consumption: 1991-2020
(Million bpd)



* Provisional estimates

Source: IEA, Drewry

Low per capita oil consumption in developing countries such as China and India compared to the developed world provides scope for higher oil consumption in these economies. Conversely, oil consumption in developed OECD economies has been on decline for much of the last decade. However, this trend was reversed in 2015 because of the positive impact of lower oil prices on demand for products such as gasoline and record new vehicle sales. Oil demand in OECD economies increased at a CAGR of 1.3% from 45.8 mbpd in 2014 to 47.7 mbpd in 2017. In 2018, OECD oil demand further grew by 0.2 mbpd to reach 47.9 mbpd. Consumption increased in the U.S. and some European countries because of higher industrial activity on the back of improving general economic conditions in developed economies. In 2019, OECD oil consumption remained relatively flat compared to 2018 whereas demand plunged 11.7% to 42.1 mbpd in 2020 due to lockdown restrictions imposed to contain the spread of COVID-19 in several OECD economies.

In 2020, 3,109 million tons of crude oil, products, and vegetable oils/chemicals were moved by sea. Of this, crude shipments accounted for 1,886 million tons of cargo, products 934 million tons, with the balance made up of other bulk liquids, including vegetable oils, chemicals, and associated products. During 2014-2019, the seaborne trade of products and vegetable oils/chemicals increased at an average CAGR of 2.7% – 1.0% higher than the growth in seaborne trade of crude oil during the same period. Additionally, lower growth in trade in 2018 compared with 2017 was due to lower growth in oil demand as well as inventory drawdown. Oil demand grew 1.2% in 2018 compared with 1.8% in 2017. The demand inched up further 0.4% to 99.7 mbpd in 2019. However, the outbreak of COVID-19 led to a sharp decline in oil consumption and global oil demand fell 8.7% to 91.0 mbpd in 2020. Seaborne trade declined 8.5% yoy to 3,109 million tons in 2020 on account of lockdown restriction enforced in several major economies to contain the spread of the virus which led to a contraction of 4.2% in the global GDP during the year. During 2010-2019, seaborne transportation of products and vegetable oils/chemicals increased at an average CAGR of 3.2%, which is strongly correlated to average global GDP growth of 3.2% per year during the same period. A sharp decline in seaborne trade in 2020 seems to be an outlier. Trade is expected to improve with gradual recovery in demand due to the launch of several vaccines which is expected to support the pace of economic recovery in future.

World Seaborne Tanker Trade: 2001-2020

Year	Crude Oil		Oil Products		Chemicals		Total		Global GDP**
	Million tons	% y-o-y	Billion \$						
2001	1,809	1.5%	518	3.0%	114	-3.1%	2,441	1.6%	33,653
2002	1,795	-0.8%	519	0.3%	122	7.0%	2,436	-0.2%	34,775
2003	1,899	5.8%	550	6.0%	129	5.9%	2,578	5.8%	39,034
2004	2,011	5.9%	599	8.8%	141	9.5%	2,750	6.7%	43,940
2005	2,039	1.4%	646	8.0%	156	10.5%	2,841	3.3%	47,607
2006	2,057	0.9%	677	4.7%	166	6.5%	2,900	2.1%	51,575
2007	2,040	-0.8%	723	6.8%	176	5.9%	2,939	1.4%	58,221
2008	2,039	-0.1%	765	5.8%	179	1.8%	2,982	1.5%	63,839
2009	1,946	-4.5%	777	1.6%	185	3.3%	2,908	-2.5%	60,489
2010	1,991	2.3%	810	4.3%	197	6.8%	2,998	3.1%	66,141
2011	1,948	-2.1%	860	6.3%	207	4.7%	3,015	0.6%	73,414
2012	2,005	2.9%	859	-0.2%	212	2.6%	3,076	2.0%	74,805
2013	1,910	-4.7%	904	5.3%	252	19.1%	3,066	-0.3%	76,990
2014	1,893	-0.9%	914	1.1%	252	-0.1%	3,060	-0.2%	79,060
2015	1,963	3.7%	963	5.3%	266	5.4%	3,191	4.3%	74,829
2016	2,050	4.4%	999	3.8%	267	0.6%	3,317	3.9%	76,022
2017	2,109	2.9%	1,043	4.3%	283	5.8%	3,435	3.6%	80,716
2018	2,096	-0.6%	1,055	1.1%	293	3.4%	3,443	0.2%	85,690
2019	2,061	-1.7%	1,036	-1.8%	300	2.4%	3,396	-1.4%	87,552
2020*	1,886	-8.5%	934	-9.9%	289	-3.6%	3,109	-8.5%	83,845
CAGR (2014-2019)	1.7%		2.5%		3.5%		2.1%		2.1%
CAGR (2010-2019)	0.4%		2.8%		4.7%		1.4%		3.2%

* Provisional estimates

** GDP at current prices

Source: IMF, GTIS, Drewry

Tanker supply is determined by the size of the existing fleet, measured in terms of dwt. Changes in supply are influenced by a variety of factors such as the size of the existing fleet by number and ship size, the rate of deliveries of new buildings from the vessel orderbook, and the rate of removals from the fleet through scrapping, conversion and regulatory obsolescence. Other factors, such as port congestion and vessel speeds, also influence supply.

Crude oil, products and chemicals/vegetable oils and fats are essentially carried by four different types of tankers.

Crude oil is transported in uncoated vessels, which range upwards in size from 55,000 dwt. Clean products are carried in coated tankers ranging in size from 10,000 dwt to 80,000 dwt plus and by product/chemical tankers which have the ability to carry both products and certain chemicals because they have an IMO Certificate of Fitness to Carry Bulk Liquid Chemicals. This latter category represents 'swing' ships, with the ability to move between the product and chemical sectors depending on market conditions. Finally, there is a specialist chemical fleet which is all IMO rated, and which is employed primarily in transporting chemicals and vegetable oils and fats. The pure chemical fleet represents nearly 26.7% of all tankers (based on capacity) that can carry products, but because the majority of it is trading in chemicals, it is excluded from the analysis of the fleets and orderbook.

The main types of product tanker, together with indicative vessel sizes by class, the type and average size of tanks, IMO certification and the main cargoes carried are shown in the table below. Unless otherwise specified, references in this section to "product tankers" include both non-IMO product tankers and IMO-certified product/chemical tankers.

Types of Product Tanker

Product Tanker Type	Products	Product/Chemical
Sub Types/Size (Dwt)	Long Range 2 (LR2)	80,000+ Long Range 1 (LRI)
	Long Range 1 (LRI)	55-79,999 Medium Range 2 (MR2)
	Medium Range 2 (MR2)	40-54,999 Medium Range 1 (MR1)
	Medium Range 1 (MR1)	25-39,999 Handy
	Handy	10-24,999
Average Tank Size ⁽¹⁾	>3,000 cbm	>3,000 cbm
Tanks ⁽²⁾	Coated/Uncoated	Coated
IMO Certification ⁽³⁾	Non IMO	IMO 2/3 & IMO 3
Cargoes Carried ⁽⁴⁾	Clean Products	Clean Products
	Dirty Products	Vegetable Oils
		Certain chemicals

(1) Product capable tankers with an average tank size above 3,000 cubic metres (cbm) are deemed to be Product or Product/Chemical tankers. Tankers with an average tank size below 3,000 cbm are deemed to be chemical tankers.

(2) Type of tank coating. Coated ships includes epoxy, zinc etc., while some chemical tankers have all/part stainless steel tanks.

(3) International Maritime Organization (IMO) Certificate of Fitness for the Carriage of Chemicals in Bulk.

(4) The main cargoes carried by each ship type.

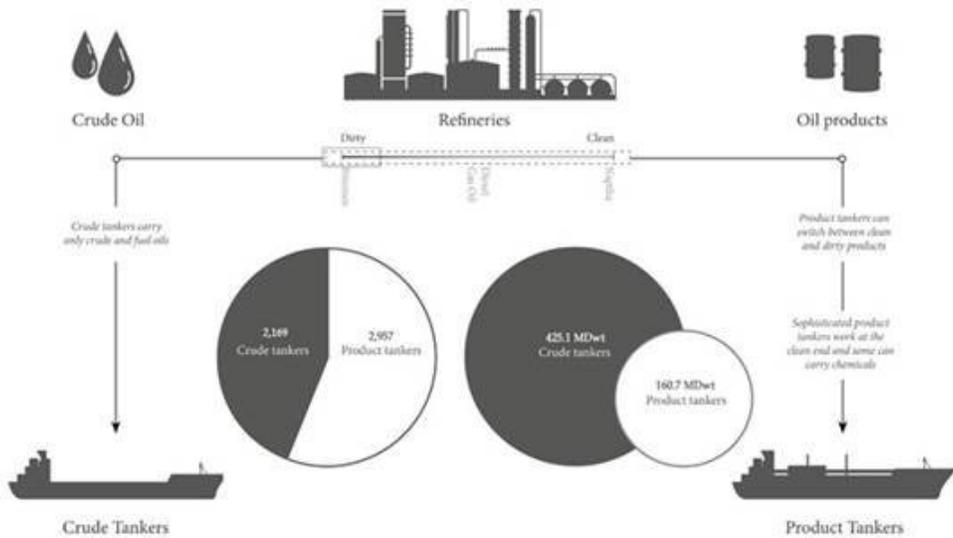
Source: Drewry

Product tankers are employed in the market through a number of different chartering options:

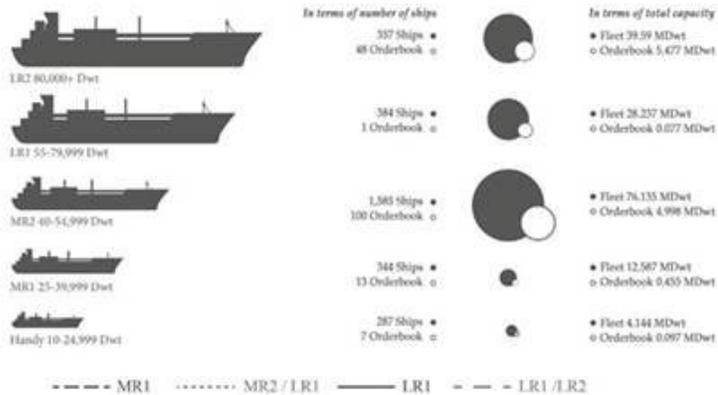
- A **single or spot voyage charter** involves the carriage of a specific amount and type of cargo on a load port to discharge port basis, subject to various cargo handling terms. Most of these charters are of a single or spot voyage nature. The cost of repositioning the ship to load the next cargo falls outside the charter and is at the cost and discretion of the owner. The owner of the vessel receives one payment derived by multiplying the tons of cargo loaded on board by the agreed upon freight rate expressed on a per cargo ton basis. The owner is responsible for the payment of all expenses including voyage, operating and capital costs of the vessel.
- A **time charter** involves the use of the vessel, either for a number of months or years or in few instances, for a trip between specific delivery and redelivery positions. The charterer pays all voyage related costs including bunker fuel. The owner of the vessel receives monthly charter hire payments on a per day basis and is responsible for the payment of all vessel-operating expenses and capital costs of the vessel.
- A **contract of affreightment, or COA**, relates to the carriage of multiple cargoes over the same route and enables the COA holder to nominate different ships to perform individual voyages. This arrangement constitutes a number of voyage charters to carry a specified amount of cargo during the term of the COA, which usually spans a number of years. All of the ship's operating voyage and capital costs are borne by the ship-owner. The freight rate is normally agreed on a per cargo ton basis.
- A **bareboat charter** involves the use of a vessel usually over long periods ranging up to several years. All voyage related costs, including vessel fuel, or bunkers, and port dues as well as all vessel operating expenses, such as day-to-day operations, maintenance, crewing and insurance are the responsibility of the charterer. The owner of the vessel receives monthly charter hire payments on a per day basis and is responsible only for the payment of capital costs related to the vessel.

The basic structure of the products tanker shipping industry and certain major trading routes of product tankers are outlined in the following diagram.

The Product Tanker Shipping Industry



Product Tankers - Fleet and orderbook by vessel segment, Feb 2021



Source: Drewry

Seaborne Trade in Products, Vegetable Oils and Bulk Liquid Chemicals

In 2020, total seaborne trade in products, vegetable oils and fats, and bulk liquid chemicals amounted to 1,184.0 million tons – a decline of 8.5% in 2020 from 1,293.6 million tons in the previous year. The development of trade in these cargoes between 2010 and 2020 is shown in the table below.

Seaborne Trade in Products, Vegetable Oils & Fats and Bulk Liquid Chemicals: 2010-2020

(Million Tons)

Sector	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*	2010-19 CAGR %	2019-20 %
Products													
Fuel Oil	248.3	259.0	241.3	256.6	255.3	254.1	253.8	253.5	249.9	231.7	194.7	-0.8%	-16.0%
Gasoil/Diesel	212.1	230.0	237.6	252.2	259.0	273.4	294.0	310.4	314.5	315.1	285.5	4.5%	-9.4%
Gasoline	136.4	147.7	146.2	148.3	149.3	165.2	179.4	186.1	193.2	196.4	164.9	4.1%	-16.1%
Kerosene/Jet													
Fuel	75.5	82.1	79.6	88.3	90.2	95.6	97.1	99.3	102.8	105.8	75.8	3.8%	-28.3%
Lubricating Oil	19.1	21.4	22.9	23.1	23.5	27.5	27.1	29.0	29.8	27.8	25.1	4.2%	-9.5%
Naphtha	50.8	49.8	49.6	54.2	94.2	96.5	96.2	96.5	94.2	87.5	81.3	6.2%	-7.1%
Other/Unknown	67.4	70.4	81.4	81.5	42.8	50.3	51.8	68.0	74.6	71.3	106.2	0.6%	48.8%
Total Products	809.5	860.3	858.7	904.2	914.3	962.5	999.4	1,042.8	1,059.0	1,035.6	933.6	2.8%	-9.9%
Vegetable Oils & Fats	61.5	63.6	68.7	70.1	72.7	79.8	75.3	81.3	81.9	85.0	81.5	3.7%	-4.0%
Bulk Liquid Chemicals	135.6	142.6	142.9	146.5	149.1	154.1	158.8	166.5	172.5	173.1	168.9	2.7%	-2.4%
Total	1,006.6	1,066.5	1,070.3	1,120.8	1,136.1	1,196.5	1,233.5	1,290.7	1,313.4	1,293.6	1,184.0	2.8%	-8.5%

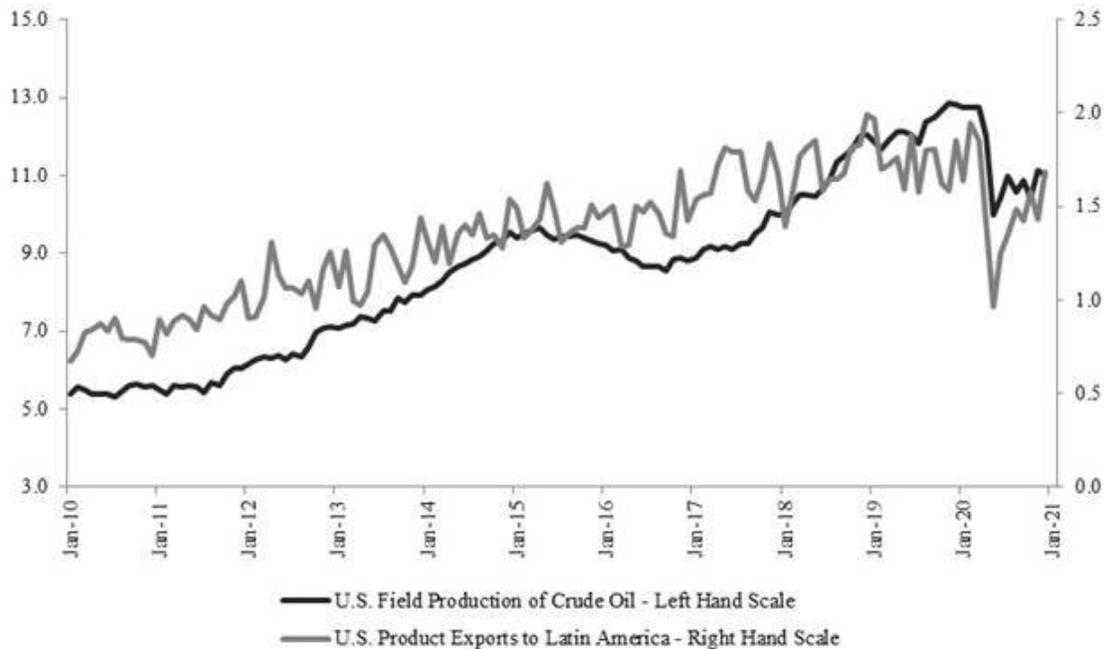
* Provisional estimates

Source: GTIS, Drewry

A prime factor driving products trades in the last few years has been developments in E&P activity in the U.S. energy sector. Horizontal drilling and hydraulic fracturing have enabled shale oil deposits in the U.S. to be developed and this has led to a steep rise in U.S. domestic oil production. Between 2010 and 2020, U.S. crude oil production rose from 5.5 mbpd to 11.3 mbpd. Increased crude oil production also ensured the availability of cheaper feedstocks to local refineries, and as a result, the U.S. became a major net exporter of refined products.

U.S. Crude Oil Production and Refined Petroleum Product Exports to Latin America: Jan 2010-Dec 2020

(Million Barrels Per Day)

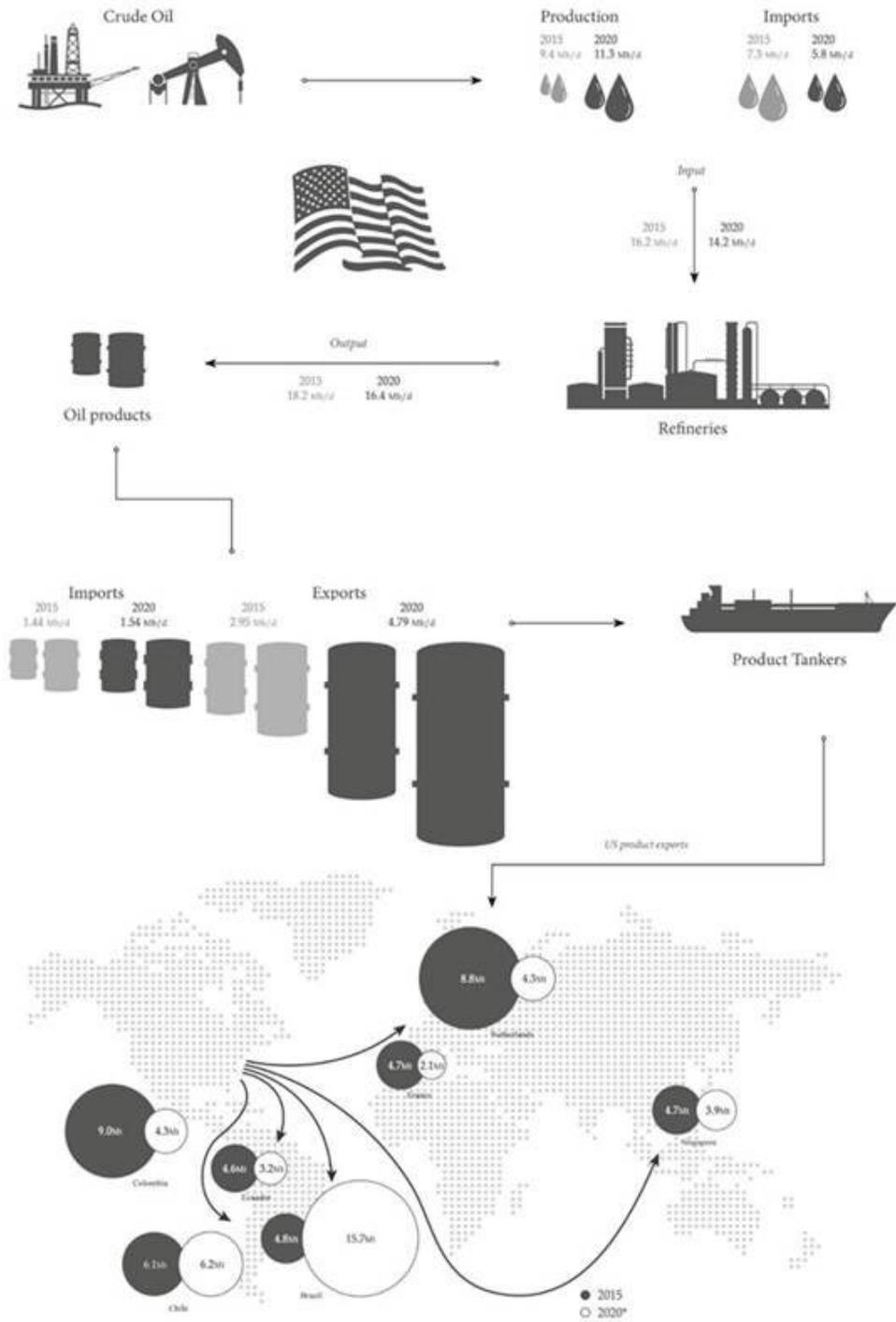


Source: JODI, Drewry

In a relatively short span of time, the U.S. has become the largest exporter of refined products in the world, with supplies from the U.S. Gulf Coast terminals heading to most parts of the globe. By way of illustration, the U.S. products exports to Latin America increased at a CAGR of 9.1% during 2010-2019 from 0.8 mbpd in 2010 to 1.7 mbpd in 2019. Exports dropped 13.7% to 1.5 mbpd in 2020 primarily on account of restrictions imposed to contain the spread of the virus, but started recovering gradually toward the end of the year with the U.S. exporting 1.7 mbpd of products to Latin America in December 2020. Strong import demand from Latin America and increased availability of products in the U.S. have facilitated the growth in trade in the past decade. Most of these products were carried by MR product tankers, which constitute about 47.4% of the global product tanker fleet in terms of capacity and have been the mainstay of seaborne trade in refined petroleum products.

However, lower crude oil prices in 2015 and 2016 adversely impacted U.S. shale oil producers. U.S. crude oil production peaked at 9.6 mbpd in April 2015 and declined thereafter till September 2016. Nevertheless, the production cut by OPEC members from January 2017 came as a relief for domestic producers, and U.S. crude production started increasing. The U.S. became the largest crude producer in September 2018. U.S. crude production increased at a CAGR of 11.4% during 2016-2019 to 12.2 mbpd, which has strengthened the country's position in the global oil market. However, the unprecedented demand destruction and resultant low oil prices in the backdrop of the pandemic threw a new challenge for the U.S. oil and gas industry. Several producers announced oil well shut-ins in and the country's crude oil production declined from a record 12.9 mbpd in November 2019 to 10.0 mbpd in May 2020. However, the gradual easing of restriction, resumption of economic activities, and rising oil prices encouraged producers to increase the output in the latter half of 2020 taking the country's crude oil production to 11.0 mbpd in December 2020.

The U.S. Products Sector



* Provisional estimates

Source: Drewry

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, refining throughput in OECD Europe declined at a CAGR of 0.1%, whereas throughput in OECD Americas and OECD Asia Oceania during the same period grew at a CAGR of 0.7% and 0.2%, respectively. The total OECD refining throughput increased at a CAGR of 0.4% during 2010-2019, largely as a result of increase in OECD Americas. In 2019, refining throughput of OECD countries stood at 38.1 mbpd and accounted for 46.7% of the global refinery throughput, down from 49.5% in 2010. The OECD refinery throughput fell 13.1% yoy to 33.1 mbpd in 2020. Global refinery throughput declined 0.6% in 2019 because of weak oil demand during the year and heavier than normal refinery maintenance in the first half of the year, whereas it dropped 8.8% to 74.4 mbpd in 2020 mainly on account of weak demand due to the pandemic.

Product tanker trade remained under pressure in 2020 due to COVID-19 pandemic with many refineries either running with low utilization rates or getting shut down. Low Naphtha production in Japan led the country to increase imports from Middle East (mostly Qatar) by about 6.4% in 2020 compared to 2019 levels. Similarly, closure of refineries in Australia forced the nation to import large amount of gasoline from Singapore, South Korea and India. Recently, many refineries went offline in Texas due to snow storm which led to increase in gasoline imports from Europe.

Refinery Throughput ⁽¹⁾ 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	12,000	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	5,900
FSU	6,401	6,592	6,683	6,831	7,069	6,850	6,880	6,880	7,000	6,800	6,500
Non-OECD Europe	658	627	587	559	557	500	500	570	600	500	400
China	8,630	9,041	9,749	10,427	10,864	10,400	10,790	11,830	12,100	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	7,900	7,700	6,800
Africa	2,451	2,168	2,202	2,182	2,255	2,250	2,090	1,920	2,000	2,000	1,900
Total	74,471	74,682	75,482	75,894	77,149	78,450	79,420	81,780	82,100	81,600	74,400

(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.

* Provisional estimates

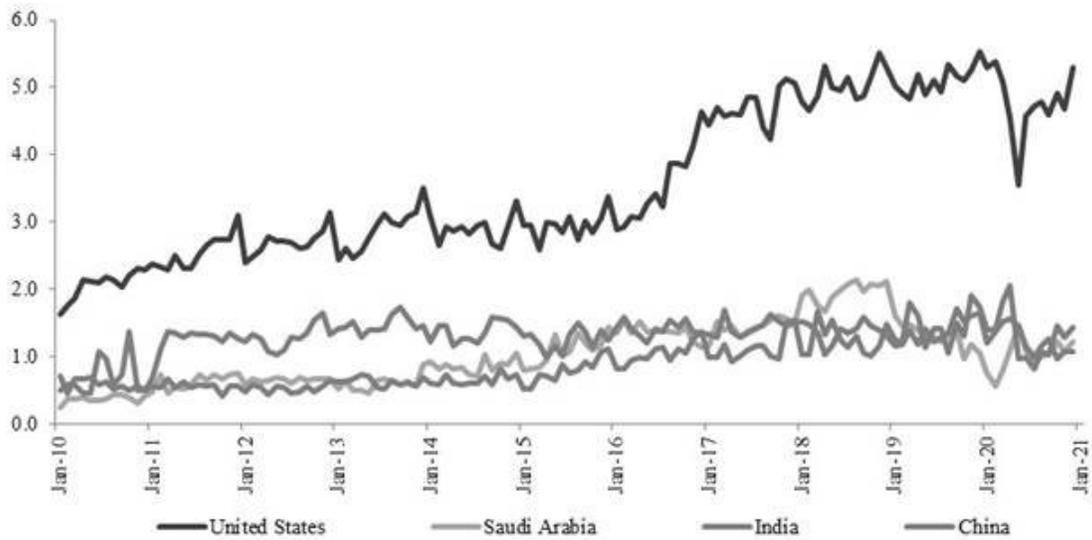
Source: BP, IEA, Drewry

Asia (excluding China) and the Middle East added over 0.45 mbpd of refinery capacity in 2019, a substantial part of which is destined for international markets. OECD Europe and OECD Americas added 200 kbpd and 20 kbpd of new refining capacity in 2019 respectively, whereas there was no material change in refining capacity in OECD Oceania. Nearly 570 kbpd of new refining capacity in the Middle East and another 162 kbpd in Asia (excluding China) was scheduled to come online in 2020, taking the combined new refining capacity in the Middle East and Asia (excluding China) to 0.73 mbpd. 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 long-haul shipments to cater to products demand.

In the products market, there has been growth in U.S. domestic oil production, which ensured greater availability of crude feedstock, rising refinery throughput and the expansion of pipeline infrastructure to make large-scale product exports feasible, particularly of middle distillates from the U.S. Gulf. Average U.S. exports of products have grown from 2.1 mbpd in 2010 to 5.1 mbpd in 2019 at a CAGR of 10.6%. Changes in the U.S., Saudi Arabian and Indian product exports from January 2010 to December 2020 are shown in the following chart.

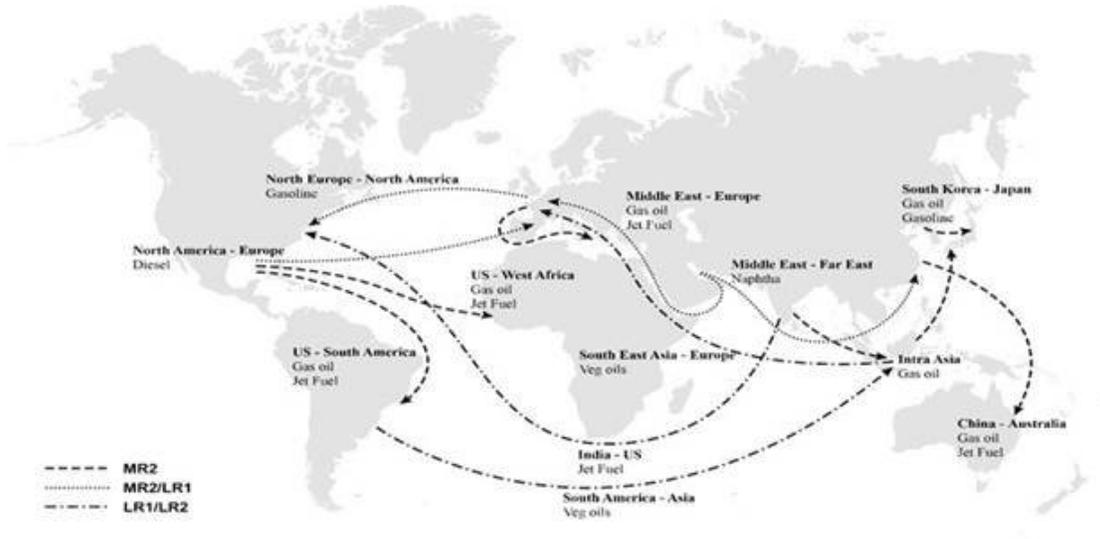
Oil Product Exports – Major Exporters: Jan 2010-Dec 2020

(Million Barrels Per Day)



Source: JODI, Drewry

Changing Product Trades - Longer Haul Voyages

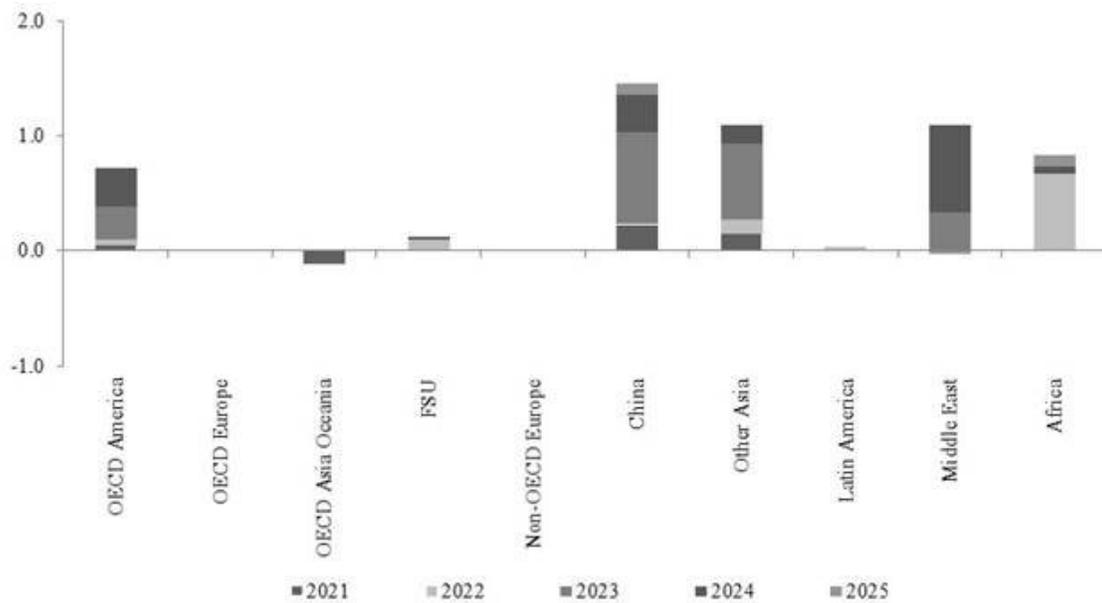


Source: Drewry

Nearly 2.2 mbpd of new refining capacity is currently scheduled for both the Middle East and Asia (excluding China) from 2021 to 2025, majority of which will cater to international markets, but it remains to be seen how these plans will be affected by the pandemic and increasing emphasis on clean energy. Overall, nearly 5.4 mbpd or 5.3% of the existing global refining capacity is planned to be commissioned over the next five years, between 2021 and 2025.

Planned Additions to Global Refining Capacity ⁽¹⁾

(Million Barrels Per Day)



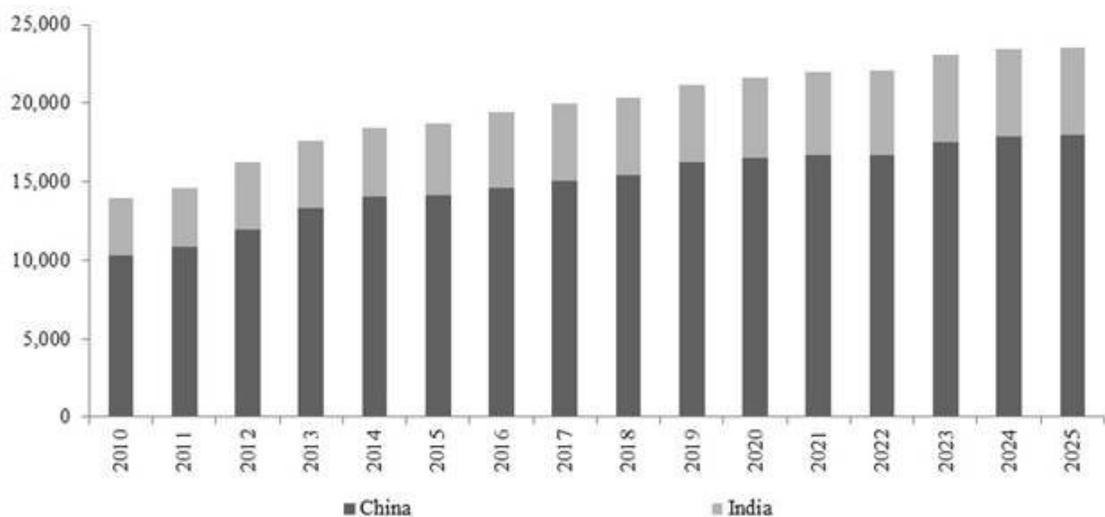
(1) Assumes all announced plans go ahead as scheduled

Source: IEA, Drewry

In developed economies, such as Europe, refinery capacity is on the decline. This trend is likely to continue as refinery development plans are concentrated in areas such as Asia and the Middle East or close to oil producing centers and the majority of the planned refining capacities are export-orientated. These new refineries are more competitive as they can process sour (higher sulfur) crude oil and are technically more advanced, as well as more environment friendly compared with existing European refineries. By contrast, Chinese and Indian refinery capacity has grown at faster pace than any other region in the last decade, owing to strong domestic oil consumption and the construction of export-orientated refineries. From 2010 to 2019, Chinese refining capacity increased 57.2% and Indian refining capacity expanded 35.2%. In 2020, the refining capacity in India and China increased 2.4% and 1.9%, respectively.

China & India – Refining Capacity

('000 Barrels Per Day)



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

Source: BP, IEA, Drewry

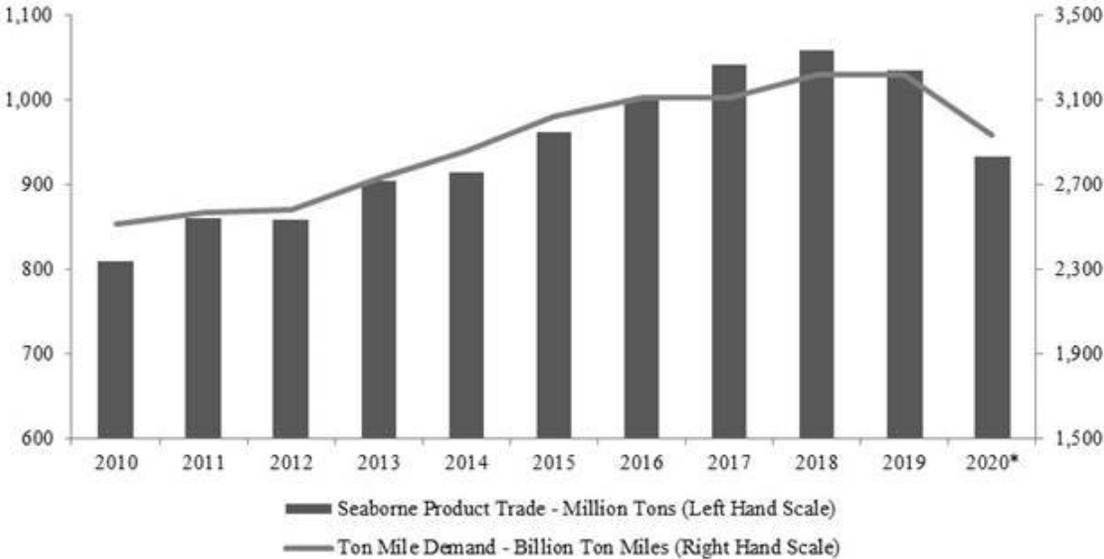
Billion Ton Miles	475	501	493	490	497	521	555	583	610	628	627	3.2%	-0.2%
Avg Haul Length - Miles	3,500	3,512	3,453	3,341	3,323	3,380	3,496	3,500	3,535	3,631	3,714	0.4%	2.3%
Total													
Trade - Million Tons	1,007	1,067	1,070	1,121	1,136	1,196	1,234	1,291	1,313	1,294	1,184	2.8%	-8.5%
Ton Miles - Billion Ton Miles	3,251	3,322	3,361	3,519	3,654	3,875	3,982	4,032	4,164	4,191	3,903	2.9%	-6.9%
Avg Haul Length - Miles	3,230	3,115	3,140	3,140	3,215	3,238	3,228	3,124	3,170	3,240	3,297	0.0%	1.7%

* Provisional estimates

Source: GTIS, Drewry

Tanker demand, expressed in terms of ton-miles, can be calculated by multiplying the volume of products carried on the loaded leg (measured in metric tons) by the distance over which it is carried (measured in miles). Based on the ton-mile approach, demand in the product sector increased at a CAGR of 2.8% to 3,218 billion-ton miles between 2010 and 2019 whereas it dropped 8.8% to 2,935 billion-ton miles in 2020 primarily on account of lower trade due to COVID-19. In effect, changes in the geographical pattern of product movements have led to changes in average voyage lengths. For example, in 2010, the average loaded voyage length in the product sector was 3,105 miles and it remained mostly flat till 2016. However, because of growth in intra-Asia products trades, average voyage length dropped to 2,984 miles in 2017, but it has since been on the rise with growing weightage of long-haul trade in the past three years. The changes that have taken place in total product tanker trade and ton-mile demand between 2010 and 2020 are illustrated in the chart below.

Product Tanker - Seaborne Trade and Vessel Demand: 2010-2020



* Provisional estimates

Source: GTIS, Drewry

Changes in the volume of seaborne trade on the main product routes in the period 2010-2020 are shown in the table below. The data in the table substantiates the previous remarks regarding the expansion of export trades from countries such as the US, China and India.

Seaborne Product Trades: 2010-2020

('000 Tons)

Exporter	Importer	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*	2010-19 CAGR %	2019-20 %
India	Brazil	2,432	3,079	3,456	2,700	5,149	1,519	294	50	186	856	330	-11.0%	-61.4%
	Saudi Arabia	906	1,395	4,624	7,050	7,828	3,771	1,092	660	667	644	958	-3.7%	48.7%
	Singapore	7,961	9,865	10,882	8,547	7,426	6,223	9,389	13,577	10,465	8,089	10,420	0.2%	28.8%
	United Arab Emirates	7,885	7,134	7,046	4,534	6,940	6,959	8,095	7,985	9,263	9,601	9,066	2.2%	-5.6%
	United States	952	1,689	1,377	3,507	4,585	3,428	3,655	3,555	4,125	3,618	3,468	16.0%	-4.1%
	Total named routes	20,136	23,161	27,384	26,337	31,929	21,900	22,524	25,827	24,706	22,808	24,242	1.4%	6.3%
Russia	Germany	437	340	662	1,609	3,729	3,310	2,453	2,289	3,128	2,787	2,968	22.9%	6.5%
	Netherlands	16,325	15,741	18,350	18,127	19,107	20,244	16,961	14,619	13,076	13,514	10,532	-2.1%	-22.1%
	Singapore	3,769	1,999	1,819	836	5,979	5,619	5,726	7,557	4,930	4,983	3,689	3.2%	-26.0%
	South Korea	700	852	1,419	2,946	6,156	7,445	3,980	3,504	5,466	5,071	5,048	24.6%	-0.5%
	Turkey	10,719	8,944	9,081	6,539	5,041	6,102	6,571	8,176	9,483	7,528	6,733	-3.9%	-10.6%
	Total named routes	35,734	33,949	35,823	34,525	45,965	51,146	47,793	44,651	43,309	44,790	45,667	2.5%	2.0%
Saudi Arabia	Singapore	2,775	4,029	4,200	4,141	5,857	4,466	5,072	4,740	4,735	3,194	2,847	1.6%	-10.9%
United Arab Emirates	Singapore	3,140	3,687	4,100	5,782	5,884	6,343	5,482	4,244	5,354	8,872	4,787	12.2%	-46.0%
	Total named routes	5,914	7,715	8,300	9,922	11,741	10,809	10,554	8,984	10,089	12,067	7,635	8.2%	-36.7%
United States	Brazil	3,434	4,195	5,628	4,891	6,182	4,848	8,558	13,756	11,613	16,464	15,679	19.0%	-4.8%
	Chile	3,136	5,356	6,079	5,634	5,727	6,124	6,076	6,310	6,755	5,838	6,154	7.1%	5.4%
	Colombia	3,242	3,159	3,756	5,915	7,384	8,998	6,928	4,777	4,597	5,793	4,346	6.7%	-25.0%
	Ecuador	2,873	2,527	2,607	3,442	4,237	4,618	3,908	4,005	4,090	3,969	3,172	3.7%	-20.1%
	France	982	2,027	3,186	4,756	4,862	4,680	4,063	3,183	2,508	1,505	2,131	4.9%	41.6%
	Netherlands	7,659	10,552	10,926	10,723	9,134	8,811	7,664	6,079	6,492	5,183	4,337	-4.2%	-16.3%
	Panama	4,135	4,917	5,932	6,251	6,819	6,459	4,725	5,165	5,238	6,263	6,291	4.7%	0.5%
	Singapore	6,119	5,954	5,786	6,800	5,703	4,694	4,785	5,883	5,324	1,775	3,905	-12.8%	120.0%
		Total named routes	31,580	38,688	43,899	48,413	50,049	49,232	46,705	49,158	46,617	46,789	46,015	4.5%
China	Singapore	4,312	1,811	1,961	3,783	4,160	6,850	10,503	12,297	14,868	14,945	12,337	14.8%	-17.4%
	Panama	4,371	5,321	5,019	4,144	3,471	3,276	3,223	3,322	3,187	2,770	2,970	-4.9%	7.2%
	South Korea	883	1,133	1,328	1,539	1,813	2,261	2,017	3,295	2,679	3,078	2,602	14.9%	-15.5%
	Vietnam	1,663	1,247	1,272	1,525	1,934	1,902	1,488	1,238	1,755	2,255	1,179	3.4%	-47.7%
	Indonesia	2,638	2,865	2,131	2,594	2,096	1,212	936	1,003	737	1,151	759	-8.8%	-34.1%
	Australia	88	104	196	147	599	1,453	2,472	1,676	2,724	4,124	2,904	53.3%	-29.6%
	Total named routes	13,955	12,480	11,908	13,732	14,073	16,954	20,640	22,833	25,949	28,324	22,752	8.2%	-19.7%

* Provisional estimates

Source: GTIS, Drewry

Product Tankers –Vessel Types

To recap, within the context of this review, the product capable fleet consists of product tankers and product/chemical tankers, and as such, pure chemical tankers are excluded from the analysis. The product capable fleet can be further divided into the five main size sectors which are shown in the table below.

Product Tanker Types and Main Uses

Class of Tanker	Cargo Capacity (Dwt)	Typical Use
Long Range 2 (LR2)	80,000+	Short- to medium-haul crude oil and refined petroleum products transportations from the North Sea or West Africa to Europe or the East Coast of the United States, from the Middle East Gulf to the Pacific Rim.
Long Range 1 (LR1)	55,000 - 79,999	Short- to medium-haul crude oil and refined petroleum products transportations worldwide, mostly on regional trade routes.
Medium Range 2 (MR2)	40,000-54,999	Flexible vessels involved in medium-haul petroleum products trades both in the Atlantic Basin and the growing intra-Asian/Middle East/ISC trades.
Medium Range 1 (MR1)	25,000-39,999	
Small	1,000 - 24,999	Short-haul of mostly refined petroleum products worldwide, usually on local or regional trade routes.

Source: Drewry

Long Range (LR) product tankers are normally classed as either LR1 or LR2 ships depending on their size. They are employed on various routes, but are less flexible than Medium Range (MR) tankers as many ports do not have the facilities to accommodate larger ships. MR tankers carry the majority of products transported by sea as their size allows greater flexibility on trade routes and port access. The MR fleet can be divided into MR1, typically sized 25,000 dwt to 39,999 dwt, and MR2 typically sized 40,000 dwt to 54,999 dwt. The smallest product tankers, often referred to as “Handies”, are largely deployed on short-haul routes.

The Product Tanker Fleet

As of February 28, 2021, the product tanker fleet comprised of 2,957 vessels with a combined capacity of 160.7 million dwt. The product tanker fleet by vessel type and size as on February 28, 2021, is shown in the table given below.

The Product Tanker Fleet ⁽¹⁾

Total Product Fleet	Deadweight Tons (Dwt)	Number of Vessels	% of Fleet	Capacity '000 Dwt	% of Fleet
Long Range 2 (LR2)	80,000+	357	12.1	39,590	24.6
Long Range 1 (LR1)	55-79,999	384	13.0	28,237	17.6
Medium Range 2 (MR2)	40-54,999	1,585	53.6	76,135	47.4
Medium Range 1 (MR1)	25-39,999	344	11.6	12,587	7.8
Handy	10-24,999	287	9.7	4,144	2.6
Total		2,957	100.0	160,692	100.0

Of Which:

Product Tankers	Deadweight Tons (Dwt)	Number of Vessels	% of Fleet	Capacity '000 Dwt	% of Fleet
Long Range 2 (LR2)	80,000+	353	23.0	39,212	42.2
Long Range 1 (LRI)	55-79,999	347	22.6	25,512	27.4
Medium Range 2 (MR2)	40-54,999	417	27.1	19,518	21.0
Medium Range 1 (MR1)	25-39,999	133	8.7	4,589	4.9
Handy	10-24,999	287	18.7	4,144	4.5
Total		1,537	100.0	92,974	100.0

Product/Chemical	Deadweight Tons (Dwt)	Number of Vessels	% of Fleet	Capacity '000 Dwt	% of Fleet
Long Range 2 (LR2)	80,000+	4	0.3	378	0.6
Long Range 1 (LRI)	55-79,999	37	2.6	2,724	4.0
Medium Range 2 (MR2)	40-54,999	1,168	82.3	56,617	83.6
Medium Range 1 (MR1)	25-39,999	211	14.9	7,998	11.8
Handy	10-24,999	0	0.0	0	0.0
Total		1,420	100.0	67,718	100.0

(1) Excludes U.S. flag vessels

Source: Drewry

Future supply will be affected by the size of the newbuilding orderbook. As of February 28, 2021, there were 169 product and product/chemical tankers on order, equivalent to 5.7% of the existing fleet by units and 6.9% of the existing fleet by dwt. The MR2 orderbook was equivalent to 6.3% of the existing MR2 fleet by units and 6.6% by dwt. The existing orderbook-to-fleet ratio for product tankers is substantially lower than ~25% in 2009 and ~15% in 2016. A total of 66 vessels (including 41 MR2) were ordered in 2020, of which 8 vessels (including 5 MR2) will be scrubber-fitted ships.

Product Tanker Orderbook (1) and Scheduled Year of Delivery

Total Product Fleet

Vessel Size	Deadweight Tons (Dwt)	Orderbook		% Fleet		Scheduled Year of Delivery					
		No	000 Dwt	No	Dwt	2021		2022		2023+	
						No	000 Dwt	No	000 Dwt	No	000 Dwt
Long Range 2 (LR2)	80,000+	48	5,477	13.4	13.8	24	2,691	14	1,626	10	1,160
Long Range 1 (LR1)	55-79,999	1	77	0.3	0.3	1	77	0	0	0	0
Medium Range 2 (MR2)	40-54,999	100	4,998	6.3	6.6	64	3,202	30	1,507	6	289
Medium Range 1 (MR1)	25-39,999	13	455	3.8	3.6	12	420	1	35	0	0
Handy	10-24,999	7	97	2.4	2.3	7	97	0	0	0	0
Total		169	11,104	5.7	6.9	108	6,487	45	3,168	16	1,449

Of Which:

Product Tankers

Vessel Size	Deadweight Tons (Dwt)	Orderbook		% Fleet		2021		2022		2023+	
		No	000 Dwt	No	Dwt	000		000		000	
						No	Dwt	No	Dwt	No	Dwt
Long Range 2 (LR2)	80,000+	48	5,477	13.6	14.0	24	2,691	14	1,626	10	1,160
Long Range 1 (LR1)	55-79,999	0	0	0.0	0.0	0	0	0	0	0	0
Medium Range 2 (MR2)	40-54,999	17	858	4.1	4.4	9	454	5	254	3	150
Medium Range 1 (MR1)	25-39,999	0	0	0.0	0.0	0	0	0	0	0	0
Handy	10-24,999	7	97	2.4	2.3	7	97	0	0	0	0
Total		72	6,432	4.7	6.9	40	3,241	19	1,880	13	1,310

Product/Chemical

Vessel Size	Deadweight Tons (Dwt)	Orderbook		% Fleet		2021		2022		2023+	
		No	000 Dwt	No	Dwt	000		000		000	
						No	Dwt	No	Dwt	No	Dwt
Long Range 2 (LR2)	80,000+	0	0	0.0	0.0	0	0	0	0	0	0
Long Range 1 (LR1)	55-79,999	1	77	2.7	2.8	1	77	0	0	0	0
Medium Range 2 (MR2)	40-54,999	83	4,140	7.1	7.3	55	2,748	25	1,253	3	139
Medium Range 1 (MR1)	25-39,999	13	455	6.2	5.7	12	420	1	35	0	0
Handy	10-24,999	0	0	0.0	0.0	0	0	0	0	0	0
Total		97	4,672	6.8	6.9	68	3,245	26	1,288	3	139

(1) Excludes U.S. flag vessels

Source: Drewry

Based on the existing orderbook and scheduled deliveries as of February 28, 2021, nearly 6.5 million dwt is expected to be delivered in the next 10 months of 2021, 3.2 million dwt in 2022 and 1.4 million dwt in 2023 and beyond. Nearly 64 newbuild MR2 vessels with an aggregate capacity of 3.2 million dwt are expected to join the global product tanker fleet in the next 10 months of 2021. In recent years, however, the orderbook has been affected by the non-delivery of vessels (sometimes referred to as “slippage”), which in certain years has been as high as 35% of the scheduled deliveries. Some of this slippage resulted from delays, either through mutual agreement or through shipyard problems, while others were due to vessel cancellations. Slippage is likely to remain an issue going forward and, as such, it will have a moderating effect on product tanker fleet growth over the next two years. The spread of COVID-19 resulted in substantially higher slippage of MR2 vessels in 2020 at 12% compared with 2.2% in 2019. The pandemic will continue to impact the delivery schedule in 2021 as well and slippage during the year could be higher than in 2019.

Tanker supply is also affected by vessel scrapping or demolition and the removal of vessels through loss and conversion. As a product tanker ages, vessel owners often conclude that it is more economical to scrap the vessel that has exhausted its useful life than to upgrade it to maintain its “in-class” status. Often, particularly when tankers reach approximately 25 years of age (less in the case of larger vessels), the cost of conducting the class survey and performing required repairs become inefficient. Another factor is the higher steel price which increases demolitions in a low freight rate environment. Nearly 49 product tankers with an aggregate capacity of 2.4 million dwt were scrapped in 2018, which is the highest since 2011. As charter rates improved substantially in 2019, product tanker scrapping plunged with 24 product tankers aggregating 902 thousand dwt scrapped. A temporary spike in vessel earnings led to a further decline in demolitions and 21 product tankers with an aggregate capacity of 876 thousand dwt were sent to the scrapyards in 2020. As of February 28, 2021, five product tankers with aggregate capacity of 156 thousand dwt were scrapped. The average age of the product and product/chemical fleet was 11.9 years as of February 28, 2021. The age profile is shown in the following table.

Product and Product/Chemical Fleet – Age Profile ⁽¹⁾

Product	< 5 Yrs	5-10 Yrs	10-15 Yrs	15-20 Yrs	20-25 Yrs	25+ Yrs	Average Age - Yrs
10-24,999 Dwt	15.0%	15.3%	15.3%	9.8%	12.5%	32.1%	18.5
25-39,999 Dwt	1.5%	9.0%	5.3%	51.1%	19.5%	13.5%	19.3
40-54,999 Dwt	1.7%	10.1%	41.5%	27.6%	14.4%	4.8%	15.2
55-79,999 Dwt	14.1%	13.0%	48.1%	22.8%	1.7%	0.3%	11.8
80,000+ Dwt	33.7%	23.5%	29.7%	7.9%	4.8%	0.3%	8.8

Product/Chemical	< 5 Yrs	5-10 Yrs	10-15 Yrs	15-20 Yrs	20-25 Yrs	25+ Yrs	Average Age - Yrs
10-24,999 Dwt	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
25-39,999 Dwt	6.6%	22.3%	36.0%	30.8%	4.3%	0.0%	12.7
40-54,999 Dwt	26.1%	26.9%	30.4%	14.0%	2.6%	0.0%	9.2
55-79,999 Dwt	35.1%	21.6%	35.1%	2.7%	5.4%	0.0%	8.6
80,000+ Dwt	25.0%	0.0%	0.0%	75.0%	0.0%	0.0%	12.4

(1) Based on February 28, 2021 fleet

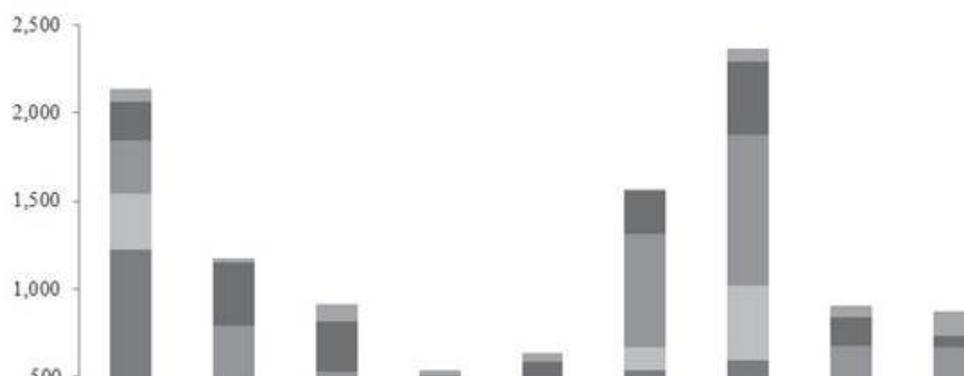
Source: Drewry

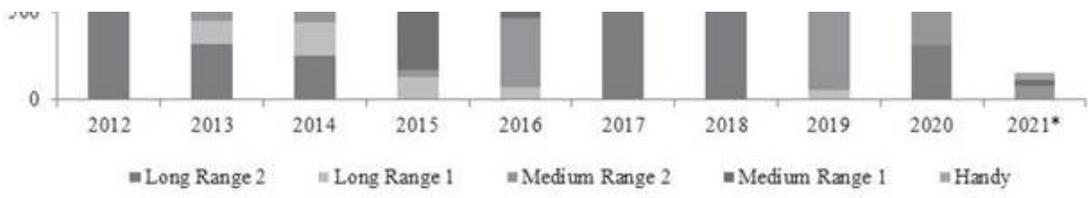
The age profile data indicates that the more sophisticated product/chemical fleet is generally younger than its straight product tanker counterpart. The average age of MR2 product tankers is 15.2 years, whereas for product/chemical tankers, the average age is 9.2 years. As on February 28, 2021 the average age of global MR2 fleet is 10.8 years. Nearly 19.2% of the MR2 product tanker fleet is over 20 years of age. In the product/chemical fleet, 2.6% of MR2 ships are over 20 years of age. Overall, 6.9% of the current MR2 fleet or 110 vessels are aged 20 years or more.

In addition to vessel age, demolitions are also influenced by freight markets. During periods of high freight rates, scrapping activity will decline and the opposite will occur when freight rates are low. This is evident from the chart below, which shows the trend in product tanker demolitions from 2012 to February 2021. High levels of demolitions were seen from 2012 to 2014, and this was also a key factor that facilitated the recovery of product tanker freight rates. Scrapping levels declined in 2015 and 2016 due to a stronger freight market and the fact that the age profile of the product fleet was reduced by the influx of newbuildings. In 2017, weak vessel earnings led to increased scrapping activity, and vessels with combined capacity of 1.6 million dwt were sent to the scrapyards, with 14 MR2s demolished. A depressed freight market has stimulated even greater demolitions and an aggregate capacity of 2.4 million dwt (including 19 MR2 vessels with combined capacity of 856 thousand dwt) was scrapped in 2018. Product tanker scrapping came down sharply in 2019 as owners delayed demolitions on account of a surge in charter rates and in anticipation of firm demand after the implementation of IMO 2020. A total of 902 thousand dwt (including 14 MR2 tankers with combined capacity of 622 thousand dwt) of product tankers were scrapped in 2019. The rapid spike in freight rates in the aftermath of COVID-19 and temporary shutdown at a number of demolition yards due to the virus further reduced the scrapping activity, and a total of 876 thousand dwt (including 8 MR2 tankers with aggregate capacity of 363 thousand dwt) were scrapped in 2020.

Product Tanker Scrapping: 2012-Feb 2021

(‘000 Dwt)





* Demolitions in two months till February 28, 2021

Source: Drewry

Two other important factors are likely to affect product tanker supply in the future. The first is the requirement to retrofit BWTS to existing vessels. In February 2004, the IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments. The IMO 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 '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, 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, and for an MR2 tanker, the retrofit cost could be as much as \$1.0 million per vessel, including labor. Expenditure of this kind has become another factor impacting the decision to scrap older vessels after the BWM convention came into effect in September 2019.

The second factor that is likely to impact future vessel supply is the drive to introduce low sulfur fuels. High sulfur fuel oil (HSFO) has been the main fuel of the shipping industry for many years. It is relatively inexpensive and widely available, but it is 'dirty' from an environmental point of view. The sulfur content of HSFO is extremely high and it is the reason that maritime shipping accounts for 8% of global emissions of sulfur dioxide (SO₂), an important source for acid rain, as well as respiratory diseases. In some port cities, such as Hong Kong, shipping is the largest single source of SO₂ emissions, as well as emissions of particulate matter (PM), which are directly tied to the sulfur content of the fuel.

The IMO, the governing body of international shipping, has made a concerted effort to diversify the industry away from HFO into cleaner fuels with less harmful effects on the environment and human health. Effective in 2015, ships operating within the Emission Control Areas (ECAs) covering the Economic Exclusive Zone of North America, the Baltic Sea, the North Sea and the English Channel are required to use marine gas oil with allowable sulfur content up to 0.1%.

In order to reduce the emission of air pollutants from ships in key areas of China, the Ministry of Transport issued stricter emission control regulations in China's territorial waters. Beginning on January 1, 2020, ships entering inland waterways, including the Yangtze River and Xijiang River have to adhere to a strict requirement of 0.1% sulfur content. From January 1, 2022, ships will be required to comply with the 0.1% sulfur content requirement while entering the Hainan coastal ECA. In the meantime, China is considering adopting more stringent emission control requirements, such as to implement the 0.1% sulfur content limit requirement in all coastal waters beginning January 1, 2025.

The IMO implemented emission control regulation globally with effect from January 1, 2020. It stipulated that ships sailing outside ECAs must switch to an alternate fuel with permitted sulfur content up to 0.5% or retrofit scrubbers in order to reduce emission. This has created demand for Very Low Sulfur Fuel Oil (VLSFO) with 0.5% sulfur content. Some owners have also opted for scrubber retrofitting on existing ships. As such the emission regulation should be another factor hastening the eventual demolition of older ships. Within the context of the wider market, increased vessel scrapping is a positive development as it helps to counterbalance new ship deliveries and moderates fleet growth. There were apprehensions that the shipping industry will undergo a major upheaval as tougher rules on sulfur emissions from ships were to come into effect on January 1, 2020. Stakeholders were anxious about availability of compliant fuels, longer wait periods and penalties due to non-compliance. However, it has been more than a year since the IMO 2020 came into force and none of these apprehensions turned out to be true, barring a few sporadic technical issues associated with blended bunker fuels. However, the average price of LSFO is higher than HSFO which is another reason why older, more fuel consuming, vessels are less economical.

Moreover, in 2020 international marine fuel markets have seen four waves of turbulence within a few months. First, in January, the enforcement of IMO2020 regulations capping marine fuel sulfur emissions content at 0.5% down from 3.5%. Second, in February, the demand for petroleum products started to slide as a result of shutdowns to contain the spread of the virus. Third, in March, the oil price war between Saudi Arabia and Russia led to a plunge in the crude oil prices. Last, there has been unprecedented destruction in global oil demand as the pandemic spread intensified across geographies. WTI crude futures entered negative territory as oil prices crashed further despite a mid-April OPEC+ agreement to reduce crude oil production. The record oversupply of ~30 mbpd led to an oil glut with the excess oil making way into floating storage. Prices of the three main types of marine fuels - very low-sulphur fuel oil (VLSFO) with 0.5% sulphur, high-sulphur fuel oil (HSFO) with 3.5% sulphur and marine gasoil (MGO) with 0.1% sulphur - followed the crude prices downhill from January to April. However, the plunge in VLSFO prices outpaced the decline in HSFO prices, substantially narrowing VLSFO's premium over HSFO. The premium which used to be nearly \$300 per ton in January 2020 was around \$100 per ton in February 2021 as the availability of compliant fuel was not an issue due to reduced demand and increased supply of VLSFO across major bunkering ports. The narrowing VLSFO-HSFO 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.

As of February 28, 2021, 16.8% of the existing product tanker capable fleet based on capacity (includes Product Tankers and Product/Chemical tankers) are either already fitted with scrubbers or are awaiting scrubber retrofit. LR2 constitutes the largest proportion with 28.6%, followed by MR2 at 16.3% and LR1 at 9.6%. Altogether, 27.0 million dwt (404 vessels) of product tanker capacity have either scrubber installed on them or will have scrubber retrofitted in coming years. About 18.8% of the global tanker fleet (based on number of vessels) is either fitted with scrubbers or pending scrubber retrofit. Vessels moving out of trade to retrofit scrubbers impede supply growth and support freight rates. The total cost to retrofit an MR2 with a scrubber is estimated to be in the range of \$1.0-2.0 million.

IMO 2030, IMO 2050 and Sea Cargo Charter

In addition to the recently implemented emission control regulations, the IMO has been devising strategies to reduce greenhouse gases (“GHG”) and carbon emissions from ships. According to the latest announcement, the IMO plans to initiate measures to reduce CO₂ 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 shipowners 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 is the main deterrent, IMO-related uncertainty is also a key factor preventing ship owners from placing new orders, 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 CO₂ 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 vessel’s Ship Energy Efficiency Management Plan (SEEMP). A vessel 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. Shipowners operating in this region 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 incur capital expenses for energy efficiency improvements to remain viable. Moreover 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 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 with vehicles that have internal combustion engines, 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 Charter Market

The product tanker charter market is fragmented and highly competitive. Competition is based primarily on the offered charter rate, the location and technical specification of the vessel. Similarly, the reputation of the vessel and its manager also play a major role in the product tanker market than other shipping sectors. Typically, the agreed terms are based on standard industry charter parties prepared to streamline the negotiation and documentation processes.

The major charterers of product tanker tonnage are oil companies, both private and state-controlled, oil traders and refiners, and in some cases independent ship owners. The oil companies, in particular, have their own predefined set of procedures for vetting and approving tonnage suitable for charter. Oil companies’ vetting procedures are generally more stringent than others, especially when vessels are being taken on time charter. Typically, the vetting procedures will include periodic assessments of the vessel owner’s office set-up and management, the setting of key performance indicators (KPIs), and examination of crew retention rates and appraisal of the financial accounts of the company providing the ship for charter.

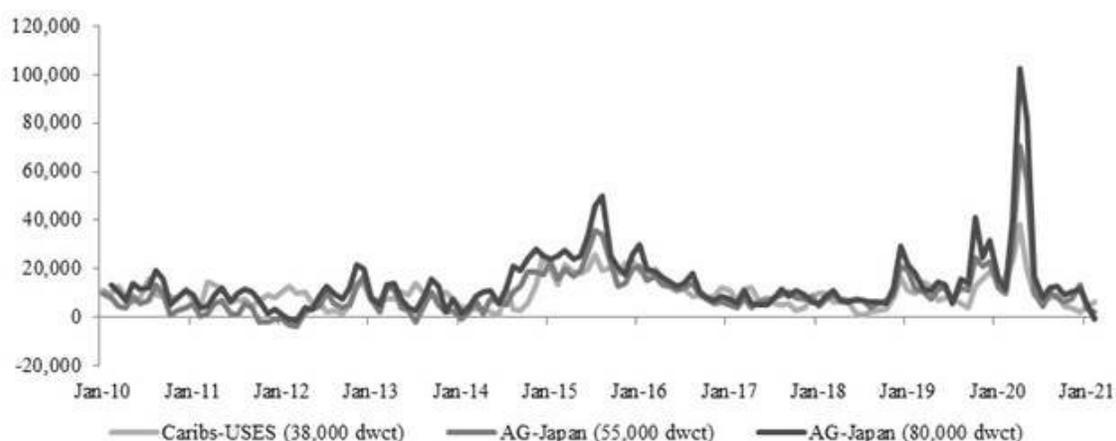
Product Tanker Charter Rates

Worldscale is the tanker shipping industry's standard reference for calculating spot charter rates as it provides the flexibility required for the oil trade. Products are a fairly homogenous commodity as it does not vary significantly in quality and it is relatively easy to transport by a variety of methods. These attributes, combined with the volatility of the world oil markets, means that a products cargo may be bought and sold many times while at sea, and therefore, the cargo owner requires greater flexibility in the choice of discharge options. If tanker fixtures were priced in the same way as dry cargo fixtures, this would involve the shipowner calculating separate individual charter rates for a wide variety of discharge points. Worldscale provides a set of nominal rates designed to provide roughly the same daily income irrespective of the discharge point. Time charter equivalent (TCE) is the measurement that describes the earnings potential of any spot market voyage based on the quoted Worldscale rate. As described above, the Worldscale rate is set and can then be converted into dollars per cargo ton. A voyage calculation is then performed which removes all expenses (port costs, bunkers and commission) from the gross revenue, resulting in a net revenue which is then divided by the total voyage days, which includes the days from discharge of the prior cargo until discharge of the cargo for which the charter is paid (at sea and/or in port), to give a daily TCE rate.

The supply and demand for product tanker capacity influences product tanker charter hire rates and vessel values. In general, time charter rates are less volatile than spot rates as they reflect the fact that the vessel is fixed for a longer period. In the spot market, rates will reflect the immediate underlying conditions in vessel supply and demand and are thus more prone to volatility. During the period January 2011 to December 2020, the average TCE spot and one year time charter rates for MR2 vessels were \$10,320 per day and \$ 14,230 per day respectively. The chart and table below illustrate changes in the monthly average TCE rates for product tankers from January 2010 to February 2021 for selected representative routes.

Product Tanker Time Charter Equivalent (TCE) Rates: Jan 2010-Feb 2021

(US\$/Day – Period Averages)



Source: Drewry

Time Charter Equivalent (TCE) Spot Rates: 2010-February 2021 (1)

(US\$/Day – Period Averages)

Year Period Average	MR2	LR1	LR2
	Caribs-USAC	AG-Japan (Clean)	AG-Japan (Clean)
2010	9,875	6,608	11,580
2011	8,442	2,408	7,515
2012	7,875	4,800	8,246
2013	9,142	5,417	8,490
2014	6,875	8,858	14,283
2015	20,133	21,742	28,673
2016	13,200	12,142	14,858
2017	7,442	7,225	7,936
2018	6,196	8,082	9,411
2019	10,739	14,252	18,698
2020	13,117	19,949	27,777
Feb-21	6,592	2,124	-848
2011-2020			
Averages	10,316	10,487	14,589
Low	1,100	-3,800	-1,252
High	38,367	70,352	102,333

(1) TCE rates are based on normal sailing speeds/consumption. In weak freight markets this can theoretically lead to negative rates, but in most cases, this is avoided by reducing sailing speeds and fuel consumption.

Product tanker charter rates remained weak during 2009-2014 on account of surge in newbuilding deliveries. Charter rates in the tanker sector started to improve in the second half of 2014 as result of low growth in vessel supply and rising vessel demand. In the products sector, a number of other factors combined to push up rates, including:

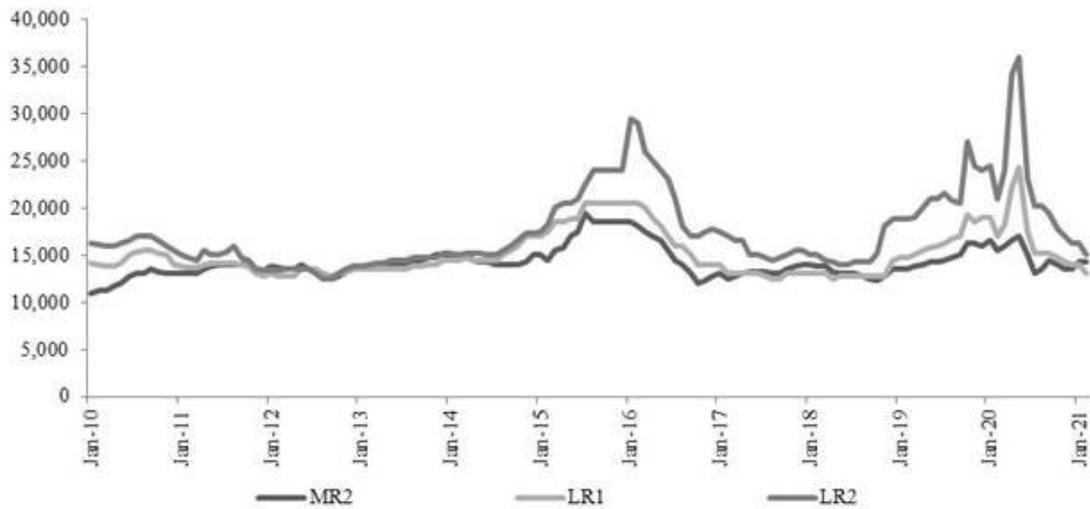
- Falling crude oil prices;
- Increased trade due to higher stocking activity and improved demand for oil products;
- Longer voyage distances because of refining capacity additions in Asia;
- Product tankers also carrying crude encouraged by firm charter rates for dirty tankers;
- Lower bunker prices contributing to higher net earnings; and
- Freight rates remaining firm throughout 2015, leading to higher revenue and improved profitability for ship-owners.

However, by early 2016 product tanker charter rates were on a decline as newbuilding orders placed in 2013-15 led to a sharp increase in product tanker supply in 2016. Moreover, high levels of newbuilding deliveries of product and product/chemical tankers in 2017 outpaced demand growth and TCE rates declined further. The market remained weak through the fall of 2018 before reflecting signs of improvement in vessel earnings in the latter months of the year. The steep increase in product tanker charter rates in 2019 was driven by a spike in diesel trade before IMO 2020 regulations came into effect on January 1, 2020. The trickle-down effect of the tight crude tanker market after US sanctions on Cosco Shipping Tanker (Dalian) Co. pushed product tanker freight rates to multi-year highs towards the end of 2019 and also caused a number of LR2 to trade dirty cargos, thus reducing overall clean product capacity in the short term. Fading seasonality and uncertainty due to the outbreak of COVID-19 in China led to the decline in vessel earnings in the first two months of 2020. However, an oil price war between Russia and Saudi Arabia coupled with demand destruction as a result of the implementation of lockdown measures in several economies to contain the spread of the virus led to a surge in earnings of crude tankers in March and April. Several LRs switched to trade in crude shipments that limited the supply of vessels deployed for product shipments. Some of the product tankers were used for floating storage of refined products as well. With the virus spreading globally, the weak demand for refined products led to an increase in both onshore and offshore stocking activity in spring 2020 as the increasing use of product tankers as storage facilities coupled with global port congestions resulted in a surge in product tanker rates in March and April. Nearly 6 mdt or about 6.6% of the product tanker fleet was deployed for floating storage at the peak of the contango opportunities in the oil market in April 2020. This led to substantial improvement in product tanker day rates as well. TCE rates for MR2 tankers averaged a record \$38,367/day in April 2020 before undergoing a rapid correction in following months on seasonal weakness, inventory de-stocking and return of vessel supply.

At the end of February 2021, nearly 2.23 million dwt of capacity comprising nearly 2.4% of the product tanker fleet was used for offshore storage, indicating a declining trend in on-the-water storage of refined products from a peak in May 2020. Product tankers coming out from floating storage increased vessel supply and have an adverse impact of spot rates in latter half of 2020. However, TCE rates for MR2 vessels have been rising in recent months with slow recovery in demand and optimism infused by vaccine rollouts for COVID-19. One-year time charter rate for an MR2 tanker reflected a similar trend and the rate for these vessels stood at \$14,250/day in February 2021.

Product Tanker One Year Time Charter Rates: Jan 2010-Feb 2021

(US\$ Per Day – Period Averages)



Source: Drewry

One Year Time Charter Rates: 2010-February 2021

(US\$ Per Day – Period Averages)

Year Period Average	MR2	LR1	LR2
2010	12,388	14,608	16,333
2011	13,633	13,767	14,758
2012	13,325	13,129	13,263
2013	14,246	13,708	14,488
2014	14,438	15,188	15,708
2015	17,271	19,333	21,688
2016	15,125	17,000	22,063
2017	13,188	12,979	15,625
2018	13,133	12,938	15,125
2019	14,667	16,542	21,396
2020	14,879	17,246	22,800
Feb-21	14,250	13,000	15,000
2011-2020			
Averages	14,390	15,183	17,691
Low	12,000	12,500	12,500
High	19,500	24,250	36,000

Source: Drewry

During weak freight markets owners often use slow steaming to reduce bunker consumption, but the use of triangulation voyage can help to bolster earnings. Triangulation in effect reduces the amount of time a vessel will spend sailing in ballast (i.e., empty) and seeks to maximize the amount of time the vessel is on a revenue-generating voyage. The map below indicates how triangulation works for a typical MR tanker.

Typical MR Triangulation in the Atlantic Basin



Source: Drewry

Eco Ships

Shipbuilders have designed and built ships that use less fuel while carrying the same amount of cargo as an existing ship. These vessels are referred to in the industry as “eco” ships. In addition, an eco-ship has a number of technical innovations designed to reduce emissions. Such vessels are a comparatively new development, with the first designs appearing in 2012 and are typically called “eco-efficient” tankers.

A newbuild eco-ship has an optimized hull form and a fuel-efficient engine, which will reduce fuel consumption. Existing ships can also reduce fuel consumption by lowering sailing speeds, but in practice, this only happens when markets are substantially over-supplied and bunker prices are high. Other options for existing ships to reduce fuel consumption include retrofitting equipment such as applying low friction paint or installing Mewis ducts (which maximizes propeller thrust) and a rudder bulb or other similar features (vessels with such features are typically called “eco-modified” tankers).

Size is important in evaluating the relative benefits of eco vessels as smaller ships spend a greater proportion of their trading year in port, where there is little economic benefit between an eco-design and an older or “standard” tanker without added or retrofitted fuel consumption reduction features. Shipbuilders do not provide warranted performance data for eco-ships, but the experience of vessels delivered to date appears to suggest that fuel savings of about 15% over standard tankers are achievable under normal sailings speeds. For an MR2 product tanker, the difference in daily fuel consumption between an eco and a non-eco ship is approximately 15% lower fuel consumption per day, while sailing at design speeds. It also seems to be the case that the first eco ships that were delivered in 2012 are less sophisticated in design than ships delivered post-2015. The eco-designed MR2 vessels generally command a premium of \$1,000/day to \$1,500/day over non eco-designed counterparts in time charter market. It is estimated that scrubber-fitted MR2 can obtain a modest premium over an eco-designed tanker. However, additional operating and capital costs need to be included to determine return on investment.

Newbuilding Prices and Second-hand Values

Vessels are constructed at shipyards of varying size and technical sophistication. Drybulk carriers are generally considered to be the least technically sophisticated vessels to construct, with oil and product tankers, container vessels and LNG carriers entailing a much higher degree of technical sophistication. The actual construction of a vessel can take place in two years and can be sub-divided into five stages: contract signing, steel cutting, keel laying, launching and delivery. The amount of time between signing a newbuilding contract and the date of delivery is usually between 20-24 months, but in times of high shipbuilding demand, it can extend up to three years. Market prospects are key driver for new orders. New ordering can also be influenced by evolving ship designs, technological improvements, such as, engine capabilities, pricing, and availability of newer more environment friendly fuels.

The table which follows illustrate the trend in newbuilding (NB) construction prices and second-hand (SH) values (5 years old and 10 years old) for an MR2 product and product/chemical tanker.

MR2 Product & Product/Chemical Tanker Newbuilding Price & Second-hand Value: 2011-February 2021

(US\$ Million)

End Year	MR2					
	NB Price	NB Price Average	SH Price - 5 Yrs Old	SH Price Average (5 Yrs Old)	SH Price - 10 Yrs Old	SH Price Average (10 Yrs Old)
2011	36.0	34.8	27.0	26.4	18.0	17.4
2012	33.0	34.8	24.0	26.4	15.0	17.4
2013	35.0	34.8	29.0	26.4	19.0	17.4
2014	37.0	34.8	24.0	26.4	16.0	17.4
2015	36.0	34.8	27.0	26.4	19.0	17.4
2016	32.0	34.8	22.0	26.4	15.0	17.4
2017	33.0	34.8	24.0	26.4	16.0	17.4
2018	36.0	34.8	27.0	26.4	18.0	17.4
2019	36.0	34.8	30.0	26.4	19.0	17.4
2020	34.0	34.8	26.0	26.4	17.0	17.4
Feb-21	34.0	34.8	27.5	26.4	18.5	17.4

Note: Newbuilding prices prior to 2016 and second hand prices are for Tier II vessels, Newbuilding prices from 2016 are for Tier III vessels. Additionally, scrubber installation on an MR2 vessel will be in the range of \$1.0 to 2.0. million depending on whether installation occurs on NB or a SH retrofit tankers

Source: Drewry

Newbuilding prices increased significantly between 2003 and 2007 primarily as a result of increased tanker demand. Thereafter, prices weakened in the face of a depressed freight market and lower levels of new ordering. In late 2013, prices started to recover and they continued to edge up slowly during 2014 before falling marginally in late 2015. Moreover, newbuilding prices fell further in 2016 because of excess capacity available at shipyards accompanied with low steel prices. New orders declined on account of diminishing earning potential of oil tankers, and mandatory compliance to Tier III emission for ships ordered on or after January 1, 2016, as well as owners' limited access to cost-effective capital. However, newbuild prices increased in the range of 5-15% in the latter half of 2017 and 2018 mainly on the back of increased steel prices and improved bargaining power of shipyards. In 2018, these prices moved up with the expectation of a recovery in the product tanker market. Newbuilding prices of MR2 tankers largely remained flat between August 2018 and April 2020 before registering a decline of ~5% in the latter half of 2020 due to lower orders and weak market prospects. Excess shipbuilding capacity has also kept newbuilding prices in check.

The IMO's Tier III norms aims to reduce nitrogen oxides (NO_x) emission by approximately 70% compared with current Tier II regulations. The implementation of Tier III emission norms applies to vessels in North America, the Caribbean, the Baltic Sea, the North Sea, and all future NO_x Emission Control Areas: any vessel that might pass through must comply. The shipowners have to adopt Selective Catalytic Reduction (SCR) to comply with Tier III emission norms. The IMO stipulates that all vessels ordered on or after January 1, 2016 must have SCR installed on it.

Second-hand values primarily, albeit with a lag, reflect prevailing and expected charter rates. During extended periods of high charter rates vessel values tend to appreciate and vice versa. However, vessel values are also influenced by other factors, including the age of the vessel. Prices for young vessels, those approximately up to five years old, are also influenced by newbuilding prices while prices for old vessels, near the end of their useful economic life, those approximately at or in excess of 25 years, are influenced by the value of scrap steel. In addition, values for younger vessels tend to fluctuate less on a percentage basis than values for older vessels. This is attributed to the finite useful economic life of older vessels which makes the value of younger vessels, commensurate with longer remaining economic lives, less susceptible to the level of prevailing and expected charter rates in the short term.

Vessel values are determined on a daily basis in the sale and purchase (S&P) market, where vessels are sold and bought through specialized sale and purchase brokers who regularly report these transactions to the market. The sale and purchase market for product tankers is transparent and quite liquid, with a large number of vessels changing hands on a regular basis.

In the period 2005 to 2007, second-hand values of modern tankers rose substantially as a result of the underlying trend in freight rates and newbuilding prices. At times, during the height of the boom, values for modern second-hand tankers exceeded newbuilding prices. However, the downturn in tanker charter rates in the second half of 2008 had an immediate and adverse impact on second-hand values. There was a brief rally in values in late 2010/early 2011, but this

proved to be short-lived, and thereafter, prices continued to decline until the middle of 2013.

In late 2013, prices for all modern tankers increased as a result of improvement in freight rates and positive market sentiment and further gains were recorded in 2014 and 2015. However, in 2016, second-hand prices saw a double-digit decline on account of weakening charter rates. For illustration, the second-hand price of a five-year old MR 2 tanker fell by 18.5% from \$27.0 million at year end-2015 to \$ 22.0 million by year end-2016. However, the second-hand prices started recovery in 2017-18 despite weakness in freight rates as historically low asset prices underpinned demand for modern second-hand vessels ahead of IMO2020. Prices climbed higher further in 2019 in tandem with recovery in freight rates and continued firmness in demand for modern fuel-efficient tonnage. For example, the second-hand price of a five-year old MR2 increased by 11.1% in 2019. The vessel values continued their uptrend in the initial four months of 2020 on the back of a spike in vessel earnings; however, the sharp correction in freight rates in the latter half of the year led to a 13.3% decline in second-hand prices of a five-year old MR2 vessel. Gradual recovery in demand and optimism on the back of roll out of COVID-19 vaccines supported the second-hand prices in recent months, and a five-year old MR2 was valued at \$27.5 million in February 2021 compared with \$26.0 million in December 2020. The second-hand price for 5 year old MR2 vessels from January 2018 reflects the asset values of first generation Eco-efficient MR2 vessels.

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

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 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 70th 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 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. 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 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 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 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. Additionally, 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 EEXI, and (2) operational carbon intensity reduction requirements, based on a new operational 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. MEPC 75 also approved draft amendments to MARPOL Annex I to prohibit the use and carriage for use as fuel of heavy fuel oil (“HFO”) by ships in Arctic waters on and after July 1, 2024. 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 substantial compliance with SOLAS and LLMC standards.

Under Chapter IX of the SOLAS Convention, or 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 documents 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 tank, (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 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 exchange 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 in 2021.

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 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.

United States Regulations

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

The 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 CERCLA, which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define “owner and operator” in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact our operations.

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

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

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective November 12, 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 former U.S. President Trump had 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, and recently, current U.S. President Biden signed an executive order temporarily blocking new leases for oil and gas drilling in federal waters. 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. The Company intends to comply with all applicable state regulations in the ports where the Company's vessels call.

We currently maintain pollution liability coverage insurance in the amount of \$1.0 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, results of operation and financial condition.

Other United States Environmental Initiatives

The 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 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 WOTUS. 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 WOTUS 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 WOTUS. 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 VIDA, which was signed into law on December 4, 2018 and replaces the 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 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 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 starting on January 1, 2018, 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 Labour 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 intended to withdraw from the Paris Agreement, and that withdrawal became effective on November 4, 2020. On January 20, 2021, U.S. President Biden signed an executive order to rejoin the Paris Agreement, which the U.S. officially rejoined on February 19, 2021.

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. 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 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 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.

The cost of vessel security measures has also been affected by the escalation in the frequency of acts of piracy against ships, notably off the coast of Somalia, including the Gulf of Aden, Arabian Sea area and West Africa area. Substantial loss of revenue and other costs may be incurred as a result of detention of a vessel or additional security measures, and the risk of uninsured losses could significantly affect our business. Costs are incurred in taking additional security measures in accordance with Best Management Practices to Deter Piracy, notably those contained in the BMP5 industry standard.

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.*, DNV and NKK).

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 business, results of operations and financial condition.

Risk of Loss and Liability Insurance

General

The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, piracy incidents, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon shipowners, operators and bareboat charterers of any vessel trading in the exclusive economic zone of the United States for certain oil pollution accidents in the United States, has made liability insurance more expensive for shipowners and operators trading in the United States market. We carry insurance coverage as customary in the shipping industry. However, not all risks can be insured, specific claims may be rejected, and we might not be always able to obtain adequate insurance coverage at reasonable rates.

Hull and Machinery Insurance

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

Protection and Indemnity Insurance

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

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

Exchange Controls

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

C. Organizational Structure

We were incorporated under the laws of the Republic of the Marshall Islands on March 23, 2015. We own the vessels in our fleet through six separate wholly-owned subsidiaries that are incorporated in the Republic of Marshall Islands and the Republic of Malta.

The following is a list of our subsidiaries:

Name of Company	Country of Incorporation	Principal Activities	Ownership (%)
SECONDONE CORPORATION LTD	Malta	Ship ownership and operations	100%
THIRDONE CORPORATION LTD.	Malta	Ship ownership and operations	100%
FOURTHONE CORPORATION LTD.	Malta	Ship ownership and operations	100%
SIXTHONE CORP. *	Marshall Islands	Non-operating subsidiary	100%
SEVENTHONE CORP.	Marshall Islands	Ship ownership and operations	100%
EIGHTHONE CORP.	Marshall Islands	Ship ownership and operations	100%
MARITIME TECHNOLOGIES CORP.	Delaware	Non-operating subsidiary	100%

* *Pyxis Delta* was sold to an unaffiliated third party on January 13, 2020.

D. Property, Plants and Equipment

Other than our vessels, we do not own any material property. Maritime, our affiliated ship management company, provides office space to us in part of Maritime's offices in Maroussi, Greece in connection with the administrative services provided to us under the terms of the Head Management Agreement.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The spread of the COVID-19 virus, which has been declared a pandemic by the World Health Organization, in 2020 has caused substantial disruptions in the global economy and the shipping industry, as well as significant volatility in the financial markets, the severity and duration of which remains uncertain.

The impact of the COVID-19 pandemic continues to unfold and may continue to have negative effect on our business, financial performance and the results of our operations, including due to decreased demand for global seaborne refined petroleum products trade and related charter rates, the extent of which will depend largely on future developments. In light of COVID-19, we, as of December 31, 2020, evaluated whether there are conditions or events that cause substantial doubt about our ability to continue as a going concern. We reviewed our revenue concentration risk, the recoverability of our accounts receivable (i.e. credit risk) and tested our assets for potential impairment. As a result of this evaluation it was determined that the only material impact of COVID-19 to us has been lower charter activity which has affected the entire industry and resulted in lower profitability and greater losses. However, many of our estimates and assumptions, especially charter rates, require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change in future periods.

This section is a discussion of our financial condition and results of operations as of and for the years ended December 31, 2019 and 2020. You should read the following discussion and analysis together with our financial statements and related notes included elsewhere in this Annual Report. This discussion includes forward-looking statements which are subject to risks and uncertainties that could cause actual events or conditions to differ materially from those currently anticipated, expressed or implied by such forward-looking statements. For a discussion of some of those risks and uncertainties, please read the section entitled "Forward-Looking Statements" and "Item 3. Key Information – D. Risk Factors."

Important Financial and Operational Terms

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

Voyage Revenues, net

We generate revenues by chartering our vessels for the transportation of petroleum products and other liquid bulk items, such as organic chemicals and vegetable oils. Revenues are generated primarily by the number of vessels in our fleet, the number of voyage days employed and the amount of daily charter hire earned under vessels' charters. These factors, in turn, can be affected by a number of decisions by us, including the amount of time spent positioning a vessel for charter, dry-dockings, repairs, maintenance and upgrading, as well as the age, condition and specifications of our ships and supply and demand factors in the product tanker market. At December 31, 2020, we employed two of our vessels on time charters with the remaining three vessels in our fleet employed in the spot market. Revenues from time charter agreements providing for varying daily rates are accounted as operating leases and thus are recognized on a straight line basis over the term of the time charter as service is performed. Revenue under spot charters is recognized from loading of the current spot charter to discharge of the current spot charter as discussed below. Vessels operating on time charters provide more predictable cash flows but can yield lower profit margins than vessels operating in the spot market during periods characterized by favorable market conditions. The vessel owner generally pays commissions on both types of charters on the gross charter rate.

As of January 1, 2018, we adopted Accounting Standard Update ("ASU") 2014-09 "Revenue from Contracts with Customers (Topic 606)". The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. We analyzed our contracts with charterers at the adoption date and have determined that our spot charters fall under the provisions of ASC 606, while our time charter agreements are lease agreements that fall under the provisions of ASC 842 and that contain certain non-lease components.

We elected to adopt ASC 606 by applying the modified retrospective transition method, recognizing the cumulative effect of adopting this guidance as an adjustment to the 2018 opening balance of accumulated deficit. As of December 31, 2017, there were no vessels employed under spot charters and as a result, we have not included any adjustments to the 2018 opening balance of accumulated deficit and prior periods were not retrospectively adjusted.

We assessed our contracts with charterers for spot charters and concluded that there is one single performance obligation for each of our spot charters, which is to provide the charterer with a transportation service within a specified time period. In addition, we have concluded that spot charters meet the criteria to recognize revenue over time as the charterer simultaneously receives and consumes the benefits of our performance. The adoption of this standard resulted in a change whereby our method of revenue recognition changed from discharge-to-discharge (assuming a new charter has been agreed before the completion of the previous spot charter) to load-to-discharge. This resulted in no revenue being recognized from discharge of the prior spot charter to loading of the current spot charter and all revenue being recognized from loading of the current spot charter to discharge of the current spot charter. This change results in revenue being recognized later in the voyage, which may cause additional volatility in revenues and earnings between periods. Demurrage income represents payments by a charterer to a vessel owner when loading or discharging time exceeds the stipulated time in the spot charter. We have determined that demurrage represents a variable consideration and we estimate demurrage at contract inception. Demurrage income estimated, net of address commission, is recognized over the time of the charter as the performance obligation is satisfied.



Under a spot charter, we incur and pay for certain voyage expenses, primarily consisting of brokerage commissions, port and canal costs and bunker consumption, during the spot charter (load-to-discharge) and during the ballast voyage (date of previous discharge to loading, assuming a new charter has been agreed before the completion of the previous spot charter). Before the adoption of ASC 606, all voyage expenses were expensed as incurred, except for brokerage commissions. Brokerage commissions are deferred and amortized over the related voyage period in a charter to the extent revenue has been deferred since commissions are earned as revenues are earned. Under ASC 606 and after implementation of ASC 340-40 "Other assets and deferred costs" for contract costs, incremental costs of obtaining a contract with a customer and contract fulfillment costs, should be capitalized and amortized as the performance obligation is satisfied, if certain criteria are met. We assessed the new guidance and concluded that voyage costs during the ballast voyage represented costs to fulfil a contract which give rise to an asset and should be capitalized and amortized over the spot charter, consistent with the recognition of voyage revenues from spot charter from load-to-discharge, while voyage costs incurred during the spot charter should be expensed as incurred. With respect to incremental costs, we have selected to adopt the practical expedient in the guidance and any costs to obtain a contract will be expensed as incurred (for our spot charters that do not exceed one year). Vessel operating expenses are expensed as incurred.

In addition, pursuant to this standard, and the new Leases standard discussed below, as of January 1, 2018, we elected to present Revenues, net of address commissions. Address commissions represent a discount provided directly to the charterers based on a fixed percentage of the agreed upon charter. Since address commissions represent a discount (sales incentive) on services rendered by us and no identifiable benefit is received in exchange for the consideration provided to the charterer, these commissions are presented as a reduction of revenue in the accompanying audited consolidated statements of comprehensive loss included elsewhere herein.

We do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less, in accordance with the optional exception in ASC 606.

We elected to early adopt the new lease standard as of September 30, 2018 with adoption reflected as of January 1, 2018. We adopted the standard by using the modified retrospective method and selected the additional optional transition method. Also, we elected to apply a package of practical expedients under ASC 842, which allowed us, not to reassess (i) whether any existing contracts, on the date of adoption, contained a lease, (ii) lease classification of existing leases classified as operating leases in accordance with ASC 840 and (iii) initial direct costs for any existing leases. In this respect no cumulative-effect adjustment was recognized to the 2018 opening balance of accumulated deficit. We assessed its new time charter contracts at the adoption date under the new guidance and concluded that these contracts contain a lease with the related executory costs (insurance), as well as non-lease components to provide other services related to the operation of the vessel, with the most substantial service being the crew cost to operate the vessel. We concluded that the criteria for not separating the lease and non-lease components of its time charter contracts are met, since (i) the time pattern of recognizing revenues for crew and other services for the operation of the vessels, is similar to the time pattern of recognizing rental income, (ii) the lease component of the time charter contracts, if accounted for separately, would be classified as an operating lease, and (iii) the predominant component in its time charter agreements is the lease component. After the lease commencement date, we evaluate lease modifications, if any, that could result in a change in the accounting for leases. For a lease modification, an evaluation is performed to determine if it should be treated as either a separate lease or a change in the accounting of an existing lease. Brokerage and address commissions on time charter revenues are deferred and amortized over the related voyage period, to the extent revenue has been deferred, since commissions are earned as revenues earned, and are presented in voyage expenses and as a reduction to voyage revenues (see above), respectively. Vessel operating expenses are expensed as incurred. By taking the practical expedients, existing time charters at January 1, 2018, continued to be accounted for under ASC 840 while new time charters commencing in 2018 and onwards are accounted for under ASC 842. The adoption of ASC 842 had no effect on our consolidated financial position and results of operations for the years ended December 31, 2018 and 2019. Upon adoption of ASC 842, we made an accounting policy election to not recognize contract fulfillment costs for time charters under ASC 340-40.

Time Charters

A time charter is a contract for the use of a vessel for a specific period of time during which the charterer pays substantially all of the voyage expenses, including port and canal charges and the cost of bunker (fuel oil), but the vessel owner pays vessel operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, the costs of spares and consumable stores and tonnage taxes. Time charter rates are usually set at fixed rates during the term of the charter. Prevailing time charter rates fluctuate on a seasonal and on a year-to-year basis and, as a result, when employment is being sought for a vessel with an expiring or terminated time charter, the prevailing time charter rates achievable in the time charter market may be substantially higher or lower than the expiring or terminated time charter rate. Fluctuations in time charter rates are influenced by changes in spot charter rates, which are in turn influenced by a number of factors, including vessel supply and demand. The main factors that could increase total vessel operating expenses are crew salaries, insurance premiums, spare parts orders, repairs that are not covered under insurance policies and lubricant prices.

Spot Charters

Generally, a spot charter refers to a contract to carry a specific cargo for a single voyage, which commonly lasts from several days up to three months. Spot charters typically involve the carriage of a specific amount and type of cargo on a load-port to discharge-port basis, subject to various cargo handling terms, and the vessel owner is paid on a per-ton basis. Under a spot charter, the vessel owner is responsible for the payment of all expenses including its capital costs, voyage expenses (such as port, canal and bunker costs) and vessel operating expenses. Fluctuations in spot charter rates are caused by imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes at a given port.

Voyage Related Costs and Commissions

We incur voyage related costs for our vessels operating under spot charters, which mainly include port and canal charges and bunker expenses. Port and canal charges and bunker expenses primarily increase in periods during which vessels are employed on spot charters because these expenses are for the account of the vessel owner. Brokerage commissions payable, if any, depend on a number of factors, including, among other things, the number of shipbrokers involved in arranging the charter and the amount of commissions charged by brokers related to the charterer. Such commissions are deferred and amortized over the related voyage period in a charter to the extent revenue has been deferred since commissions are earned as revenues are earned.

Vessel Operating Expenses

We incur vessel operating expenses for our vessels operating under time and spot charters. Vessel operating expenses primarily consist of crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, tonnage taxes and other miscellaneous expenses necessary for the operation of the vessel. All vessel operating expenses are expensed as incurred.

General and Administrative Expenses

The primary components of general and administrative expenses consist of the annual fee payable to Maritime for the administrative services under our Head Management Agreement, which includes the services of our senior executive officers, and the expenses associated with being a public company. Such public company expenses include the costs of preparing public reporting documents, legal and accounting costs, including costs of legal and accounting professionals and staff, and costs related to compliance with the rules, regulations and requirements of the SEC, the rules of NASDAQ, board of directors' compensation and investor relations.

Management Fees

We pay management fees to Maritime and ITM for commercial and technical management services, respectively, for our vessels. These services include: obtaining employment for our vessels and managing our relationships with charterers; strategic management services; technical management services, which include managing day-to-day vessel operations, ensuring regulatory and classification society compliance, arranging our hire of qualified officers and crew, arranging and supervising dry-docking and repairs and arranging insurance for vessels; and providing shoreside personnel who carry out the management functions described above. As part of their ship management services, Maritime provides us with supervision services for new construction of vessels; these costs are capitalized as part of the total delivered cost of the vessel.

Depreciation

We depreciate the cost of our vessels after deducting the estimated residual value, on a straight-line basis over the expected useful life of each vessel, which is estimated to be 25 years from the date of initial delivery from the shipyard. We estimate the residual values of our vessels to be \$300 per lightweight ton.

Special Survey and Drydocking

We are obliged to periodically drydock each of our vessels for inspection, and to make significant modifications to comply with industry certification or governmental requirements. Generally, each vessel is drydocked every 30 to 60 months for scheduled inspections, depending on its age. The capitalized costs of drydockings for a given vessel are amortized on a straight-line basis to the next scheduled drydocking of the vessel.

Interest and Finance Costs

We have historically incurred interest expense and financing costs in connection with the debt incurred to partially finance the acquisition of our existing fleet. We have also incurred interest expense in relation to the \$5.0 million promissory note we issued in favor of Maritime Investors. Except for the interest payments under our promissory note and the loan for the Eighthone that are based on fixed rates, the interest rate under our debt agreements is linked to the LIBOR rate. In order to hedge our variable interest rate exposure, on January 19, 2018, we, via one of our vessel-owning subsidiaries, purchased an interest rate cap with one of our lenders for a notional amount of \$10.0 million and a cap rate of 3.5%. The interest rate cap will terminate on July 18, 2022. In the future, we may consider the use of additional financial hedging products to further limit our interest rate exposure.

In evaluating our financial condition, we focus on the above financial and operating measures as well as fleet and vessel type for utilization, time charter equivalent rates and operating expenses to assess our operating performance. We also monitor our cash position and outstanding debt to assess short-term liquidity and our ability to finance further fleet expansion. Discussions about possible acquisitions or sales of existing vessels are based on our financial and operational criteria which depend on the state of the charter market, availability of vessel investments, employment opportunities, anticipated dry-docking costs and general economic prospects.

We believe that the important factors to consider in analyzing future results of operations and trends in future periods include the following:

- charter rates and periods of charter hire and any revenues we would receive in the future from any pools in which our vessels may operate;
- vessel operating expenses and voyage related costs and commissions;
- depreciation and amortization expenses, which are a function of the cost of our vessels, significant vessel maintenance or improvement costs, our vessels' estimated useful lives and estimated residual values;
- financing costs related to our indebtedness, including hedging of interest rate risk;
- costs of being a public reporting company, including general and administrative expenses, compliance, accounting and legal costs and regulatory expenses; and
- fluctuations in foreign exchange rates because our revenues are in U.S. dollars but some of our expenses are paid in other currencies.

Revenues from time charters, and to the extent we enter into any in the future, bareboat charters, are stable over the duration of the charter, provided there are no unexpected or periodic off-hire periods and no performance claims from the charterer or charterer defaults. Revenues fluctuate from spot charters and, in case we also decide to participate in pools, depending on the hire rate in effect at the time of the charter or the results of the spot based pool.

Recent accounting pronouncements are discussed in Note 2 of the consolidated financial statements contained within this Annual Report.

Implications of Not Being an Emerging Growth Company

On December 31, 2020, we ceased to be an "emerging growth company" as defined in the JOBS Act. Since we are not an "accelerated filer" or a "large accelerated filer" (as such terms are defined under the U.S. securities laws) we are not required comply with the provisions of Section 404(b) of SOX, which would otherwise require our independent registered public accounting firm to provide us with an attestation report on the effectiveness of our ICFR. Compliance with Section 404 is expensive for our shareholders and time consuming for management and could result in the detection of internal control deficiencies of which we are currently unaware. However, we are required to comply with other SOX mandates, including CEO and CFO certifications, the requirement to establish and maintain ICFR and have management assess its effectiveness, and a financial statement audit by an independent auditor, who is required to obtain an understanding of ICFR in the performance of the financial statement audit but not for the purpose of expressing an opinion on the effectiveness of our ICFR. If we become subject to additional SOX provisions, including Section 404(b), in the future, compliance with these provisions will likely incrementally increase our legal and financial compliance costs and make some activities more time consuming and costly.

A. Operating Results

At December 31, 2020, we employed two of the vessels in our fleet on time charters and three vessels were operating in the spot market. Our MR vessels are available to operate the entire year, except for scheduled special surveys and dry-dockings. Due to marginally increased spot trading activity for our MR's the number of non-operating days per year, which represent average time spent off-hire, increased in 2020. If a vessel undergoes a scheduled intermediate survey, or special survey with BWTS installation, the estimated duration is five or 25 days, respectively.

The break-out of revenue by spot and time charters for the years ended December 31, 2019 and 2020 is reflected below (in thousands of U.S. dollars):

	Year ended December 31, 2019		Year ended December 31, 2020	
	Spot	Time	Spot	Time
Revenues, net	\$ 8,067	\$ 19,686	\$ 7,022	\$ 14,689

The following table reflects our fleet's ownership days, available days, operating days, utilization, TCE, average number of vessels, number of vessels at period end, average age and operating expenses in each case, for the years ended December 31, 2019 and 2020.

Fleet Operating Data	Year ended December 31,	
	2019	2020
Ownership days (1)	2,190	1,830
Available days (2)	2,162	1,764
Operating days (3)	1,925	1,523
Utilization % (4)	89.0%	86.3%
Daily time charter equivalent rate (5)	\$ 11,756	\$ 11,456
Daily vessel operating expenses (6)	\$ 5,825	\$ 5,847
Average number of vessels (7)	6.0	5.0
Number of vessels at period end	6	5
Weighted average age of vessels (8)	8.8	8.6

- (1) *Ownership days are the total number of days in a period during which we owned each of the vessels in our fleet. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues generated and the amount of expenses incurred during the respective period.*
- (2) *Available days are the number of ownership days in a period, less the aggregate number of days that our vessels were off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and intermediate dry-dockings and the aggregate number of days that we spent positioning our vessels during the respective period for such repairs, upgrades and surveys. Available days measures the aggregate number of days in a period during which vessels should be capable of generating revenues.*
- (3) *Operating days are the number of available days in a period, less the aggregate number of days that our vessels were off-hire or out of service due to any reason, including technical breakdowns and unforeseen circumstances. Operating days measures the aggregate number of days in a period during which vessels actually generate revenues.*
- (4) *We calculate fleet utilization by dividing the number of operating days during a period by the number of available days during the same period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys and intermediate dry-dockings or vessel positioning.*
- (5) *Daily TCE rate is a standard shipping industry performance measure of the average daily revenue performance of a vessel on a per voyage basis. TCE is not calculated in accordance with U.S. GAAP. We utilize TCE because we believe it is a meaningful measure to compare period-to-period changes in our performance despite changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which our vessels may be employed between the periods. Our management also utilizes TCE to assist them in making decisions regarding employment of the vessels. We believe that our method of calculating TCE is consistent with industry standards and is calculated by dividing voyage revenues after deducting voyage expenses, including commissions, by operating days for the relevant period. Voyage expenses primarily consist of brokerage commissions, port, canal and bunker costs that are unique to a particular voyage, which would otherwise be paid by the charter under a time charter contract.*
- (6) *Daily vessel operating expenses are direct operating expenses such as crewing, provisions, repairs and maintenance, insurance, deck and engine stores, lubricating oils and tonnage tax divided by ownership days.*
- (7) *Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was part of our fleet during such period divided by the number of calendar days in the period.*
- (8) *Weighted average age of the fleet is the sum of the ages of our vessels, weighted by the dwt of each vessel on the total fleet dwt.*

The following table reflects the calculation of our daily TCE rates for the years ended December 31, 2019 and 2020 (in thousands of U.S. dollars, except total operating days and daily TCE rates):

	Year ended December 31,	
	2019	2020
Revenues, net	\$ 27,753	\$ 21,711
Voyage related costs and commissions	(5,122)	(4,268)
Time charter equivalent revenues *	\$ 22,631	\$ 17,443
Total operating days	1,925	1,523
Daily time charter equivalent rate	\$ 11,756	\$ 11,456

* Subject to rounding

The decrease in the TCE rate in 2020 compared to 2019 was primarily attributable to fewer available days and lower revenue primarily reflecting the sale of our older MR Pyxis Delta in early 2020, lower charter rates and the special surveys that three of our vessels had undergone during 2020 compared to one in 2019. For the year ended December 31, 2020, we reported a net loss to common shareholders of \$7.0 million vs. \$8.3 million in 2019. In 2020, lower revenues, net of \$6.0 million or 21.8%, compared to 2019 were partially offset by an aggregate decrease of approximately \$3.8 million in vessel operating expenses, management fees, depreciation and interest and finance costs, net, which primarily reflected the impact from the sale of Pyxis Delta and the repayment of its loan. Furthermore, the decline in our revenues, net was also partially offset by \$0.8 million decrease in voyage related costs and commissions as a result of the fewer operating days of our small tankers which were employed under spot charter arrangements. These differences were counterbalanced by the recognition of a \$2.8 million loss on vessel held for sale in 2019 resulting in a \$1.4 million improvement in the Net Loss for the year ended December 31, 2020.

Recent Daily Fleet Data:
(In U.S. dollars, except for Utilization %)

		Year ended December 31,	
		2019	2020
Eco-Efficient MR2: (2 of our vessels)			
	TCE	14,337	14,377
	Opex	5,872	6,107
	Utilization %	100%	97.2%
Eco-Modified MR2: (1 of our vessels)			
	TCE	13,410	14,130
	Opex	6,813	6,612
	Utilization %	99.1%	97.5%
Standard MR2: (1 of our vessels)			
	TCE	13,115	-
	Opex	6,092	-
	Utilization %	99.7%	-
Handysize Tankers: (2 of our vessels)			
	TCE	5,860	5,331
	Opex	5,150	5,204
	Utilization %	68.1%	69.5%
Fleet: (6 vessels)			
	TCE	11,756	11,456
	Opex	5,825	5,847
	Utilization %	89.0%	86.3%

As at December 31, 2020 our fleet consisted of two eco-efficient MR2 tankers, *Pyxis Theta* and *Pyxis Epsilon*, one eco-modified MR2, *Pyxis Malou*, and two handysize tankers, *Northsea Alpha* and *Northsea Beta*. During 2019 to 2020, the vessels in our fleet were employed at various occasions under time and spot charters.

Consolidated Statements of Comprehensive Loss for the Fiscal Year Ended December 31, 2019 Compared to the Fiscal Year Ended December 31, 2020

	2019	2020	Change	%
	<i>(In thousands of U.S. dollars)</i>			
Revenues, net:	\$ 27,753	\$ 21,711	\$ (6,042)	(21.8)%
Expenses:				
Voyage related costs and commissions	(5,122)	(4,268)	854	(16.7)%
Vessel operating expenses	(12,756)	(10,880)	1,876	(14.7)%
General and administrative expenses	(2,407)	(2,378)	29	(1.2)%
Management fees, related parties	(724)	(637)	87	(12.0)%
Management fees, other	(930)	(819)	111	(11.9)%
Amortization of special survey costs	(240)	(253)	(13)	5.4%
Depreciation	(5,320)	(4,418)	902	(17.0)%
Loss on vessel held-for-sale	(2,756)	—	2,756	(100.0)%
Gain from the sale of vessel, net	—	7	7	100%
Bad debt provisions	(26)	—	26	(100.0)%
Operating loss	\$ (2,528)	\$ (1,935)	\$ 593	(23.5)%
Other expenses:				
Loss from financial derivative	(27)	(1)	26	(96.3)%
Interest and finance costs, net	(5,775)	(4,964)	811	(14.0)%
Total other expenses, net	\$ (5,802)	\$ (4,965)	\$ 837	(14.4)%
Net loss	\$ (8,330)	\$ (6,900)	\$ 1,430	(17.2)%
Dividend Series A Convertible Preferred Stock	—	(82)	(82)	(100)%
Net loss attributable to common shareholders	\$ (8,330)	\$ (6,982)	\$ 1,348	(16.2)%

Revenues, net: Revenues, net, of \$21.7 million for the year ended December 31, 2020, represent a decrease of \$6.1 million, or 21.8%, from \$27.8 million in the comparable period in 2019. Our Handysize tankers operated solely in the spot market during 2019 and 2020 whereas our MR tankers operated both on spot and in the time charter market during both periods. Revenue from spot voyages in 2020 was \$7.0 million a decrease of \$1.1 million from \$8.1 million in 2019. Time charter revenue decreased by 25.4% or \$5.0 million, from \$19.7 million in 2019 to \$14.7 million in 2020. The decrease was primarily attributable to lower charter rates, as well as the decrease of our total available days from 2,162 days in 2019 to 1,764 days in 2020 as a result of the sale of our oldest MR Pyxis Delta and the scheduled special surveys of *Northsea Alpha*, *Northsea Beta* and *Pyxis Epsilon* that took place in 2020, resulting in more dry-dock days from 28 in 2019 to 66 in 2020.

Voyage related costs and commissions: Voyage related costs and commissions of \$4.3 million for the year ended December 31, 2020, represented a decrease of \$0.8 million, or 16.7%, from \$5.1 million in the comparable period in 2019. For the year ended December 31, 2020, operating days for our small tankers were 482 contrary to 497 days for the comparative period in 2019. The lower spot chartering activity contribute to less voyage costs as under spot charters, all voyage expenses are typically borne by us rather than the charterer.

Vessel operating expenses: Vessel operating expenses of \$10.9 million for the year ended December 31, 2020, represented a decrease of \$1.9 million, or 14.7%, from \$12.8 million in the comparable period in 2019, which was mainly attributed to the sale of *Pyxis Delta*.

General and administrative expenses: General and administrative expenses were \$2.4 million for the year ended December 31, 2020 were stable compared to 2019.

Management fees, related parties: Management fees to Maritime of \$0.6 million for the year ended December 31, 2020, represented a decrease of 12.0 % over the comparable period in 2019 or \$0.1 million due to the sale of *Pyxis Delta* in January 2020.

Management fees, other: Management fees, payable to ITM of \$0.8 million for the year ended December 31, 2020, represented a decrease of 11.9% or \$0.1 million compared to the year ended December 31, 2019 which was also attributed to the sale of *Pyxis Delta*.

Amortization of special survey costs: Amortization of special survey costs of \$0.3 million for the year ended December 31, 2020, represented a small increase of 5.4%, compared to the same period in 2019 primarily attributed to the additional amortization after the *Pyxis Epsilon*, *Northsea Alpha* and *Beta* special surveys in 2020.

Depreciation: Depreciation of \$4.4 million for the year ended December 31, 2020, a decrease of \$0.9 million or 17.0% compared to \$5.3 million charged for the 2019 period. The decrease was attributed to a five vessel fleet in 2020 as compared to a six vessel fleet for the same period in 2019.

Loss on vessel held-for-sale: the non-cash loss of \$2.8 million during the year ended December 31, 2019, relates to the sale of *Pyxis Delta* that was closed in January 2020. There was no comparable amount in the year ended December 31, 2020.

Interest and finance costs, net: Interest and finance costs, net, for the year ended December 31, 2020, amounted to \$5.0 million, compared to \$5.8 million in the comparable period in 2019, a decrease of \$0.8 million, or 14.0%. The decrease was attributable to lower LIBOR rates paid on floating rate bank debt compared to the same period in 2019 and the prepayment of the associated outstanding loan of *Pyxis Delta* upon its sale. The total borrowings outstanding (exclusive of promissory note and deferred financing costs) decreased to \$54.3 million at December 31, 2020 from \$58.9 million a year earlier.

Results for the Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

For a discussion of our results for the year ended December 31, 2019 compared to the year ended December 31, 2018, please see “Item 5 - Operating and Financial Review and Prospects - A. Operating Results” contained in our annual report on Form 20-F for the year ended December 31, 2019, filed with the SEC on March 31, 2020.

B. Liquidity and Capital Resources

Overview

Our principal sources of liquidity are cash flows from operations, borrowings from bank debt, proceeds from issuances of equity and, we expect in the future, from the selective sale of vessels and the proceeds from further issuances of equity and debt. We expect that our future liquidity requirements will relate primarily to:

- payments of interest and other debt-related expenses and the repayment of principal on our loans;
- our operating expenses, including dry-docking and special survey costs;
- maintenance of cash reserves to provide for contingencies and to adhere to minimum liquidity for loan covenants; and
- vessel acquisitions.

On March 30, 2018, we filed with the SEC a prospectus supplement to sell up to \$2.3 million of common shares through an At-the-Market (“ATM”) offering or similar direct placement. We did not issue any securities under this program until November 2018 but on November 19, 2018 we amended the prospectus supplement to increase the offering to \$3.675 million. During the year ended December 31, 2019 we sold 214,828 common shares at weighted average price per share of \$1.65 that resulted in gross proceeds to the Company of approximately \$354,000. No shares have been sold under the ATM Program in 2020.

On October 13, 2020, we announced the closing of our offering of 200,000 Units at an offering price of \$25.00 per Unit (the “Offering”). Each Unit was immediately separable into one Series A Preferred Share and eight (8) detachable Warrants, each warrant exercisable for one common share, for a total of up to 1,600,000 of our common shares. Each Warrant will entitle the holder to purchase one common share at an initial exercise price of \$1.40 per share at any time prior to October 13, 2025 or, in case of absence of an effective registration statement, to exchange those cashless based on a formula. Any Warrants that remain unexercised on October 13, 2025 shall be automatically exercised by way of a cashless exercise on that date.

We also agreed to issue and sell to designees of the underwriter as compensation, two separate types of Underwriter’s Warrants for an aggregate purchase price of \$100 (absolute amount). The Warrants were issued pursuant to an Underwriting Agreement dated October 8, 2020. The first type of the Underwriter’s Warrants is a warrant for the purchase of an aggregate of 2,000 Series A Preferred Shares at an exercise price of \$24.92 and the second type is a warrant for the purchase of an aggregate of 16,000 Warrants at an exercise price of \$0.01, at any time on or after April 6, 2021 and prior to October 8, 2025 (the “Termination Date”). On exercise, each Underwriter Warrant allows the holder to purchase one of our Series A Preferred Shares or one Warrant or, in case of absence of an effective registration statement, to exchange those cashless based on a formula set in the Underwriting Agreement. Any Underwriter’s Warrants that remain unexercised on the Termination Date shall be automatically exercised by way of a cashless exercise on that date. The Underwriter’s Warrants are also subject to customary adjustment provisions similar to the detachable Warrants discussed above.

We have accounted for Underwriter’s Warrants in accordance with ASC 718-Compensation-Stock Compensation, classified within stockholders’ equity. As of December 31, 2020, 2,000 Underwriter’s Warrants to purchase 2,000 Series A Preferred Shares and 16,000 Underwriter’s warrant to purchase 16,000 Warrants remained outstanding.

On October 13, 2020, we had granted the underwriter a 45-day option to purchase up to 30,000 additional Series A Preferred Shares and/or 240,000 additional Warrants. The purchase price to be paid by the Underwriters per optional preferred share was \$23.051 and the purchase price per optional Warrant was \$0.00925. On the same day, the underwriter partially exercised its overallotment option for 135,040 Warrants for gross proceeds of \$1. We considered that the overallotment option was a freestanding financial instrument but did not meet the derivative definition criteria and did not require bifurcation.

The Warrants are also subject to customary adjustment provisions, such as for stock dividends, subdivisions and combinations and certain fundamental transactions such as those in which we directly or indirectly, in one or more related transactions effect our merger or consolidation with or into another entity, or we effect any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions. We determined that the Warrants are indexed to our own stock and meet all the conditions for equity classification. As of December 31, 2020, 1,735,040 Warrants remained outstanding.

The Series A Preferred Shares and Warrants are listed on the Nasdaq Capital Market under the symbols “PXSAP” and “PXSAW”, respectively.

The rights, preferences and restrictions attaching to Series A Preferred Shares and Warrants are described in the “Description of Securities” filed herewith as Exhibit 2.2 to this Annual Report.

On November 20, 2020, we paid a cash dividend of \$0.1991 per share on each Series A Preferred Share for the first period in November 2020. On December 21, 2020, we paid a cash dividend of \$0.1615 per share on each Series A Preferred Share for the month of December 2020.

On January 20, 2021, February 22, 2021 and March 22, 2021, we paid cash dividends of \$0.1615 per Series A Preferred Share for each month which aggregated \$83.

We received gross proceeds of \$5.0 million from the Offering, prior to deducting underwriting discounts and offering expenses. The net proceeds from the Offering of approximately \$4.3 million were used for general corporate purposes, including working capital and the repayment of debt.

On February 24, 2021, we announced that we had closed our definitive securities purchase agreements with a group of investors, which resulted in gross proceeds of \$25.0 million, before deducting placement offering expenses. We issued 14,285,715 shares of common stock at a price of \$1.75 per share. We will use the net proceeds from the offering for general corporate purposes, which may include the repayment of outstanding indebtedness and potential vessel acquisitions. Our securities offered and sold in the private placement were subsequently registered under the Securities Act, under a resale registration statement filed with the SEC and became effective on March 11, 2021. Any resale of our shares under such resale registration statement will be made only by means of a prospectus.

On March 29, 2021, we entered into a new secured loan agreement for the refinancing of the existing Eighthone loan. The \$17 million provided by the new secured loan combined with \$7.3 million of available cash were used to prepay the outstanding indebtedness of \$24 million of the previous loan in full and fund closing fees and expenses.



We expect to rely upon operating cash flows from the employment of our vessels on spot and time charters and amounts due to/from related parties, long-term borrowings and the proceeds from future equity and debt offerings to fund our liquidity and capital needs and implement our growth plan. We perform regular cash flow projections to evaluate whether it will be in a position to cover its liquidity needs for the next 12-month period and be in compliance with the financial and security collateral cover ratio covenants under its existing debt agreements. In developing estimates of future cash flows, we make assumptions about the vessels' future performance, with assumptions relating to time charter equivalent rates by vessel type, vessels' operating expenses, vessels' capital expenditures, fleet utilization, our management fees, general and administrative expenses, and debt service requirements. The assumptions used to develop estimates of future cash flows are based on historical trends as well as future expectations. As of December 31, 2020, we had a working capital deficit of \$2.9 million, defined as current assets minus current liabilities. As of the filing date of the consolidated financial statements, we expect that we will be in a position to cover our liquidity needs for the next 12-month period through the 2021 Private Placement Transaction, the debt refinancing of the Entrust Loan, and cash generated from the vessels' operations. In addition, we may consider the raising of capital including debt, equity securities, joint ventures and / or sale of assets.

Our business is capital intensive and our future success will depend on our ability to maintain a high quality fleet through the acquisition of modern tanker vessels and the selective sale of older tanker vessels. We may pursue a sale or other long-term strategy such as a bareboat charter agreement with purchase option or commitment for *Northsea Alpha* and *Northsea Beta*. These acquisitions and dispositions will be principally subject to management's expectation of future market conditions, our ability to acquire and dispose of tanker vessels on favorable terms as well as access to cost-effective capital on reasonable terms.

We do not intend to pay dividends to the holders of our common shares in the near future and expect to retain our cash flows primarily for the payment of vessel operating costs, dry-docking costs, debt service and other obligations, general corporate and administrative expenses, and reinvestment in our business (such as to fund vessel or fleet acquisitions), in each case, as determined by our board of directors.

Working Capital Position

Cash and cash equivalents as of December 31, 2020, amounted to \$1.6 million, compared to \$1.4 million as of December 31, 2019. We define working capital as current assets minus current liabilities. We had a working capital deficit of \$2.9 million as of December 31, 2020, compared to the working capital deficit of \$5.3 million as of December 31, 2019.

Consolidated Cash Flows information:

Statements of Cash Flows Data

(In millions of U.S. dollars)

	Year ended December 31,	
	2019	2020
Net cash provided by / (used in) operating activities	\$ 5.7	\$ (13.0)
Net cash (used in) / provided by investing activities	\$ (0.5)	\$ 12.6
Net cash used in financing activities	\$ (4.2)	\$ (0.7)

Operating Activities: Net cash used in operating activities was \$13.0 million for 2020, compared to net cash provided by operating activities of \$5.7 million for 2019. There were a number of factors driving the decrease in our net cash from operating activities compared to the prior year. Firstly, aggregate movements in current assets and liabilities during the year ended December 31, 2020, decreased cash by \$16.5 million which was significantly attributable to a decrease in trade accounts payable and accrued liabilities of \$0.8 million and payments to related parties (Maritime) of \$12.6 million from the net proceeds from the sale of Pyxis Delta, the refinancing of Seventhone and the Offering. Furthermore, a decrease in cash by \$3.0 million was the result of the decrease in hire collected in advance by \$1.7 million, the decrease in trade accounts receivable, net, by \$0.7 million as well as a decrease by approximately \$0.6 million in special survey costs as a result of the scheduled special surveys of Northsea Alpha, Northsea Beta and Pyxis Epsilon that took place in 2020. A decrease in cash by \$0.5 million related to inventories was almost fully offset by an increase in prepayments and other assets by \$0.4 million. Secondly, lower revenues, net in 2020, of \$6.0 million were partially offset by an aggregate decrease of approximately \$3.8 million in voyage related costs and commissions, vessel operating expenses, management fees and interest and finance costs, net, which primarily reflected the impact from the sale of Pyxis Delta and the repayment of its loan.

Investing Activities: Net cash provided by investing activities was \$12.6 million during 2020 consisted of the total net proceeds from the sale of Pyxis Delta of \$13.2 million offset by \$0.5 million to the costs incurred for the ballast water treatment system fitted on Pyxis Epsilon, compared to net cash payments of \$0.5 million for the ballast water treatment installation on Pyxis Malou, that was completed in 2019.

Financing Activities: Net cash used in financing activities in 2020 amounted to \$0.7 million. During 2020, we received \$15.3 million proceeds from the new loan facility for Pyxis Theta with Alpha Bank and paid the aggregate amount of \$19.9 million which includes debt repayments for Pyxis Delta and Pyxis Theta as a result of the sale of Pyxis Delta as well as scheduled loan amortization and payment of financing costs of \$0.3 million in relation to Seventhone's new loan facility. Additionally, we received \$4.3 million net proceeds from the Offering. Net cash used in financing activities in 2019 amounted to \$4.2 million relating to net proceeds from the issuance of common stock of \$0.3 million offset by scheduled loan principal repayments of \$4.5 million.

Indebtedness

Our vessel-owning subsidiaries, as borrowers, entered into loan agreements in connection with the purchase of each of the vessels in our fleet. As of December 31, 2020, our vessel-owning subsidiaries had outstanding borrowings under the following loan agreements:

- SECONDONE CORP. (“Secondone”) (which owns *Northsea Alpha*), THIRDONE CORP. (“Thirdone”) (which owns *Northsea Beta*) and FOURTHONE CORP. (“Fourthone”) (which owns *Pyxis Malou*) refinanced existing indebtedness of \$26.9 million on February 28, 2018 under the Secondone, Thirdone and Fourthone loan agreements utilizing a new 5-year secured term loan of \$20.5 million with Amsterdam Trade Bank N.V., and cash of \$2.1 million. The remaining balance of approximately \$4.3 million was written-off by the previous lender at closing and was recorded as gain from debt extinguishment in the first quarter of 2018. The new loan bears interest at LIBOR plus a margin of 4.65% per annum, and matures in February 2023. The loan is repayable in quarterly installments and a balloon payment. Standard loan covenants include, amongst others, a minimum loan to value ratio and liquidity. As a condition subsequent to the execution of this loan agreement, the borrowers, Secondone, Thirdone and Fourthone, proceeded with all required procedures for their re-domiciliation to the jurisdiction of the Republic of Malta. The re-domiciliation became effective on March 1, 2018 and the borrowers were renamed to Secondone Corporation Ltd., Thirdone Corporation Ltd. and Fourthone Corporation Ltd., respectively. The loan is secured by, among other things as set forth below, joint-and-several first preferred mortgages relating to *Northsea Alpha*, *Northsea Beta* and *Pyxis Malou*. As of December 31, 2019 and 2020 the aggregate outstanding balance of the loans relating to these vessels was \$17.4 million and \$15.3 million, respectively.
- SIXTHONE CORP. (“Sixthone”) (which owned *Pyxis Delta* as of January 2020) and SEVENTHONE CORP. (“Seventhone”) (which owns *Pyxis Theta*) jointly and severally entered into a loan agreement on October 12, 2012, as subsequently amended and supplemented, with Hamburg Commercial Bank (“HCOB”) (previously known as HSH Nordbank AG) providing for a loan facility up to \$37.3 million. In February 2013, Sixthone drew down an amount of \$13.5 million and, in September 2013, Seventhone drew down an amount of \$21.3 million (“Tranche A” and “Tranche B”, respectively). The loan bears interest at LIBOR plus a margin of 3.35% per year. Under the original agreement, the tranche relating to Sixthone matured in May 2017 and the tranche relating to Seventhone matured in September 2018. On September 29, 2016, we agreed with the lender of Sixthone to extend the maturity of Tranche A from May 2017 to September 2018, under the same amortization schedule and applicable margin. In addition, on June 6, 2017, HCOB agreed to further extend the maturity of the respective loans from September 2018 to September 2022 under the same applicable margin, but with an extended amortization profile. The loan is repayable in quarterly installments and a balloon payment. The loan is secured by, among other things as set forth below, joint-and-several first preferred mortgages relating to *Pyxis Delta* and *Pyxis Theta*. As of December 31, 2019, the aggregate outstanding balance of the loan relating to these vessels was \$17.5 million. Following the sale of Delta in January 2020, the outstanding loan tranche of \$4.0 million related to Sixthone was repaid in full and a prepayment of \$1.6 million was paid against the outstanding loan tranche of Seventhone. Following these payments, the debt outstanding under the facility was \$11.8 million. On June 25, 2020, we signed a Commitment Letter with a new lender for the refinancing of the existing facility. On July 8, 2020, Seventhone entered into the new \$15.25 million secured loan agreement with the ALPHA BANK, for the purpose of refinancing the outstanding indebtedness of \$11.3 million under the previous loan facility. The new loan bears interest at LIBOR plus a margin of 3.35% per annum. The principal obligation amortizes in 19 consecutive quarterly installments of \$300 each, the first falling due in January 2021, and the last installment accompanied by a balloon payment of \$9.25 million falling due in July 2025. Standard collateral interests and customary covenants are incorporated in this facility. As of December 31, 2020, the aggregate outstanding balance of the loan relating to *Pyxis Theta* was \$15.0 million.
- EIGHTHONE CORP. (“Eighthone”) (which owns *Pyxis Epsilon*) entered into a new \$24.0 million loan agreement with Wilmington Trust National Association on September 27, 2018 for the purpose of refinancing the outstanding indebtedness with DVB Bank SE. The loan facility bears an interest rate of 11.0% per annum and matures in September 2023. Fees are payable upon early prepayment or on final repayment of outstanding principal, subject to certain conditions or events being met. The principal obligation amortizes in 18 quarterly installments that started on March 29, 2019, equal to the lower of \$0.4 million and excess cash computed through a cash sweep mechanism, plus a balloon payment due at maturity. The facility is secured by, among other things as set forth below, a first priority mortgage relating to *Pyxis Epsilon*. As of December 31, 2019 and 2020, the aggregate outstanding balance of the loan relating to *Pyxis Epsilon* was \$24.0 million. On March 29, 2021, we entered into a new secured loan agreement for the refinancing of the existing Eighthone loan. The \$17 million provided by the new secured loan combined with \$7.3 million of available cash were used to prepay the outstanding indebtedness of \$24 million of the previous loan in full and fund closing fees and expenses. The new five year loan has quarterly amortization of \$0.3 million with \$11 million due at maturity. The loan is priced at Libor plus 3.35%. All other terms and conditions were standard for a bank loan of this type.

Each of the loan agreements referenced above is secured by a first priority mortgage over the respective vessel and a first priority assignment of the vessel's insurances and earnings, and guaranteed by the parent company. In addition, certain of our loan agreements and guarantees require us to maintain specified financial ratios and satisfy financial covenants. These financial ratios and covenants include requirements that:

- the certain vessel-owning subsidiaries that are a borrower under the respective loan agreement must maintain pledged deposits equal to a specified dollar amount;
- we must maintain minimum liquidity of between \$0.3 million and \$0.85 million per vessel;
- the fair market value of the mortgaged vessel plus any additional collateral must be no less than a certain percentage, ranging from 115% to 150%, of outstanding borrowings under the applicable loan agreement, less, in certain loan agreements, any money in respect of the principal standing to the credit of the retention account and any free or pledged cash deposits held with the lender in our or its subsidiary's name (the minimum security collateral cover or "MSC"); and
- for the ALPHA BANK credit facility, the ratio of the Company's total liabilities to total assets is not to exceed 75%. This requirement is only applicable in order to assess whether the Vessel-owning company is entitled to distribute dividends to Pyxis. As of December 31, 2020, the requirement was met as such ratio was 66%, or 9% lower than the required threshold.

The events of default under our loan documents generally include provisions relating to events of default, such as:

- the non-payment on the due date of any amount under the loan agreements or any related document;
- the breach of any covenant (which includes a requirement for Mr. Valentis to maintain 40% or more of ownership or Mr. Valentis to continue to act as the Chairman, of the corporate guarantor) or undertaking or failure to provide additional security as required;
- any untrue or incorrect representation or warranty; and
- any cross-default.

As of December 31, 2020, we were in compliance with all of our financial covenants with respect to our loan agreements and there was no amount available to be drawn down under our existing loan agreements.

As discussed above, with the exception of the Eighthone loan, our loan interest rates payable are calculated at LIBOR plus a margin, and hence we are exposed to movements in LIBOR. In order to hedge our variable interest rate exposure, on January 19, 2018, Seventhone entered into an interest rate cap agreement with its lender for a notional amount of \$10.0 million and a cap rate of 3.5%. The interest rate cap will terminate on July 18, 2022. At inception, Seventhone paid \$0.05 million to enter into the interest rate cap which at December 31, 2020 had a fair value of \$0.0 million.

Amended and Restated Promissory Note

On October 28, 2015, we and Maritime Investors entered into a promissory note, which as subsequently amended and supplemented, has an outstanding principal balance of \$5.0 million payable on a quarterly basis at an annual interest rate of 9.0%, of which 4.5% is payable in cash and 4.5% in restricted common stock. Please refer to "Item 7 – Related Party Transactions" below for more information" and "Note 3 – Transaction with related parties" to our consolidated financial statements included in this Annual Report.

Major Capital Expenditures

During 2019, \$0.8 million was paid for carrying out the scheduled 2nd special survey of *Pyxis Malou* during the first quarter of 2019 as well as installing a BWTS during the special survey.

During 2020, \$0.8 million was paid to complete the costs for the 2nd special survey of *Pyxis Malou* and installation of the BWTS.

During the second quarter of 2020, *Pyxis Epsilon* had her first special survey and BWTS installation at an aggregate cost of \$1.05 million. In the fourth quarter of 2020, *Northsea Alpha* and *Northsea Beta* had their second special surveys at a cost of \$0.7 million in the aggregate.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of those financial statements required us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosure at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions. Critical accounting policies are those that reflect significant judgments of uncertainties and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies, because they generally involve a comparatively higher degree of judgment in their application. For a description of all of our significant accounting policies, please see Note 2 to our audited consolidated financial statements included elsewhere in this Annual Report.

Going Concern

We perform on cash flow projections on a regular basis to evaluate whether we will be in a position to both cover our liquidity needs for the next 12-month period and be in compliance with the financial and security collateral cover ratio covenants under our existing debt agreements. In developing estimates of future cash flows, we make assumptions about the vessels' future performance, with assumptions relating to time charter equivalent rates by vessel type, vessels' operating expenses, vessels' capital expenditures, fleet utilization, our management fees and general and administrative expenses, and cash flow requirements for debt servicing. The assumptions used to develop estimates of future cash flows are based on historical trends as well as future expectations.

We determine cash flow projections by considering the:

- estimated vessel utilization ranging from 75.0% and 98.6%, depending on the vessel type and whether the vessel is operating on spot or under time charter;
- charter revenues from existing time charters for the fixed fleet days, and an estimated daily time charter equivalent using independent market analysts' estimates for similar vessels for the unfixed days over the remaining period until the end of the 12-month period, net of our recent historical data on vessel operating expenses, management fees and general and administrative expenses; and
- estimated cost and off-hire period of scheduled intermediate and special survey dry-dockings.

As of December 31, 2020, we had a working capital deficit of \$2.9 million, defined as current assets minus current liabilities. We considered such deficit in conjunction with the future market prospects and potential future financings. As of the filing date of this Annual Report, we believe that we will be in a position to cover our liquidity needs for the next 12-month period through the 2021 Private Placement Transaction, the debt refinancing of the Entrust Loan, and cash generated from the vessels' operations and possible asset sales. We believe that we will be in compliance with the financial and security collateral cover ratio covenants under our existing debt agreements for the next 12-month period.

Vessel Impairment

The carrying values of our vessels may not represent their fair market value at any point in time since the market prices of secondhand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Historically, both charter rates and vessel values tend to be cyclical. We record impairment losses only when events occur that cause us to believe that future cash flows for any individual vessel (which is considered a cash generating unit) will be less than its carrying value. The carrying amounts of vessels held and used by us are reviewed accordingly for potential impairment whenever events or changes in circumstances indicate that the carrying amount plus the unamortized dry dock and survey balances of a particular vessel may not be fully recoverable. In these instances, an impairment charge would be recognized if the estimate of the undiscounted future cash flows expected to result from the use of the vessel and our eventual disposition is less than the vessel's carrying amount plus the unamortized dry-dock and survey balances. This assessment is made at the individual vessel level as separately identifiable cash flow information for each vessel is available. Measurement of the impairment loss is based on the fair value of the asset. We determine the fair value of our assets based on management estimates and assumptions and by making use of available market data and taking into consideration third party valuations. As of December 31, 2019, our fleet was independently valued at \$92.1 million based on the average of appraisals from two internationally recognized maritime brokers. Our fleet was valued at \$79.8 million at December 31, 2020.

Should the carrying value plus the unamortized dry-dock and survey balance of the vessel exceed its estimated future undiscounted net operating cash flows, impairment is measured based on the excess of the carrying amount over the fair market value of the asset. We determine the fair value of its vessels based on management estimates and assumptions and by making use of available market data and taking into consideration third party valuations.

No impairment charge for our vessels was recorded as of December 31, 2019 and 2020, respectively.

For the purposes of the impairment test in 2020, we determine future undiscounted net operating cash flows for each vessel and compare it to the vessel's carrying value. The future undiscounted net operating cash flows are determined by considering the:

- estimated vessel utilization of 75.0% to 98.6% (depending on the type of the vessel) for the first year and 78.0% to 93.0%, including scheduled off-hire days for planned dry-dockings and vessel surveys, for the years thereafter, based on historical experience;
- estimated vessel scrap value at \$300 per lightweight ton;
- charter revenues from existing time charters for the fixed fleet days and the most recent seven year historical average time charter rates, for similar vessels for the unfixed days over the remaining estimated useful life of the vessel, net of our recent historical data on vessel operating expenses;
- estimated cost of scheduled intermediate and special survey dry-dockings; and
- inflationary factor for vessel operating expenses and dry-docking costs of 2.0% per year.

When the estimate of future undiscounted net operating cash flows for any vessel is lower than the vessel's carrying value, we compare the carrying value to the vessel's fair value. If the fair market value is lower than the vessel's carrying value, the carrying value is written down to the vessel's fair market value, by recording a charge to operations.

Although we believe that the assumptions used to evaluate potential impairment are reasonable and appropriate, these assumptions are highly subjective. For example, we determined future undiscounted net operating cash flows, in part, based on the average gross one-year time charter equivalent rate for the most recent seven-year period. This seven-year period represents a reasonable amount of time in which a substantial portion of the worldwide product tankers newbuilding orderbook was delivered and the global economic conditions gradually improved from the recession of 2008-09 and the volatile period of 2020. Historically, actual freight rates, which have experienced wide spreads between peaks and troughs, industry costs and scrap prices have been volatile, and long-term estimates may differ considerably. There can be no assurance as to how long charter rates and vessel values will remain at their present levels or whether they will change by any significant degree.

Vessel Lives and Depreciation

We depreciate our vessels on a straight line basis over the expected useful life of each vessel, which is 25 years from the date of its initial delivery from the shipyard, which we believe is within industry standards and represents the most reasonable useful life for each of our vessels. Depreciation is based on the cost of the vessel less its estimated residual value at the date of the vessel's acquisition, which is estimated at \$300 per lightweight ton, which our management believes is common in the shipping industry. Second hand vessels are depreciated from the date of their acquisition through their remaining estimated useful lives. A decrease in the useful life of a vessel or in its residual value would have the effect of increasing the annual depreciation charge. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is adjusted to end at the date such regulations become effective.

Revenues, net

We generate our revenues from charterers. The vessels are chartered using either spot charters, where a contract is made in the spot market for the use of a vessel for a specific voyage for a specified charter rate, or time charters, where a contract is entered into for the use of a vessel for a specific period of time and a specified daily charter hire rate.

The following table presents our revenue disaggregated by revenue source, net of commissions, for the years ended December 31, 2019 and 2020:

	December 31, 2019	December 31, 2020
Revenues derived from spot charters, net	\$ 8,067	\$ 7,022
Revenues derived from time charters, net	19,686	14,689
Revenues, net	\$ 27,753	\$ 21,711

Revenue from customers (ASC 606): As of January 1, 2018, we adopted Accounting Standard Update ("ASU") 2014-09 "Revenue from Contracts with Customers (Topic 606)". The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. We analyzed our contracts with charterers at the adoption date and have determined that our spot charters fall under the provisions of ASC 606, while our time charter agreements are lease agreements that fall under the provisions of ASC 842 and that contain certain non-lease components. We elected to adopt ASC 606 by applying the modified retrospective transition method, recognizing the cumulative effect of adopting this guidance as an adjustment to the 2018 opening balance of accumulated deficit.

We assessed our contracts with charterers for spot charters and concluded that there is one single performance obligation for each of our spot charters, which is to provide the charterer with a transportation service within a specified time period. In addition, we have concluded that a spot charter meets the criteria to recognize revenue over time as the charterer simultaneously receives and consumes the benefits of our performance. The adoption of this standard resulted in a change whereby our method of revenue recognition changed from discharge-to-discharge (assuming a new charter has been agreed before the completion of the previous spot charter) to load-to-discharge. This resulted in no revenue being recognized from discharge of the prior spot charter to loading of the current spot charter and all revenue being recognized from loading of the current spot charter to discharge of the current spot charter. This change results in revenue being recognized later in the voyage, which may cause additional volatility in revenues and earnings between periods. Demurrage income represents payments by a charterer to a vessel owner when loading or discharging time exceeds the stipulated time in the spot charter. We have determined that demurrage represents a variable consideration and estimates demurrage at contract inception. Demurrage income estimated, net of address commission, is recognized over the time of the charter as the performance obligation is satisfied.

Under a spot charter, we incur and pay for certain voyage expenses, primarily consisting of brokerage commissions, port and canal costs and bunker consumption, during the spot charter (load-to-discharge) and during the ballast voyage (date of previous discharge to loading, assuming a new charter has been agreed before the completion of the previous spot charter). Before the adoption of ASC 606, all voyage expenses were expensed as incurred, except for brokerage commissions. Brokerage commissions are deferred and amortized over the related voyage period in a charter to the extent revenue has been deferred since commissions are earned as our revenues are earned. Under ASC 606 and after the implementation of ASC 340-40 "Other assets and deferred costs" for contract costs, incremental costs of obtaining a contract with a customer and contract fulfillment costs, should be capitalized and amortized as the performance obligation is satisfied, if certain criteria are met. We assessed the new guidance and concluded that voyage costs during the ballast voyage represented costs to fulfil a contract which give rise to an asset and should be capitalized and amortized over the spot charter, consistent with the recognition of voyage revenues from spot charter from load-to-discharge, while voyage costs incurred during the spot charter should be expensed as incurred. With respect to incremental costs, we have selected to adopt the practical expedient in the guidance and any costs to obtain a contract will be expensed as incurred, for our spot charters that do not exceed one year. Vessel operating expenses are expensed as incurred.

In addition, pursuant to this standard and the new Leases standard (discussed below), as of January 1, 2018, we elected to present Revenues net of address commissions. Address commissions represent a discount provided directly to the charterers based on a fixed percentage of the agreed upon charter. Since address commissions represent a discount (sales incentive) on services rendered by us and no identifiable benefit is received in exchange for the consideration provided to the charterer, these commissions are presented as a reduction of revenue in the accompanying consolidated statements of comprehensive loss.

We do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less, in accordance with the optional exception in ASC 606.

Leases: We elected to early adopt the new lease standard as of September 30, 2018 with adoption reflected as of January 1, 2018. We adopted the standard by using the modified retrospective method and selected the additional optional transition method. Also, we elected to apply a package of practical expedients under ASC 842, which allowed us, not to reassess (i) whether any existing contracts, on the date of adoption, contained a lease, (ii) lease classification of existing leases classified as operating leases in accordance with ASC 840 and (iii) initial direct costs for any existing leases. In this respect no cumulative-effect adjustment was recognized to the 2018 opening balance of accumulated deficit. We assessed its new time charter contracts at the adoption date under the new guidance and concluded that these contracts contain a lease with the related executory costs (insurance), as well as non-lease components to provide other services related to the operation of the vessel, with the most substantial service being the crew cost to operate the vessel. We concluded that the criteria for not separating the lease and non-lease components of its time charter contracts are met, since (i) the time pattern of recognizing revenues for crew and other services for the operation of the vessels, is similar to the time pattern of recognizing rental income, (ii) the lease component of the time charter contracts, if accounted for separately, would be classified as an operating lease, and (iii) the predominant component in its time charter agreements is the lease component. After the lease commencement date, we evaluate lease modifications, if any, that could result in a change in the accounting for leases. For a lease modification, an evaluation is performed to determine if it should be treated as either a separate lease or a change in the accounting of an existing lease. Brokerage and address commissions on time charter revenues are deferred and amortized over the related voyage period, to the extent revenue has been deferred, since commissions are earned as revenues earned, and are presented in voyage expenses and as a reduction to voyage revenues (see above), respectively. Vessel operating expenses are expensed as incurred. By taking the practical expedients, existing time charters at January 1, 2018, continued to be accounted for under ASC 840 while new time charters commencing in 2018 and onwards are accounted for under ASC 842. The adoption of ASC 842 had no effect on our consolidated financial position and results of operations for the year ended December 31, 2018 and 2019. Upon adoption of ASC 842, we made an accounting policy election to not recognize contract fulfillment costs for time charters under ASC 340-40.

C. Research and Development, Patents 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 depend on the supply and demand dynamics characterizing the product tanker market at any given time. The product 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 products and tanker capacity. The Company's business could be materially and adversely affected by the risks, or the public perception of the risks and travel restrictions related to the COVID-19 pandemic. The Company is unable to reasonably predict the estimated length or severity of the COVID-19 pandemic on future operating results. For other trends affecting our business please see other discussions in "Item 4. Information on the Company" and "Item 5. Operating and Financial Review and Prospects".

E. Off-Balance Sheet Arrangements.

We do not have any off-balance sheet arrangements as of the date of this Annual Report.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2020.

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	<i>(In thousands of U.S. dollars)</i>				
Loan agreements - principal (1)	\$ 54,260	\$ 3,632	\$ 39,278	\$ 11,350	\$ —
Interest on loans (2)	\$ 10,502	\$ 3,952	\$ 5,936	\$ 614	\$ —
Promissory note - principal (3)	\$ 5,000	\$ —	\$ —	\$ 5,000	\$ —
Interest on promissory note (3)	\$ 1,368	\$ 450	\$ 900	\$ 18	\$ —
Technical management agreements – ITM (4)	\$ 191	\$ 191	\$ —	\$ —	\$ —
Ship management agreements – Maritime (5)	\$ 149	\$ 149	\$ —	\$ —	\$ —
Administrative services – Maritime (6)	\$ 402	\$ 402	\$ —	\$ —	\$ —
Total	\$ 71,872	\$ 8,776	\$ 46,114	\$ 16,982	\$ —

- (1) *Secondone, Thirdone and Fourthone, together, Sixthone and Seventhone, together, and Eighthone, independently, entered into loan agreements with lenders, for which the vessels they own are mortgaged as collateral. Please read "– Liquidity and Capital Resources – Indebtedness" above for more information.*
- (2) *Assumes scheduled loan principal amortization as described above, based on an average 3-month LIBOR rate of 0.24% plus the applicable margin over LIBOR for the entire duration of the existing loan agreements. Please also read "Item 7. Major Shareholders and Related Party Transactions – B. Related Party Transactions – Promissory Note Issued to Maritime Investors" for more information.*
- (3) *On October 28, 2015, we and Maritime Investors entered into a promissory note, which as subsequently amended and supplemented, has an outstanding principal balance of \$5.0 million payable on a quarterly basis at an annual interest rate of 9.0%, of which 4.5% is payable in cash and 4.5% in restricted common stock. Please refer to "Item 7 – Related Party Transactions" below for more information.*
- (4) *The technical management agreements with ITM can be cancelled by us for any reason at any time upon three months' advance notice, but neither party can cancel the agreement, other than for specified reasons, until 18 months after the initial effective date of the ship management agreement. As of December 31, 2020, all such agreements were cancelable upon three months' advance notice.*
- (5) *The management agreements relating to the vessels had initial terms of five years. The initial terms of these agreements expired on December 31, 2015 with respect to Northsea Alpha, Northsea Beta and Pyxis Delta, on December 31, 2017 with respect to Pyxis Theta and on December 31, 2018 with respect to Pyxis Epsilon and Pyxis Malou. Following the initial terms, the management agreements were automatically renewed by the terms of the agreement for consecutive five year periods and may be terminated by either party on three months' notice.*
- (6) *Pursuant to our Head Management Agreement, as amended, administrative services are contracted to be provided through March 23, 2025.*

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” in this Annual Report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Directors and Executive Officers

The following table sets forth information regarding our executive officers and directors as of the date of the Annual Report. The business address of each of the below-listed directors and officers is c/o Pyxis Tankers Inc., K. Karamanli 59, Maroussi 15125, Athens, Greece.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Valentios “Eddie” Valentis	54	Chairman, Chief Executive Officer and Class I Director
Henry P. Williams	65	Chief Financial Officer and Treasurer
Konstantinos Lytras	56	Chief Operating Officer and Secretary
Robin P. Das	48	Class III Director
Basil G. Mavroleon	72	Class III Director
Aristides J. Pittas	61	Class II Director

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

Valentios “Eddie” Valentis, a Class I director, has over 25 years of shipping industry experience, including owning, operating and managing tankers. He has served as Chief Executive Officer and Chairman of our board of directors since our inception. In 2007, Mr. Valentis founded and is the president of Pyxis Maritime Corp. Since 2001, Mr. Valentis has been the President and Managing Director of Konkar Shipping Agencies S.A., a drybulk operator based in Greece, a position he continues to hold. From 1998 to 2001, Mr. Valentis was the Commercial Manager for Loucas G. Matsas Salvage & Towage. From 1996 through 1998, Mr. Valentis worked as a dry cargo chartering broker. Upon completion of his 2 year naval service in 1995, Mr. Valentis was involved in the operation of his family’s drybulk vessels. Since 2013, Mr. Valentis serves as a member of the Greek Committee of NKK Classification Society, and, since 2016, as a council member of the International Association of Independent Tanker Owners (INTERTANKO). Mr. Valentis holds an MBA from Southern New Hampshire University.

Henry P. Williams was appointed as our Chief Financial Officer and Treasurer in August 2015. Mr. Williams has over 35 years of commercial, investment and merchant banking experience. From February 2015, he served as a financial consultant to and is employed by Maritime and its affiliates. From March 2014 to January 2015, Mr. Williams was Managing Director, Head of Maritime, Energy Services & Infrastructure (U.S.) investment banking for Canaccord Genuity Inc. From August 2012 to February 2014, Mr. Williams was a Senior Advisor to North Sea Securities LLC, a boutique advisory firm in New York. From November 2010 to June 2012, Mr. Williams was Managing Director, Global Sector Head, Shipping of Nordea Markets in Oslo, Norway and Head of its U.S. Investment Banking division in New York. From 1992 until 2010, Mr. Williams was employed by Oppenheimer & Co. Inc., as Managing Director, Head of Energy & Transportation of its investment banking division. Mr. Williams has an MBA in Finance from New York University Leonard N. Stern School of Business and a BA in Economics and Business Administration from Rollins College.

Konstantinos Lytras has served as our Chief Operating Officer since our inception and as our Secretary since October 15, 2018. Mr. Lytras has also served as Maritime’s Financial Director since 2008. Prior to joining Maritime, from 2007 through 2008, Mr. Lytras served as Managing Director and Co-Founder of Navbulk Shipping S.A., a start-up shipping company focused on dry bulk vessels. From 2002 through 2007, Mr. Lytras worked as Financial Director of Neptune Lines Shipping and Managing Enterprises S.A. Mr. Lytras served as Financial Controller of Dioryx Maritime Corp. and Liquimar Tankers Management Inc. from 1996 through 2002. Mr. Lytras worked as a Financial Assistant from 1992 to 1994 at Inchcape Shipping Services Ltd. Mr. Lytras earned a B.A. in Business Administration from Technological Institute of Piraeus and a B.S. in Economics from the University of Athens.

Robin P. Das serves as a Class III director. Mr. Das has worked in shipping finance and investment banking since 1995. He is the founder and has been a director of Auld Partners Ltd, a boutique shipping and finance focused advisory firm, since 2013. From 2011 to 2012, Mr. Das was Managing Director (partner) of Navigos Capital Management LLC, an asset management firm established to focus on the shipping sector. From 2005 until 2011, Mr. Das was Global Head of Shipping at HSH Nordbank AG, then the largest lender globally to the shipping industry. Before joining HSH Nordbank AG in 2005, he was Head of Shipping at WestLB and prior to that time, Mr. Das was joint Head of European Shipping at J.P. Morgan. Since October 2016, Mr. Das also served as director of Nimrod Sea Assets Limited (LSE:NSA, listed until April 2018), which invested in marine assets associated with the offshore oil and gas industry. Mr. Das holds a BSc (Honours) degree from the University of Strathclyde.

Basil G. Mavroleon serves as a Class III director. Mr. Mavroleon has been in the shipping industry for 45 years. Since 1970, Mr. Mavroleon has worked for Charles R. Weber Company, Inc., one of the oldest and largest tanker brokerages and marine consultants in the United States. Mr. Mavroleon was Managing Director of Charles R. Weber Company, Inc. for 25 years and Manager of the Projects Group for five years, from 2009 until 2013. Mr. Mavroleon currently serves as Managing Director of WeberSeas (Hellas) S.A., a comprehensive sale and purchase, newbuilding, marine projects and ship finance brokerage based in Athens, Greece. He is a Director of Genco Shipping and Trading Limited (NYSE: GNK), a company engaged in the shipping business focused on the drybulk industry spot market. Since its inception in 2003 through its liquidation in 2005, Mr. Mavroleon served as Chairman of Azimuth Fund Management (Jersey) Limited, a hedge fund that invested in tanker freight forward agreements and derivatives. Mr. Mavroleon is on the Advisory Board of NAMMA (North American Maritime Ministry Association), is Director Emeritus of NAMEPA (North American Marine Environmental Protection Association) and the Chairman of the New York World Scale Committee (NYC) INC. Mr. Mavroleon was educated at Windham College, Putney Vermont.

Aristides J. Pittas serves as a Class II Director. Mr. Pittas has more than 30 years of shipping industry experience. He has been a member of the board of directors and the Chairman and Chief Executive Officer of Eurodry Ltd. (NASDAQ: EDRY) (“Eurodry”), an independent shipping company that operates in the drybulk shipping industry, since its inception on January 8, 2018. He has also been a member of the board of directors and Chairman and Chief Executive Officer of Euroseas Ltd. (NASDAQ: ESEA) (“Euroseas”), an independent shipping company that operates in the drybulk and container shipping industry, since May 2005. Since 1997, Mr. Pittas has also been the President of Eurochart S.A., Euroseas’ affiliate, which is a shipbroking company specializing in chartering, selling and purchasing ships. Since 1995, Mr. Pittas has been the President and Managing Director of Eurobulk Ltd., Euroseas’ and Eurodry’s affiliated ship management company. Eurobulk Ltd. is a ship management company that provides ocean transportation services. In 2005, Mr. Pittas resigned as Managing Director of Eurobulk Ltd. Mr. Pittas has a B.Sc. in Marine Engineering from University of Newcastle Upon Tyne and a M.Sc. in both Ocean Systems Management and Naval Architecture and Marine Engineering from the Massachusetts Institute of Technology.

Family Relationships

There are no familial relationships among any of our executive officers or directors.

B. Compensation

We have no direct employees. The services of our executive officers, internal auditors and secretary are provided by Maritime. We have entered into a Head Management Agreement with Maritime, pursuant to which we pay approximately \$1.6 million per year for the services of these individuals, and for other administrative services associated with our being a public company and other services to our subsidiaries. Please see “Item 7. Major Shareholders and Related Party Transactions – B. Related Party Transactions”.

Our non-executive directors receive in aggregate an annual compensation in the amount of \$125,000 per year, plus reimbursements for actual expenses incurred while acting in their capacity as a director. We may in the future also grant directors awards under our Pyxis Tankers Inc. 2015 equity incentive plan as compensation. We do not have a retirement plan for our officers or directors. There are no service contracts with our non-executive directors that provide for benefits upon termination of their services as director. Individuals serving as chairs of committees will be entitled to receive additional compensation from us as the board of directors may determine.

Equity Incentive Plan

On October 28, 2015, we adopted the Pyxis Tankers Inc. 2015 equity incentive plan (the “EIP”), which entitles our and our subsidiaries’ and affiliates’ employees, officers and directors, as well as consultants and service providers to us (including persons who are employed by or provide services to any entity that is itself a consultant or service provider) and our subsidiaries (including employees of Maritime, our affiliated ship manager), to receive stock options, stock appreciation rights, restricted stock grants, restricted stock units, unrestricted stock grants, other equity-based or equity-related awards, and dividend equivalents. We summarize below the material terms of the EIP.

The nominating and corporate governance committee of our board of directors serves as the administrator under the EIP. Subject to adjustment for changes in capitalization as provided in the EIP, the maximum aggregate number of shares of common stock that may be delivered pursuant to awards granted under the EIP during the ten-year term of the EIP will be 15% of the then-issued and outstanding number of shares of our common stock. If an award granted under the EIP is forfeited, or otherwise expires, terminates or is cancelled or settled without the delivery of shares, then the shares covered by such award will again be available to be delivered pursuant to other awards under the EIP. Any shares that are held back to satisfy the exercise price or tax withholding obligation pursuant to any stock options or stock appreciation rights granted under the EIP will again be available for delivery pursuant to other awards under the EIP. No award may be granted under the EIP after the tenth anniversary of the date the EIP was adopted by our board of directors.

In the event that we are subject to a “change of control” (as defined in the EIP), the EIP administrator may, in accordance with the terms of the EIP, make such adjustments and other substitutions to the EIP and outstanding awards under the EIP as it deems equitable or desirable.

Except as otherwise determined by the EIP administrator in an award agreement, the exercise price for options shall be equal to the fair market value of a share of our common stock on the date of grant, but in no event can the exercise price be less than 100% of the fair market value on the date of grant. The maximum term of each stock option agreement may not exceed ten years from the date of the grant.

Stock appreciation rights (“SARs”), will provide for a payment of the difference between the fair market value of a share of our common stock on the date of exercise of the SAR and the exercise price of a SAR, which will not be less than 100% of the fair market value on the date of grant, multiplied by the number of shares for which the SAR is exercised. The SAR agreement will also specify the maximum term of the SAR, which will not exceed ten years from the date of grant. Payment upon exercise of the SAR may be made in the form of cash, shares of our common stock or any combination of both, as determined by the EIP administrator.

Restricted and/or unrestricted stock grants may be issued with or without cash consideration under the EIP and may be subject to such restrictions, vesting and/or forfeiture provisions as the EIP administrator may provide. The holder of a restricted stock grant awarded under the EIP may have the same voting, dividend and other rights as our other stockholders.

Settlement of vested restricted stock units may be in the form of cash, shares of our common stock or any combination of both, as determined by the EIP administrator. The holders of restricted stock units will have no voting rights.

Subject to the provisions of the EIP, awards granted under the EIP may include dividend equivalents. The EIP administrator may determine the amounts, terms and conditions of any such awards provided that they comply with applicable laws. We have not set aside any amounts to provide pension, retirement or similar benefits to persons eligible to receive awards under the EIP or otherwise.

On October 28, 2015, our board of directors approved the issuance of 33,222 restricted shares of our common stock to certain of our officers. As of December 31, 2015, all such shares had been vested, but were not issued until March 2016. On November 15, 2017, 200,000 restricted shares of our common stock were granted and issued to one of our senior officers, and were vested immediately upon issuance.

C. Board Practices

Our board of directors consists of four directors, three of whom, Robin P. Das, Basil G. Mavroleon and Aristides J. Pittas, have been determined by our board of directors to be independent under the rules of NASDAQ and the rules and regulations of the SEC. Directors elected by our common shareholders are divided into three classes serving staggered three-year terms. At each annual meeting of shareholders, directors will be elected to succeed the class of directors whose terms have expired, and each of them shall hold office until the third succeeding annual meeting of shareholders if the Board is then classified, and until such director’s successor is elected and has qualified. We held our 2020 annual meeting of shareholders on December 11, 2020, at which Basil G. Mavroleon and Robin P. Das were re-elected to serve as Class III Directors for a term of three years until our 2023 annual meeting of shareholders. The term of our Class I Director, Valentios Valentis, expires at the 2021 annual meeting of shareholders and the term of our Class II Director, Aristides J. Pittas, expires at the 2022 annual meeting of shareholders.

Our audit committee consists of three independent, non-executive directors: Robin Das, Basil Mavroleon and Aristides Pittas. We believe that Robin Das qualifies as an audit committee “financial expert,” as such term is defined in Regulation S-K promulgated by the SEC. 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 Basil G. Mavroleon, Aristides J. Pittas and Valentios Valentis. 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.

D. Employees

We have no direct employees. The services of our executive officers, internal auditors and secretary are provided by Maritime. We have entered into a Head Management Agreement with Maritime, pursuant to which we pay approximately \$1.6 million per year for the services of these individuals, and for other administrative services associated with our being a public company and other services to our subsidiaries. Please see “Item 7. Major Shareholders and Related Party Transactions – B. Related Party Transactions.”

Indemnification of Officers and Directors

We have entered into agreements to indemnify our directors, executive officers and other employees as determined by the board of directors. These agreements provide for indemnification for related expenses, including, among other things, attorneys’ fees, judgments, fines and settlement amounts incurred by any of these individuals in any action or proceeding except as contained in specified exceptions. We believe that the provisions in our bylaws and indemnification agreements described above are necessary to attract and retain talented and experienced officers and directors.

E. Share Ownership

With respect to the total amount of common stock owned by all of our officers and directors as a group, please see “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 the beneficial owners of more than five percent of shares of our common stock, and the beneficial ownership of each of our directors and executive officers and of all of our directors and executive officers as a group as of April 6, 2021. All of our stockholders, including the stockholders listed in this table, are entitled to one vote for each share held.

Beneficial ownership is determined in accordance with the SEC’s rules. In computing percentage ownership of each person, shares subject to options held by that person that are currently exercisable or convertible, or exercisable or convertible within 60 days of the date of this Annual Report, are deemed to be beneficially owned by that person. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

Identity of person or group (1)	Shares Beneficially Owned	
	Number	Percentage (2)
Valentios “Eddie” Valentis (Maritime Investors Corp.) (3)	17,592,857	47.3%
Henry P. Williams (4)	116,963	*0%
Konstantinos Lytras (4)	42,074	*
Robin P. Das	—	—
Basil G. Mavroleon	—	—
Aristides J. Pittas	—	—
All directors and executive officers as a group (8 person)	17,751,894	47.7%

(1) Except as otherwise provided herein, each person named herein as a beneficial owner of securities has sole voting and investment power as to such securities and such person’s address is c/o 59 K. Karamanli Street, Maroussi, 15125, Greece.

(2) Based upon 37,225,792 common shares outstanding as of April 6, 2021.

(3) Valentios “Eddie” Valentis is a 100% stockholder of Maritime Investors and shares voting and investment power with Maritime Investors of the 17,592,857 shares of our common stock held by it. Mr. Valentis’ percentage share ownership was reduced from 80.8% to 47.3% as a result of shares issued in connection with the 2021 Private Placement Transaction.

(4) Each of Messrs. Lytras and Williams received 11,074 restricted shares of our common stock in March 2016 as an award under our EIP. In addition, Mr. Williams also received 200,000 restricted shares of our common stock in November 2017 as an award under our EIP.

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

As of April 6, 2021, we had 1,210 shareholders of record, 114 of which were located in the United States and held an aggregate of 24,722,099 shares of our common stock, representing 66.4% of our outstanding shares of common stock. However, one of the U.S. shareholders of record is CEDE & CO., a nominee of The Depository Trust Company, which held 24,720,348 shares of our common stock as of April 6, 2021. Accordingly, we believe that the shares held by CEDE & CO. include shares of common stock beneficially owned by both holders in the United States and non-U.S. beneficial owners.

B. Related Party Transactions

Amended and Restated Head Management Agreement with Maritime.

The operations of our vessels are managed by Maritime, an affiliated ship management company, under our Head Management Agreement dated August 5, 2015 and separate management agreements with each of our vessel-owning subsidiaries. Under the Head Management Agreement, Maritime is either directly responsible for or oversees all aspects of ship management for us and our fleet. Under that agreement, Maritime also provides administrative services to us, which include, among other things, the provision of the services of our Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Secretary, one or more internal auditor(s) and a secretary, as well as use of office space in Maritime's premises. As part of the ship management services, Maritime provides us and our vessels with the following services: commercial, sale and purchase, provisions, insurance, bunkering, operations and maintenance, dry-docking and newbuilding construction supervision. Maritime also supervises the crewing and technical management performed by ITM for all our vessels.

Maritime also currently manages one vessel, *Pyxis Lamda*, owned by a party affiliated with Mr. Valentis, our founder and Chief Executive Officer.

The term of the Head Management Agreement with Maritime commenced on March 23, 2015 for an initial period of five years through March 23, 2020. The Head Management Agreement can be terminated by Maritime only for cause or under other limited circumstances, such as upon a sale of us or Maritime or the bankruptcy of either party. On March 23, 2020, the Head Management Agreement was extended for an additional five-year period through March 23, 2025. Pursuant to the Head Management Agreement, each of our new subsidiaries that acquires a vessel in the future will enter into a separate management agreement with Maritime with a rate set forth in the Head Management Agreement. Under the Head Management Agreement, we pay Maritime a cost of \$1.6 million annually for the services of our executive officers and other administrative services, including use of office space in Maritime's premises. In return for Maritime's ship management services, we pay to Maritime for each vessel while in operation, a daily fee of \$325, and for each vessel under construction, a fee of \$450 plus an additional daily fee, which is dependent on the seniority of the personnel, to cover the cost of the engineers employed to conduct the supervision. The fees payable to Maritime for the administrative and ship management services will be adjusted effective as of every January 1st for inflation in Greece or such other country where it is headquartered. On August 9, 2016, we amended the Head Management Agreement with Maritime to provide that in the event that the official inflation rate for any calendar year is deflationary, no adjustment shall be made to the Ship-Management Fees and the Administration Fees, which will remain the same as per the previous calendar year. Effective January 1, 2020, the Ship-Management Fees and the Administration Fees were increased by 0.26% in line with the average inflation rate in Greece in 2019. However, in 2020 there was nominal deflation in Greece, so there was no scheduled increase in these fees for 2021. In addition, Maritime will receive 1.0% of the purchase price of any sale and purchase transaction from the seller of the vessel, and 1.25% of all chartering, hiring and freight revenue procured by or through it. In the event the agreement is terminated without cause and a change of control (as defined therein) occurs within 12 months after such termination or the agreement is terminated due to a change of control, we will pay Maritime an amount equal to 2.5 times the administrative fee. On March 18, 2020, we amended the Head Management Agreement with Maritime to provide that in the event of such change of control and termination, the Company shall also pay to Maritime an amount equal to 12 months of the then daily Ship-Management Fees.

The following amounts were charged by Maritime to us during 2018, 2019 and 2020:

<i>(In thousands of U.S. dollars)</i>	Year Ended December 31,		
	2018	2019	2020
Charter hire commissions	\$ 354	\$ 351	\$ 276
Ship-Management Fees	720	724	637
Administration Fees	1,618	1,628	1,632
Total	\$ 2,692	\$ 2,703	\$ 2,545

Promissory Note issued to Maritime Investors

On October 28, 2015, we issued a promissory note in the amount of \$2.5 million in favor of Maritime Investors in connection with its election to receive a portion of the merger true-up shares in the form of a promissory note. The promissory note also includes amounts due to Maritime Investors for the payment of \$0.6 million by Maritime Investors to LookSmart, representing the cash consideration of the merger, and the amounts that allowed us to pay miscellaneous transactional costs. The promissory note had a maturity of January 15, 2017 and an interest rate of 2.75% per annum. Certain amendments were made increasing the principal balance to \$5.0 million, extending the maturity date to March 31, 2020 and the interest rate to 4.5%. On May 14, 2019, we entered into a second amendment to the Amended and Restated Promissory Note. This amendment (i) extended the repayment of the outstanding principal, in whole or in part, until the earlier of a) one year after the repayment of the credit facility of Eighthone with Entrust Global (the "Credit Facility") on September 2023 (see Note 7), b) January 15, 2024 and c) repayment of any Paid-In-Kind ("PIK") interest and principal deficiency amount under the Credit Facility, and (ii) increased the annual interest rate to 9.0% (of which 4.5% is payable in cash quarterly in arrears and 4.5% payable in the Company's restricted common stock) per annum on a daily basis from April 1, 2019 until the Amended and Restated Promissory Note is paid in full. Otherwise, the annual interest rate of 9% shall continue to be paid in cash or in the afore-mentioned combination of cash and shares on a quarterly basis, at the Company's option. During the year ended December 31, 2019, we also issued 95,262 of common shares to settle the interest charged on the Amended and Restated Promissory Note, and during the year ended December 31, 2020, we issued additional 260,495 of common shares to settle the interest charged on the Amended & Restated Promissory Note.

Interest charged on the Amended & Restated Promissory Note for the years ended December 31, 2019 and 2020, amounted to \$395 and \$452, respectively, and is included in Interest and finance costs, net in the accompanying consolidated statements of comprehensive loss. Of the total interest charged on the Amended & Restated Promissory Note during the year ended December 31, 2019, \$225 was paid in cash and the remaining amount of \$170 was settled in common shares. Of the amount settled in common shares, \$113 was settled in common shares during 2019 and the remaining amount of \$57 were settled in January 2020. Of the total interest charged on the Amended & Restated Promissory Note during the year ended December 31, 2020, \$226 was payable in cash and the remaining amount of \$226 was settled in common shares. Of the amount settled in common shares, \$169 was settled in common shares during 2020 and the remaining amount of \$57 was settled in January 2021.

Under the terms of the Credit Facility, no repayment of principal under the Amended & Restated Promissory Note may be made while any PIK interest or Principal Deficiency Amount is outstanding under the Credit Facility. After the repayment restrictions on the Amended & Restated Promissory Note have been lifted per the Credit Facility, the Company, at its option, may continue to pay interest on the Amended & Restated Promissory Note in the afore-mentioned combination of cash and shares or pay all interest costs in cash.

Maritime Advances

At December 31, 2019, Maritime had extended \$6.8 million of advances which we used to pay various operating costs, debt service and other obligations. At December 31, 2020, we advanced \$2.3 million to Maritime to prepay management fees and certain vessel dry docking costs. The balances with Maritime are interest free and have no specific repayment terms.

Please also see Item 7.B. Compensation of Directors, Executive Officers and Key Employees – Equity Incentive Plan.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Please see Item 18.

Legal Proceedings

We may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business. At this time, we are not aware of any proceedings against us or the vessels in our fleet or contemplated to be brought against us or the vessels in our fleet which could have significant effects on our financial position or profitability. 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 most claims arising in the normal course of business would be covered by insurance, subject to customary deductibles. Any such claims, however, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

Dividend Policy

Except as required for the Series A Preferred Shares, we do not intend to pay common stock dividends in the near future and will make dividend payments to our stockholders in the future only if our board of directors, acting in its sole discretion, determines that such payments would be in our best interest and in compliance with relevant legal, fiduciary and contractual requirements, including our current and future loan agreements. For example, there is a restrictive covenant against paying dividends under certain circumstances, including if there is a default under the loan agreements or, only with respect to our subsidiary Seventhone under the Alpha Bank Facility entered into in July 2020, if the ratio of our (and our subsidiaries as a group) total liabilities to market value adjusted total assets is greater than 75% in the relevant year. As of December 31, 2020, the ratio of total liabilities over the market value of our adjusted total assets (calculated in accordance with the Alpha Bank Facility) was 66% and therefore, under the Alpha Bank Facility, Seventhone was permitted to distribute dividends to us as of December 31, 2020. However, the payment of any dividends is not guaranteed or assured, and if paid at all in the future, may be discontinued at any time at the discretion of the board of directors.

B. Significant Changes

Not applicable.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our shares of common stock were approved for listing on the NASDAQ Capital Market on October 28, 2015 under the symbol “PXS” and the first reported trade on the NASDAQ Capital Market for our shares was in November 2015. Our shares continue to be listed on the NASDAQ Capital Market. Our Series A Preferred Shares are also currently trading on the NASDAQ Capital Market under the symbol “PXSAP”, and our warrants are trading on the NASDAQ Capital Market under the symbol PXS AW.

On September 6, 2018 we received a deficiency notice from The NASDAQ Stock Market, Inc. stating that, for a period of 30 consecutive trading days, our shares of common stock closed below the minimum price of \$1.00 per share as required for continued listing on the NASDAQ Capital Market. In accordance with the notice, we had until March 5, 2019 or 180 calendar days from the date of the notice, to regain compliance with NASDAQ’s continued listing minimum closing bid price requirements (Marketplace Rule 5550(a)(2)). We received a written notification from the exchange on October 31, 2018 stating that the closing bid price of our shares had been \$1.00 per share or higher for 10 consecutive trading days, from October 15 to October 26, 2018, and, accordingly, we were again in compliance with the exchange’s minimum closing bid price rule.

On July 2, 2020, Nasdaq had notified us of our noncompliance with the minimum bid price of \$1.00 over the previous 30 consecutive business days as required by Nasdaq’s listing rules. On December 29, 2020, we received written notification granting us a 180-day extension, or until June 28, 2021 to regain compliance with the minimum bid price requirement. Subsequently, from January 28, 2021 to February 16, 2021, our closing bid price for our common shares has been \$1.00 per share or greater and on February 16, 2021, we received a letter from Nasdaq confirming that we had regained compliance with Nasdaq’s continued listing requirements regarding the minimum closing bid price.

As of April 8, 2021, our common stock price was \$1.10. Please also see “Item 3. Key Information – D. Risk Factors – If our common stock does not meet the NASDAQ’s minimum share price requirement, and if we cannot cure such deficiency within the prescribed timeframe, our common stock could be delisted.”

B. Plan of Distribution

Not applicable.

C. Markets

Please see “Item 9. The Offer and Listing - A. Offer and Listing Details”.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Our Articles of Incorporation have been filed as Exhibit 3.1 to our Registration Statement on Form F-4 (File No. 333-203598) filed with the SEC on April 23, 2015. Our Bylaws have been filed as Exhibit 3.2 to our Registration Statement on Form F-4 (File No. 333-203598) filed with the SEC on April 23, 2015. The information contained in these exhibits is incorporated by reference herein.

We are a corporation organized under the laws of the Republic of the Marshall Islands and are subject to the provisions of Marshall Islands law. Given below is a summary of the material features of our common shares. This summary is not a complete discussion of our charter documents and other instruments that create the rights of our shareholders. You are urged to read carefully those documents and instruments, which are included as exhibits to this Annual Report.

Our authorized capital stock consists of 450,000,000 shares of common stock, par value \$0.001 per share, of which 21,370,280 shares are issued and outstanding as of December 31, 2019 and 50,000,000 shares of preferred stock, par value \$0.001 per share, none of which are outstanding. As of December 31, 2020, 21,962,881 common shares and 181,475 Series A Preferred Shares (out of an authorized 1,000,000) were outstanding. All of our shares of stock are in registered form. There are no limitations on the rights to own 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.

The rights, preferences and restrictions attaching to each class of shares of our capital stock are described in the “Description of Securities” filed herewith as Exhibit 2.2 to this Annual Report.

On October 28, 2015, our board of directors approved the EIP, providing for the granting of share-based awards to our directors, officers and employees and affiliates and to our consultants and service providers. On November 15, 2017, 200,000 restricted shares of our common stock were granted and issued to one of our senior officers, which were vested immediately upon issuance. During the year ended December 31, 2018 and 2019, no additional shares were granted under the EIP.

On December 6, 2017, we entered into a securities purchase agreement with certain accredited investors (the “Investors”), pursuant to which we, in a private placement, agreed to issue and sell to the Investors an aggregate of 2,400,000 shares of our common stock at a price per share of \$2.00.

On March 30, 2018, we launched our At-The-Market Program (“ATM Program”) under which we may, from time to time, issue and sell shares of our common stock up to an aggregate offering of \$2.3 million through a sales agent as either agent or principal. On November 19, 2018, the ATM Program was amended to increase the offering to \$3.675 million. As of December 31, 2018, and 2019, we offered and sold of 182,297 and 214,828 shares of common stock, respectively, under the ATM Program. No shares have been sold under the ATM Program in 2020.

In October 2020, we issued 200,000 Units at a price of \$25.00 per Unit (the “Series A Preferred Share and Warrants Transaction”). Each Unit was immediately separable into (i) one 7.75% Series A Cumulative Convertible Preferred Share, par value \$0.001 per share (the “Series A Preferred Shares”), and (ii) eight warrants (the “Warrants”). Each Warrant will entitle the holder to purchase one common share at an initial exercise price of \$1.40 per share at any time prior to October 13, 2025 or, in case of absence of an effective registration statement, to exchange those cashless based on a formula. Any Warrants that remain unexercised on October 13, 2025 shall be automatically exercised by way of a cashless exercise on that date. We also agreed to issue and sell to designees of the underwriter as compensation, two separate types of Underwriter’s Warrants for an aggregate purchase price of \$100 (absolute amount). The warrants were issued pursuant to an Underwriting Agreement dated October 8, 2020. The first type of the Underwriter’s Warrants is a warrant for the purchase of an aggregate of 2,000 Series A Preferred Shares at an exercise price of \$24.92 and the second type is a warrant for the purchase of an aggregate of 16,000 Warrants at an exercise price of \$0.01, at any time on or after April 6, 2021 and prior to October 8, 2025. Each Series A Preferred Share is convertible into common shares at a conversion price of \$1.40 per common share, or 17.86 common shares, at any time at the option of the holder, subject to certain customary adjustments. Dividends on the Series A Preferred Shares are cumulative from and including the date of original issuance in the amount of \$1.9375 per share each year, which is equivalent to 7.75% of the \$25.00 liquidation preference per share. Dividends on the Series A Preferred Shares are paid monthly in arrears starting November 20, 2020, to the extent declared by our Board of Directors. Please refer to “Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources” for more information on the foregoing. As of April 6, 2021, 58,814 Series A Preferred Shares had been converted and 144,500 Warrants exercised, resulting in the issuance of 11,197,029 common shares.

As of December 31, 2019, we also issued 95,262 of common shares to settle the interest charged on the Amended and Restated Promissory Note. During the year ended December 31, 2020, we issued additional 260,495 of common shares to settle the interest charged on the Amended & Restated Promissory Note. On January 4, 2021, following the second amendment to the Amended & Restated Promissory Note dated May 14, 2019, we issued 64,446 of common shares at the volume weighted average closing share price for the 10-day period immediately prior to the quarter end.

On February 17, 2021, we entered into a Securities Purchase Agreement with certain accredited investors for the private placement of 14,285,715 shares of our common stock at a purchase price of \$1.75 per share (the “2021 Private Placement Transaction”), which resulted in gross proceeds of approximately \$25.0 million. In connection with the 2021 Private Placement Transaction, we entered into a registration rights agreement pursuant to which we agreed to register for resale all of the shares issued in the 2021 Private Placement Transaction. In addition, we issued warrants to the placement agent, which are exercisable for the purchase of an aggregate of 3% of our shares sold in the 2021 Private Placement Transaction (428,571 warrants to purchase common shares).

Common Stock

Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding preferred shares, holders of our common stock are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends. Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of our common stock are entitled to receive pro-rata the remaining assets available for distribution. Holders of our common stock do not have preemptive, subscription or conversion rights or redemption or sinking fund provisions.

Preferred Stock

Our board of directors has the authority to authorize the issuance from time to time of one or more classes of preferred stock with one or more series within any class thereof, with such voting powers, full or limited, or without voting powers and with such designations, preferences and relative, participating, optional or special rights and qualifications, limitations or restrictions thereon as shall be set forth in the resolution or resolutions adopted by our board of directors providing for the issuance of such preferred stock. Issuances of preferred stock, while providing flexibility in connection with possible financings, acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of the holders of our common stock.

Directors

Our directors are elected by a plurality of the votes cast at a meeting of stockholders entitled to vote. There is no provision for cumulative voting.

Directors are elected annually on a staggered basis. There are three classes of directors; each class serves a separate term length. Our board of directors has the authority to, in its discretion, fix the amounts which shall be payable to members of the board of directors and to members of any committee for attendance at the meetings of the board of directors or of such committee and for services rendered to us.

Shareholders Meetings

Under our Bylaws, annual shareholder meetings will be held at a time and place selected by our board of directors. The meetings may be held in or outside of the Marshall Islands. Special shareholder meetings may be called at any time by the majority of our board of directors or the chairman of the board. No business may be conducted at the special meeting other than the business brought before the special meeting by the majority of our board of directors or the chairman of the board. Our board of directors may set a record date between 15 and 60 days before the date of any meeting to determine the shareholders that will be eligible to receive notice and vote at the meeting. One or more shareholders representing at least one-third of the total voting rights of our total issued and outstanding shares present in person or by proxy at a shareholder meeting shall constitute a quorum for the purposes of the meeting.

Interested Transactions

Our Bylaws provide that no contract or transaction between us and one or more of our directors or officers, or between us and any other corporation, partnership, association or other organization in which one or more of its directors or officers are our directors or officers, or have a financial interest, will be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board of directors or committee thereof which authorizes the contract or transaction or solely because his or her or their votes are counted for such purpose, if (i) the material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to our board of directors or its committee and the board of directors or the committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of disinterested directors, or, if the votes of the disinterested directors are insufficient to constitute an act of the board of directors as provided in the BCA, by unanimous vote of the disinterested directors; (ii) the material facts as to the relationship or interest are disclosed to the shareholders, and the contract or transaction is specifically approved in good faith by the vote of the shareholders; or (iii) the contract or transaction is fair to us as of the time it is authorized, approved or ratified, by the board of directors, its committee or the shareholders.

Certain Provisions of Our Articles of Incorporation and Bylaws

Certain provisions of Marshall Islands law and our articles of incorporation and bylaws could make the acquisition of the Company by means of a tender offer, a proxy contest, or otherwise, and the removal of our incumbent officers and directors more difficult. These provisions are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of the Company to work with our management.

Our articles of incorporation and bylaws include provisions that:

- allow our board of directors to issue, without further action by the shareholders, up to 50,000,000 shares of undesignated preferred stock;
- providing for a classified board of directors with staggered, three year terms;
- prohibiting cumulative voting in the election of directors;
- prohibiting stockholder action by written consent unless consent is signed by all stockholders entitled to vote on the action;
- 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 cast at an annual meeting of stockholders;
- require that special meetings of our shareholders be called only by a majority of our board of directors or the chairman of the board; and
- establish an advance notice procedure for shareholder proposals to be brought before an annual meeting of shareholders.

Our articles of incorporation also prohibit us from engaging in any “Business Combination” with any “Interested Shareholder” (as such terms are explained further below) for a period of three years following the date the shareholder became an Interested Shareholder, unless:

- prior to such time, our board of directors approved either the Business Combination or the transaction which resulted in the shareholder becoming an Interested Shareholder;
- upon consummation of the transaction which resulted in the shareholder becoming an Interested Shareholder, the Interested Shareholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer;

- at or subsequent to such time, the Business Combination is approved by our board of directors and authorized at an annual or special meeting of shareholders, and not by written consent, by the affirmative vote of at least two thirds of the outstanding voting stock that is not owned by the Interested Shareholder; or
- the shareholder became an Interested Shareholder prior to March 23, 2015.

These restrictions shall not apply if:

- a shareholder becomes an Interested Shareholder inadvertently and (i) as soon as practicable divests itself of ownership of sufficient shares so that the shareholder ceases to be an Interested Shareholder; and (ii) would not, at any time within the three-year period immediately prior to a Business Combination between the Company and such shareholder, have been an Interested Shareholder but for the inadvertent acquisition of ownership; or
- the Business Combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required of a proposed transaction which (i) constitutes one of the transactions described in the following sentence; (ii) is with or by a person who either was not an Interested Shareholder during the previous three years or who became an Interested Shareholder with the approval of the Board; and (iii) is approved or not opposed by a majority of the members of our board of directors then in office (but not less than one) who were directors prior to any person becoming an Interested Shareholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors. The proposed transactions referred to in the preceding sentence are limited to:
 - (a) a merger or consolidation of the Company (except for a merger in respect of which, pursuant to the BCA, no vote of our shareholders is required);
 - (b) a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of the Company or of any direct or indirect majority-owned subsidiary of the Company (other than to any direct or indirect wholly-owned subsidiary or to the Company) having an aggregate market value equal to 50% or more of either that aggregate market value of all of the assets of the Company determined on a consolidated basis or the aggregate market value of all the outstanding shares; or
 - (c) a proposed tender or exchange offer for 50% or more of our outstanding voting shares.

Our articles of incorporation define a “Business Combination” to include:

- any merger or consolidation of the Company or any direct or indirect majority-owned subsidiary of the Company with (i) the Interested Shareholder or any of its affiliates, or (ii) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the Interested Shareholder;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a shareholder of the Company, to or with the Interested Shareholder, whether as part of a dissolution or otherwise, of assets of the Company or of any direct or indirect majority-owned subsidiary of the Company which assets have an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the Company determined on a consolidated basis or the aggregate market value of all the outstanding shares;
- any transaction which results in the issuance or transfer by the Company or by any direct or indirect majority-owned subsidiary of the Company of any shares, or any share of such subsidiary, to the Interested Shareholder, except: (A) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares, or shares of any such subsidiary, which securities were outstanding prior to the time that the Interested Shareholder became such; (B) pursuant to a merger with a direct or indirect wholly-owned subsidiary of the Company solely for purposes of forming a holding company; (C) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares, or shares of any such subsidiary, which security is distributed, pro-rata to all holders of a class or series of shares subsequent to the time the Interested Shareholder became such; (D) pursuant to an exchange offer by the Company to purchase shares made on the same terms to all holders of said shares; or (E) any issuance or transfer of shares by the Company; provided however, that in no case under items (C)-(E) of this subparagraph shall there be an increase in the Interested Shareholder’s proportionate share of the any class or series of shares;
- any transaction involving the Company or any direct or indirect majority-owned subsidiary of the Company which has the effect, directly or indirectly, of increasing the proportionate share of any class or series of shares, or securities convertible into any class or series of shares, or shares of any such subsidiary, or securities convertible into such shares, which is owned by the Interested Shareholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares not caused, directly or indirectly, by the Interested Shareholder; or
- any receipt by the Interested Shareholder of the benefit, directly or indirectly (except proportionately as a shareholder of the Company), of any loans, advances, guarantees, pledges or other financial benefits (other than those expressly permitted above) provided by or through the Company or any direct or indirect majority-owned subsidiary.

Our articles of incorporation define an “Interested Shareholder” as any person (other than the Company, Maritime Investors and any direct or indirect majority-owned subsidiary of the Company or Maritime Investors and its affiliates) that:

- is the owner of 15% or more of our outstanding voting shares; or
- is an affiliate or associate of the Company and was the owner of 15% or more of the outstanding voting shares of the Company at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an Interested Shareholder; and the affiliates and associates of such person; provided, however, that the term “Interested Shareholder” shall not include any person whose ownership of shares in excess of the 15% limitation set forth herein is the result of action taken solely by the Company; provided that such person shall be an Interested Shareholder if thereafter such person acquires additional shares of voting shares of the Company, except as a result of further Company action not caused, directly or indirectly, by such person.

C. Material Contracts

Attached 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 of such contracts are included in “Item 4. Information on the Company”, “Item 5. Operating and Financial Review and Prospects”, “Item 7. Major Shareholders and Related Party Transactions”, and in Notes 3 (Transactions with Related Parties) and 7 (Long-term Debt) to our consolidated financial statements included in this Annual Report. 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

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain material U.S. federal income tax consequences of an investment in our common stock and our Series A Preferred Shares. The discussion set forth below is based upon the Code, Treasury regulations and judicial and administrative rulings and decisions all as in effect and available on the date hereof and all of which are subject to change, possibly with retroactive effect. There can be no assurance that any of these regulations or other guidance will be enacted, promulgated or provided, and if so, the form they will take or the effect that they may have on this discussion. This discussion is not binding on the IRS or the courts and prospective investors should note that no rulings have been or are expected to be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

Further, the following summary does not deal with all U.S. federal income tax consequences applicable to any given investor, nor does it address the U.S. federal income tax considerations applicable to categories of investors subject to special taxing rules, such as brokers, expatriates, banks, real estate investment trusts, regulated investment companies, insurance companies, tax-exempt organizations, controlled foreign corporations, individual retirement or other tax-deferred accounts, dealers or traders in securities or currencies, traders in securities that elects to use a mark-to-market method of accounting for their securities holdings, partners and partnerships, S corporations, estates and trusts, investors required to recognize income for U.S. federal income tax purposes no later than when such income is reported on an “applicable financial statement”, persons subject to the “base erosion and anti-avoidance” tax, investors that hold their common stock as part of a hedge, straddle or an integrated or conversion transaction, investors whose “functional currency” is not the U.S. dollar or investors that own, directly or indirectly, 10% or more of our stock by vote or value. Furthermore, the discussion does not address alternative minimum tax consequences or estate or gift tax consequences or any state tax consequences, and is generally limited to investors that hold our common stock as “capital assets” within the meaning of Section 1221 of the Code. Each investor is strongly urged to consult, and depend on, his or her own tax advisor in analyzing the U.S. federal, state, local and non-U.S. tax consequences particular to him or her of an investment in our common stock.

THIS DISCUSSION SHOULD NOT BE VIEWED AS TAX ADVICE. YOU SHOULD CONSULT YOUR OWN TAX ADVISERS CONCERNING THE U.S. FEDERAL TAX CONSEQUENCES TO YOU IN LIGHT OF YOUR OWN PARTICULAR CIRCUMSTANCES, AS WELL AS ANY OTHER TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, FOREIGN OR OTHER TAXING JURISDICTION, THE EFFECT OF ANY CHANGES IN APPLICABLE TAX LAW, AND YOUR ENTITLEMENT TO BENEFITS UNDER AN APPLICABLE INCOME TAX TREATY.

U.S. Federal Income Taxation of the Company

Operating Income

Unless exempt from U.S. federal income taxation under Section 883 of the Code or under an applicable U.S. income tax treaty, a foreign corporation that earns only shipping income is generally subject to U.S. federal income taxation under one of two alternative tax regimes: (i) the 4% gross basis tax or (ii) the net basis tax and branch profits tax. For this purpose, shipping income includes income from (i) the use of a vessel, (ii) hiring or leasing of a vessel for use on a time, operating or bareboat charter basis or (iii) the performance of services directly related to the use of a vessel (and thus includes spot, time and bareboat charter income). We anticipate that we will earn substantially all our shipping income from the chartering or employment of vessels for use on a spot or time charter basis; we may also, in the future, place one or more of our vessels in pooling arrangements or on bareboat charters.

The U.S.-source portion of shipping income is 50% of the income attributable to voyages that begin or end, but not both begin and end, in the United States. Generally, no amount of the income from voyages that begin and end outside the United States is treated as U.S. source, and consequently none of the shipping income attributable to such voyages is subject to the 4% gross basis tax. Although the entire amount of shipping income from voyages that both begin and end in the United States would be U.S. source, we are not permitted by United States law to engage in voyages that both begin and end in the United States and therefore we do not expect to have any U.S.-source shipping income.

The Republic of Malta has in place with the United States of America both an order for the relief from double taxation in relation to the taxation of income derived from the international operation of ships as well as a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income has an income tax treaty with the United States, but the Republic of the Marshall Islands does not have an income tax treaty with the United States. Accordingly, income earned by our subsidiaries organized under the laws of the Republic of Malta, but not by us or our subsidiaries organized under the laws of the Republic of the Marshall Islands, may qualify for a treaty-based exemption.

The 4% Gross Basis Tax

The United States imposes a 4% U.S. federal income tax on a foreign corporation’s gross U.S.- source shipping income to the extent such income is not treated as effectively connected with the conduct of a U.S. trade or business. As a result of the 50% sourcing rule discussed above, the effective tax is 2% of the gross income attributable to voyages beginning or ending in the United States.

The Net Basis Tax and Branch Profits Tax

We do not expect to engage in any activities in the United States or otherwise have a fixed place of business in the United States. Nonetheless, if this situation were to change or if we were to be treated as engaged in a U.S. trade or business, all or a portion of our taxable income, including gain from the sale of vessels, could be treated as effectively connected with the conduct of this U.S. trade or business (or “effectively connected income”). Any effectively connected income, net of allowable deductions, would be subject to U.S. federal corporate income tax (with the statutory rate currently being 21%). In addition, we also may be subject to a 30% “branch profits” tax on earnings effectively connected with the conduct of the U.S. trade or business (as determined after allowance for certain adjustments), and on certain interest paid or deemed paid that is attributable to the conduct of our U.S. trade or business. The 4% gross basis tax described above is inapplicable to income that is treated as effectively connected income. Our U.S.-source shipping income would be considered to be effectively connected income only if we have or are treated as having 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). Based on our intended mode of shipping operations and other activities, we do not expect to have any effectively connected income. In the absence of exemption from tax under Section 883 of the Code (and/or, only in the case of income earned by our subsidiaries organized under the laws of the Republic of Malta, the applicable exemption, under the aforementioned order for double taxation relief in relation to the taxation of income derived from the international operation of ships and/or the income tax treaty between the United States and the Republic of Malta), our gross U.S. source shipping income would be subject to the 4% U.S. federal income tax imposed, described above.

The Section 883 Exemption

The 4% gross basis tax, the net basis tax and the branch profits tax described above are inapplicable to shipping income that qualifies for exemption under Section 883 of the Code (the “Section 883 Exemption”). A foreign corporation will qualify for the Section 883 Exemption if:

- it is organized in a “qualified foreign country,” which is a country outside the United States that grants an equivalent exemption from tax to corporations organized in the United States (an “equivalent exemption”);
- it satisfies one of the following two ownership tests (discussed in more detail below): (A) more than 50% of the value of its shares is beneficially owned, directly or indirectly, by “qualified shareholders” (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 (the “Publicly-Traded Test.”); and
- it meets certain substantiation, reporting and other requirements (which include the filing of U.S. income tax returns).

For our 2020 taxable year, we and three of our subsidiaries that earn shipping income were organized under the laws of the Republic of the Marshall Islands. Effective March 1, 2018, three of our subsidiaries that earn shipping income domiciled to the Republic of Malta. The U.S. Treasury recognizes each of the Republic of the Marshall Islands and the Republic of Malta as a country that grants an equivalent exemption and thus is a qualified foreign country. Therefore, if we and our subsidiaries satisfy the 50% Ownership Test or Publicly-Traded Test for a taxable year, and otherwise comply with applicable substantiation and reporting requirements, we will be exempt from U.S. federal income tax for that taxable year with respect to our U.S.-source shipping income.

In respect of our subsidiaries organized under the laws of the Republic of Malta, we believe in any case that we may rely on the applicable treaty exemption provided for in the aforementioned order for double taxation relief in relation to the taxation of income derived from the international operation of ships and/or the tax treaty in place between the U.S. and the Republic of Malta and thus need not satisfy the aforementioned criteria for exemption as set out in Section 883 of the Code

The 50% Ownership Test

For purposes of the 50% Ownership Test, “qualified shareholders” include: (i) individuals who are “residents” (as defined in the Treasury regulations promulgated under Section 883 of the Code (the “Section 883 Regulations”) of qualified foreign countries, (ii) corporations organized in qualified foreign countries that meet the Publicly-Traded Test (discussed below), (iii) governments (or subdivisions thereof) of qualified foreign countries, (iv) non-profit organizations organized in qualified foreign countries, and (v) certain beneficiaries of pension funds organized in qualified foreign countries, in each case, that do not beneficially own the shares in the foreign corporation claiming the Section 883 Exemption, directly or indirectly (at any point in the chain of ownership), in the form of bearer shares (as described in the Section 883 Regulations). For this purpose, certain constructive ownership rules under the Section 883 Regulations require looking through the ownership of entities to the owners of the interests in those entities. The foreign corporation claiming the Section 883 Exemption based on the 50% Ownership Test must obtain all the facts necessary to satisfy the IRS that the 50% Ownership Test has been satisfied (as detailed in the Section 883 Regulations) and must meet certain substantiation and reporting requirements.

The Publicly-Traded Test

The Section 883 Regulations 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 NASDAQ Capital Market, which is an established market for these purposes.

Under the Section 883 Regulations, our common shares would 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, to which we refer as the “listing threshold.” Our common shares, which constitutes our sole class of issued and outstanding stock, are listed on the NASDAQ Capital Market. Accordingly, we will satisfy the listing threshold.

The Section 883 Regulations also require that with respect to each class of stock relied upon to meet the listing threshold, (i) such class of stock is 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 (the “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”). Even if this were not the case, the Section 883 Regulations provide that the trading frequency and trading volume tests will be deemed satisfied if 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; for this purpose, a dealer makes a market in a stock only if the dealer regularly and actively offers to, and in fact does, purchase the stock from, and sell the stock to, customers who are not related to the dealer in the ordinary course.

Notwithstanding the foregoing, the Section 883 Regulations also 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 one or more persons who each own 5% or more of the vote and value of such class of outstanding stock (the “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 (or “5% shareholders”) the Section 883 Regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the SEC, as owning 5% or more of our common shares. The Section 883 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. Consistent with the Schedule 13D/A filed with the SEC on November 4, 2019, Mr. Valentis beneficially owned more than 5% of our common stock for all of the 2020 taxable year. Thus, we believe that the 5% Override Rule is triggered for the 2020 taxable year.

However, even if 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 generally under the Section 883 Regulations and discussed above) 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. In this case, Mr. Valentis was the sole 5% shareholder for the 2020 taxable year and is a qualified shareholder for purposes of the Section 883 Regulations. Thus, we believe that the 5% Override Rule would be inapplicable.

Based on the foregoing, we intend to take the position that we and our subsidiaries satisfy both the 50% Ownership Test and the Publicly-Traded Test for the 2020 taxable year and intend to comply with the substantiation and reporting requirements that are applicable under Section 883 of the Code to claim the Section 883 Exemption. If in the 2021 or any future taxable year, the ownership of our shares of common stock changes, because, among other things, we can give no assurance that such shareholders are qualified shareholders or that a sufficient number of qualified shareholders will cooperate with us in respect of the applicable substantiation and reporting requirements, there can be no assurance that we will satisfy either the 50% Ownership Test or the Publicly-Traded Test, in which case we and our subsidiaries would not qualify for the Section 883 Exemption for that taxable year and would be subject to U.S. federal tax as set forth in the above discussion (subject to only in the case of income earned by our subsidiaries organized under the laws of the Republic of Malta, the applicable exemption, under the aforementioned order for double taxation relief in relation to the taxation of income derived from the international operation of ships and/or the income tax treaty between the United States and the Republic of Malta).

Gain on Sale of Vessels

In general, regardless of whether we qualify for the Section 883 Exemption, 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. A sale of a vessel will generally be considered to occur outside of the U.S. 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. To the extent possible, we will attempt to structure any sale of a vessel so that it is considered to occur outside of the United States.

U.S. Federal Income Taxation of U.S. Holders

As used herein, “U.S. Holder” means a beneficial owner of common stock that is an individual citizen or resident of the United States for U.S. federal income tax purposes, a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under Treasury regulations to be treated as a domestic trust). A “Non-U.S. Holder” generally means any owner (or beneficial owner) of common stock that is not a U.S. Holder, other than a partnership. If a partnership holds common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners of partnerships holding common stock should consult their own tax advisors regarding the tax consequences of an investment in the common stock (including their status as U.S. Holders or Non-U.S. Holders).

Distributions on Common Stock

Subject to the discussion of PFICs below, any distributions made by us with respect to our shares of common stock to a U.S. Holder of common stock will generally constitute dividends, which may be taxable as ordinary income or qualified dividend income as described in more detail below, to the extent of our current or accumulated earnings and profits as determined under U.S. federal income tax principles. Distributions in excess of our earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s tax basis in its common stock and, thereafter, as capital gain.

U.S. Holders that are corporations generally will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us, except that certain U.S. Holders that are corporations and that directly, indirectly or constructively own 10% or more of our voting power or value may be entitled to a 100% dividends received deduction under certain circumstances. The rules with respect to the dividends received deduction are complex and involve the application of rules that depend on a U.S. Holder’s particular circumstances and on whether we are a PFIC, CFC or both, among other things. You should consult your own tax advisor to determine the effect of the dividends received deduction on your ownership of our common stock.

Dividends paid with respect to our common stock generally will be treated as non-U.S. source income and generally will constitute “passive category income” for purposes of computing allowable foreign tax credits for U.S. federal foreign tax credit purposes. The rules with respect to foreign tax credits are complex and involve the application of rules that depend on a U.S. Holder’s particular circumstances. You should consult your own tax advisor to determine the foreign tax credit implications of owning our common stock, including rules regarding the ability to utilize foreign tax credits against income recognized currently by a U.S. Stockholder under the TCJA.

Dividends paid on the shares of a non-U.S. corporation to an individual U.S. Holder generally will not be treated as qualified dividend income that is taxable at preferential tax rates. However, dividends paid in respect of our common stock to an individual U.S. Holder may qualify as qualified dividend income if: (i) our common stock is readily tradable on an established securities market in the United States; (ii) we are not a PFIC for the taxable year during which the dividend is paid or in the immediately preceding taxable year; (iii) the individual U.S. Holder has owned the common stock for more than 60 days in the 121-day period beginning 60 days before the “ex-dividend date” and (iv) the individual U.S. Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. Thus, we can give no assurance that any dividends paid on our common shares will be eligible for these preferential rates in the hands of such individual U.S. Holders. Any dividends paid by us which are not eligible for these preferential rates will be taxed as ordinary income to an individual U.S. Holder.

Further, 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 (or fair market value in certain circumstances) or dividends received within a one-year period that, in the aggregate, equal or exceed 20% of a shareholder’s adjusted tax basis (or fair market value upon the shareholder’s election) in a common share—paid by us to a U.S. Holder that is a corporation for U.S. federal income tax purposes. If we pay an “extraordinary dividend” on our common shares that is treated as “qualified dividend income,” then any loss derived by certain U.S. Holders that are corporations for U.S. federal income tax purposes 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 Stock

Subject to the discussion of PFICs below, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of common stock 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 common stock. Assuming we do not constitute a PFIC for any taxable year, this gain or loss will generally 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. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

Tax Considerations Relating to the Series A Preferred Shares

The U.S. federal income tax treatment of distributions on the Series A Preferred Shares and of gain or loss upon a sale, exchange or other disposition of the Series A Preferred Shares will be similar to the U.S. federal income tax treatment of distributions on, and gain or loss upon a sale, exchange or disposition, of common shares, as described above. For additional information, U.S. Holders should review the section titled "Taxation" of the prospectus filed with the Securities and Exchange Commission dated October 8, 2020 and consult their own tax advisors regarding the tax consequences of an investment in the Series A Preferred Shares.

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, in the case of a U.S. Holder that is an individual, (i) the U.S. Holder's net investment income for the taxable year and (ii) 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.

PFIC Status and Significant Tax Consequences

Special U.S. federal income tax rules apply to a U.S. Holder that holds shares in a foreign corporation classified as 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:

(i) 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), which we refer to as the income test; or

(ii) at least 50% of the average value of our assets during such taxable year produce, or are held for the production of, passive income, which we refer to as the asset test.

For purposes of determining whether we are a PFIC, cash will be treated as an asset which is held for the production of passive income. 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 projected operations, we do not believe that we (or any of our subsidiaries) were a PFIC in the 2020 taxable year, nor do we expect (or any of our subsidiaries) to become a PFIC with respect to the 2021 or any later taxable year. In making the determination as to whether we are a PFIC, we intend to treat the gross income that we derive or that are deemed to derive from the spot and time chartering activities of us or any of our subsidiaries as services income, rather than rental income. Correspondingly, such income should not constitute passive income, and the assets that we or our wholly-owned subsidiaries own and operate in connection with the production of such income should not constitute passive assets for purposes of determining whether we are a PFIC. We believe that there is substantial legal authority supporting our position consisting of case law and IRS pronouncements concerning the characterization of income derived from spot and 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. In the absence of any legal authority specifically relating to the statutory provisions governing PFICs, the IRS or a court could disagree with our position. 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 U.S. Holder would be subject to different taxation rules depending on whether the U.S. Holder makes an election to treat us as a “qualified electing fund” (a “QEF election”). As an alternative to making a QEF election, a U.S. Holder should be able to make a “mark-to-market” election with respect to our common shares, as discussed below. If we were treated as a PFIC, a U.S. Holder will generally be required to file IRS Form 8621 with respect to its ownership of our common shares.

Taxation of U.S. Holders Making a Timely QEF Election

If a U.S. Holder makes a timely QEF election (an “electing holder”) the electing holder must report for U.S. 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 U.S. Holders may 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 shares of common stock or Series A Preferred Shares. A U.S. Holder would make a timely QEF election for our shares of common stock or Series A Preferred Shares by filing IRS Form 8621 with his U.S. federal income tax return for the first year in which he held such shares when we were a PFIC. If we determine that we are a PFIC for any taxable year, we intend to provide each U.S. Holder with information necessary for the U.S. Holder to make the QEF election described above. If we were treated as a PFIC for our 2021 taxable year, we anticipate that, based on our current projections, we would not have a significant amount of taxable income or gain that would be required to be taken into account by U.S. Holders making a QEF election effective for such taxable year.

Taxation of U.S. 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 U.S. Holder would be allowed to make a “mark-to-market” election with respect to our shares of common stock or Series A Preferred Shares, provided the U.S. Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury regulations. If that election is made, the U.S. Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the shares at the end of the taxable year over such Holder’s adjusted tax basis in the 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 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 his shares of our common stock or Series A Preferred Shares would be adjusted to reflect any such income or loss amount recognized. Any gain realized on the sale, exchange or other disposition of our shares of common stock or Series A Preferred Shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the 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 (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 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 shares), and (ii) any gain realized on the sale, exchange or other disposition of our shares of common stock. Under these special rules:

(i) the excess distribution or gain would be allocated ratably over the non-electing holder’s aggregate holding period for the shares;

(ii) 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

(iii) 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. HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISORS AS TO OUR STATUS AS A PFIC, AND, IF WE (AND/OR ONE OR MORE OF OUR SUBSIDIARIES) ARE TREATED AS A PFIC, AS TO THE EFFECT ON THEM OF, AND THE REPORTING REQUIREMENTS WITH RESPECT TO, THE PFIC RULES AND THE DESIRABILITY OF MAKING, AND THE AVAILABILITY OF, EITHER A QEF ELECTION OR A MARK-TO-MARKET ELECTION WITH RESPECT TO OUR SHARES OF COMMON STOCK or Series A Preferred Shares. WE PROVIDE NO ADVICE ON TAXATION MATTERS.

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

Dividends on Common Stock or Series A Preferred 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 shares of common stock or Series A Preferred Shares, unless that income is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States. In general, if the Non-U.S. Holder is entitled to the benefits of an applicable U.S. income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Sale, Exchange or Other Disposition of Common Stock or Series A Preferred 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 shares of common stock or Series A Preferred Shares, unless:

(i) the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States; or

(ii) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and who also meets other conditions.

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 our shares of common stock or Series A Preferred Shares, that is effectively connected with the conduct of that trade or business, 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 U.S. federal 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

Information reporting to the IRS may be required with respect to payments on our shares of common stock or Series A Preferred Shares and with respect to proceeds from the sale of the shares of common stock or Series A Preferred Shares. With respect to Non-U.S. Holders, copies of such information returns reporting may be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of any applicable income tax treaty or exchange of information agreement. A "backup" withholding tax (currently at a 24% rate) may also apply to those payments if a non-corporate holder of the shares of common stock or Series A Preferred Shares fails to provide certain identifying information (such as the holder's taxpayer identification number or an attestation to the status of the holder as a Non-U.S. Holder), such holder is notified by the IRS that he or she has failed to report all interest or dividends required to be shown on his or her federal income tax returns or, in certain circumstances, such holder has failed to comply with applicable certification requirements.

Non-U.S. Holders may be required to establish their exemption from information reporting and backup withholding by certifying under penalties of perjury their status on IRS Form W-8BEN, W-8BEN-E, W-8ECI or W-8IMY, as applicable. A Non-U.S. Holder should consult his or her own tax advisor as to the qualifications for exemption from backup withholding and the procedures for obtaining the exemption.

U.S. Holders of our shares of common stock or Series A Preferred Shares may be required to file forms with the IRS under the applicable reporting provisions of the Code. For example, such U.S. Holders may be required, under Sections 6038, 6038B and/or 6046 of the Code, to supply the IRS with certain information regarding the U.S. Holder, other U.S. Holders and us if (i) such person owns at least 10% of the total value or 10% of the total combined voting power of all classes of shares entitled to vote or (ii) the acquisition, when aggregated with certain other acquisitions that may be treated as related under applicable regulations, exceeds \$100,000. In the event a U.S. Holder fails to file a form when required to do so, the U.S. Holder could be subject to substantial tax penalties.

If a shareholder is a Non-U.S. Holder and sells his or her shares of common stock or Series A Preferred 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 shareholder certifies that he or she is not a U.S. person, under penalty of perjury, or he or she otherwise establishes an exemption. If our shareholder is a Non-U.S. Holder and sells his or her common stock or Series A Preferred Shares through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to such shareholder outside the United States, 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 to a shareholder outside the United States, if the shareholder sells his or her shares of common stock or Series A Preferred Shares through a non-U.S. office of a broker that is a U.S. person or has some other contacts with the United States. Such information reporting requirements will not apply, however, if the broker has documentary evidence in its records that the shareholder is not a U.S. person and certain other conditions are met, or the shareholder otherwise establishes an exemption.

Backup withholding is not an additional tax and may be refunded (or credited against the holder's U.S. federal income tax liability, if any), provided that appropriate returns are filed with and certain required information is furnished to the IRS in a timely manner.

In addition, 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 shares of common stock or Series A Preferred Shares, unless the 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 consult their own tax advisors regarding their reporting obligations in respect of our shares of common stock or Series A Preferred Shares.

Material Marshall Islands, Maltese and Greek Tax Law Considerations

The following is a summary of certain material tax consequences of our activities to us and our shareholders.

We are incorporated in the Marshall Islands and Malta and some of our operations are located in Greece.

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 shareholder.

Under Maltese law, the subsidiary companies Secondone Corporation Ltd., Thirdone Corporation Ltd. and Fourthone Corporation Ltd., being Maltese registered companies, are deemed by the Income Tax Act to be resident in Malta for tax purposes. However such companies, being the respective registered owners and operators of the Maltese registered vessels *Northsea Alpha*, *Northsea Beta* and *Pyxis Malou*, are not subject to Malta income tax on any profits derived by them, including tax on any gains of a capital nature as may be derived from the sale or other transfer of the vessels concerned, to the extent that (1) such profits are derived from 'shipping activities' (being in particular the international carriage of goods or passengers by sea in terms of the EU Maritime State Aid Guidelines and such other activities that have been approved or considered as eligible for tonnage tax purposes by the European Commission) and (2) such vessels have been declared by the Minister responsible for Shipping to be and continue to qualify as 'tonnage tax ships' under the Merchant Shipping (Taxation And Other Matters Relating to Shipping Organizations) Regulations 2018; provided that for the year in respect of which exemption from tax is applied (i) all applicable tonnage taxes have been paid and (ii) separate accounts were kept clearly distinguishing the payments and receipts by the companies concerned in respect of shipping activities, including the ownership, operation, administration or management of the vessels as tonnage tax ships, and payments and receipts in respect of any other business.

No Maltese withholding tax will be imposed upon payment of dividends by any one of Secondone Corporation Ltd., Thirdone Corporation Ltd. and Fourthone Corporation Ltd., being the three (3) Maltese registered companies concerned, to their shareholder.

The subsidiary companies Seventhone Corp. and Eighthone Corp., being companies registered under the laws of the Marshall Islands, are not considered to be tax resident in Malta and are therefore not subject to any income tax in Malta, including tax on any gains of a capital nature as may be derived from the sale or other transfer of the Maltese registered vessels *Pyxis Theta* and *Pyxis Epsilon* which are respectively owned by them. The appointment by these companies of a Resident Agent in Malta in connection with their registration with the registrar of Shipping as 'International Owners' does not constitute a permanent establishment in Malta for tax purposes.

Under Greek Law, the ship management companies which have established an office in Greece under the so called “Law 89” regime, currently legislated by Law 27/1975 as in force, are not subject to any income tax. The same applies to the shipowning companies of the vessels which are managed by such ship management companies and to their foreign holding companies, provided the latter are exclusively holding companies of such shipowning companies, without other activities. There is, however, an annual tonnage tax levy over the vessels managed by such companies, lesser than previously (in view of the below mentioned recent agreement) for which the respective shipowning company and ship management company are jointly and severally liable to pay to the Greek State; also, the tax residents of Greece who receive dividends from such shipowning or their holding companies, (pursuant to a recent agreement between the Union of Greek Shipowners and the Greek State) are taxed at 10% on the dividends which they receive and which they import into Greece, not being liable to any other taxation for these, or any tax for those dividends which either remain with the holding company or are paid to the individual Greek tax resident abroad.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We file reports and other information with the SEC. These materials, including this Annual Report and the accompanying exhibits, are available at the SEC’s website at <http://www.sec.gov>.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

COVID-19 outbreak: The effects of the infectious disease, COVID-19, are rapidly evolving globally and are uncertain. The Company’s business could be adversely affected by this outbreak. Any prolonged restrictive measures in order to control the spread of COVID-19 or other adverse public health development in Asia, U.S. or the Company’s targeted markets may have a material and adverse effect on the demand for the Company’s vessels, operations and financial condition.

Please see “Note 10. Risk Management and Fair Value Measurements” to our consolidated financial statements included in this Annual Report for a further description of our risk management.

A. Quantitative Information about Market Risk

Interest Rate Risk

The shipping industry is a capital intensive industry, requiring significant amounts of investment. Much of this investment is provided in the form of long-term debt. Our amortizing bank debt usually contains interest rates that fluctuate with the financial markets. Increasing interest rates could adversely impact future earnings and our ability to service debt.

Our interest expense is affected by changes in the general level of interest rates, particularly LIBOR. As an indication of the extent of our sensitivity to interest rate changes, an increase of 100 basis points would have decreased our net income and cash flows during the years ended December 31, 2019 and 2020 by approximately \$0.6 million and \$0.5 million, respectively, based upon our average debt level during 2018 and 2019.

Foreign Currency Exchange Risk

We generate most of our revenue in U.S. dollars, but a portion of our expenses, are in currencies other than U.S. dollars (mainly in Euro), and any gain or loss we incur as a result of the U.S. dollar fluctuating in value against those currencies is included in vessel operating expenses and in general and administrative expenses. As of December 31, 2019 and 2020, approximately 8% and 15%, respectively, of our outstanding accounts payable were denominated in currencies other than the U.S. dollar (mainly in Euro). We hold cash and cash equivalents mainly in U.S. dollars. We do not consider foreign currency exchange risk to be a significant risk to our business in the current environment and foreseeable future.

Inflation

We do not consider inflation to be a significant risk to our business in the current environment and foreseeable future.

B. Qualitative Information about Market Risk

Interest Rate Exposure

Our debt obligations under each of our subsidiaries' loan agreements bear interest at LIBOR plus a fixed margin. Increasing interest rates could adversely affect our future profitability. Lower interest rates lower the returns on cash investments. We regularly monitor interest rate exposure and will enter into swap arrangements with acceptable financial counterparties to hedge exposure where it is considered economically advantageous to do so. However, there may be certain incremental costs incurred if we enter into such arrangements. In order to hedge our variable interest rate exposure, on January 19, 2018, Seventhone entered into an interest rate cap agreement with one of its lenders for a notional amount of \$10.0 million and a cap rate of 3.5%. The interest rate cap will terminate on July 18, 2022.

Operational Risk

We are exposed to operating costs risk arising from various vessel operations. The key areas of operating risk include dry-dock, repair costs, insurance and piracy. Our risk management includes various strategies for technical management of dry-dock 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. Finally, we have established a set of countermeasures in order to minimize this risk of piracy attacks during voyages, which include hiring third party security to protect the crew and make navigation safer for the vessels.

Foreign Exchange Rate Exposure

Our vessel-owning subsidiaries generate revenues in U.S. dollars but incur a portion of their vessel operating expenses, and we incur a majority of our general and administrative costs, in other currencies, primarily Euros. The amount and frequency of some of these expenses (such as vessel repairs, supplies and stores) may fluctuate from period to period, while other of these expenses, such as the compensation paid to Maritime for the administrative services, remain relatively fixed. Depreciation in the value of the U.S. dollar relative to other currencies will increase the U.S. dollar cost to us of paying such expenses and, as a result, an adverse or positive movement could increase or decrease operating expenses. The portion of our business conducted in other currencies could increase in the future, which could expand our exposure to losses arising from currency fluctuations. We believe these adverse effects to be immaterial and have not entered into any derivative contracts for either transaction or translation risk during the year.

Credit Risk

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of our amounts are held across four banks. While we believe this risk of loss is low, we keep this under review and will revise our policy for managing cash and cash equivalents if we consider it 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 acquire collateral for 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. As of December 31, 2020 and April 6, 2021, two and three of our vessels, respectively, were employed with the same charterer.

Commodity Risk Exposure

The price and supply of bunker is unpredictable and fluctuates as a result of events outside our control, including geo-political developments, supply and demand for oil and gas, actions by members of the Organization of Petroleum Exporting Countries, or OPEC, and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations. Because we do not hedge our bunker costs, an increase in the price of bunker beyond our expectations may adversely affect our profitability and cash flows.

Liquidity Risk

The 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 come due and to provide adequately for contingencies. Our policy is to manage our liquidity by strict forecasting of cash flows arising from time charter revenue, vessel operating expenses, general and administrative overhead and servicing of debt. We maintain limited cash balances in financial institutions operating in Greece.

Inflation

We do not expect inflation to be a significant risk in the current and foreseeable economic environment. In the event that inflation becomes a significant factor in the global economy, inflationary pressures would result in increased operating, voyage and finance costs.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

The management of Pyxis Tanker Inc., with the participation of the Chief Executive Officer (*principal executive officer*) and Chief Financial Officer (*principal financial officer*), after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) as of December 31, 2020, has concluded that, as of such date, our disclosure controls and procedures were effective and ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer (*principal executive officer*) and Chief Financial Officer (*principal financial officer*), to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

B. Management's Annual Report on Internal Control over Financial Reporting

In accordance with Rule 13a-15(f) of the Exchange Act, our management is responsible for the establishment and maintenance of adequate internal controls over our financial reporting. Pyxis Tankers Inc.'s internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. 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. Management performed an assessment of the effectiveness of our internal controls over financial reporting as of December 31, 2020 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control, Integrated Framework (2013). Based on its assessment, management has determined that our internal control over financial reporting was effective as of December 31, 2020.

C. Attestation Report of the Registered Public Accounting Firm

Not applicable.

D. Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this Annual Report that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. RESERVED

Not applicable.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board has determined that Mr. Robin Das is an audit committee financial expert as defined by the SEC rules and that he has the requisite financial sophistication under the applicable rules and regulations of the NASDAQ Stock Market. Mr. Das is independent as such term is defined in Rule 10A-3 under the Exchange Act and under the listing standards of the NASDAQ Stock Market.

ITEM 16B. CODE OF ETHICS

Our board of directors has approved and adopted a Code of Business Conduct and Ethics for all officers and employees, a copy of which is available on our website at <http://www.pyxistankers.com>. We will provide any person, free of charge, with a copy of our Code of Business Conduct and Ethics upon written request to our registered office at 59 K. Karamanli Street, Maroussi 15125 Greece. Any waivers that are granted from any provision of our Code of Business Conduct and Ethics may be disclosed on our website within five business days following the date of such waiver.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Ernst & Young (Hellas) Certified Auditors Accountants S.A. (“Ernst & Young”), has served as our independent registered public accounting firm for the years ended December 31, 2019 and 2020. Our audit committee was established October 28, 2015. Our accountants billed the following fees to us for professional services:

(a) Audit Fees

The audit fees for the audit of each of the years ended December 31, 2019 and 2020 \$166,000 and \$142,000, respectively.

(b) Audit Services Fees

Audit services fees charged for the years ended December 31, 2019 and 2020 were \$ 23,000 and \$83,000 respectively. Such fees reflect audit performed on the Company’s subsidiaries, related consents and comfort letters and any other audit related services required for SEC or other regulatory filings.

(c) Tax Fees

Tax fees charged for the years ended December 31, 2019 and 2020 were \$1,000 and \$1,380, respectively. Fees related to U.S. Federal Tax Compliance assurance services.

(d) All Other Fees

No other fees were charged for the years ended December 31, 2019 and 2020.

(e) Audit and Non-Audit Services Pre-Approval Policy

(1) Our audit committee is responsible for the appointment, compensation, retention and oversight of the work of the independent auditors. As part of this responsibility, the audit committee pre-approves the audit and non-audit fees, terms and services performed by the independent auditors in order to assure that they do not impair the auditors’ independence. Our audit committee has not adopted a detailed 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.

(2) Our audit committee has separately pre-approved all engagements and fees paid to our principal accountants since October 28, 2015.

(f) Audit Work Performed by Other Than Principal Accountant if Greater Than 50%

Not applicable.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

No purchases of equity securities by the issuer and affiliated purchasers has taken place during 2019.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

We believe that our corporate governance practices are in compliance with, and are not prohibited by, the laws of the Marshall Islands. Therefore, we believe we are exempt from many of NASDAQ's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, submission of a listing agreement, notification of material non-compliance with NASDAQ corporate governance practices, and the establishment and composition of an audit committee and a formal written audit committee charter.

The practices that we follow in lieu of NASDAQ's corporate governance rules include:

- instead of obtaining an independent review of related party transactions for conflicts of interests by our audit committee or another independent body of our board of directors, consistent with Marshall Islands law requirements, no transaction between us and one or more of our directors or officers, or between us and any other entity in which one or more of our directors or officers are directors or officers, or have a financial interest, shall be void or voidable for this reason alone or solely because such director or officer is present at or participates in the meeting of our board of directors that authorized the contract or transaction or solely because the vote of such director or officer are counted for such purposes if: (i) the material facts as to such director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to our board of directors, and our board of directors in good faith authorizes such contract or transaction by the affirmative votes of a majority of the disinterested directors, or, if the votes of the disinterested directors are insufficient to constitute an act of our board of directors as defined in Section 55 of the BCA, by unanimous vote of our disinterested directors; (ii) the material facts as to the director's or officer's relationship or interest and as to such contract or transaction are disclosed and the contract or transaction is specifically approved in good faith by a vote of the stockholders entitled to vote thereon; or (iii) the contract or transaction is fair to us as of the time it is authorized, and is approved or ratified by our board of directors, a committee thereof or our stockholders. Interested directors may be counted in determining the presence of a quorum at a meeting of our board of directors or of a committee that authorizes the aforementioned contract or transaction;
- as a foreign private issuer, we will not be required to solicit proxies or provide proxy statements to NASDAQ pursuant to NASDAQ corporate governance rules or Marshall Islands law. Consistent with Marshall Islands law, we intend to notify our stockholders of meetings between 15 and 60 days before the meeting. This notification will contain, among other things, information regarding business to be transacted at the meeting. In addition, our bylaws provide that stockholders must give us advance notice to properly introduce any business at a meeting of the stockholders and that stockholders may designate in writing a proxy to act on their behalf;
- consistent with Marshall Islands law, we do not disclose all agreements and arrangements between any director or nominee for director, and any person or entity other than the Company, relating to compensation or other payment in connection with such person's candidacy or service of director of the Company;

- in place of a compensation committee and consistent with Marshall Islands law requirements, our entire board of directors, a majority of whom are currently independent, reviews and approves executive compensation and performance awards as well as the policies and procedures to determine such payments;
- in place of a nominating and corporate governance committee composed of only independent directors and consistent with Marshall Islands law requirements, our nominating and corporate governance committee is composed of two independent directors and one non-independent executive director;
- instead of holding regular meetings at which only independent directors are present, our entire board of directors, a majority of whom are currently independent, will hold regular meetings as is consistent with Marshall Islands law;
- stockholder approval is not required to amend or terminate our equity incentive plan or to establish a new equity incentive plan since Marshall Islands law permits the board of directors to take these actions;
- as a foreign private issuer, we will not be required to obtain stockholder approval prior to the issuance of securities in connection with an acquisition of the stock or assets of another company;
- in lieu of obtaining stockholder approval prior to the issuance of designated securities, we intend to comply with provisions of the BCA and obtain the approval of our board of directors for such share issuances; and
- consistent with Marshall Islands law, we do not require that our corporate actions or issuances cannot disparately reduce or restrict the voting rights of existing shareholders.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

Refer to Item 18.

ITEM 18. FINANCIAL STATEMENTS

Please see Financial Statements beginning on page F-1 of this Annual Report.

ITEM 19. EXHIBITS

The following exhibits are filed as part of this Annual Report

Exhibit Number	Description of Exhibit	Schedule / Form	File Number	Exhibit	File Date
1.1#	Articles of Incorporation of the Company	F-4	333-203598	3.1	April 23, 2015
1.2#	Bylaws of the Company	F-4	333-203598	3.2	April 23, 2015
2.1#	Specimen Stock Certificate of Pyxis Tankers Inc.	F-4	333-203598	4.2	September 28, 2015
2.2*	Description of Securities				
2.3#	Form of Certificate of Designation of Series A Preferred Shares	F-1/A	333-245405	4.2	September 28, 2020
2.4#	Form of Warrant Agency Agreement (including Form of Warrant)	F-1/A	333-245405	4.3	September 28, 2020
2.5#	Form of Underwriter's Warrant (Common Share Warrant)	F-1/A	333-245405	4.4	September 28, 2020
2.6#	Form of Underwriter's Warrant (Series A Preferred Shares)	F-1/A	333-245405	4.5	September 28, 2020
2.7#	Form of Underwriter's Warrant (Common Shares Warrant)	F-1	333-253741	4.6	March 1, 2021
4.1#	Amended and Restated Head Management Agreement, dated August 5, 2015, by and between Pyxis Tankers Inc. and Pyxis Maritime Corp.	F-4	333-203598	10.3	September 4, 2015
4.1.1#	First Amendment dated August 9, 2016, to the Amended and Restated Head Management Agreement, dated August 5, 2015, by and between Pyxis Tankers Inc. and Pyxis Maritime Corp.	20-F	001-37611	4.1.1	March 28, 2017
4.1.2#	Second Amendment dated March 18, 2020, to the Amended and Restated Head Management Agreement, dated August 5, 2015, by and between Pyxis Tankers Inc. and Pyxis Maritime Corp.	20-F	001-37611	4.1.2	March 31, 2020
4.2#	Form of Ship Management Agreement with International Tanker Management Ltd.	F-4	333-203598	10.4	September 4, 2015

Exhibit Number	Description of Exhibit	Schedule / Form	File Number	Exhibit	File Date
4.4#	Facility Agreement dated February 23, 2018, by and among Secondone Corp., Thirdone Corp. and Fourthone Corp., as borrowers, and Amsterdam Trade Bank N.V. as arranger, facility agent and security agent	20-F	001-37611	4.8	March 23, 2018
4.5#	Promissory Note in favor of Maritime Investors Corp. issued by Pyxis Tankers Inc. as of April 23, 2015	F-4	333-203598	10.11	August 6, 2015
4.6#	Form of 2015 Equity Incentive Plan	F-4	333-203598	10.12	September 4, 2015
4.7#	Form of Indemnification Agreement	F-4	333-203598	10.13	September 4, 2015
4.8#	Promissory Note in favor of Maritime Investors Corp. issued by Pyxis Tankers Inc. as of October 28, 2015	20-F	001-37611	4.12	March 23, 2016
4.8.1#	First Amendment dated August 9, 2016, to the Promissory Note in favor of Maritime Investors Corp. issued by Pyxis Tankers Inc. as of October 28, 2015	20-F	001-37611	4.12.1	March 28, 2017
4.8.2#	Second Amendment dated March 7, 2017, to the Promissory Note in favor of Maritime Investors Corp. issued by Pyxis Tankers Inc. as of October 28, 2015	20-F	001-37611	4.12.2	March 28, 2017

Exhibit Number	Description of Exhibit	Schedule / Form	File Number	Exhibit	File Date
4.8.3#	Amended and Restated Promissory Note in favor of Maritime Investors Corp. issued by Pyxis Tankers Inc. dated December 29, 2017	SC 13D/A	005-89171	1	January 2, 2018
4.8.4#	Amendment No. 1 dated June 29, 2018 to the Amended & Restated Promissory Note in favor of Maritime Investors Corp. issued by Pyxis Tankers Inc. as of December 29, 2017	20-F	001-37611	4.13.4	March 29, 2019
4.8.5#	Amendment No. 2 dated May 14, 2019 to the Amended & Restated Promissory Note in favor of Maritime Investors Corp. issued by Pyxis Tankers Inc. as of December 29, 2017	20-F	001-37611	4.11.5	March 31, 2020
4.9#	Facility Agreement dated September 27, 2018, by and among Eighthone Corp. as borrower, Pyxis Tankers Inc. as guarantor and Wilmington Trust, National Association as facility agent and security agent.	20-F	001-37611	4.17	March 29, 2019
4.9.1#	Deferred Fee Agreement dated September 28, 2018, by and among Eighthone Corp. as borrower and Wilmington Trust, National Association as facility agent	20-F	001-37611	4.17.1	March 29, 2019
4.10#	Equity Distribution Agreement, dated March 30, 2018 between Pyxis Tankers Inc. and Noble Capital Markets	6K	001-37611	1.1	March 30, 2018
4.10.1#	Amendment No. 1 to the Equity Distribution Agreement dated November 19, 2018 between Pyxis Tankers Inc. and Noble Capital Markets	6K	001-37611	1.1	November 20, 2018
4.11#	Loan Agreement dated July 8, 2020 by and between Alpha Bank S.A., as lender, and Seventhone Corp., as borrower	F-1	333-245405	10.13	August 13, 2020
4.12#	Corporate Guarantee dated July 8, 2020 by and between Pyxis Tankers Inc., as guarantor, and Alpha Bank S.A., as lender, in respect of the Loan Agreement dated July 8, 2020, by and between Alpha Bank S.A. and Seventhone Corp.	F-1	333-245405	10.13.1	August 13, 2020
4.13#	Placement Agency Agreement, dated February 17, 2021, by and between ThinkEquity, a division of Fordham Financial Management, Inc.	F-1	333-253741	1.1	March 1, 2021
4.14#	Securities Purchase Agreement, dated February 17, 2021, among Pyxis Tankers Inc. and the purchasers identified on the signature pages thereto	6-K	001-37611	10.1	February 24, 2021
4.15#	Form of Lock-Up Agreement	6-K	001-37611	10.2	February 24, 2021
4.16#	Registration Rights Agreement, dated February 17, 2021, among Pyxis Tankers Inc. and the purchasers identified on the signature pages thereto	6-K	001-37611	10.3	February 24, 2021
4.17*	Loan Agreement, dated March 29, 2021, by and among Alpha Bank S.A. and Eighthone Corp.				
8.1*	List of Subsidiaries				
12.1*	Certification by the Principal Executive Officer pursuant to Securities Exchange Act Rules 13a-14(a) / 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
12.2*	Certification by the Principal Financial Officer pursuant to Securities Exchange Act Rules 13a-14(a) / 15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
13.1*	Certification by the 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 by the 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 (Ernst & Young (Hellas) Certified Auditors Accountants S.A.)				
15.2*	Consent of Drewry Shipping Consultants Ltd.				
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 at December 31, 2019 and 2020;				
	(ii) Consolidated Statements of Comprehensive Income / (Loss) for the years ended December 31, 2018, 2019 and 2020;				
	(iii) Consolidated Statements of Stockholders' Equity for the years ended December 31, 2018, 2019 and 2020;				
	(iv) Consolidated Statements of Cash Flows for the years ended December 31, 2018, 2019 and 2020; and				
	(v) Notes to the Consolidated Financial Statements.				

Indicates a document previously filed with the SEC, incorporated by reference herein.

* Filed herewith.

SIGNATURES

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.

PYXIS TANKERS INC.

By: /s/ Valentios Valentis

Name: Valentios Valentis

Title: Chairman, Chief Executive Officer and Director

Date: April 12, 2021

PYXIS TANKERS INC.
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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Pyxis Tankers Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Pyxis Tankers Inc. (“the Company”) as of December 31, 2020 and 2019, the related consolidated statements of comprehensive loss, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures 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. We believe that our audits provide a reasonable basis for our opinion.

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 the critical audit matter does not alter in any way our opinion on the consolidated 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.

Impairment of Long-Lived Assets

Description of the matter

At December 31, 2020, the carrying value of the Company’s vessels plus unamortized dry-docking costs was \$85.4 million. As discussed in Notes 2(m) and 5 to the consolidated financial statements, the Company evaluates its vessels for impairment whenever events or changes in circumstances indicate that the carrying value of a vessel plus unamortized dry-docking costs, may not be recoverable in accordance with the guidance in ASC 360 – Property, Plant and Equipment (“ASC 360”). If indicators of impairment exist, management analyses the future undiscounted net operating cash flows expected to be generated throughout the remaining useful life of each vessel and compares it to the carrying value of the vessel plus unamortized dry-docking costs. Where the vessel’s carrying value plus unamortized dry-docking costs, exceeds the undiscounted net operating cash flows, management will recognize an impairment loss equal to the excess of the carrying value of the vessel plus unamortized dry-docking costs over its fair value.

Auditing management’s recoverability assessment was complex given the judgement and estimation uncertainty involved in determining certain assumptions to forecast undiscounted net operating cash flows, specifically the future charter rates for non-contracted revenue days. These charter rates are particularly subjective as they involve the development and use of assumptions about the tanker shipping market through the end of the useful lives of the vessels. These assumptions are forward looking and subject to the inherent unpredictability of future global economic and market conditions.

How we addressed the matter in our audit

We analysed management’s impairment assessment by comparing the methodology used to evaluate impairment of each vessel against the accounting guidance in ASC 360. To test management’s undiscounted net operating cash flow forecasts, our procedures included, among others, comparing the future vessel charter rates for non-contracted revenue days with external market data such as available market data from various analysts and recent economic and industry changes, and internal data such as historical charter rates for the vessels. In addition, we performed sensitivity analyses to assess the impact of changes to future charter rates for non-contracted revenue days in the determination of the net operating cash flows. We also evaluated whether these assumptions were consistent with evidence obtained in other areas of the audit. Our procedures also included testing the completeness and accuracy of the data used within the forecasts.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.

We have served as the Company's auditor since 2015.

Athens, Greece
April 12, 2021

PYXIS TANKERS INC.

Consolidated Balance Sheets

As at December 31, 2019 and 2020

(Expressed in thousands of U.S. dollars, except for share and per share data)

	Notes	2019	2020
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	2	\$ 1,441	\$ 1,620
Restricted cash, current portion	2	535	—
Inventories	4	501	681
Trade accounts receivable	2	1,243	672
Less: Allowance for credit losses	2	—	(9)
Trade accounts receivable, net		1,243	663
Due from related parties	3	—	2,308
Vessel held-for-sale	5	13,190	—
Prepayments and other assets		325	133
Total current assets		17,235	5,405
FIXED ASSETS, NET:			
Vessels, net	5	87,507	83,774
Total fixed assets, net		87,507	83,774
OTHER NON-CURRENT ASSETS:			
Restricted cash, net of current portion	2, 7	3,200	2,417
Financial derivative instrument	10	1	—
Deferred charges, net	6	779	1,594
Prepayments and other assets		47	—
Total other non-current assets		4,027	4,011
Total assets		\$ 108,769	\$ 93,190
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current portion of long-term debt, net of deferred financing costs	7	\$ 8,984	\$ 3,255
Trade accounts payable		4,538	3,642
Due to related parties	3	6,849	—
Hire collected in advance	2	1,415	726
Accrued and other liabilities		750	677
Total current liabilities		22,536	8,300
NON-CURRENT LIABILITIES:			
Long-term debt, net of current portion and deferred financing costs, non-current	7	49,233	50,331
Promissory note	3	5,000	5,000
Total non-current liabilities		54,233	55,331
COMMITMENTS AND CONTINGENCIES	11	—	—
STOCKHOLDERS' EQUITY:			
Preferred stock (\$0.001 par value; 50,000,000 shares authorized of which 1,000,000 authorized Series A Convertible Preferred Shares; 0 and 181,475 Series A Convertible Preferred Shares issued and outstanding as at December 31, 2019 and 2020, respectively)	8	—	—
Common stock (\$0.001 par value; 450,000,000 shares authorized; 21,370,280 and 21,962,881 shares issued and outstanding as at December 31, 2019 and 2020, respectively)	8	21	22
Additional paid-in capital	8	75,154	79,692
Accumulated deficit		(43,175)	(50,155)
Total stockholders' equity		32,000	29,559
Total liabilities and stockholders' equity		\$ 108,769	\$ 93,190

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

PYXIS TANKERS INC.

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2018, 2019 and 2020

(Expressed in thousands of U.S. dollars, except for share and per share data)

	<u>Notes</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues, net	2	\$ 28,457	\$ 27,753	\$ 21,711
Expenses:				
Voyage related costs and commissions	2, 3	(11,817)	(5,122)	(4,268)
Vessel operating expenses		(12,669)	(12,756)	(10,880)
General and administrative expenses	3	(2,404)	(2,407)	(2,378)
Management fees, related parties	3	(720)	(724)	(637)
Management fees, other		(930)	(930)	(819)
Amortization of special survey costs	6	(133)	(240)	(253)
Depreciation	5	(5,500)	(5,320)	(4,418)
Vessel impairment charge	5, 10	(2,282)	—	—
Loss on vessel held-for-sale	2, 5	—	(2,756)	—
Gain from the sale of vessel, net		—	—	7
Bad debt provisions		(13)	(26)	—
Operating loss		<u>(8,011)</u>	<u>(2,528)</u>	<u>(1,935)</u>
Other income / (expenses):				
Gain from debt extinguishment	7	4,306	—	—
Loss from financial derivative instrument	10	(19)	(27)	(1)
Interest and finance costs, net	3, 12	(4,490)	(5,775)	(4,964)
Total other expenses, net		<u>(203)</u>	<u>(5,802)</u>	<u>(4,965)</u>
Net loss		<u>\$ (8,214)</u>	<u>\$ (8,330)</u>	<u>\$ (6,900)</u>
Dividend Series A Convertible Preferred Shares	8, 9	—	—	(82)
Net loss attributable to common shareholders		<u>\$ (8,214)</u>	<u>\$ (8,330)</u>	<u>\$ (6,982)</u>
Loss per common share, basic and diluted	9	\$ (0.39)	\$ (0.39)	\$ (0.32)
Weighted average number of shares, basic and diluted	9	20,894,202	21,161,164	21,548,126

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

PYXIS TANKERS INC.

Consolidated Statements of Stockholders' Equity

For the years ended December 31, 2018, 2019 and 2020

(Expressed in thousands of U.S. dollars, except for share and per share data)

	Series A Convertible Preferred Shares		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	# of Shares	Par Value	# of Shares	Par Value			
BALANCE, January 1, 2018	—	\$ —	20,877,893	\$ 21	\$ 74,766	\$ (26,631)	\$ 48,156
Net proceeds from the issuance of common stock	—	—	182,297	—	1	—	1
Net loss	—	—	—	—	—	(8,214)	(8,214)
BALANCE, December 31, 2018	—	\$ —	21,060,190	\$ 21	\$ 74,767	\$ (34,845)	\$ 39,943
Net proceeds from the issuance of common stock	—	—	214,828	—	274	—	274
Issuance of common stock under the promissory note	—	—	95,262	—	113	—	113
Net loss	—	—	—	—	—	(8,330)	(8,330)
BALANCE, December 31, 2019	—	\$ —	21,370,280	\$ 21	\$ 75,154	\$ (43,175)	\$ 32,000
Impact of adoption of ASU 2016-13 new accounting standard for credit losses	—	—	—	—	—	(9)	(9)
Issuance of common stock under the promissory note	—	—	260,495	—	226	—	226
Issuance of Series A Convertible Preferred Shares & Warrants	200,000	—	—	—	4,313	—	4,313
Conversion of Series A Convertible Preferred Shares to common stock	(18,525)	—	332,106	1	(1)	—	—
Series A Convertible Preferred Shares dividends	—	—	—	—	—	(71)	(71)
Net loss	—	—	—	—	—	(6,900)	(6,900)
BALANCE, December 31, 2020	181,475	\$ —	21,962,881	\$ 22	\$ 79,692	\$ (50,155)	\$ 29,559

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

PYXIS TANKERS INC.

Consolidated Statements of Cash Flows

For the years ended December 31, 2018, 2019 and 2020

(Expressed in thousands of U.S. dollars)

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Cash flows from operating activities:			
Net loss	\$ (8,214)	\$ (8,330)	\$ (6,900)
Adjustments to reconcile net loss to net cash from operating activities:			
Depreciation	5,500	5,320	4,418
Amortization of special survey costs	133	240	253
Amortization and write-off of financing costs	386	258	328
Vessel impairment charge	2,282	—	—
Gain from debt extinguishment	(4,306)	—	—
Loss from financial derivative instrument	19	27	1
Loss on vessel held-for-sale	—	2,756	—
Gain on sale of vessel, net	—	—	(7)
Bad debt provisions	13	26	—
Issuance of common stock under the promissory note	—	113	169
Changes in assets and liabilities:			
Inventories	209	306	(180)
Trade accounts receivable, net	(1,895)	1,316	571
Due from related parties	—	—	(2,308)
Prepayments and other assets	227	(210)	239
Special surveys cost	(588)	(435)	(1,068)
Trade accounts payable	2,499	(274)	(939)
Due to related parties	1,277	3,447	(6,849)
Hire collected in advance	422	993	(689)
Accrued and other liabilities	(167)	108	(69)
Net cash (used in) / provided by operating activities	\$ (2,203)	\$ 5,661	\$ (13,030)
Cash flows from investing activities:			
Advances for ballast water treatment system	—	(47)	—
Proceeds from the sale of vessel, net	—	—	13,197
Vessel additions	—	—	(25)
Ballast water treatment system installation	(99)	(470)	(542)
Net cash (used in) / provided by investing activities	\$ (99)	\$ (517)	\$ 12,630
Cash flows from financing activities:			
Proceeds from long-term debt	44,500	—	15,250
Repayment of long-term debt	(43,640)	(4,503)	(19,909)
Gross proceeds from issuance of common stock	315	354	—
Common stock offerings costs	(407)	(23)	(57)
Gross proceeds from the issuance of Series A Convertible Preferred Shares	—	—	4,571
Series A Convertible Preferred Shares offering costs	—	—	(260)
Dividend distributions declared and paid	—	—	(69)
Payment for financial derivative instrument	(47)	—	—
Payment of financing costs	(908)	—	(265)
Net cash used in financing activities	\$ (187)	\$ (4,172)	\$ (739)
Net (decrease) / increase in cash and cash equivalents and restricted cash	(2,489)	972	(1,139)
Cash and cash equivalents and restricted cash at the beginning of the year	6,693	4,204	5,176
Cash and cash equivalents and restricted cash at end of the year	\$ 4,204	\$ 5,176	\$ 4,037
SUPPLEMENTAL INFORMATION:			
Cash paid for interest	\$ 4,283	\$ 5,163	\$ 4,432
Non-cash financing activities – issuance of common stock under the promissory note	—	113	226
Unpaid portion of ballast water treatment system installation	—	56	174
Unpaid portion for common stock offering costs	—	57	35

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

PYXIS TANKERS INC.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2020

(Expressed in thousands of U.S. dollars, except for share and per share data)

1. Basis of Presentation and General Information

PYXIS TANKERS INC. (“Pyxis”) is a corporation incorporated in the Republic of the Marshall Islands on March 23, 2015. As of December 31, 2020, Pyxis owns 100% ownership interest in the following five vessel-owning companies:

- SECONDONE CORPORATION LTD, established under the laws of the Republic of Malta (“Secondone”);
- THIRDONE CORPORATION LTD, established under the laws of the Republic of Malta (“Thirdone”);
- FOURTHONE CORPORATION LTD, established under the laws of the Republic of Malta (“Fourthone”);
- SEVENTHONE CORP., established under the laws of the Republic of the Marshall Islands (“Seventhone”); and
- EIGHTHONE CORP., established under the laws of the Republic of the Marshall Islands (“Eighthone,” and collectively with Secondone, Thirdone, Fourthone, and Seventhone, the “Vessel-owning companies”).

We also currently own 100% ownership interest in the following non-vessel owning companies:

- SIXTHONE CORP., established under the laws of the Republic of the Marshall Islands (“Sixthone”);
- MARITIME TECHNOLOGIES CORP., established under the laws of Delaware;

All the subsidiaries of the Vessel-owning companies are engaged in the marine transportation of liquid cargoes through the ownership and operation of tanker vessels, as listed below:

Vessel-owning company	Incorporation date	Vessel	DWT	Year built	Acquisition date
Secondone	05/23/2007	<i>Northsea Alpha</i>	8,615	2010	05/28/2010
Thirdone	05/23/2007	<i>Northsea Beta</i>	8,647	2010	05/25/2010
Fourthone	05/30/2007	<i>Pyxis Malou</i>	50,667	2009	02/16/2009
Sixthone	01/15/2010	<i>Pyxis Delta*</i>	46,616	2006	03/04/2010
Seventhone	05/31/2011	<i>Pyxis Theta</i>	51,795	2013	09/16/2013
Eighthone	02/08/2013	<i>Pyxis Epsilon</i>	50,295	2015	01/14/2015

* Pyxis Delta, which was owned by Sixthone Corp. (“Sixthone”), was sold to an unaffiliated third party on January 13, 2020

Secondone, Thirdone and Fourthone were initially established under the laws of the Republic of the Marshall Islands, under the names SECONDONE CORP., THIRDONE CORP. and FOURTHONE CORP., respectively. In March and April 2018, these vessel-owning companies completed their re-domiciliation under the jurisdiction of the Republic of Malta and were renamed as mentioned above. For further information, please refer to Note 7.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the accounts of Pyxis and its wholly-owned subsidiaries (collectively the “Company”), as of December 31, 2019 and 2020 and for the years ended December 31, 2018, 2019 and 2020.

All of the Company’s vessels are double-hulled and are engaged in the transportation of refined petroleum products and other liquid bulk items, such as organic chemicals and vegetable oils. The vessels *Northsea Alpha* and *Northsea Beta* are smaller tanker sister ships and *Pyxis Malou*, *Pyxis Theta* and *Pyxis Epsilon*, are medium-range tankers.

Prior to the consummation of the transactions discussed below, Mr. Valentios (“Eddie”) Valentis was the sole ultimate stockholder of Pyxis and the Vessel-owning companies, holding all of their issued and outstanding share capital through Maritime Investors Corp. (“Maritime Investors”). Maritime Investors owned directly 100% of Pyxis, Secondone and Thirdone, and owned indirectly (through the intermediate holding company PYXIS HOLDINGS INC. (“Holdings”)) 100% of Fourthone, Sixthone, Seventhone and Eighthone.

On March 25, 2015, Pyxis caused MARITIME TECHNOLOGIES CORP., a Delaware corporation (“Merger Sub”), to be formed as its wholly-owned subsidiary and to be a party to the agreement and plan of merger discussed below.

On April 23, 2015, Pyxis and Merger Sub entered into an agreement and plan of merger (the “Agreement and Plan of Merger”) (further amended on September 22, 2015) with among others, LOOKSMART LTD. (“LS”), a digital advertising solutions company listed on NASDAQ. Merger Sub served as the entity into which LS was merged in accordance with the Agreement and Plan of Merger (the “Merger”). Upon execution of the Agreement and Plan of Merger, Pyxis paid LS a cash consideration of \$600.

PYXIS TANKERS INC.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2020

(Expressed in thousands of U.S. dollars, except for share and per share data)

1. Basis of Presentation and General Information - Continued

Prior to the Merger, on October 26, 2015, Holdings and Maritime Investors transferred all of their shares in the Vessel-owning companies to Pyxis as a contribution in kind, at no consideration. Since there was no change in ultimate ownership or control of the business of the Vessel-owning companies, the transaction constituted a reorganization of companies under common control and was accounted for in a manner similar to a pooling of interests. Accordingly, upon the transfer of the assets and liabilities of the Vessel-owning companies, the financial statements of the Company were presented using combined historical carrying amounts of the assets and liabilities of the Vessel-owning companies.

On October 28, 2015, in accordance with the terms of the Agreement and Plan of Merger, LS, after having divested of its business and all of its assets and liabilities, merged with and into the Merger Sub, with Merger Sub surviving the Merger and continuing to be a wholly-owned subsidiary of Pyxis.

On October 28, 2015, the Merger was consummated and the Company's shares commenced their listing on the NASDAQ Capital Markets thereafter.

Pyxis was both the legal and accounting acquirer of LS. The acquisition by Pyxis of LS was not an acquisition of an operating company as the business, assets and liabilities of LS were spun-off prior to the Merger. As such, for accounting purposes, the Merger between Merger Sub and LS was accounted for as a capital transaction rather than as a business combination.

PYXIS MARITIME CORP. ("Maritime"), a corporation established under the laws of the Republic of the Marshall Islands, which is beneficially owned by Mr. Valentis, provides certain ship management services to the Vessel-owning companies (Note 3).

With effect from the delivery of each vessel, the crewing and technical management of the vessels were contracted to INTERNATIONAL TANKER MANAGEMENT LTD. ("ITM") with permission from Maritime. ITM is an unrelated third party technical manager, represented by its branch based in Dubai, UAE. Each ship-management agreement with ITM is in force until it is terminated by either party. The ship-management agreements can be cancelled either by the Company or ITM for any reason at any time upon three months' advance notice.

Impact of COVID-19 on the Company's Business

The spread of the COVID-19 virus, which has been declared a pandemic by the World Health Organization, in 2020 has caused substantial disruptions in the global economy and the shipping industry, as well as significant volatility in the financial markets, the severity and duration of which remains uncertain.

The impact of the COVID-19 pandemic continues to unfold and may continue to have negative effect on the Company's business, financial performance and the results of its operations, including due to decreased demand for global seaborne refined petroleum products trade and related charter rates, the extent of which will depend largely on future developments. In light of COVID-19, the Company, as of December 31, 2020, evaluated whether there are conditions or events that cause substantial doubt about its ability to continue as a going concern. The Company reviewed its revenue concentration risk, the recoverability of its accounts receivable (i.e. credit risk) and tested its assets for potential impairment. As a result of this evaluation it has been determined that the only material impact of COVID-19 to the Company has been lower charter activity which has affected the entire industry and resulted in lower profitability and greater losses as well as in higher dry-docking costs. However, many of the Company's estimates and assumptions, especially charter rates, require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, the Company's estimates may change in future periods.

As of December 31, 2020, Mr. Valentis beneficially owned approximately 79.6% of the Company's common stock.

PYXIS TANKERS INC.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2020

(Expressed in thousands of U.S. dollars, except for share and per share data)

2. Significant Accounting Policies:

(a) Principles of Consolidation: The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP. The consolidated financial statements include the accounts of Pyxis and its wholly-owned subsidiaries (the Vessel-owning companies and Merger Sub). All intercompany balances and transactions have been eliminated upon consolidation.

Pyxis, as the holding company, determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity. Under Accounting Standards Codification (“ASC”) 810 “Consolidation” a voting interest entity is an entity in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make financial and operating decisions. Pyxis consolidates voting interest entities in which it owns all, or at least a majority (generally, greater than 50%), of the voting interest. Variable interest entities (“VIE”) are entities as defined under ASC 810-10, that in general either do not have equity investors with voting rights or that have equity investors that do not provide sufficient financial resources for the entity to support its activities. A controlling financial interest in a VIE is present when a company absorbs a majority of an entity’s expected losses, receives a majority of an entity’s expected residual returns, or both. The company with a controlling financial interest, known as the primary beneficiary, is required to consolidate the VIE. Pyxis evaluates all arrangements that may include a variable interest in an entity to determine if it may be the primary beneficiary, and would be required to include assets, liabilities and operations of a VIE in its consolidated financial statements. As of December 31, 2020, no such interest existed.

(b) Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

(c) Comprehensive Income / (Loss): The Company follows the provisions of ASC 220 “Comprehensive Income”, which requires separate presentation of certain transactions which are recorded directly as components of equity. The Company had no transactions which affect comprehensive loss during the years ended December 31, 2018, 2019 and 2020 and, accordingly, comprehensive loss was equal to net loss.

(d) Foreign Currency Translation: The functional currency of the Company is the U.S. dollar as the Company’s vessels operate in international shipping markets and, therefore, primarily transact business in U.S. dollars. The Company’s accounting records are maintained in U.S. dollars. 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. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are translated into U.S. dollars at the exchange rates in effect at the balance sheet date. Resulting gains or losses are included in Vessel operating expenses in the accompanying consolidated statements of comprehensive loss. All amounts in the financial statements are presented in thousand U.S. dollars rounded to the nearest thousand.

(e) Commitments and Contingencies: Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date. Disclosure of a contingency is made if there is at least a reasonable possibility that a change in the Company’s estimate of its probable liability could occur in the near future.

(f) Insurance Claims Receivable: The Company records insurance claim recoveries for insured losses incurred on damage to fixed assets and for insured crew medical expenses. Insurance claim recoveries are recorded, net of any deductible amounts, at the time the Company’s fixed assets suffer insured damages or when crew medical expenses are incurred, recovery is probable under the related insurance policies and the claim is not subject to litigation. The Company assessed the adoption of ASC 326 regarding the collectability of insurance claims recoveries and concluded that there is no material impact in the Company’s financial statements as of the date of the adoption of ASC 326 on January 1, 2020 and as of December 31, 2020 and thus no provision for credit losses was recorded as of those dates.

(g) Concentration of Credit Risk: Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and cash equivalents and trade accounts receivable. The Company places its cash and cash equivalents, consisting mostly of deposits, with qualified financial institutions with high creditworthiness. The Company performs periodic evaluations of the relative creditworthiness of those financial institutions that are considered in the Company’s investment strategy. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers’ financial condition and generally does not require collateral for its accounts receivable.

PYXIS TANKERS INC.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2020

(Expressed in thousands of U.S. dollars, except for share and per share data)

2. Significant Accounting Policies – Continued:

(h) Cash and Cash Equivalents and Restricted Cash: The Company considers highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents. Restricted cash is associated with pledged retention accounts in connection with the loan repayments and minimum liquidity requirements under the loan agreements discussed in Note 7 and is presented separately in the accompanying consolidated balance sheets. The Company assessed the adoption of ASC 326 for cash equivalents and restricted cash and concluded that there is no impact in the Company's financial statements as of the date of the adoption of ASC 326 on January 1, 2020 and as of December 31, 2020 and thus no provision for credit losses was recorded as of those dates.

(i) Income Taxation: Under the laws of the Republic of the Marshall Islands, the country of incorporation of certain of the Company's vessel-owning companies, and/or the vessels' registration, the vessel-owning companies are not liable for any income tax on their income derived from shipping operations. Instead, a tax is levied depending on the countries where the vessels trade based on their tonnage, which is included in Vessel operating expenses in the accompanying consolidated statements of comprehensive loss. The vessel-owning companies with vessels that have called on the United States during the relevant year of operation are obliged to file tax returns with the Internal Revenue Service. The applicable tax is 50% of 4% of U.S. related gross transportation income unless an exemption applies. The Company believes that based on current legislation the relevant vessel-owning companies are entitled to an exemption because they satisfy the relevant requirements, namely that (i) the related vessel-owning companies are incorporated in a jurisdiction granting an equivalent exemption to U.S. corporations and (ii) over 50% of the ultimate stockholders of the vessel-owning companies are residents of a country granting an equivalent exemption to U.S. persons.

Under the laws of the Republic of Malta, the country of incorporation of certain of the Company's vessel-owning companies, and/or the vessels' registration, these vessel-owning companies are not liable for any income tax on their income derived from shipping operations. The Republic of Malta is a country that has an income tax treaty with the United States. Accordingly, income earned by vessel-owning companies organized under the laws of the Republic of Malta may qualify for a treaty-based exemption. Specifically, Article 8 (Shipping and Air Transport) of the treaty sets out the relevant rule to the effect that profits of an enterprise of a Contracting State from the operation of ships in international traffic shall be taxable only in that State.

(j) Inventories: Inventories consist of lubricants and bunkers (where applicable) on board the vessels, which are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out ("FIFO") method.

(k) Trade Accounts Receivable, Net: Under spot charters, the Company normally issues its invoices to charterers at the completion of the voyage. Invoices are due upon issuance of the invoice. Since the Company satisfies its performance obligation over the time of the spot charter, the Company recognizes its unconditional right to consideration in trade accounts receivable, net of a provision for doubtful accounts, if any. Trade accounts receivable from spot charters as of December 31, 2019 and 2020, amounted to \$743 and \$672, respectively. The allowance for doubtful accounts at December 31, 2019 was zero. The allowance for expected credit losses at December 31, 2020 was \$9 (Note 2(aa)). Under time charter contracts, the Company normally issues invoices on a monthly basis 30 days in advance of providing its services. Trade accounts receivable from time charters as of December 31, 2019 and 2020, amounted to \$500 and \$1, respectively. Hire collected in advance includes cash received in advance of performance under the contract prior to the balance sheet date and is realized when the associated revenue is recognized under the contract in periods after such date. The hire collected in advance as of December 31, 2019 and 2020 was \$1,415 and \$ 706 respectively and concerns hire received in advance from time charters.

(l) Vessels, Net: Vessels are stated at cost, which consists of the contract price and any material expenses incurred in connection with the acquisition (initial repairs, improvements, delivery expenses and other expenditures to prepare the vessel for her initial voyage, as well as professional fees directly associated with the vessel acquisition). Subsequent expenditures for major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels; otherwise, these amounts are expensed as incurred.

The cost of each of the Company's vessels is depreciated from the date of acquisition on a straight-line basis over the vessels' remaining estimated economic useful life, after considering the estimated residual value. A vessel's residual value is equal to the product of its lightweight tonnage and estimated scrap rate of \$0.300 per ton. The Company estimates the useful life of the Company's vessels to be 25 years from the date of initial delivery from the shipyard. In the event that future regulations place limitations over the ability of a vessel to trade on a worldwide basis, its remaining useful life will be adjusted at the date such regulations are adopted.

PYXIS TANKERS INC.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2020

(Expressed in thousands of U.S. dollars, except for share and per share data)

2. Significant Accounting Policies – Continued:

(m) Impairment of Long Lived Assets: The Company reviews its long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount plus the unamortized dry-dock and survey balances of these assets may not be recoverable.

In developing estimates of future undiscounted cash flows, the Company makes assumptions and estimates about the vessels' future performance, relating to time charter equivalent rates by vessel type, vessels' operating expenses, management fees, vessels' capital expenditures, vessels' residual value, fleet utilization and the estimated remaining useful life of each vessel. The assumptions used to develop estimates of future undiscounted cash flows are based on historical trends as well as future expectations.

To the extent impairment indicators are present, the projected net operating cash flows are determined by considering the charter revenues from existing time charters for the fixed days and an estimated daily time charter rate for the unfixed days (based on the most recent seven year historical average rates over the remaining estimated useful life of the vessels), expected outflows for vessels' operating expenses, planned dry-docking and special survey expenditures, management fees expenditures which are adjusted every year, pursuant to the Company's existing group management agreement, and fleet utilization of 75.0% to 98.6% (depending on the type of the vessel) for the first year and 78% to 93.0%, including scheduled off-hire days for planned dry-dockings and vessel surveys, based on historical experience. The residual value used in the impairment test is estimated to be approximately \$0.3 per lightweight ton in accordance with the vessels' depreciation policy.

Should the carrying value plus the unamortized dry-dock and survey balance of the vessel exceed its estimated future undiscounted net operating cash flows, impairment is measured based on the excess of the carrying amount over the fair market value of the asset. The Company determines the fair value of its vessels based on management estimates and assumptions and by making use of available market data and taking into consideration third party valuations.

The review of the carrying amounts plus the unamortized dry-dock and survey balances in connection with the estimated recoverable amount for certain of the Company's as of December 31, 2018 indicated an impairment charge of \$2,282. No impairment charge for the Company's vessels was recorded as of December 31, 2019 and 2020 respectively.

(n) Long-lived Assets Classified as Held for Sale: The Company classifies long-lived assets and disposal groups as being held-for-sale in accordance with ASC 360, "Property, Plant and Equipment", when: (i) management, having the authority to approve the action, commits to a plan to sell the asset; (ii) the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets; (iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated; (iv) the sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale, within one year; (v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value and (vi) 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. Long-lived assets classified as held-for-sale are measured at the lower of their carrying amount or fair value less costs to sell. According to ASC 360-10-35, the fair value less costs to sell of the long-lived asset (disposal group) should be assessed at each reporting period it remains classified as held-for-sale. Subsequent changes in the long-lived asset's fair value less costs to sell (increase or decrease) would be reported as an adjustment to its carrying amount, not exceeding the carrying amount of the long-lived asset at the time it was initially classified as held-for-sale. These long-lived assets are not depreciated once they meet the criteria to be classified as held-for-sale and are classified in current assets on the consolidated balance sheet (Notes 5 and 6).

PYXIS TANKERS INC.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2020

(Expressed in thousands of U.S. dollars, except for share and per share data)

2. Significant Accounting Policies – Continued:

(o) Financial Derivative Instruments: The Company enters into interest rate derivatives to manage its exposure to fluctuations of interest rate risk associated with its borrowings. All derivatives are recognized in the consolidated financial statements at their fair value. The fair value of the interest rate derivatives is based on a discounted cash flow analysis. When such derivatives do not qualify for hedge accounting, the Company recognizes their fair value changes in current period earnings. When the derivatives qualify for hedge accounting, the Company recognizes the effective portion of the gain or loss on the hedging instrument directly in other comprehensive income / (loss), while the ineffective portion, if any, is recognized immediately in current period earnings. The Company, at the inception of the transaction, documents the relationship between the hedged item and the hedging instrument, as well as its risk management objective and the strategy of undertaking various hedging transactions. The Company also assesses at hedge inception whether the hedging instruments are highly effective in offsetting changes in the cash flows of the hedged items.

The Company discontinues cash flow hedge accounting if the hedging instrument expires and it no longer meets the criteria for hedge accounting or its designation is revoked by the Company. At that time, any cumulative gain or loss on the hedging instrument recognized in equity is kept in equity until the forecasted transaction occurs. When the forecasted transaction occurs, any cumulative gain or loss on the hedging instrument is recognized in the consolidated statement of comprehensive loss. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the current period's consolidated statement of comprehensive loss as financial income or expense.

(p) Accounting for Special Survey and Dry-docking Costs: The Company follows the deferral method of accounting for special survey and dry-docking costs, whereby actual costs incurred at the yard and parts used in the dry-docking or special survey, are deferred and are amortized on a straight-line basis over the period through the date the next survey is scheduled to become due. Costs deferred are limited to actual costs incurred at the shipyard and costs incurred in the dry-docking or special survey. If a dry-dock or a survey is performed prior to the scheduled date, any remaining unamortized balances of the previous dry-dock and survey are immediately written-off. Unamortized dry-dock and survey balances of vessels that are sold are written-off and included in the calculation of the resulting gain or loss in the period of the vessel's sale.

Furthermore, unamortized dry-docking and special survey balances of vessels that are classified as Assets held-for-sale and are not recoverable as of the date of such classification are immediately written-off and included in the resulting loss on vessel held-for-sale.

(q) Financing Costs: Costs associated with new loans or refinancing of existing loans, including fees paid to lenders or required to be paid to third parties on the lender's behalf for obtaining new loans or refinancing existing loans, are recorded as a direct deduction from the carrying amount of the debt liability. Such costs are deferred and amortized to Interest and finance costs in the consolidated statements of comprehensive loss during the life of the related debt using the effective interest method. Unamortized costs relating to loans repaid or refinanced, meeting the criteria of debt extinguishment, are expensed in the period the repayment or refinancing is made. Commitment fees relating to undrawn loan principal are expensed as incurred.

(r) Fair Value Measurements: The Company follows the provisions of Accounting Standard Update ("ASU") 2015-07 "Fair Value Measurements and Disclosures", Topic 820, which defines and provides guidance as to the measurement of fair value. This standard creates a hierarchy of measurement and indicates that, when possible, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets and the lowest priority (Level 3) to unobservable data, for example, the reporting entity's own data. Under the standard, fair value measurements are separately disclosed by level within the fair value hierarchy (Note 10).

PYXIS TANKERS INC.**Notes to the Consolidated Financial Statements**

December 31, 2019 and 2020

(Expressed in thousands of U.S. dollars, except for share and per share data)

2. Significant Accounting Policies – Continued:

(s) Segment Reporting: The Company reports financial information and evaluates its operations by charter revenues and not by the length of ship employment for its customers, i.e., spot or time charters. The Company 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 charters, management cannot and does not identify expenses, profitability or other financial information for these charters. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide (subject to certain agreed exclusions) and, as a result, the disclosure of geographic information is impracticable. As a result, management reviews operating results solely by revenue per day and operating results of the fleet and thus the Company has determined that it operates under one reportable segment.

(t) Income/(Loss) per Share: Basic income/(loss) per share is computed by dividing the net income/(loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period.

The computation of diluted income/(loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted at the beginning of the periods presented, or issuance date, if later. The treasury stock method is used to compute the dilutive effect of warrants and, shares issued under the equity incentive plan and the promissory note. The if-converted method is used to compute the dilutive effect of shares which could be issued upon conversion of the Series A Convertible Preferred Shares into common shares. Potential common shares that have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) are excluded from the calculation of diluted earnings per share. As the Company reported losses for the years ended December 31, 2018, 2019 and 2020, the effect of any incremental shares would be antidilutive and thus excluded from the computation of loss per share.

(u) Going Concern: The Company performs cash flow projections on a regular basis to evaluate whether it will be in a position to cover its liquidity needs for the next 12-month period and in compliance with the financial and security collateral cover ratio covenants under its existing debt agreements. In developing estimates of future cash flows, the Company makes assumptions about the vessels' future performance, with significant assumptions relating to time charter equivalent rates by vessel type, vessels' operating expenses, vessels' capital expenditures, fleet utilization, the Company's management fees and general and administrative expenses, and cash flow requirements for debt servicing. The assumptions used to develop estimates of future cash flows are based on historical trends as well as future expectations.

As of December 31, 2020, the Company had a working capital deficit of \$2,895, defined as current assets minus current liabilities. The Company considered such deficit in conjunction with the future market prospects and potential future financings. As of the filing date of these consolidated financial statements, the Company believes that it will be in a position to cover its liquidity needs for the next 12-month period through the recent Private Placement of Equity, the contemplated debt refinancing of the Entrust Loan (Note 13) cash generated from the vessels' operations and possible asset sales. The Company believes that will be in compliance with the financial and security collateral cover ratio covenants under its existing debt agreements for the next 12-month period.

(v) Revenues, net: The Company generates its revenues from charterers. The vessels are chartered using either spot charters, where a contract is made in the spot market for the use of a vessel for a specific voyage for a specified charter rate, or time charters, where a contract is entered into for the use of a vessel for a specific period of time and a specified daily charter hire rate.

The following table presents the Company's revenue disaggregated by revenue source, net of commissions, for the years ended December 31, 2018, 2019 and 2020:

	December 31, 2018	December 31, 2019	December 31, 2020
Revenues derived from spot charters, net	\$ 16,990	\$ 8,067	\$ 7,022
Revenues derived from time charters, net	11,467	19,686	14,689
Revenues, net	\$ 28,457	\$ 27,753	\$ 21,711

PYXIS TANKERS INC.

Notes to the Consolidated Financial Statements

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2. Significant Accounting Policies – Continued:

Revenue from customers (ASC 606): As of January 1, 2018, the Company adopted Accounting Standard Update (“ASU”) 2014-09 “*Revenue from Contracts with Customers (Topic 606)*”. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The Company analyzed its contracts with charterers at the adoption date and has determined that its spot charters fall under the provisions of ASC 606, while its time charter agreements are lease agreements that fall under the provisions of ASC 842 and that contain certain non-lease components. The Company elected to adopt ASC 606 by applying the modified retrospective transition method, recognizing the cumulative effect of adopting this guidance as an adjustment to the 2018 opening balance of accumulated deficit. As of December 31, 2017, there were no vessels employed under spot charters and as a result, the Company has not included any adjustments to the 2018 opening balance of accumulated deficit and prior periods were not retrospectively adjusted.

The Company assessed its contracts with charterers for spot charters and concluded that there is one single performance obligation for its spot charter, which is to provide the charterer with a transportation service within a specified time period. In addition, the Company has concluded that a spot charter meets the criteria to recognize revenue over time as the charterer simultaneously receives and consumes the benefits of the Company’s performance. The adoption of this standard resulted in a change whereby the Company’s method of revenue recognition changed from discharge-to-discharge (assuming a new charter has been agreed before the completion of the previous spot charter) to load-to-discharge. This resulted in no revenue being recognized from discharge of the prior spot charter to loading of the current spot charter and all revenue being recognized from loading of the current spot charter to discharge of the current spot charter. This change results in revenue being recognized later in the voyage, which may cause additional volatility in revenues and earnings between periods. Demurrage income represents payments by a charterer to a vessel owner when loading or discharging time exceeds the stipulated time in the spot charter. The Company has determined that demurrage represents a variable consideration and estimates demurrage at contract inception. Demurrage income estimated, net of address commission, is recognized over the time of the charter as the performance obligation is satisfied.

Under a spot charter, the Company incurs and pays for certain voyage expenses, primarily consisting of brokerage commissions, port and canal costs and bunker consumption, during the spot charter (load-to-discharge) and during the ballast voyage (date of previous discharge to loading, assuming a new charter has been agreed before the completion of the previous spot charter). Before the adoption of ASC 606, all voyage expenses were expensed as incurred, except for brokerage commissions. Brokerage commissions are deferred and amortized over the related voyage period in a charter to the extent revenue has been deferred since commissions are earned as the Company’s revenues are earned. Under ASC 606 and after the implementation of ASC 340-40 “*Other assets and deferred costs*” for contract costs, incremental costs of obtaining a contract with a customer and contract fulfillment costs, should be capitalized and amortized as the performance obligation is satisfied, if certain criteria are met. The Company assessed the new guidance and concluded that voyage costs during the ballast voyage represented costs to fulfil a contract which give rise to an asset and should be capitalized and amortized over the spot charter, consistent with the recognition of voyage revenues from spot charter from load-to-discharge, while voyage costs incurred during the spot charter should be expensed as incurred. With respect to incremental costs, the Company has selected to adopt the practical expedient in the guidance and any costs to obtain a contract will be expensed as incurred, for the Company’s spot charters that do not exceed one year. Vessel operating expenses are expensed as incurred.

In addition, pursuant to this standard and the new Leases standard (discussed below), as of January 1, 2018, the Company elected to present Revenues net of address commissions. Address commissions represent a discount provided directly to the charterers based on a fixed percentage of the agreed upon charter. Since address commissions represent a discount (sales incentive) on services rendered by the Company and no identifiable benefit is received in exchange for the consideration provided to the charterer, these commissions are presented as a reduction of revenue in the accompanying consolidated statements of comprehensive loss.

The Company does not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less, in accordance with the optional exception in ASC 606.

PYXIS TANKERS INC.

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2. Significant Accounting Policies – Continued:

Leases: The Company elected to early adopt the new lease standard “Leases” ASC 842 as of September 30, 2018 with adoption reflected as of January 1, 2018. The Company adopted the standard by using the modified retrospective method and selected the additional optional transition method. Also, the Company elected to apply a package of practical expedients under ASC 842, which allowed the Company, not to reassess (i) whether any existing contracts, on the date of adoption, contained a lease, (ii) lease classification of existing leases classified as operating leases in accordance with ASC 840 and (iii) initial direct costs for any existing leases. In this respect no cumulative-effect adjustment was recognized to the 2018 opening balance of accumulated deficit. The Company assessed its new time charter contracts at the adoption date under the new guidance and concluded that these contracts contain a lease with the related executory costs (insurance), as well as non-lease components to provide other services related to the operation of the vessel, with the most substantial service being the crew cost to operate the vessel. The Company concluded that the criteria for not separating the lease and non-lease components of its time charter contracts are met, since (i) the time pattern of recognizing revenues for crew and other services for the operation of the vessels, is similar to the time pattern of recognizing rental income, (ii) the lease component of the time charter contracts, if accounted for separately, would be classified as an operating lease, and (iii) the predominant component in its time charter agreements is the lease component. After the lease commencement date, the Company evaluates lease modifications, if any, that could result in a change in the accounting for leases. For a lease modification, an evaluation is performed to determine if it should be treated as either a separate lease or a change in the accounting of an existing lease. Brokerage and address commissions on time charter revenues are deferred and amortized over the related voyage period, to the extent revenue has been deferred, since commissions are earned as revenues earned, and are presented in voyage expenses and as a reduction to voyage revenues (see above), respectively. Vessel operating expenses are expensed as incurred. By taking the practical expedients, existing time charters at January 1, 2018, continued to be accounted for under ASC 840 while new time charters commencing in 2018 and onwards are accounted for under ASC 842. The adoption of ASC 842 had no effect on the Company’s consolidated financial position and results of operations for the year ended December 31, 2018 and 2019. Upon adoption of ASC 842, the Company made an accounting policy election to not recognize contract fulfillment costs for time charters under ASC 340-40.

Revenues for the years ended December 31, 2018, 2019 and 2020, deriving from significant charterers individually accounting for 10% or more of revenues (in percentages of total revenues), were as follows:

Charterer	2018	2019	2020
A	23%	71%	58%
B	15%	—	—
C	—	—	16%
	38%	71%	74%

(w) Restricted Cash: As of January 1, 2018, the Company adopted the ASU 2016-18 “Statement of Cash Flows (Topic 230): Restricted Cash”, which requires that the statement of cash flows explain the change in the total of cash and cash equivalents and restricted cash. Restricted cash of \$3,659, \$3,735 and \$2,417 as at December 31, 2018, 2019 and 2020, respectively, has been aggregated with cash and cash equivalents in both the beginning-of-year and end-of-year line items of the consolidated statements of cash flows for each of the periods presented. The implementation of this update has no impact on the Company’s consolidated balance sheet and consolidated statement of comprehensive loss.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the accompanying consolidated balance sheets that are presented in the accompanying consolidated statement of cash flows for the years ended December 31, 2018, 2019 and 2020.

	December 31, 2018	December 31, 2019	December 31, 2020
Cash and cash equivalents	\$ 545	\$ 1,441	\$ 1,620
Restricted cash, current portion	255	535	—
Restricted cash, net of current portion	3,404	3,200	2,417
Total cash and cash equivalents and restricted cash	\$ 4,204	\$ 5,176	\$ 4,037

(x) Business combinations: As of January 1, 2018, the Company adopted the ASU No. 2017-01, “Business Combinations” (Topic 805) which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisition (or disposals) of assets or businesses. Under current implementation guidance, the existence of an integrated set of acquired activities (inputs and processes that generate outputs) constitutes an acquisition of business. This ASU provides a screen to determine when a set of assets and activities does not constitute a business. The implementation of this update had no effect on the Company’s consolidated financial position and results of operations for the year ended December 31, 2018.

(y) Debt Modifications and Extinguishments: The Company follows the provisions of ASC 470-50, Modifications and Extinguishments, to account for all modifications or extinguishments of debt instruments, except debt that is extinguished through a troubled debt restructuring or a conversion of debt to equity securities of the debtor pursuant to conversion privileges provided in terms of the debt at issuance. This standard also provides guidance on whether an exchange of debt instruments with the same creditor constitutes an extinguishment and whether a modification of a debt instrument should be accounted for in the same manner as an extinguishment. In circumstances where an exchange of debt instruments or a modification of a debt instrument does not result in extinguishment accounting, this standard provides guidance on the appropriate accounting treatment.

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2. Significant Accounting Policies – Continued:

On July 8, 2020, Seventhorne entered into a \$15,250 secured loan agreement with the new lender, for the purpose of refinancing the outstanding indebtedness of \$11,293 under the previous loan facility, which was fully settled on the same day. The Company considered the guidance under ASC 470-50 “Debt Modifications and Extinguishments” and concluded that the transaction should be accounted for as debt extinguishment (Note 7).

(z) Distinguishing Liabilities from Equity: The Company follows the provisions of ASC 480 “Distinguishing liabilities from equity” to determine the classification of certain freestanding financial instruments as either liabilities or equity. The Company in its assessment for the accounting of the Series A Convertible Preferred Shares and detachable warrants issued in connection with the October 13, 2020 public offering has taken into consideration ASC 480 “Distinguishing liabilities from equity” and determined that the Series A Convertible Preferred Shares and detachable warrants should be classified as equity instead of liability (Note 8). The Company further analyzed key features of the Series A Convertible Preferred Shares and detachable warrants to determine whether these are more akin to equity or to debt and concluded that the Series A Convertible Preferred Shares and detachable warrants are equity-like. In its assessment, the Company identified certain embedded features, examined whether these fall under the definition of a derivative according to ASC 815 applicable guidance or whether certain of these features affected the classification. Derivative accounting was deemed inappropriate and thus no bifurcation of these features was performed.

(aa) New Accounting Pronouncements – Adopted

Expected credit losses: In June 2016, the FASB issued ASU No. 2016-13—Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments. ASU No. 2016-13 amended guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. In May 2019, the FASB issued ASU 2019-05, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 Financial Instruments”, the amendments of which provide entities that have certain instruments within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost, with an option to irrevocably elect the fair value option in Subtopic 825-10, Financial Instruments—Overall, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326. The amendments clarify that receivables arising from operating leases are outside of the scope of Subtopic 326-20. Accordingly, any impairment of receivables arising from operating leases i.e. time charters, should be accounted for in accordance with Topic 842, Leases, and not in accordance with Topic 326. Impairment of receivables arising from voyage charters, which are accounted for in accordance with Topic 606, Revenues from Contracts with Customers, are within the scope of Subtopic 326 and must therefore be assessed for expected credit losses.

As of January 1, 2020, the Company adopted ASU 2016-13—Financial Instruments—Credit Losses (Topic 326). The accounting standard amends the current financial instrument impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. Under the new guidance, an entity recognizes as an allowance its estimate of lifetime expected credit losses which will result in more timely recognition of such losses. The Company adopted the accounting standard using the prospective transition approach as of January 1, 2020, which resulted in a cumulative adjustment of \$(9), in the opening balance of accumulated deficit for the fiscal year of 2020. The Company maintains an allowance for credit losses for expected uncollectable accounts receivable, which is recorded as an offset to trade accounts receivable and changes in such, if any, are classified as Bad debt provisions in the Consolidated Statements of Comprehensive Loss.

The adoption of ASC 326 primarily impacted trade receivables recorded on Consolidated Balance Sheet. The Company assessed collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when the Company identifies specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, the Company considered historical collectability based on past due status. The Company also considered customer-specific information, current market conditions and reasonable and supportable forecasts of future economic conditions to inform adjustments to historical loss data.

As of January 1, 2020 and December 31, 2020, the Company concluded on an expected credit loss rate of 0.05% on the total outstanding receivables arising from voyage charters and 2.4% on outstanding receivables from demurrages. Management monitors its trade receivables on a daily and on a charter-by charterer basis in order to determine if adjustments are necessary in the expected credit loss rate. No additional allowance was warranted for the year ended December 31, 2020.

Fair Value measurement: On January 1, 2020, the Company adopted ASU 2018-13, “Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement”, which improves the effectiveness of fair value measurement disclosures. In particular, the amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements, including the consideration of costs and benefits. The amendments in the Update apply to all entities that are required under existing GAAP to make disclosures about recurring and non-recurring fair value measurements. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The adoption of this new accounting guidance did not have a material effect on the Company’s consolidated financial statements and related disclosures.

PYXIS TANKERS INC.

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2. Significant Accounting Policies – Continued:

Variable Interest Entities: On January 1, 2020, the Company adopted ASU 2018-17, “Consolidation (Topic 810) – Targeted Improvements to Related Party Guidance for Variable Interest Entities”, which improves the accounting for the following areas: (i) applying the variable interest entity (VIE) guidance to private companies under common control and (ii) considering indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests, thereby improving general purpose financial reporting. The Company applied the amendments in this Update retrospectively, as required. The adoption of this new accounting guidance did not have a material effect on the Company’s consolidated financial statements and related disclosures.

(ab) New Accounting Pronouncements – Not Yet Adopted:

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform. ASU 2020-04 applies to contracts that reference LIBOR or another reference rate expected to be terminated because of reference rate reform. In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848). The amendments in this Update clarify that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. Amendments in this Update to the expedients and exceptions in Topic 848 capture the incremental consequences of the scope clarification and tailor the existing guidance to derivative instruments affected by the discounting transition. The amendments in this Update apply to all entities that elect to apply the optional guidance in Topic 848. ASU 2020-04 and ASU 2021-10 can be adopted as of March 12, 2020 through December 31, 2022. As of December 31, 2020, the Company has not yet elected any optional expedients provided in the standard. The Company will apply the accounting relief as relevant contract and hedge accounting relationship modifications are made during the reference rate reform transition period. The Company does not expect the standard to have a material impact on our consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity. The ASU reduces the number of accounting models for convertible debt instruments by eliminating the cash conversion model. As compared with current U.S. GAAP, more convertible debt instruments will be reported as a single liability instrument and the interest rate of more convertible debt instruments will be closer to the coupon interest rate. The ASU also aligns the consistency of diluted Earnings Per Share (“EPS”) calculations for convertible instruments by requiring that (1) an entity use the if-converted method and (2) share settlement be included in the diluted EPS calculation for both convertible instruments and equity contracts when those contracts include an option of cash settlement or share settlement. The ASU is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The FASB has specified that an entity should adopt the guidance as of the beginning of its annual fiscal year. The Company is currently evaluating the impact this guidance may have on its consolidated financial statements and related disclosures.

3. Transactions with Related Parties:

The Company uses the services of Maritime, a ship management company with its principal office in Greece and an office in the U.S.A. Maritime is engaged under separate management agreements directly by the Company’s respective subsidiaries to provide a wide range of shipping services, including but not limited to, chartering, sale and purchase, insurance, operations and dry-docking and construction supervision, all provided at a fixed daily fee per vessel. For the ship management services, Maritime charges a fee payable by each subsidiary of \$0.325 per day per vessel while the vessel is in operation including any pool arrangements and \$0.450 per day per vessel while the vessel is under construction, as well as an additional daily fee (which is dependent on the seniority of the personnel) to cover the cost of engineers employed to conduct the supervision of the newbuilding (collectively the “Ship-management Fees”). In addition, Maritime charges the Company a commission rate of 1.25% on all charter hire agreements arranged by Maritime.

The management agreements for the vessels had an initial term of five years. For the Northsea Alpha and Northsea Beta the base term expired on December 31, 2015, for Pyxis Theta it expired on December 31, 2017 and for the Pyxis Epsilon and the Pyxis Malou it expired on December 31, 2018. Following their initial expiration dates, the management agreements were automatically renewed for consecutive five year periods, or until terminated by either party on three months’ notice.

The Head Management Agreement (the “Head Management Agreement”) with Maritime commenced on March 23, 2015 and continued through March 23, 2020. Following the initial expiration date, the Head Management Agreement was automatically renewed for a five-year period (unless terminated by either party on 90 days’ notice). Maritime provides administrative services to the Company, which include, among other, the provision of the services of the Company’s Chief Executive Officer, Chief Financial Officer, General Counsel and Corporate Secretary, Chief Operating Officer, one or more internal auditor(s) and a secretary, as well as the use of office space in Maritime’s premises. Under the Head Management Agreement, the Company pays Maritime a fixed fee of \$1,600 annually (the “Administration Fees”). In the event of a change of control of the Company during the management period or within 12 months after the early termination of the Head Management Agreement, then the Company will pay to Maritime an amount equal to 2.5 times the then annual Administration Fees. Pursuant to the amendment of this agreement on March 18, 2020, in the event of such change of control and termination, the Company shall also pay to Maritime an amount equal to 12 months of the then daily Ship-management Fees.

PYXIS TANKERS INC.**Notes to the Consolidated Financial Statements**

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(Expressed in thousands of U.S. dollars, except for share and per share data)

3. Transactions with Related Parties - Continued:

The Ship-management Fees and the Administration Fees are adjusted annually according to the official inflation rate in Greece or such other country where Maritime was headquartered during the preceding year. On August 9, 2016, the Company amended the Head Management Agreement with Maritime to provide that in the event that the official inflation rate for any calendar year is deflationary, no adjustment shall be made to the Ship-management Fees and the Administration Fees, which will remain, for the particular calendar year, as per the previous calendar year. Effective January 1, 2019 and 2020, the Ship-management Fees and the Administration Fees were increased by 0.62%, and, 0.26% respectively, in line with the average inflation rate of Greece for 2018 and 2019. For 2020, the average rate in Greece was a deflation of 1.24% and as a result no adjustment shall be made to the Ship-management Fees and the Administration Fees effective January 1, 2021, which will remain, for the particular calendar year, as per the previous year.

The following amounts were charged by Maritime pursuant to the head management and ship-management agreements with the Company, and are included in the accompanying consolidated statements of comprehensive loss:

	Year Ended December 31,		
	2018	2019	2020
Included in Voyage related costs and commissions			
Charter hire commissions	\$ 354	\$ 351	\$ 276
Included in Management fees, related parties			
Ship-management Fees	720	724	637
Included in General and administrative expenses			
Administration Fees	1,618	1,628	1,632
Total	\$ 2,692	\$ 2,703	\$ 2,545

On October 28, 2015 the Company issued a promissory note in favor of Maritime Investors in the amount of \$2.5 million, with an interest rate payable of 2.75% and maturity of January 15, 2017. Certain amendments were made increasing the principal balance to \$5.0 million, extending the maturity date to March 31, 2020 and the interest rate to 4.5%. On May 14, 2019, the Company entered into a second amendment to the Amended & Restated Promissory Note which (i) extended the repayment of the outstanding principal, in whole or in part, until the earlier of a) one year after the repayment of the credit facility of Eighthone with Entrust Global (the "Credit Facility") on September 2023 (see Note 7), b) January 15, 2024 and c) repayment of any Paid-In-Kind ("PIK") interest and principal deficiency amount under the Credit Facility, and (ii) increased the interest rate to 9.0% per annum of which 4.5% shall be paid in cash and 4.5% shall be paid in common shares of the Company calculated on the volume weighted average closing share price for the 10 day period immediately prior to each quarter end. The new interest rate was effective from April 1, 2019. After the repayment restrictions have been lifted per the Credit Facility, the Company, at its option, may continue to pay interest on the Amended & Restated Promissory Note in the afore-mentioned combination of cash and shares or pay all interest costs in cash. The Company considered the guidance under ASC 470-50 "Debt Modifications and Extinguishments" and concluded that the transaction should be accounted for as debt extinguishment.

With respect to the portion of interest that will be settled in common shares, the Company considered the guidance in ASC 480 that requires obligations that can be settled in shares with a fixed monetary value at settlement (e.g., share-settled debt) and followed the guidance in ASC 835-30 to accrue the liability to the redemption amount using the interest method.

Interest charged on the Amended & Restated Promissory Note for the years ended December 31, 2018, 2019 and 2020, amounted to \$213, \$395 and \$452, respectively, and is included in Interest and finance costs, net (Note 12) in the accompanying consolidated statements of comprehensive loss. Of the total interest charged on the Amended & Restated Promissory Note during the year ended December 31, 2019, \$225 was paid in cash and the remaining amount of \$170 was settled in common shares. Of the amount settled in common shares, \$113 was settled in common shares during 2019 and the remaining amount of \$57 were settled in January 2020. Of the total interest charged on the Amended & Restated Promissory Note during the year ended December 31, 2020, \$226 was payable in cash and the remaining amount of \$226 was settled in common shares. Of the amount settled in common shares, \$169 was settled in common shares during 2020 and the remaining amount of \$57 was settled in January 2021.

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3. Transactions with Related Parties - Continued:

The amount of \$5,000 is separately reflected in the accompanying consolidated balance sheets under non-current liabilities.

As of December 31, 2019 and 2020, there was a balance due to Maritime of \$6,849 and due from Maritime of \$2,308, respectively. Relevant balances are reflected in Due to related parties and Due from related parties, respectively, in the accompanying consolidated balance sheets. The balance with Maritime is interest free and with no specific repayment terms.

4. Inventories:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	December 31, 2019	December 31, 2020
Lubricants	\$ 403	\$ 348
Bunkers	98	333
Total	\$ 501	\$ 681

5. Vessels, net:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	Vessel Cost	Accumulated Depreciation	Net Book Value
Balance January 1, 2019	\$ 134,310	\$ (26,318)	\$ 107,992
Depreciation	—	(5,320)	(5,320)
Additions	625	—	625
Reclassification of vessel as held-for-sale	(26,412)	10,622	(15,790)
Balance December 31, 2019	\$ 108,523	\$ (21,016)	\$ 87,507
Depreciation	—	(4,418)	(4,418)
Additions	685	—	685
Balance December 31, 2020	\$ 109,208	\$ (25,434)	\$ 83,774

As of December 31, 2018, the Company reviewed the carrying amount in connection with the estimated recoverable amount for each of its vessels. This review indicated that such carrying amount was not fully recoverable for the Company's vessels *Northsea Alpha* and *Northsea Beta*. Consequently, the carrying value of these vessels plus unamortized dry-dock and survey balances amounting to \$12,989 was written down resulting in a total impairment charge of \$2,282 that was charged against Vessels, net, based on level 2 inputs of the fair value hierarchy, as discussed in Notes 2 and 10. No impairment charge was deemed necessary for the years ended December 31, 2019 and 2020.

All of the Company's vessels have been pledged as collateral to secure the bank loans discussed in Note 7.

On November 13, 2019, the Company decided to make arrangements to sell Pyxis Delta and the Company concluded that all the criteria required by the relevant accounting standard, ASC 360-10-45-9, for the classification of the vessel Pyxis Delta as "held for sale" were met. On December 11, 2019, the Company entered into an agreement with a third-party to sell the vessel. As at December 31, 2019, the amount of \$13,190 was separately reflected in Vessel held-for-sale on the consolidated balance sheet, representing the estimated fair market value of the vessel based on the vessel's sale price, net of costs to sell. The difference between the estimated fair value less costs to sell the vessel and the vessel's carrying value (including the unamortized balance of its associated dry-docking cost), amounting to \$2,756, was written-off and included in the consolidated statement of comprehensive loss for the year ended December 31, 2019 and classified as Loss on vessel held-for-sale. The total net proceeds from the sale of the vessel were approximately \$13.2 million, of which, \$5.7 million was used for the prepayment of the Pyxis Delta and Pyxis Theta loan facility and \$7.5 million for the repayment of the Company's liabilities to its related party (Maritime) and for the repayment of obligations to its trade creditors.

As of December 31, 2019, additions of \$625 relate to the ballast water treatment system installation of Pyxis Malou, of which, \$569 was paid in 2019 and the balance of \$56 during the first quarter of 2020.

As of December 31, 2020, additions amounted to \$685 of which \$660 relates to the ballast water treatment system installation of Pyxis Epsilon, of which, \$486 was paid in 2020 and \$174 is accrued and remains unpaid.

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6. Deferred charges, net:

The movement in the deferred charges, net in the accompanying consolidated balance sheets are as follows:

	Dry docking costs
Balance, January 1, 2018	285
Additions	588
Amortization	(133)
Balance, December 31, 2018	740
Additions	435
Amortization	(240)
Transfer to vessel held-for-sale	(156)
Balance, December 31, 2019	779
Additions	1,068
Amortization	(253)
Balance, December 31, 2020	\$ 1,594

The amortization of the dry-docking costs is separately reflected in the accompanying consolidated statements of comprehensive loss.

7. Long-term Debt:

The amounts shown in the accompanying consolidated balance sheets at December 31, 2019 and 2020, are analyzed as follows:

Vessel (Borrower)	December 31, 2019	December 31, 2020
<i>(a) Northsea Alpha (Secondone)</i>	\$ 3,690	\$ 3,290
<i>(a) Northsea Beta (Thirdone)</i>	3,690	3,290
<i>(b) Pyxis Malou (Fourthone)</i>	10,020	8,730
<i>(c) Pyxis Delta (Sixthone)</i>	4,050	—
<i>(c) Pyxis Theta (Seventhone)</i>	13,469	14,950
<i>(d) Pyxis Epsilon (Eighthone)</i>	24,000	24,000
Total	\$ 58,919	\$ 54,260
Current portion	\$ 9,241	\$ 3,410
Less: Current portion of deferred financing costs	(257)	(155)
Current portion of long-term debt, net of deferred financing costs, current	\$ 8,984	\$ 3,255
Long-term portion	\$ 49,678	\$ 50,850
Less: Non-current portion of deferred financing costs	(445)	(519)
Long-term debt, net of current portion and deferred financing costs, non-current	\$ 49,233	\$ 50,331

- (a) On September 26, 2007, Secondone and Thirdone jointly entered into a loan agreement with a financial institution for an amount of up to \$24,560, in order to partly finance the acquisition cost of the vessels *Northsea Alpha* and *Northsea Beta*.
- (b) Based on a loan agreement concluded on December 12, 2008, Fourthone borrowed \$41,600 in February 2009 in order to partly finance the acquisition cost of the *Pyxis Malou*.

PYXIS TANKERS INC.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2020

(Expressed in thousands of U.S. dollars, except for share and per share data)

7. Long-term Debt - Continued:

On February 28, 2018, the Company refinanced the then existing indebtedness of \$26,906 under the Secondone, Thirdone and Fourthone loan agreements with a new 5-year secured loan of \$20,500 and cash of \$2,100. The remaining balance of \$4,306 was written-off by the previous lender at closing, which was recorded as gain from debt extinguishment in the 2018 consolidated statement of comprehensive loss.

Each of Secondone's and Thirdone's outstanding loan balance at December 31, 2020, amounting to \$3,290, is repayable in 9 remaining quarterly installments of \$100 each amounting to \$900 in the aggregate, the first falling due in February 2021, and the last installment accompanied by a balloon payment of \$2,390 falling due in February 2023.

As of December 31, 2020, the outstanding balance of the Fourthone loan of \$8,730 is repayable in 9 quarterly installments amounting to \$3,330, the first falling due in February 2021, and the last installment accompanied by a balloon payment of \$5,400 falling due in February 2023. The first installment, amounting to \$330, is followed by four amounting to \$360 each and four amounting to \$390 each.

The loan bears interest at LIBOR plus a margin of 4.65% per annum.

As a condition subsequent to the execution of this loan agreement, the borrowers, Secondone, Thirdone and Fourthone, were required to re-domicile to the jurisdiction of the Republic of Malta. In March and April 2018, these vessel-owning companies completed their re-domiciliation and were renamed to SECONDONE CORPORATION LTD., THIRDONE CORPORATION LTD. and FOURTHONE CORPORATION LTD., respectively.

Standard loan covenants include, among others, a minimum liquidity and an MSC.

The facility also imposes certain customary covenants and restrictions with respect to, among other things, the borrowers' ability to incur additional indebtedness, create liens, change its share capital, engage in mergers, or sell the vessel and a minimum collateral value to outstanding loan principal.

Covenants:

- The Company undertakes to maintain minimum deposits with the bank of \$1,450 at all times.
 - MSC is to be at least 150% until February 2022 and at least 155% thereafter.
 - The borrowers, Secondone, Thirdone and Fourthone are 100% legally and beneficially (directly) owned by the Company. No change of ownership of the borrowers and change of control of the Company without lender's prior written consent, where control means: (i) the power (whether by way of ownership of shares, partnership units, proxy, contract, agency or otherwise) to: (a) cast, or control the casting of, more than 50% of the maximum number of votes that might be cast at a general meeting of the Company; or (b) appoint or remove all, or the majority, of the directors or other equivalent officers of the Company; or (c) give directions with respect to the operating and financial policies of the Company with which the directors or other equivalent officers of the Company are obliged to comply; and/or (ii) the holding beneficially of more than 50% of the issued shares of the Company (excluding any part of that issued shares that carries no right to participate beyond a specified amount in a distribution of either profits or capital).
- (c) On October 12, 2012, Sixthone and Seventhone concluded as joint and several borrowers a loan agreement with a financial institution in order to partly finance the acquisition and construction cost of the *Pyxis Delta* and the *Pyxis Theta*, respectively. In February 2013, Sixthone drew down an amount of \$13,500, while in September 2013, Seventhone drew down an amount of \$21,300 ("Tranche A" and "Tranche B", respectively). On September 29, 2016, the Company agreed with the lender of Sixthone to extend the maturity of Tranche A from May 2017 to September 2018, under the same amortization schedule and applicable margin. In addition, on June 6, 2017, the lender of Sixthone and Seventhone agreed to further extend the maturity of its respective loans from September 2018 to September 2022 under the same applicable margin, but with an extended amortization schedule.

On November 13, 2019, the Company decided to make arrangements to sell *Pyxis Delta*, and the Company concluded that all the criteria required by the relevant accounting standard, ASC 360-10-45-9, for the classification of the vessel *Pyxis Delta* as "held for sale" were met. As at December 31, 2019, upon classification of *Pyxis Delta* as vessel held-for-sale, the total outstanding balance of Tranche A of \$4,050 was classified in the consolidated balance sheet under the line item "Current portion of long-term debt, net of deferred financing costs". According to the loan agreement, the early prepayment of the outstanding balance of Tranche A obliged the Company to make a prepayment of \$1,624 for Tranche B so that the required security cover ratio of the facility remained the same as the ratio applied immediately prior to the sale. As of December 31, 2019, the amount of \$1,624 of Tranche B, that was due to be prepaid upon the early prepayment of Tranche A, was also classified in the consolidated balance sheet under the line item "Current portion of long-term debt, net of deferred financing costs".

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7. Long-term Debt - Continued:

On January 13, 2020, pursuant to the sale agreement that the Company entered into in late 2019, Pyxis Delta was delivered to her buyers. The total net proceeds from the sale of the vessel were \$13,197, \$5,674 out of which was used to prepay the loan facility secured by the *Pyxis Delta* and the *Pyxis Theta* and \$7,523 for the repayment of the Company's liabilities to Maritime and obligations to its trade creditors. On July 8, 2020, Seventhone entered into a \$15,250 secured loan agreement with the new lender, for the purpose of refinancing the outstanding indebtedness of \$11,293 under the previous loan facility, which was fully settled on the same day. The new loan bears interest at LIBOR plus a margin of 3.35% per annum. As of December 31, 2020, the outstanding balance of the Seventhone loan of \$14,950 is repayable in 19 consecutive quarterly installments of \$300 each, the first falling due in January 2021, and the last installment accompanied by a balloon payment of \$9,250 falling due in July 2025. Standard collateral interests and customary covenants are incorporated in this facility.

Standard loan covenants include, among others, a minimum liquidity and a minimum required Security Cover Ratio ("MSC").

The facility imposes certain customary covenants and restrictions with respect to, among other things, the borrower's ability to distribute dividends, incur additional indebtedness, create liens, change its share capital, engage in mergers, or sell the vessel and a minimum collateral value to outstanding loan principal.

Covenants:

- The Company undertakes to maintain minimum deposit with the bank of \$500 at all times.
 - The ratio of the Company's total liabilities to total assets is not to exceed 75%. This requirement is only applicable in order to assess whether the Vessel-owning company is entitled to distribute dividends to Pyxis. As of December 31, 2020, the requirement was met as such ratio was 71%, or 4% lower than the required threshold.
 - MSC is to be at least 125% of the respective outstanding loan balance.
 - No change shall be made directly or indirectly in the ownership, beneficial ownership, control or management of Seventhone or of the Company or any share therein or the *Pyxis Theta*, as a result of which less than 100% of the shares and voting rights in Seventhone or less than 40% of the shares and voting rights in the Company remain in the ultimate legal and beneficial owners disclosed at the negotiation of this loan agreement.
- (d) On September 27, 2018, Eighthone entered into a new \$24,000 loan agreement, for the purpose of refinancing the outstanding indebtedness of \$16,000 under the previous loan facility and for general corporate purposes. The new facility matures in September 2023 and is secured by a first priority mortgage over the vessel, general assignment covering earnings, insurances and requisition compensation, an account pledge agreement and a share pledge agreement concerning the respective vessel-owning subsidiary and technical and commercial managers' undertakings.

The new loan facility bears an interest rate of 11% of which 1.0% can be paid as PIK interest per annum for the first two years, and 11.0% per annum thereafter and incurs fees due upfront and upon early prepayment or final repayment of outstanding principal.

The principal obligation amortizes in 10 quarterly installments starting in March 29, 2021, equal to the lower of \$400 and excess cash computed through a cash sweep mechanism, plus a balloon payment due at maturity. As of December 31, 2020, the outstanding balance of Eighthone loan was \$24,000. Management cannot currently assess with any certainty that any amount under the cash sweep will be made prior to loan maturity.

The facility also imposes certain customary covenants and restrictions with respect to, among other things, the borrower's ability to distribute dividends, incur additional indebtedness, create liens, change its share capital, engage in mergers, or sell the vessel and a minimum collateral value to outstanding loan principal.

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7. Long-term Debt - Continued:**Covenants:**

- As of December 31, 2019, the Company had to maintain minimum deposits with the bank ("Liquidity Account") of \$750 at all times. Based on the first supplemental letter dated 9, July 2020, the Company undertook to maintain the credit balance of the Liquidity Account not falling at any time below \$375 and to credit on each Quarter End Date (such first Quarter End Date being the December 31, 2020) an amount equal to \$1 per day to the Liquidity Account calculated on and from October 1, 2020, until such time that the amount standing to the credit of the Liquidity Account is no less than the Minimum Liquidity Amount of \$750.
- Following the Second Supplemental Letter signed on September 25, 2020, MSC was to be at least 115% of the respective outstanding loan balance until December 31, 2020 (inclusive) and at least 125% thereafter.
- The Company ceases to own directly the entire share capital of Eighthone; or Mr. Valentis (either directly and/or indirectly through companies beneficially owned by him/or trusts of foundations of which he is a beneficiary) ceases to own at least 25 per cent. of the share capital of the Company; or Mr. Valentis ceases to be the Chairman of the Company.

Under the facility, a deferred fee may be payable on the occurrence of certain events including, among others, the sale of the vessel or on repayment or maturity of the loan. If payable, the amount due is calculated as the lesser of (a) 15% of the amount of the loan borrowed under the facility agreement and (b) 15% of the difference between (i) the charter-free fair market value of the vessel plus any dry dock reserve account balance and (ii) any outstanding loan amount at the time of the repayment or maturity of the facility. In the event that the deferred fee and the prepayment fee become simultaneously payable, only the higher of the prepayment fee or the deferred fee will be payable. Management has assessed this deferred fee as a contingent liability under ASC 450 and concluded that such loss contingency should not be accrued as of December 31, 2020 by a charge in the consolidated statements of comprehensive loss, since information available as of December 31, 2020 did not indicate that was probable that the liability had been incurred as of the balance sheet date at December 31, 2020 and could not be reliably estimated. A prepayment fee of \$0.2 million was paid following the refinancing of the facility on March 30, 2021 (Note 13).

Each loan is secured by a first priority mortgage over the respective vessel and a first priority assignment of the vessel's insurances and earnings. Each loan agreement contains customary ship finance covenants including restrictions as to changes in management and ownership of the vessel and in dividend distributions when certain financial ratios are not met.

As of December 31, 2020, the Company was in compliance with all of its financial and MSC covenants with respect to its loan agreements. In addition, as of December 31, 2020, there was no amount available to be drawn down by the Company under its existing loan agreements.

The annual principal payments required to be made after December 31, 2020, are as follows:

To December 31,	Amount
2021	\$ 3,410
2022	3,530
2023	35,970
2024	1,200
2025 and thereafter	10,150
Total	\$ 54,260

Total interest expense on long-term debt and promissory note for the years ended December 31, 2018, 2019 and 2020, amounted to \$4,048, \$5,517 and \$4,636 respectively, and is included in Interest and finance costs, net (Note 12) in the accompanying consolidated statements of comprehensive loss. The Company's weighted average interest rate (including the margin) for the years ended December 31, 2018, 2019 and 2020, was 6.00%, 8.18% and 7.69% per annum, including the promissory note discussed in Note 3, respectively.

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8. Equity Capital Structure and Equity Incentive Plan:

The Company's authorized common and preferred stock consists of 450,000,000 common shares, 50,000,000 preferred shares of which 1,000,000 are authorized as Series A Convertible Preferred Shares. The Company had nil and 181,475 Series A Convertible Preferred Shares issued and outstanding as at December 31, 2019 and 2020, respectively with a par value of USD 0.001 per share.

The amounts shown in the accompanying consolidated balance sheets as Additional paid-in capital represent contributions made by the stockholders at various dates to finance vessel acquisitions in excess of the amounts of bank loans obtained, advances for working capital purposes, net of subsequent distributions primarily from re-imbursement of certain payments to shipyards in respect to the construction of new-built vessels, the non-cash portion of the interest payable in shares under the Amended & Restated Promissory Note, net proceeds from the issuance of common stock and the net proceeds of \$4.3 million from the Company's offering of 200,000 units referred below. There was no paid-in capital re-imbursement for the years ended December 31, 2019 and 2020.

On February 2, 2018, the Company filed with the SEC a registration statement on Form F-3, under which it may sell from time to time common stock, preferred stock, debt securities, warrants, purchase contracts and units, each as described therein, in any combination, in one or more offerings up to an aggregate dollar amount of \$100,000. In addition, the selling stockholders referred to in the registration statement may sell in one of more offerings up to 5,233,222 shares of the Company's common stock from time to time as described therein. The registration statement was declared effective by the SEC on February 12, 2018. On March 30, 2018, the Company filed a prospectus supplement to the Shelf Registration Statement related to an At-The-Market Program ("ATM Program") under which it may, from time to time, issue and sell shares of its common stock up to an aggregate offering of \$2,300 through a sales agent as either agent or principal. No shares were sold under this initial ATM Program, but on November 19, 2018, the prospectus supplement was amended to increase the offering to \$3,675. As of December 31, 2018, and 2019, the Company issued and sold 182,297 and 214,828 common shares, respectively, under the ATM Program. As of December 31, 2020, no shares have been sold under the ATM Program.

On October 13, 2020, the Company announced the closing of its offering of 200,000 Units at an offering price of \$25.00 per Unit (the "Offering"). Each Unit was immediately separable into one 7.75% Series A Convertible Preferred Shares and eight (8) detachable Warrants, each warrant exercisable for one common share, for a total of up to 1,600,000 common shares of the Company. Each Warrant will entitle the holder to purchase one common share at an initial exercise price of \$1.40 per share at any time prior to October 13, 2025 or, in case of absence of an effective registration statement, to exchange those cashless based on a formula. Any Warrants that remain unexercised on October 13, 2025 shall be automatically exercised by way of a cashless exercise on that date.

On October 13, 2020, the Company had granted the underwriter a 45-day option to purchase up to 30,000 additional Series A Convertible Preferred Shares and/or 240,000 additional Warrants. The purchase price to be paid by the Underwriters per optional preferred share was \$23.051 and the purchase price per optional Warrant was \$0.00925. On the same day, the underwriter partially exercised its overallotment option for 135,040 Warrants for gross proceeds of \$1. The Company considered that the overallotment option was a freestanding financial instrument but did not meet the derivative definition criteria and did not require bifurcation.

The Warrants are also subject to customary adjustment provisions, such as for stock dividends, subdivisions and combinations and certain fundamental transactions such as those in which the Company directly or indirectly, in one or more related transactions effect any merger or consolidation of the Company with or into another entity, or the Company effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions. The Company determined that the Warrants are indexed to its own stock and meet all the conditions for equity classification. As of December 31, 2020, 1,735,040 Warrants remained outstanding.

The Series A Convertible Preferred Shares and Warrants are listed on the Nasdaq Capital Market under the symbols "PXSAP" and "PXSAW", respectively.

Each Series A Convertible Preferred Share is convertible into common shares at an initial conversion price of \$1.40 per common share, or 17.86 common shares, at any time at the option of the holder, subject to certain customary adjustments.

If the trading price of Pyxis Tankers' common stock equals or exceeds \$2.38 per share for at least 20 days in any 30 consecutive trading day period ending 5 days prior to notice, the Company can call, in whole or in part, for mandatory conversion of the Series A Convertible Preferred Shares. The holders, however, will be prohibited from converting the Series A Convertible Preferred Shares into common shares to the extent that, as a result of such conversion, the holder would own more than 9.99% of the total number common shares then issued and outstanding, unless a 61-day notice is delivered to the Company. The conversion price is subject to customary anti-dilution and other adjustments relating to the issuance of common shares as a dividend or the subdivision, combination, or reclassification of common shares into a greater or lesser number of common shares.

Beginning on October 13, 2023, the Company may, at its option, redeem the Series A Convertible Preferred Shares, in whole or in part, by paying \$25.00 per share, plus any accrued and unpaid dividends to the date of redemption.

If the Company liquidates, dissolves or winds up, holders of the Series A Convertible Preferred Shares will have the right to receive \$25.00 per share, plus all accumulated, accrued and unpaid dividends (whether or not earned or declared) to and including the date of payment, before any payments are made to the holders of the Company's common shares or to the holders of equity securities the terms of which provide that such equity securities will rank junior to the Series A Convertible Preferred Shares. The rights of holders of Series A Convertible Preferred Shares to receive their liquidation preference also will be subject to the proportionate rights of any other class or series of our capital stock ranking in parity with the Series A Convertible Preferred Shares as to liquidation.

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8. Equity Capital Structure and Equity Incentive Plan - Continued:

The Series A Convertible Preferred Shares are not redeemable for a period of three years from issuance, except upon change of control. In the case of a change of control that is pre-approved by the Company's Board of Directors, holders of Series A Convertible Preferred Shares have the option to (i) demand that the Company redeem the Series A Convertible Preferred Shares at (a) \$26.63 per Series A Convertible Preferred Share from the date of issuance until October 13, 2021, (b) \$25.81 per Series A Convertible Preferred Share from October 13, 2021 until October 13, 2022 and (c) \$25.00 after October 13, 2022, or (ii) continue to hold the Series A Convertible Preferred Shares. Upon a change of control, the holders also have the option to convert some or all of the Series A Convertible Preferred Shares, together with any accrued or unpaid dividends, into shares of common stock at the conversion rate. Change of Control means that (i) Mr. Valentios Valentis and his affiliates cease to own at least 20% of the voting securities of the Company, or (ii) a person or group acquires at least 50% voting control of the Company, and in the case of each of either (i) or (ii), neither the Company nor any surviving entity has its common stock listed on a recognized U.S. exchange.

The Series A Convertible Preferred Shares did not generate a beneficial conversion feature (BCF) upon issuance as the fair value of the Company's common shares was lower than the conversion price. The Series A Convertible Preferred Shares did not meet the criteria for mandatorily redeemable financial instruments. Additionally, the Company determined that the nature of the Series A Convertible Preferred Shares was more akin to an equity instrument and that the economic characteristics and risks of the embedded conversion options were clearly and closely related to the Series A Convertible Preferred Shares. As such, the conversion options were not required to be bifurcated from the equity host under ASC 815, Derivatives and Hedging. The Company also determined that the redemption call option did meet the definition of a derivative but is eligible for exception from derivative accounting and thus no bifurcation of the feature was performed.

The Series A Convertible Preferred Shares will not vote with the common shares, however, if dividends on the Series A Convertible Preferred Shares are in arrears for eighteen (18) or more consecutive or non-consecutive monthly dividends, the holders of the Series A Convertible Preferred Shares, voting as a single class, shall be entitled to vote for the election of one additional director to serve on the Board of Directors until the next annual meeting of shareholders following the date on which all dividends that are owed and are in arrears have been paid. In addition, unless the Company has received the affirmative vote or consent of the holders of at least 66.67% of the then outstanding Series A Convertible Preferred Shares, voting as a single class, the Company may not create or issue any class or series of capital stock ranking senior to the Series A Convertible Preferred Shares with respect to dividends or distributions.

Dividends on the Series A Convertible Preferred Shares are cumulative from and including the date of original issuance in the amount of \$1.9375 per share each year, which is equivalent to 7.75% of the \$25.00 liquidation preference per share. Dividends on the Series A Convertible Preferred Shares are paid monthly in arrears starting November 20, 2020, to the extent declared by the board of directors of the Company.

On November 20, 2020, the Company paid a cash dividend of \$0.1991 per share on each Series A Convertible Preferred Share for the first period in November 2020. On December 21, 2020, the Company paid a cash dividend of \$0.1615 per share on each Series A Convertible Preferred Share for the month of December 2020.

The Company also agreed to issue and sell to designees of the underwriter as compensation, two separate types of Underwriter's Warrants for an aggregate purchase price of \$100 (absolute amount). The warrants were issued pursuant to an Underwriting Agreement dated October 8, 2020. The first type of the Underwriter's Warrants is a warrant for the purchase of an aggregate of 2,000 Series A Convertible Preferred Shares at an exercise price of \$24.92 and the second type is a warrant for the purchase of an aggregate of 16,000 Warrants at an exercise price of \$0.01, at any time on or after April 6, 2021 and prior to October 8, 2025 (the "Termination Date"). On exercise, each Underwriter Warrant allows the holder to purchase one Series A Convertible Preferred Share or one Warrant of the Company or, in case of absence of an effective registration statement, to exchange those cashless based on a formula set in the Underwriting Agreement.

Any Underwriter's Warrants that remain unexercised on the Termination Date shall be automatically exercised by way of a cashless exercise on that date. The Underwriter's Warrants are also subject to customary adjustment provisions similar to the detachable Warrants discussed above.

The Company has accounted for Underwriter's Warrants in accordance with ASC 718-Compensation-Stock Compensation, classified within stockholders' equity. As of December 31, 2020, 2,000 Underwriter's Warrants to purchase 2,000 Series A Convertible Preferred Shares and 16,000 Underwriter's warrant to purchase 16,000 Warrants remained outstanding.

The Company received gross proceeds of \$5.0 million from the Offering, prior to deducting underwriting discounts and offering expenses. The net proceeds from the Offering of approximately \$4.3 million were used for general corporate purposes, including working capital and the repayment of debt.

As of December 31, 2018, following the issuance and sale of 182,297 shares of common stock under the ATM Program, the Company's outstanding common shares increased from 20,877,893 to 21,060,190. As of December 31, 2019, following the issuance and sale of additional 214,828 common shares under the ATM Program the Company raised \$354 at an average (gross) price of \$1.65/share. Furthermore, during the same period, the Company issued 95,262 of common shares to settle the interest charged on the Amended & Restated Promissory Note, discussed in Note 3. As a result of the above transactions the Company's outstanding common shares increased from 21,060,190 to 21,370,280 as at December 31, 2019. During the year ended December 31, 2020, the Company issued additional 260,495 of common shares to settle the interest charged on the Amended & Restated Promissory Note, discussed in Note 3. Furthermore, during the same year 18,525 Series A Convertible Preferred Shares were converted to 332,106 common stock. The Company's common stock issued and outstanding increased from 21,370,280 to 21,962,881 as at December 31, 2020 and, as of the same date, the Company's outstanding Series A Convertible Preferred Stock decreased from 200,000 to 181,475 while no Warrants of any type were exercised.

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9. Loss per Common Share:

	For the years ended December 31,		
	2018	2019	2020
Net loss available to common stockholders	\$ (8,214)	\$ (8,330)	\$ (6,982)
Weighted average number of common shares, basic and diluted	20,894,202	21,161,164	21,548,126
Loss per common share, basic and diluted	\$ (0.39)	\$ (0.39)	\$ (0.32)

As of December 31, 2020, securities that could potentially dilute basic loss per share in the future that were not included in the computation of diluted loss per share, because to do so would have anti-dilutive effect, were any incremental shares of the unexercised warrants, calculated with the treasury stock method, as well as shares assumed to be converted with respect to the Series A Convertible Preferred Shares calculated with the if-converted method. At December 31, 2018 and 2019, there were no securities that could potentially dilute basic loss per share.

10. Risk Management and Fair Value Measurements:

The principal financial assets of the Company consist of cash and cash equivalents, trade accounts receivable due from charterers and amounts due from related parties. The principal financial liabilities of the Company consist of long-term bank loans, trade accounts payable and a promissory note.

Interest rate risk: The Company's interest rates are calculated at LIBOR plus a margin, as discussed in Note 7 and hence the Company is exposed to movements in LIBOR. In order to hedge its variable interest rate exposure, on January 19, 2018, the Company, via one of its vessel-ownings subsidiaries, entered into an interest rate cap agreement with one of its lenders for a notional amount of \$10,000 and a cap rate of 3.5%. The interest rate cap will terminate on July 18, 2022.

Credit risk: Credit risk is minimized since trade accounts receivable from charterers are presented net of the expected credit losses. The Company places its cash & cash equivalents, primarily with high credit qualified financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. On the balance sheet date there were no significant concentrations on credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

Currency risk: The Company's transactions are denominated primarily in U.S. dollars; therefore, overall currency exchange risk is limited. Balances in foreign currency other than U.S. dollars are not considered significant.

Fair value: The Management has determined that the fair values of the assets and liabilities as of December 31, 2020, are as follows:

	Carrying Value	Fair Value
Cash and cash equivalents	\$ 4,037	\$ 4,037
Trade accounts receivable, net	\$ 663	\$ 663
Trade accounts payable	\$ 3,642	\$ 3,642
Long-term debt with variable interest rates, net	\$ 30,260	\$ 30,260
Long-term loans and promissory note with non-variable interest rates, net *	\$ 29,000	\$ 33,864

* As at December 31, 2020, Carrying Value of Eighthone Loan and Amended & Restated Promissory Note is \$24,000 and \$5,000, respectively. Theoretical Fair Value of Eighthone Loan and Amended & Restated Promissory Note is \$28,121 and \$5,743, respectively.

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10. Risk Management and Fair Value Measurements - Continued:

Assets measured at fair value on a recurring basis: Interest rate cap

The Company's interest rate cap does not qualify for hedge accounting. The Company adjusts its interest rate cap contract to fair market value at the end of every period and records the resulting gain or loss during the period in the consolidated statements of comprehensive loss. Information on the classification, the derivative fair value and the loss from financial derivative instrument included in the consolidated financial statements is shown below:

Consolidated Balance Sheets – Location	December 31, 2019	December 31, 2020
Financial derivative instrument – Other non-current assets	\$ 1	\$ —

Consolidated Statements of Comprehensive Loss - Location	December 31, 2019	December 31, 2020
Financial derivative instrument – Fair value at the beginning of the period	\$ (28)	\$ (1)
Financial derivative instrument – Fair value as at period end	1	—
Loss from financial derivative instrument	\$ (27)	\$ (1)

Assets measured at fair value on a recurring basis: Interest rate cap

The fair value of the Company's interest rate cap agreement is determined based on market-based LIBOR rates. LIBOR rates are observable at commonly quoted intervals for the full term of the cap and therefore, are considered Level 2 items in accordance with the fair value hierarchy.

Assets measured at fair value on a non-recurring basis: Long lived assets held and used and Held for sale

As of December 31, 2018, the Company reviewed the carrying amount in connection with the estimated recoverable amount for each of its vessels. This review indicated that such carrying amount was not fully recoverable for the Company's vessels *Northsea Alpha* and *Northsea Beta*. Consequently, the carrying value of these vessels was written-down to their respective fair values as presented in the table below.

Vessel	Significant Other Observable Inputs (Level 2)	Vessel Impairment Charge (charged against Vessels, net)
<i>Northsea Alpha</i>	\$ 6,125	\$ 1,142
<i>Northsea Beta</i>	6,125	1,140
TOTAL	\$ 12,250	\$ 2,282

The fair value is based on level 2 inputs of the fair value hierarchy and reflects the Company's best estimate of the value of each vessel on a time charter free basis and is supported by a vessel valuation of an independent shipbroker which is mainly based on recent sales and purchase transactions of similar vessels.

The Company performs an impairment exercise whenever there are indicators of impairment.

The Company recognized the total Vessel impairment charge of \$2,282 which is included in the accompanying consolidated statements of comprehensive loss for the year ended December 31, 2018.

No impairment loss was recognized for the years ended December 31, 2019 and 2020.

On November 13, 2019, the Company decided to make arrangements to sell Pyxis Delta, and the Company concluded that all the criteria required by the relevant accounting standard, ASC 360-10-45-9, for the classification of the vessel as "held for sale", were met. Long lived assets classified as held-for-sale are measured at the lower of their carrying amount or fair value less costs to sell. As at December 31, 2019, the Company has classified Pyxis Delta under Vessel held-for-sale on the consolidated balance sheet, at a value of \$13,190 representing the estimated fair market value of the vessel, net of costs to sell, based on the gross selling price of the agreement signed with a third party to sell the vessel, on December 11, 2019. (Level 2 inputs of the fair value hierarchy).

As of December 31, 2019 and 2020, the Company did not have any other assets or liabilities measured at fair value on a non-recurring basis.

PYXIS TANKERS INC.**Notes to the Consolidated Financial Statements**

December 31, 2019 and 2020

(Expressed in thousands of U.S. dollars, except for share and per share data)

11. Commitments and Contingencies:***Minimum contractual charter revenues:***

The Company employs certain of its vessels under lease agreements. Time charters typically may provide for variable lease payments, charterers' options to extend the lease terms at higher rates and termination clauses. The Company's contracted time charters as of December 31, 2020, range from one to three months, with varying extension periods at the charterers' option and do not provide for variable lease payments. Our time charters contain customary termination clauses which protect either the Company or the charterers from material adverse situations.

Future minimum contractual charter revenues, gross of 1.25% address commission and 1.25% brokerage commissions to Maritime and of any other brokerage commissions to third parties, based on the vessels' committed, non-cancelable, long-term time charter contracts as of December 31, 2020, are as follows:

Year ending December 31,	Amount
2021	\$ 4,358
	<u>\$ 4,358</u>

Other: Various claims, suits and complaints, including those involving government regulations and environmental liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. Currently, management is not aware of any such claims not covered by insurance or contingent liabilities, which should be disclosed, or for which a provision has not been established in the accompanying consolidated financial statements.

12. Interest and Finance Costs, net:

The Company accrues for the cost of environmental and other liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. As of December 31, 2020 and as of the date of the issuance of these consolidated financial statements, management is not aware of any other claims or contingent liabilities, which should be disclosed or for which a provision should be established in the accompanying consolidated financial statements. The Company is covered for liabilities associated with the individual vessels' actions to the maximum limits as provided by Protection and Indemnity (P&I) Clubs, members of the International Group of P&I Clubs.

The amounts in the accompanying consolidated statements of comprehensive loss are analyzed as follows:

	For the years ended December 31,		
	2018	2019	2020
Interest on long-term debt (Note 7)	\$ 3,835	\$ 5,122	\$ 4,184
Interest on promissory note (Note 3)	213	395	452
Long-term debt prepayment fees	56	—	—
Amortization and write-off of financing costs	386	258	328
Total	<u>\$ 4,490</u>	<u>\$ 5,775</u>	<u>\$ 4,964</u>

13. Subsequent Events:

Issuance of shares: On January 4, 2021 and April 2, 2021, following the second amendment to the Amended & Restated Promissory Note dated May 14, 2019, the Company issued 64,446 and 47,827 of common shares, respectively, at the volume weighted average closing share price for the 10-day period immediately prior to the quarter end, as discussed in Note 3.

Pyxis Regains Compliance with NASDAQ's Minimum Closing Bid Price Rule: On July 2, 2020, NASDAQ had notified the Company of its noncompliance with the minimum bid price of \$1.00 over the previous 30 consecutive business days as required by the Listing Rules of the NASDAQ Stock Market. On December 29, 2020, the Company received written notification granting the Company a 180-day extension, or until June 28, 2021, to regain compliance with the minimum bid price requirement. Subsequently, from January 28, 2021 to February 16, 2021, the Company's closing bid price for its common shares was \$1.00 per share or greater and, on February 17, 2021, NASDAQ informed the Company that it had regained compliance with the exchange's minimum closing bid price rule (NASDAQ Listing Rule 5550(a)(2)).

PYXIS TANKERS INC.

Notes to the Consolidated Financial Statements

December 31, 2019 and 2020

(Expressed in thousands of U.S. dollars, except for share and per share data)

13. Subsequent Events - Continued:

Closing of \$25.0 Million Private Placement of Common Stock: On February 24, 2021 the Company announced that it had closed its definitive securities purchase agreements with a group of investors, which resulted in gross proceeds to Pyxis Tankers of \$25.0 million, before deducting placement offering expenses. Pyxis Tankers issued 14,285,715 shares of common stock at a price of \$1.75 per share. The Company will use the net proceeds from the offering for general corporate purposes, which may include the repayment of outstanding indebtedness and potential vessel acquisitions. The securities offered and sold by Pyxis Tankers in the private placement were subsequently registered under the Securities Act of 1933, as amended (the "Securities Act"), under a resale registration statement filed with the Securities and Exchange Commission (the "SEC") and became effective on March 11, 2021. Any resale of Pyxis Tankers' shares under such resale registration statement will be made only by means of a prospectus.

Series A Convertible Preferred Shares Conversions & Warrant Exercises: During the period through April 6, 2021, 58,814 of Series A Convertible Preferred Shares were converted into 1,052,529 registered common shares of the Company and 144,500 Warrants were exercised for 144,500 registered common shares. The Company received \$0.2 million on Warrant exercise.

As of April 6, 2021, we had a total of 37,225,792 common shares issued and outstanding of which Mr. Valentis beneficially owned 47.3%.

Series A Convertible Preferred Shares Dividend Payments: On January 20, 2021, February 22, 2021 and March 22, 2021, the Company paid cash dividends of \$0.1615 per Series A Convertible Preferred Share for each month which aggregated to \$83.

Amendment to Eighthone Loan: On March 4, 2021, Eighthone Corp., the owner of the Pyxis Epsilon, entered into a Third Amendment with Wilmington Trust, as Agent, to modify two loan covenants. The Minimum Liquidity amount shall remain at \$0.5 million through 2021 and increase to \$0.75 million thereafter until maturity. The Minimum Security Cover shall remain at 115% of the outstanding loan (currently \$24 million) through 2021 and increase to 125% thereafter. All other terms and conditions shall remain in full force and effect.

Refinancing of Eighthone Loan: On March 29, 2021, the Company entered into a new secured loan agreement for the refinancing of the existing Eighthone loan. The \$17 million provided by the new secured loan combined with \$7.3 million of available cash were used to prepay the outstanding indebtedness of the previous loan in full and fund closing fees and expenses. The new five year loan has quarterly amortization of \$0.3 million with \$11 million due at maturity. The loan is priced at Libor plus 3.35%. All other terms and conditions were standard for a bank loan of this type.

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2020, Pyxis Tankers Inc. had common stock, par value \$0.001 per share ("common stock" or "common shares"), 7.75% Series A Cumulative Convertible Preferred Shares, par value \$0.001 per share ("Series A Preferred Shares"), and Warrants to purchase common stock, par value of \$0.001 per share ("Warrants"), registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Unless otherwise indicated in this description of securities, "Pyxis," the "Company," "we," "us" and "our" refer to Pyxis Tankers Inc. and not to its subsidiaries.

Under our Articles of Incorporation, our authorized capital stock consists of 450,000,000 shares of common stock, par value \$0.001 per share, and 50,000,000 are designated as preferred shares, par value \$0.001 per share. As of December 31, 2020, we had 21,962,881 common shares issued and outstanding, 181,475 Series A Preferred Shares outstanding and 1,735,040 Warrants outstanding. All of our shares of stock are in registered form. There are no limitations on the rights to own 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.

DESCRIPTION OF COMMON SHARES

The following description sets forth certain material provisions of the Company's common stock. The following summary does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the applicable provisions of the Company's Articles of Incorporation (the "Articles of Incorporation") and Bylaws (the "Bylaws"), each of which is incorporated by reference as an exhibit to the Annual Report on Form 20-F of which this Exhibit is a part. We encourage you to refer to our Articles of Incorporation and Bylaws for additional information.

Holders of our common stock do not have preemptive, subscription or conversion rights or redemption or sinking fund provisions.

Voting Rights

Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of shareholders. Our directors are elected by a plurality of the votes cast at a meeting of stockholders entitled to vote. There is no provision for cumulative voting.

Directors are elected annually on a staggered basis. There are three classes of directors; each class serves a separate term length. Our board of directors has the authority to, in its discretion, fix the amounts which shall be payable to members of the board of directors and to members of any committee for attendance at the meetings of the board of directors or of such committee and for services rendered to us.

Dividend Rights

Subject to preferences that may be applicable to any outstanding preferred shares, holders of our common stock are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends.

Liquidation Rights

Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of our common stock are entitled to receive pro-rata the remaining assets available for distribution.

Limitations on Ownership

There are no limitations on the rights to own 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.

Anti-takeover Effect of Certain Provisions of our Articles of Incorporation and Bylaws

Certain provisions of Marshall Islands law and our articles of incorporation and bylaws could make the acquisition of the Company by means of a tender offer, a proxy contest, or otherwise, and the removal of our incumbent officers and directors more difficult. These provisions are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of the Company to work with our management.

Our articles of incorporation and bylaws include provisions that:

- allow our board of directors to issue, without further action by the shareholders, up to 50,000,000 shares of undesignated preferred stock;
- providing for a classified board of directors with staggered, three year terms;
- prohibiting cumulative voting in the election of directors;
- prohibiting stockholder action by written consent unless consent is signed by all stockholders entitled to vote on the action;
- 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 cast at an annual meeting of stockholders;
- require that special meetings of our shareholders be called only by a majority of our board of directors or the chairman of the board; and
- establish an advance notice procedure for shareholder proposals to be brought before an annual meeting of shareholders.

Our articles of incorporation also prohibit us from engaging in any “Business Combination” with any “Interested Shareholder” (as such terms are explained further below) for a period of three years following the date the shareholder became an Interested Shareholder, unless:

- prior to such time, our board of directors approved either the Business Combination or the transaction which resulted in the shareholder becoming an Interested Shareholder;
 - upon consummation of the transaction which resulted in the shareholder becoming an Interested Shareholder, the Interested Shareholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer;
 - at or subsequent to such time, the Business Combination is approved by our board of directors and authorized at an annual or special meeting of shareholders, and not by written consent, by the affirmative vote of at least two thirds of the outstanding voting stock that is not owned by the Interested Shareholder; or
 - the shareholder became an Interested Shareholder prior to March 23, 2015.
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These restrictions shall not apply if:

- a shareholder becomes an Interested Shareholder inadvertently and (i) as soon as practicable divests itself of ownership of sufficient shares so that the shareholder ceases to be an Interested Shareholder; and (ii) would not, at any time within the three-year period immediately prior to a Business Combination between the Company and such shareholder, have been an Interested Shareholder but for the inadvertent acquisition of ownership; or
- the Business Combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required of a proposed transaction which (i) constitutes one of the transactions described in the following sentence; (ii) is with or by a person who either was not an Interested Shareholder during the previous three years or who became an Interested Shareholder with the approval of the Board; and (iii) is approved or not opposed by a majority of the members of our board of directors then in office (but not less than one) who were directors prior to any person becoming an Interested Shareholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors. The proposed transactions referred to in the preceding sentence are limited to:

(a) a merger or consolidation of the Company (except for a merger in respect of which, pursuant to the Marshall Islands Business Corporations Act (the “BCA”), no vote of our shareholders is required);

(b) a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of the Company or of any direct or indirect majority-owned subsidiary of the Company (other than to any direct or indirect wholly-owned subsidiary or to the Company) having an aggregate market value equal to 50% or more of either that aggregate market value of all of the assets of the Company determined on a consolidated basis or the aggregate market value of all the outstanding shares; or

(c) a proposed tender or exchange offer for 50% or more of our outstanding voting shares.

Our articles of incorporation define a “Business Combination” to include:

- any merger or consolidation of the Company or any direct or indirect majority-owned subsidiary of the Company with (i) the Interested Shareholder or any of its affiliates, or (ii) with any other corporation, partnership, unincorporated association or other entity if the merger or consolidation is caused by the Interested Shareholder;
 - any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), except proportionately as a shareholder of the Company, to or with the Interested Shareholder, whether as part of a dissolution or otherwise, of assets of the Company or of any direct or indirect majority-owned subsidiary of the Company which assets have an aggregate market value equal to 10% or more of either the aggregate market value of all the assets of the Company determined on a consolidated basis or the aggregate market value of all the outstanding shares;
 - any transaction which results in the issuance or transfer by the Company or by any direct or indirect majority-owned subsidiary of the Company of any shares, or any share of such subsidiary, to the Interested Shareholder, except: (A) pursuant to the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares, or shares of any such subsidiary, which securities were outstanding prior to the time that the Interested Shareholder became such; (B) pursuant to a merger with a direct or indirect wholly-owned subsidiary of the Company solely for purposes of forming a holding company; (C) pursuant to a dividend or distribution paid or made, or the exercise, exchange or conversion of securities exercisable for, exchangeable for or convertible into shares, or shares of any such subsidiary, which security is distributed, pro-rata to all holders of a class or series of shares subsequent to the time the Interested Shareholder became such; (D) pursuant to an exchange offer by the Company to purchase shares made on the same terms to all holders of said shares; or (E) any issuance or transfer of shares by the Company; provided however, that in no case under items (C)-(E) of this subparagraph shall there be an increase in the Interested Shareholder’s proportionate share of the any class or series of shares;
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- any transaction involving the Company or any direct or indirect majority-owned subsidiary of the Company which has the effect, directly or indirectly, of increasing the proportionate share of any class or series of shares, or securities convertible into any class or series of shares, or shares of any such subsidiary, or securities convertible into such shares, which is owned by the Interested Shareholder, except as a result of immaterial changes due to fractional share adjustments or as a result of any purchase or redemption of any shares not caused, directly or indirectly, by the Interested Shareholder; or
- any receipt by the Interested Shareholder of the benefit, directly or indirectly (except proportionately as a shareholder of the Company), of any loans, advances, guarantees, pledges or other financial benefits (other than those expressly permitted above) provided by or through the Company or any direct or indirect majority-owned subsidiary.

Our articles of incorporation define an “Interested Shareholder” as any person (other than the Company, Maritime Investors and any direct or indirect majority-owned subsidiary of the Company or Maritime Investors and its affiliates) that:

- is the owner of 15% or more of our outstanding voting shares; or
- is an affiliate or associate of the Company and was the owner of 15% or more of the outstanding voting shares of the Company at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an Interested Shareholder; and the affiliates and associates of such person; provided, however, that the term “Interested Shareholder” shall not include any person whose ownership of shares in excess of the 15% limitation set forth herein is the result of action taken solely by the Company; provided that such person shall be an Interested Shareholder if thereafter such person acquires additional shares of voting shares of the Company, except as a result of further Company action not caused, directly or indirectly, by such person.

DESCRIPTION OF PREFERRED STOCK

Our board of directors has the authority to authorize the issuance from time to time of one or more classes of preferred stock with one or more series within any class thereof, with such voting powers, full or limited, or without voting powers and with such designations, preferences and relative, participating, optional or special rights and qualifications, limitations or restrictions thereon as shall be set forth in the resolution or resolutions adopted by our board of directors providing for the issuance of such preferred stock. Issuances of preferred stock, while providing flexibility in connection with possible financings, acquisitions and other corporate purposes, could, among other things, adversely affect the voting power of the holders of our common stock.

Description of Series A Preferred Shares

In October 2020, we issued 200,000 units (the “Units”) at a price of \$25.00 per Unit (the “Series A Preferred Share and Warrants Transaction”). Each Unit was immediately separable into (i) one Series A Preferred Shares, and (ii) eight Warrants.

The following summary of the terms and provisions of the Series A Preferred Shares does not purport to be complete and is qualified in its entirety by reference to our Articles of Incorporation, the form of Certificate of Designation establishing the Series A Preferred Shares (the “Certificate of Designation”), filed as an exhibit to the registration statement on Form F-1 filed with the U.S. Securities and Exchange Commission (the “SEC”) on August 13, 2020 (File No. 333-245405), as amended.

Dividends. Holders of the Series A Preferred Shares will be entitled to receive, when, as and if declared by our board of directors, cumulative cash dividends payable monthly in an amount per Series A Preferred Share equal to \$1.9375 per share each year, which is equivalent to 7.75% of the \$25.00 liquidation preference per share per annum. Dividends on the Series A Preferred Shares will be payable monthly in arrears, beginning with the month ending October 31, 2020. To the extent declared by our board of directors, dividends will be payable not later than twenty (20) days after the end of each calendar month, starting on November 20, 2020. Dividends on the Series A Preferred Shares will accumulate whether or not we have earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are declared by our board of directors.

Right to Elect One Director Upon Nonpayment. If the Company fails to make a cash dividend payment with respect to eighteen (18) or more consecutive or non-consecutive monthly dividends (a “Dividend Nonpayment”), the holders of the Series A Preferred Shares, voting as a separate class, will be entitled to vote for the election of one additional director to serve on our board of directors until all dividends that are owed have been paid. Under these provisions, the authorized number of directors on our board of directors shall, at the next meeting of the board of directors, be increased by one and holders of Series A Preferred Shares, voting together as a single class, shall be entitled, at our next annual meeting of shareholders called for the election of directors or at a special meeting of shareholders called by the board of directors, to vote for the election of one additional member of the board of directors (the “Preferred Share Director”); *provided* that (i) any Preferred Share Director shall be reasonably acceptable to the board of directors and the Nominating and Corporate Governance Committee thereof, acting in good faith, (ii) the election of any such Preferred Share Director will not cause the Company to violate the corporate governance requirements of Nasdaq Capital Market (“Nasdaq”), including the rules and regulations applicable to “foreign private issuers” (or any other exchange or automated quotation system on which our securities may be listed or quoted), and (iii) that such Preferred Share Director may not be subject to any “Bad Actor” disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a “Disqualifying Event”), except for a Disqualifying Event covered by Rule 506(d)(2) or (d)(3). In the event of a Dividend Nonpayment, the holders of at least 50% of the outstanding Series A Preferred Shares may request that the board of directors call a special meeting of shareholders to elect such Preferred Share Director; *provided*, however, to the extent permitted by our bylaws, if the next annual or a special meeting of shareholders is scheduled to be held within 90 days of the receipt of such request, the election of such Preferred Share Director shall be included in the agenda for, and shall be held at, such scheduled annual or special meeting of shareholders. The Preferred Share Director shall stand for reelection annually, at each subsequent annual meeting of the shareholders, so long as the holders continue to have such voting rights. At any meeting at which the holders are entitled to elect a Preferred Share Director, the holders of record of at least one-third of the then outstanding Series A Preferred Shares, present in person or represented by proxy, shall constitute a quorum and the vote of the holders of record of a majority of such Series A Preferred Shares so present or represented by proxy at any such meeting at which there shall be a quorum shall be sufficient to elect the Preferred Share Director. If and when all accumulated and unpaid dividends on Series A Preferred Shares have been paid in full (a “Nonpayment Remedy”), the holders shall immediately and, without any further action by us, be divested of the voting rights described in this section, subject to the reversion of such rights in the event of a subsequent Dividend Nonpayment. If such voting rights for the holders shall have terminated, the term of office of the Preferred Share Director so elected shall terminate at the next annual meeting of shareholders following the date of the Nonpayment Remedy or his or her earlier death, resignation or removal and the authorized number of directors on the board of directors shall automatically decrease by one. The Preferred Share Director may be removed at any time, with or without cause, by the holders of a majority in voting power of the outstanding Series A Preferred Shares then outstanding when they have the voting rights described in this section. In the event that a Dividend Nonpayment shall have occurred and there shall not have been a Nonpayment Remedy, any vacancy in the office of a Preferred Share Director (other than prior to the initial election of the Preferred Share Director after a Dividend Nonpayment) may be filled by a vote of the holders of a majority in voting power of the outstanding shares of Series A Preferred Shares then outstanding when they have the voting rights described above; *provided* that (i) any Preferred Share Director shall be reasonably acceptable to the board of directors and the Nominating and Corporate Governance Committee thereof, acting in good faith, (ii) the election of any such Preferred Share Director will not cause the Company to violate the corporate governance requirements of Nasdaq, including the rules and regulations applicable to “foreign private issuers” (or any other exchange or automated quotation system on which our securities may be listed or quoted), and (iii) that such Preferred Share Director may not be subject to any “Bad Actor” disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a “Disqualifying Event”), except for a Disqualifying Event covered by Rule 506(d)(2) or (d)(3). The Preferred Share Director shall be entitled to one vote on any matter that shall come before the board of directors for a vote.

Voting Rights. In addition to the voting rights discussed above, so long as any Series A Preferred Shares are outstanding and remain unredeemed, the Company may not, without the vote or consent of the holders of a majority of the Series A Preferred Shares: (i) engage in a merger, consolidation or share exchange that materially and adversely affects the rights, preferences or voting power of the Series A Preferred Shares, unless Series A Preferred Shares are converted into or exchanged for (A) cash equal to or greater than the applicable redemption price per share or (B) preferred shares of the surviving entity having rights, preferences and privileges that are materially the same as those of the Series A Preferred Shares; (ii) amend our Articles of Incorporation or the Certificate of Designation to materially and adversely affect the rights, preferences or voting power of Series A Preferred Shares; or (iii) declare or pay any junior dividends or repurchase any junior securities during any time that all dividends on the Series A Preferred Shares have not been paid in full in cash.

Call Feature. Beginning October 13, 2023, we may, at our option, redeem the Series A Preferred Shares, in whole or in part, by paying \$25.00 per share, plus any accrued and unpaid dividends to the date of redemption.

Liquidation Preference of Series A Preferred Shares. If we liquidate, dissolve or wind up, holders of the Series A Preferred Shares will have the right to receive \$25.00 per share, plus all accumulated, accrued and unpaid dividends (whether or not earned or declared) to and including the date of payment, before any payments are made to the holders of our common shares or to the holders of equity securities the terms of which provide that such equity securities will rank junior to the Series A Preferred Shares. The rights of holders of Series A Preferred Shares to receive their liquidation preference also will be subject to the proportionate rights of any other class or series of our capital stock ranking in parity with the Series A Preferred Shares as to liquidation.

Conversion at Option of Holder. Each Series A Preferred Share, together with accrued but unpaid dividends, is convertible into common shares at an initial conversion price (the "Conversion Price") of \$1.40 per common share, which initially equals 17.86 common shares, at any time at the option of the holder, subject to adjustment for the Anti-Dilution Provisions set forth below.

Anti-Dilution Provisions. The Conversion Price is subject to adjustment for: (i) the payment of stock dividends or other distributions payable in common shares on any class or series of our capital stock; (ii) the issuance to all holders of common shares of certain rights or warrants entitling them to subscribe for or purchase common shares at a price per share less than the market price per common share; (iii) subdivisions, combinations and reclassifications of common shares; and (iv) distributions to all holders of common shares of any shares of stock (excluding common shares) or evidence of indebtedness or assets (including securities, but excluding those dividends, rights, warrants and distributions referred to in clause (i), (ii) or (iii) above and dividends and distributions paid in cash). For the avoidance of doubt, the Conversion Price will not be adjusted for any issuances of equity securities and equity-linked securities, for any issuances of securities in connection with employee stock incentive programs or shares issued under that certain promissory note originally issued on October 28, 2015 and subsequently amended and restated on May 14, 2019.

Market Trigger Conversion. We, at our option, may cause the Series A Preferred Shares, together with accrued but unpaid dividends, to be converted, which we refer to as a "Market Trigger Conversion," in whole or in part, on a pro rata basis, into fully paid and nonassessable common shares at the Conversion Price if the trading price of the common shares shall have equaled or exceeded 170% of the Conversion Price for at least 20 trading days in any 30 consecutive trading day period ending five days prior to the Market Trigger Conversion Date which is defined below.

Buy-In on Failure to Timely Deliver Certificates Upon Conversion. If we fail to deliver to a holder a certificate representing shares issuable upon the valid conversion of such holder's Series A Preferred Shares or fail to credit such holder's balance account with the Depository Trust Company with such shares, as applicable, by the earlier of (i) two trading days and (ii) the number of trading days comprising the Standard Settlement Period after the applicable conversion date (the "Share Delivery Date") (other than a failure caused by incorrect or incomplete information provided by the holder to us), and if after such Share Delivery Date the holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the holder's brokerage firm otherwise purchases, common shares to deliver in satisfaction of a sale by such holder of the shares which the holder was entitled to receive upon the conversion relating to such Share Delivery Date, then we are obligated to (A) pay in cash to the holder (in addition to any other remedies available to or elected by the holder) the amount by which (x) the holder's total purchase price (including brokerage commissions, if any) for the common shares so purchased exceeds (y) the amount obtained by multiplying (1) the number of common shares that the Company was required to deliver to the holder in connection with the conversion at issue, times (2) the price at which the sell order giving rise to such purchase obligation was executed; *provided, however*, that such holder provides reasonable evidence of the date and time of such sell order and such sell order occurred after the date on which we were obligated to deliver such common shares and prior to the delivery of the common shares related to such conversion, and (B) at the option of the holder, either reissue (if surrendered) the Series A Preferred Shares equal to the number of Series A Preferred Shares submitted for conversion or deliver to the holder the number of common shares that would have been issued if we had timely complied with our delivery requirements.

Change of Control. If we undergo a "Change of Control" (as defined below) that was pre-approved by the Company's board of directors, holders of Series A Preferred Shares have the option to (i) demand that the Company redeem the Series A Preferred Shares at (a) \$26.63 per Series A Preferred Share from the date of issuance until and not including October 13, 2021, (b) \$25.81 per Series A Preferred Share on or after October 13, 2021 until and not including October 13, 2022, and (c) \$25.00 on or after October 13, 2022, or (ii) continue to hold the Series A Preferred Shares.

"Change of Control" means that (i) Mr. Valentios "Eddie" Valentis and his affiliates cease to own at least 20% of the voting securities of the Company, or (ii) a person or group acquires at least 50% voting control of the Company, and in the case of each of either (i) or (ii), neither the Company nor any surviving entity has its common stock listed on a recognized U.S. exchange.

Ranking. The Series A Preferred Shares, with respect to dividend rights and rights upon our voluntary or involuntary liquidation, dissolution or winding up, will rank:

- senior to our common shares and any other class of equity securities the terms of which provide that such equity securities will rank junior to the Series A Preferred Shares;
- on parity (pari passu) with any equity securities the terms of which provide that such equity securities will rank without preference or priority over the other; and
- junior to any equity securities the terms of which provide that such equity securities will rank senior to the Series A Preferred Shares, and to all of our existing and future debt, including, prior to conversion of such debt, any debt convertible into our equity securities.

We will be restricted in our ability to issue or create any class or series of capital stock ranking senior to the Series A Preferred Shares with respect to dividends or distributions, unless the holders of at least 66.67% of the then outstanding Series A Preferred Shares consent to the same.

Exchange Listing. As of the date hereof, the Series A Preferred Shares are listed on Nasdaq under the symbol "PXSAP."

Transfer and Dividend Paying Agent. V Stock Transfer, LLC will act as the transfer and dividend payment agent and registrar in respect of the Series A Preferred Shares.

Description of Warrants

As referenced above, in October 2020, the Company issued 200,000 Units at a price of \$25.00 per Unit pursuant to the Series A Preferred Share and Warrants Transaction. Each Unit was immediately separable into (i) one Series A Preferred Share, and (ii) eight Warrants.

The following summary of the terms and provisions of the Warrants does not purport to be complete and is qualified in its entirety by reference to our Articles of Incorporation, the form of Warrant Agency Agreement establishing the terms of the Warrants, each of which is filed as an exhibit to the registration statement on Form F-1 filed with the SEC on August 13, 2020 (File No. 333-245405), as amended.

Form. The Warrants were issued under a Warrant Agency Agreement (the “Warrant Agreement”) between the Company and VStock Transfer, LLC, as warrant agent (the “Warrant Agent”). The material terms and provisions of the Warrants are summarized below. The following description is subject to, and qualified in its entirety by, the Warrant Agreement, which is filed as an exhibit to the registration statement on [F-1] filed with the SEC on [●]. You should review a copy of the form of Warrant Agreement and accompanying form of Warrant for a complete description of the terms and conditions applicable to the Warrants.

Exercisability. The Warrants are exercisable immediately upon issuance and will thereafter remain exercisable at any time up to five (5) years from the date of original issuance. The Warrants will be exercisable, at the option of each holder, in whole or in part by delivering to us a duly executed exercise notice accompanied by payment in full for the number of common shares purchased upon such exercise (except in the case of a cashless exercise as discussed below). No fractional common shares will be issued in connection with the exercise of a Warrant. In lieu of fractional shares, we will round down to the nearest whole share.

Cashless Exercise. If, at any time during the term of the Warrants, the issuance of common shares upon exercise of the Warrants is not covered by an effective registration statement, the holder is permitted to effect a cashless exercise of the Warrants (in whole or in part) by having the holder deliver to us a duly executed exercise notice, canceling a portion of the Warrant in payment of the purchase price payable in respect of the number of common shares purchased upon such exercise.

Failure to Timely Deliver Shares. If we fail to deliver to the investor a certificate representing shares issuable upon the valid exercise of a Warrant or fail to credit such investor’s balance account with the Depository Trust Company with such shares issuable upon the valid exercise of a Warrant by the third trading day after the exercise date as required by the Warrant, and if the investor purchases the common shares after that third trading day to deliver in satisfaction of a sale by the investor of the underlying Warrant shares that the investor anticipated receiving from us, then, within three trading days of receipt of the investor’s request, we shall (A) pay in cash to the holder the amount, if any, by which (x) the holder’s total purchase price (including brokerage commissions, if any) for the common shares so purchased exceeds (y) the amount obtained by multiplying (1) the number of common shares that the Company was required to deliver to the holder in connection with the Warrant exercise at issue, times (2) the price at which the sell order giving rise to such purchase obligation was executed; *provided, however*, that such holder provides reasonable evidence of the date and time of such sell order and such sell order occurred after the date on which we were obligated to deliver such common shares and prior to the delivery of the common shares related to such Warrant exercise, and (B) at the option of the holder, either reinstate the portion of the Warrant and equivalent number of common shares underlying such Warrant for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the holder the number of common shares that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder.

Exercise Price. Each Warrant represents the right to purchase a common share at an exercise price equal to \$1.40 per share, subject to adjustment as described below. The exercise price is subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting our common stock and also upon any distributions of assets, including cash, stock or other property to our shareholders.

Exchange Listing. As of October 8, 2020, the Warrants are listed on Nasdaq under the symbol “PXS AW.” We cannot provide any assurance that a liquid or active trading market for the Warrants will develop. The common shares underlying the Warrants are listed for trading on Nasdaq under the symbol “PXS.”

Rights as a Shareholder. Except as otherwise provided in the Warrants or by virtue of such holder’s ownership of our common shares, the holder of a Warrant does not have the rights or privileges of a holder of our common shares, including any voting rights, until the holder exercises the Warrant.

Governing Law and Jurisdiction. The Warrant Agency Agreement provides that the validity, interpretation, and performance of the Warrants and the Warrant Agency Agreement will be governed by the laws of the State of New York, without giving effect to conflicts of law principles that would result in the application of the substantive laws of another jurisdiction. In addition, the Warrant Agency Agreement provides that any action, proceeding or claim against the Company arising out of or relating to the Warrants or the Warrant Agency Agreement must be brought and enforced in the courts of the State of New York or the United States District Court for the Southern District of New York. Investors in this offering will be bound by these provisions. However, we do not intend that the foregoing provisions would apply to actions arising under the Securities Act or the Exchange Act.

Warrant Agent. VStock Transfer, LLC will act as our Warrant Agent for the Warrants.

Marshall Islands Company Considerations

Our corporate affairs are governed by our Articles of Incorporation and Bylaws and by the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. While the BCA also provides that it is to be interpreted according to the laws of the State of Delaware and other states with substantially similar legislative provisions, there have been few, if any, court cases interpreting the BCA in the Marshall Islands and we cannot predict whether Marshall Islands courts would reach the same conclusions as courts in the United States. As a result, you may have more difficulty protecting your interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction which has developed a substantial body of case law. The following table provides a comparison between the statutory provisions of the BCA and the General Corporation Law of the State of Delaware relating to shareholders’ rights.

Marshall Islands

Delaware

Shareholder Meetings

Held at a time and place as designated in the bylaws.

May be held at such time or place as designated in the certificate of incorporation or the bylaws, or if not so designated, as determined by the board of directors.

Special meetings of the shareholders may be called by the board of directors or by such person or persons as may be authorized by the articles of incorporation or by the bylaws.

Special meetings of the shareholders may be called by the board of directors or by such person or persons as may be authorized by the certificate of incorporation or by the bylaws.

May be held within or without the Marshall Islands.

May be held within or without Delaware.

Notice:

Notice:

Whenever shareholders are required to take any action at a meeting, written notice of the meeting shall be given which shall state the place, date and hour of the meeting and, unless it is an annual meeting, indicate that it is being issued by or at the direction of the person calling the meeting. Notice of a special meeting shall also state the purpose for which the meeting is called.

Whenever shareholders are required to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any.

A copy of the notice of any meeting shall be given personally, sent by mail or by electronic mail not less than 15 nor more than 60 days before the meeting.

Written notice shall be given not less than 10 nor more than 60 days before the meeting.

Shareholders’ Voting Rights

Unless otherwise provided in the articles of incorporation, any action required to be taken at a meeting of shareholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by all the shareholders entitled to vote with respect to the subject matter thereof, or if the articles of incorporation so provide, by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

Any action required to be taken at a meeting of shareholders may be taken without a meeting if a consent for such action is in writing and is signed by shareholders having not fewer than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

Any person authorized to vote may authorize another person or persons to act for him by proxy.

Unless otherwise provided in the articles of incorporation or bylaws, a majority of shares entitled to vote constitutes a quorum. In no event shall a quorum consist of fewer than one-third of the shares entitled to vote at a meeting.

When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.

The articles of incorporation may provide for cumulative voting in the election of directors.

Merger or Consolidation

Any two or more domestic corporations may merge into a single corporation if approved by the board and if authorized by a majority vote of the holders of outstanding shares at a shareholder meeting.

Any sale, lease, exchange or other disposition of all or substantially all the assets of a corporation, if not made in the corporation's usual or regular course of business, once approved by the board, shall be authorized by the affirmative vote of two-thirds of the shares of those entitled to vote at a shareholder meeting.

Any domestic corporation owning at least 90% of the outstanding shares of each class of another domestic corporation may merge such other corporation into itself without the authorization of the shareholders of any corporation.

Any mortgage, pledge of or creation of a security interest in all or any part of the corporate property may be authorized without the vote or consent of the shareholders, unless otherwise provided for in the articles of incorporation.

Any person authorized to vote may authorize another person or persons to act for him by proxy.

For stock corporations, the certificate of incorporation or bylaws may specify the number of shares required to constitute a quorum but in no event shall a quorum consist of less than one-third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares entitled to vote shall constitute a quorum.

When a quorum is once present to organize a meeting, it is not broken by the subsequent withdrawal of any shareholders.

The certificate of incorporation may provide for cumulative voting in the election of directors.

Any two or more corporations existing under the laws of the state may merge into a single corporation pursuant to a board resolution and upon the majority vote by shareholders of each constituent corporation at an annual or special meeting.

Every corporation may at any meeting of the board sell, lease or exchange all or substantially all of its property and assets as its board deems expedient and for the best interests of the corporation when so authorized by a resolution adopted by the holders of a majority of the outstanding stock of the corporation entitled to vote.

Any corporation owning at least 90% of the outstanding shares of each class of another corporation may merge the other corporation into itself and assume all of its obligations without the vote or consent of shareholders; however, in case the parent corporation is not the surviving corporation, the proposed merger shall be approved by a majority of the outstanding stock of the parent corporation entitled to vote at a duly called shareholder meeting.

Any mortgage or pledge of a corporation's property and assets may be authorized without the vote or consent of shareholders, except to the extent that the certificate of incorporation otherwise provides.

Directors

The board of directors must consist of at least one member.

The number of board members may be changed by an amendment to the bylaws, by the shareholders, or by action of the board under the specific provisions of a bylaw.

If the board is authorized to change the number of directors, it can only do so by a majority of the entire board and so long as no decrease in the number shall shorten the term of any incumbent director.

Removal:

Any or all of the directors may be removed for cause by vote of the shareholders.

If the articles of incorporation or the bylaws so provide, any or all of the directors may be removed without cause by vote of the shareholders.

Dissenters' Rights of Appraisal

Shareholders have a right to dissent from any plan of merger, consolidation or sale of all or substantially all assets not made in the usual course of business, and receive payment of the fair value of their shares. However, the right of a dissenting shareholder under the BCA to receive payment of the appraised fair value of his shares shall not be available for the shares of any class or series of stock, which shares or depository receipts in respect thereof, at the record date fixed to determine the shareholders entitled to receive notice of and to vote at the meeting of the shareholders to act upon the agreement of merger or consolidation, were either (i) listed on a securities exchange or admitted for trading on an interdealer quotation system or (ii) held of record by more than 2,000 holders. The right of a dissenting shareholder to receive payment of the fair value of his or her shares shall not be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the shareholders of the surviving corporation.

The board of directors must consist of at least one member.

The number of board members shall be fixed by, or in a manner provided by, the bylaws, unless the certificate of incorporation fixes the number of directors, in which case a change in the number shall be made only by an amendment to the certificate of incorporation.

If the number of directors is fixed by the certificate of incorporation, a change in the number shall be made only by an amendment of the certificate.

Removal:

Any or all of the directors may be removed, with or without cause, by the holders of a majority of the shares entitled to vote unless the certificate of incorporation otherwise provides.

In the case of a classified board, shareholders may effect removal of any or all directors only for cause.

Appraisal rights shall be available for the shares of any class or series of stock of a corporation in a merger or consolidation, subject to limited exceptions, such as a merger or consolidation of corporations listed on a national securities exchange in which listed stock is offered for consideration is (i) listed on a national securities exchange or (ii) held of record by more than 2,000 holders.

A holder of any adversely affected shares who does not vote on or consent in writing to an amendment to the articles of incorporation has the right to dissent and to receive payment for such shares if the amendment:

- Alters or abolishes any preferential right of any outstanding shares having preference; or
- Creates, alters, or abolishes any provision or right in respect to the redemption of any outstanding shares; or
- Alters or abolishes any preemptive right of such holder to acquire shares or other securities; or
- Excludes or limits the right of such holder to vote on any matter, except as such right may be limited by the voting rights given to new shares then being authorized of any existing or new class.

Shareholder's Derivative Actions

An action may be brought in the right of a corporation to procure a judgment in its favor, by a holder of shares or of voting trust certificates or of a beneficial interest in such shares or certificates. It shall be made to appear that the plaintiff is such a holder at the time of bringing the action and that he was such a holder at the time of the transaction of which he complains, or that his shares or his interest therein devolved upon him by operation of law.

A complaint shall set forth with particularity the efforts of the plaintiff to secure the initiation of such action by the board or the reasons for not making such effort.

Such action shall not be discontinued, compromised or settled, without the approval of the High Court of the Republic of the Marshall Islands.

Reasonable expenses including attorney's fees may be awarded if the action is successful.

A corporation may require a plaintiff bringing a derivative suit to give security for reasonable expenses if the plaintiff owns less than 5% of any class of outstanding shares or holds voting trust certificates or a beneficial interest in shares representing less than 5% of any class of such shares and the shares, voting trust certificates or beneficial interest of such plaintiff has a fair value of \$50,000 or less.

In any derivative suit instituted by a shareholder of a corporation, it shall be averred in the complaint that the plaintiff was a shareholder of the corporation at the time of the transaction of which he complains or that such shareholder's stock thereafter devolved upon such shareholder by operation of law.

Other requirements regarding derivative suits have been created by judicial decision, including that a shareholder may not bring a derivative suit unless he or she first demands that the corporation sue on its own behalf and that demand is refused (unless it is shown that such demand would have been futile).

Private & confidential

Dated: 29 March, 2021

ALPHA BANK S.A.

- and -

EIGHTHONE CORP.

LOAN AGREEMENT

for a secured floating interest rate
loan facility of US\$17,000,000

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THIS AGREEMENT is dated the 29th day of March, 2021 made BETWEEN:

1. **ALPHA BANK S.A.**, a banking société anonyme incorporated in and pursuant to the laws of the Hellenic Republic with its head office at 40 Stadiou Street, Athens GR 102 52, Greece, acting, except as otherwise herein provided, through its office at 93 Akti Miaouli, Piraeus, Greece (hereinafter called the "**Lender**", which expression shall include its successors and assigns); and
2. **EIGHTHONE CORP.**, a corporation duly incorporated in the Republic of the Marshall Islands, having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH 96960 (hereinafter called the "**Borrower**", which expression shall include its successors)

AND IT IS HEREBY AGREED as follows:

1. PURPOSE, DEFINITIONS AND INTERPRETATION

1.1 Amount and Purpose

This Agreement sets out the terms and conditions upon and subject to which the Lender agrees to make available to the Borrower a loan facility of Seventeen million Dollars (\$17,000,000) representing approximately 63% of the Market Value of the Vessel by way of one (1) Advance, to be used for the purpose of refinancing of part of the Existing Indebtedness under the Existing Loan Agreement.

1.2 Definitions

Subject to Clauses 1.3 (*Interpretation*) and Clause 1.4 (*Construction of certain terms*), in this Agreement (unless otherwise defined in the relevant Finance Document and unless the context otherwise requires) and the other Finance Documents each term or expression defined in the recital of the parties and in this Clause shall have the meaning given to it in the recital of the parties and in this Clause:

"Account Pledge Agreement" means an agreement to be entered into between the Borrower and the Lender for the creation of a pledge over the Operating Account in favour of the Lender, in form and substance as the Lender may approve or require, as the same may from time to time be amended and/or supplemented;

"Applicable Accounting Principles" means the GAAP or IFRS and practices consistently applied;

"Advance" means each borrowing of a portion of the Commitment by the Borrower or (as the context may require) the principal amount of such borrowing;

"Affiliate" means, in relation to any person, a subsidiary of that person or a parent company of that person or any other subsidiary of that parent company;

"Alternative Rate" means a rate agreed between the Lender and the Borrower on the basis of which (instead of LIBOR) the interest rate is determined pursuant to Clause 3.6 (*Market disruption – Non Availability*);

"Approved Auditor" means any of Ernst & Young, PriceWaterhouse Coopers, Deloitte, Grant Thornton or any other independent and reputable auditor having requisite experience

proposed by the Borrower and acceptable to the Lender and, "**Approved Auditors**" means any or all of them, as the context may require;

"Approved Commercial Manager" means for the time being PYXIS MARITIME CORP., a company lawfully incorporated in, and validly existing under the laws of the Republic of the Marshall Islands, and having a licenced office established in Greece pursuant to the Greek laws 378/68, 27/75, 2234/94, 3752/09 and 4150/13 (as amended and in force at the date hereof) at 59 K. Karamanli Street, Maroussi 15125, Greece or any other person appointed by the Borrower with the consent of the Lender, as the commercial manager of the Vessel, and includes its successors in title;

"Approved Managers" means, for the time being, together, the Approved Commercial Manager and the Approved Technical Manager and **"Approved Manager"** means any of them, as the context may require;

"Approved Manager's Undertaking" means a letter of undertaking including (*inter alia*) an assignment of the relevant Approved Manager's rights, title and interest in the Insurances of the Vessel executed or to be executed by that Approved Manager in favour of the Lender agreeing certain matters in relation to that Approved Manager serving as commercial or, as the case may be, technical manager of the Vessel and subordinating its rights against the Vessel and Borrower to the rights of the Lender under the Finance Documents, in form and substance as the Lender may approve or require, as the same may from time to time be amended and/or supplemented (together, the **"Approved Managers' Undertakings"**)

"Approved Shipbrokers" means Golden Destiny, Fearnleys A/S, Clarksons Platou Hellas Ltd., Intermodal Shipbrokers Co. and Allied Shipbroking Inc. and any other first class independent firm of internationally known shipbrokers proposed by the Borrower and acceptable to the Lender, and **"Approved Shipbroker"** means any of them;

"Approved Technical Manager" means for the time being INTERNATIONAL TANKER MANAGEMENT LTD., a company lawfully incorporated in, and validly existing under the laws of Bermuda, and having its registered office at Victoria Place, 31 Victoria Street, Hamilton HM 10, Bermuda, represented by its branch office at 809 Executive Heights (Damac Bldg.), P.O. Box 24415, Tecom, Dubai, U.A.E., or any other person appointed by the Borrower with the consent of the Lender, as the technical manager of the Vessel, and includes its successors in title;

"Article 55 BRRD" means Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms;

"Assignable Charterparty" means any time or bareboat charterparty, consecutive voyage charter or contract of affreightment or related document in respect of the employment of the Vessel having a fixed duration of more than 12 months (excluding any optional extensions) and any guarantee of the obligations of the charterer under such charter in respect of the Vessel, whether now existing or hereinafter entered or to be entered into by the Borrower or any person, firm or company on its behalf and a charterer, at a daily rate and on terms and conditions acceptable to the Lender (and shall include any addenda thereto);

"Assignee" has the meaning ascribed thereto in Clause 14.3 (*Assignment by the Lender*);

"Availability Period" means the period starting on the date hereof and ending on:

- (a) the 30th day of April, 2021 or until such later date as the Lender may agree in writing; or
- (b) on such earlier date (if any): (i) on which the whole Commitment has been advanced by the Lender to the Borrower, or (ii) on which the Commitment is reduced to zero pursuant to Clauses 3.6 (*Market disruption – Non Availability*), 9.2 (*Consequences of Default – Acceleration*), 12.1 (*Unlawfulness*) or any other Clause of this Agreement;

"Bail-In Action" means the exercise of any Write-down and Conversion Powers;

"Bail-In Legislation" means:

- (a) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and
- (b) in relation to any other state, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation;

"Balloon Instalment" means the part of the Loan amounting to Eleven million Dollars (\$11,000,000);

"Banking Day" means a day (other than a Saturday or Sunday) on which banks are open for general business:

- (a) in London, New York, Athens and Piraeus regarding the fixing of any interest rate which is required to be determined under this Agreement or any Finance Document;
- (b) in New York, Athens and Piraeus in respect of any payment which is required to be made under a Finance Document; and
- (c) in Athens, Piraeus and in each country or place in or at which an act is required to be done under this Agreement in accordance with the usual practice of the Lender regarding any other action to be taken under this Agreement or any other Finance Document;

"Basel II Accord" means the *"International Convergence of Capital Measurement and Capital Standards, a Revised Framework"* published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement;

"Basel II Approach" means either the Standardised Approach or the relevant Internal Ratings Based Approach (each as defined in the Basel II Accord) adopted by the Lender (or its holding company) for the purposes of implementing or complying with the Basel II Accord;

"Basel II Regulation" means (a) any law or regulation implementing the Basel II Accord (including the relevant provisions of CRD IV and CRR) to the extent only such law or regulation re-enacts and/or implements the requirement of the Basel II Accord but excluding any provision of such law or regulation implementing the Basel III Accord or (b)

any Basel II Approach adopted by the Lender(s);

"Basel III Accord" means:

- (a) the agreements on capital requirements, leverage ratio and liquidity standards contained in *"Basel III: A global regulatory framework for more resilient banks and banking systems"*, *"Basel III: International framework for liquidity risk measurement, standards and monitoring"* and *"Guidance for national authorities operating the countercyclical capital buffer"* published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;
- (b) the rules for global systemically important banks contained in *"Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text"* published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and
- (c) any further guidance or standards published by the Basel Committee on Banking Supervision relating to Basel III;

"Basel III Regulation" means any law or regulation implementing the Basel III Accord save and to the extent that it re-enacts a Basel II Regulation;

"Beneficial Shareholder(s)" means in respect of each of the Borrower and the Corporate Guarantor, the person or persons disclosed to the Lender as being the ultimate legal and beneficial owner or owners (either directly and/or through companies beneficially owned by such person or persons or members of his/her direct family and/or trusts or foundations of which such person or persons or members of his/her direct family are legal and beneficial owners) of 100% of the shares and the voting rights attaching to those shares and the legal ownership of those shares in the Borrower and at least 20% in the Corporate Guarantor;

"Borrower" means the Borrower as specified in the beginning of this Agreement;

"Break Costs" means the amount (if any) by which:

- (a) the interest (excluding Margin) which the Lender should have received for the period from the date of receipt of all or any part of its participation in the Loan or the relevant part of it or any sum due and payable but unpaid by a Security Party under the Security Documents to the last day of the current Interest Period in respect of the Loan or the relevant part of it or any sum due and payable but unpaid by a Security Party under the Security Documents, had the principal amount received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount which the Lender would be able to obtain by placing an amount equal to the principal amount or the relevant part of it or any sum due and payable but unpaid by a Security Party under the Security Documents received by it on deposit with a leading bank in the London Interbank Market for a period starting on the Banking Day following receipt or recovery and ending on the last day of the current Interest Period;

"Charterparty Assignment" means an assignment of the rights of the Borrower under any Assignable Charterparty and any guarantee of such Assignable Charterparty executed or to be executed by the Borrower in favour of the Lender and the acknowledgement of notice of

the assignment in respect of such Assignable Charterparty to be given (on best effort basis by the Borrower) in form and substance as the Lender may approve or require, as the same may from time to time be amended and/or supplemented, and "**Charterparty Assignments**" means all of them;

"**Classification**" means in respect of the Vessel, the classification referred to in the Mortgage with the Classification Society or such other Classification Society as the Lender shall, at the request of the Borrower, have agreed in writing shall be treated as the Classification Society for the purposes of the Finance Documents;

"**Classification Society**" means such classification society which is a member of IACS and which the Lender shall, at the request of the Borrower, have agreed in writing to be treated as the Classification Society for the purposes of the Finance Documents;

"**Commitment**" means the amount which the Lender has agreed to lend to the Borrower under Clause 2.1 (*Commitment to Lend*) as reduced pursuant to any relevant term of this Agreement;

"**Commitment Letter**" means the Commitment Letter dated 17th March, 2021 addressed by the Lender to the Corporate Guarantor and the Approved Manager and shall include any amendments or addenda thereto;

"**Compulsory Acquisition**" means requisition for title or other compulsory acquisition, requisition, appropriation, expropriation, deprivation, forfeiture or confiscation for any reason of the Vessel, whether for full or part consideration, a consideration less than its proper value, a nominal consideration or without any consideration, which is effected by any Government Entity or other competent authority, whether de jure or de facto, but shall exclude requisition for use or hire not involving requisition of title;

"**Corporate Guarantee**" means the irrevocable and unconditional guarantee executed or (as the context may require) to be executed by the Corporate Guarantor as a security for the Outstanding Indebtedness and any and all other obligations of the Borrower under this Agreement and the Security Documents, in form and substance satisfactory to the Lender as the same may from time to time be amended and/or supplemented;

"**Corporate Guarantor**" means PYXIS TANKERS INC., a corporation lawfully incorporated in, and validly existing under the laws of the Republic of the Marshall Islands and/or any other person nominated by the Borrower and acceptable to the Lender which may give a Corporate Guarantee, and includes its successors in title;

"**CRD IV**" means:

- (a) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended, supplemented or restated; and
- (b) any other law or regulation which implements Basel III;

"**CRR**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending regulation (EU) No. 648/2012, as amended, supplemented or restated;

"Deed of Release" means a deed releasing the Existing Security in form and substance as the Lender may approve or require;

"Default" means any Event of Default or any event which with the giving of notice or lapse of time or the *satisfaction* of any other condition (or any combination thereof) would constitute an Event of Default;

"Default Rate" means that rate of interest per annum which is determined in accordance with the provisions of *Clause 3.4 (Default Interest)*;

"DOC" means a document of compliance issued to an Operator in accordance with rule 13 of the ISM Code;

"Dollars" (and the sign "\$") *means* the lawful currency for the time being of the United States of America;

"Drawdown Date" means the date, being a Banking Day, requested by the Borrower for the Loan to be made available, or (as the *context* requires) the date on which the Loan is actually made available;

"Drawdown Notice" means a notice substantially in the terms of Schedule 1 (*Form of Drawdown Notice*) (or in any other form which *the* Lender approves);

"Earnings" means all moneys whatsoever which are now, or later become, payable (actually or contingently) to the Borrower and which arise out of the use or operation of the Vessel, including (but not limited to), all freight, hire and passage moneys, compensation payable to the Owner in the event of *requisition* of the Vessel for hire, remuneration for salvage and towage services, demurrage and detention moneys, contributions of any nature whatsoever in respect of general average, damages for breach (or payments for variation or termination) of any charterparty or other contract for the employment of the Vessel and any other earnings whatsoever due or to become due to the Owner in respect of the Vessel and all sums recoverable under the Insurances in respect of loss of Earnings and includes, if and whenever the Vessel is employed on terms whereby any and all such moneys as aforesaid are pooled or shared with any other person, that proportion of the net receipts of the relevant pooling or sharing agreement which is attributable to the Vessel;

"EEA Member Country" means *any* member state of the European Union, Iceland, Liechtenstein and Norway;

"Environmental Affiliate" means any agent or employee of the Borrower or any other Relevant Party or any person having a *contractual* relationship with the Borrower or any other Relevant Party in connection with any Relevant Ship or her operation or the carriage of cargo thereon;

"Environmental Approval" means *any* consent, authorisation, licence or approval of any governmental or public body or authorities or courts applicable to any Relevant Ship or her operation or the carriage of cargo thereon and/or passengers therein and/or provisions of goods and/or services on or from any Relevant Ship required under any Environmental Law;

"Environmental Claim" means:

- (a) any claim by any governmental, judicial or regulatory authority which arises out of an Environmental Incident or which relates to any Environmental Law; or

(b) any claim by any other person which relates to an Environmental Incident,

and "**claim**" means a claim for damages, compensation, fines, penalties or any other payment of any kind which exceeds \$600,000 (or the equivalent in any other currency) per incident;

"Environmental Incident" means (i) any release of Material of Environmental Concern from the Vessel, (ii) any incident in which Material of Environmental Concern is released from a vessel other than the Vessel and which involves collision between the Vessel and such other vessel or some other incident of navigation or operation, in either case, where the Vessel, the Borrower or the Approved Managers (or any of them) are/is actually or allegedly at fault or otherwise liable (in whole or in part) or (iii) any other incident in which Material of Environmental Concern is released from a vessel other than the Vessel and where the Vessel is actually or potentially liable to be arrested as a result and/or where the Borrower or the Approved Managers (or any of them) are/is actually or allegedly at fault or otherwise liable to any legal or administrative action;

"Environmental Laws" means all national, international and state laws, rules, regulations, treaties and conventions applicable to any Relevant Ship pertaining to the pollution or protection of human health or the environment including, without limitation, the carriage or Materials of Environmental Concern and actual or threatened emissions, spills, releases or discharges of Materials of Environmental Concern and actual or threatened emissions, spills, releases or discharges of Materials of Environmental Concern from any Relevant Ship (including, without limitation, the United States Oil Pollution Act of 1990 and any comparable laws of the individual States of the United States of America);

"Existing Indebtedness" means, at any date, the part of the aggregate outstanding Financial Indebtedness owed by the Borrower, as borrower, on that date under the Existing Loan Agreement;

"Existing Loan Agreement" means the loan agreement dated **27 September 2018** and made between, *inter alia*, the Existing Lenders, as lenders, the Borrower, as borrower and Wilmington Trust as facility agent and security agent, in respect of a term loan facility of (initially) \$24,000,000 the outstanding amount of which as at the date hereof is \$24,000,000, as amended and supplemented from time to time;

"Existing Lenders" means the financial institutions listed in part B of schedule 1 of the Existing Loan Agreement, namely Blue Ocean Income Fund LP, Blue Ocean Onshore Fund LP, Blue Ocean Investment SPC One and Blue Ocean Investment Fund SPC Three ;

"Existing Security" means any Security Interests created to secure the Existing Indebtedness;

"EU Bail-In Legislation Schedule" means the document described as such and published by the Loan Market Association (or any successor person) from time to time;

"Event of Default" means any event or circumstance set out in Clause 9 (*Events*) or described as such in any of the Finance Documents;

"Expenses" means the aggregate at any relevant time (to the extent that the same have not been received or recovered by the Lender) of:

(a) all losses, liabilities, costs, charges, expenses, damages and outgoings of whatever

nature, (including, without limitation, Taxes, repair costs, registration fees and insurance premiums, crew wages, repatriation expenses and seamen's pension fund dues) suffered, incurred, charged to or paid or committed to be paid by the Lender in connection with the exercise of the powers referred to in or granted by any of the Finance Documents or otherwise payable by the Borrower in accordance with the terms of any of the Finance Documents;

- (b) the expenses referred to in Clause 10.2 (*Expenses*); and
- (c) interest on all such losses, liabilities, costs, charges, expenses, damages and outgoings from, in the case of Expenses referred to in sub-paragraph (b) above, the date on which such Expenses were demanded by the Lender from the Borrower and in all other cases, the date on which the same were suffered, incurred or paid by the Lender until the date of receipt or recovery thereof (whether before or after judgement) at the Default Rate (as conclusively certified by the Lender but always absent manifest error);

"FATCA" means:

- (a) sections 1471 to 1474 of the US Internal Revenue Code of 1986 (the "**Code**") or any associated regulations or other associated official guidance;
- (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or
- (c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction;

"FATCA Deduction" means a deduction or withholding from a payment under a Finance Document required by FATCA;

"FATCA Exempt Party" means a party that is entitled to receive payments free from any FATCA Deduction;

"Final Maturity Date" means the fifth (5th) anniversary of the Drawdown Date;

"Finance Documents" means this Agreement, the Security Documents, the Insurance Letter and any other document designated as such by the Lender and the Borrower;

"Financial Indebtedness" means, in relation to a person (the "**debtor**"), a liability of the debtor:

- (a) for principal, interest or any other sum payable in respect of any moneys borrowed or raised by the debtor;
- (b) under any loan stock, bond, note or other security issued by the debtor;
- (c) under any acceptance credit, guarantee or letter of credit facility made available to the debtor;
- (d) under a financial lease, a deferred purchase consideration arrangement or any other

agreement having the commercial effect of a borrowing or raising of money by the debtor;

- (e) under any interest or currency swap or any other kind of derivative transaction entered into by the debtor or, if the agreement under which any such transaction is entered into requires netting of mutual liabilities, the liability of the debtor for the net amount; or
- (f) under a guarantee, indemnity or similar obligation entered into by the debtor in respect of a liability of another person which would fall within (a) to (e) if the references to the debtor referred to the other person;

"Financial Year" means, in relation to the Borrower, each period of 1 year commencing on 1st January thereof in respect of which financial statements referred to in Clause 8.1(e) (*Financial statements*) are or ought to be prepared;

"Flag State" means the Republic of Marshall Islands or such other state or territory proposed in writing by the Borrower to the Lender and approved by the Lender (such approval not to be unreasonably withheld, especially when requested for trading purposes), as being the Flag State of the Vessel for the purposes of the Finance Documents;

"GAAP" means generally accepted accounting principles in the United States of America;

"General Assignment" means the first priority deed of assignment of the Earnings, Insurances and Requisition Compensation collateral to the Mortgage executed or (as the context may require) to be executed by the Borrower in favour of the Lender, in form and substance as the Lender may approve or require, as the same may from time to time be amended and/or supplemented;

"Group" means, together, the Corporate Guarantor and its direct or indirect Subsidiaries (including the Borrower) from time to time during the Security Period and **"Group Member"** means any member of the Group;

"Government Entity" means and includes (whether having a distinct legal personality or not) any national or local government authority, board, commission, department, division, organ, instrumentality, court or agency and any association, organisation or institution of which any of the foregoing is a member or to whose jurisdiction any of the foregoing is subject or in whose activities any of the foregoing is a participant;

"Governmental Withholdings" means withholdings and any restrictions or conditions resulting in any charge whatsoever imposed, either now or hereafter, by any sovereign state or by any political sub-division or taxing authority of any sovereign state;

"Insurance Letter" means a letter from the Borrower in the form of Schedule 2 (*Form of Insurance Letter*);

"Insurances" means all policies and contracts of insurance (including, without limitation, all entries of the Vessel in a protection and indemnity, hull and machinery, war risks or other mutual insurance association) which are from time to time in place or taken out or entered into by or for the benefit of the Owner (whether in the sole name of the Owner or in the joint names of the Owner and the Lender, however without the Lender being liable for payment of premiums, contributions or calls) in respect of the Vessel and its earnings or otherwise howsoever in connection with the Vessel and all benefits of such policies and/or

contracts (including all claims of whatsoever nature and return of premiums);

"Interest Payment Date" means in respect of the Loan or any part thereof in respect of which a separate Interest Period is fixed the last day of the relevant Interest Period and in case of any Interest Period longer than three (3) months the date(s) falling at successive three (3) monthly intervals during such longer Interest Period and the last day of such Interest Period, provided, however, that if any of the aforesaid dates falls on a day which is not a Banking Day the Borrower shall pay the accrued interest on the first Banking Day thereafter unless the result of such extension would be to carry such Interest Payment Date over into another calendar month in which event such Interest Payment Date shall be the immediately preceding Banking Day;

"Interest Period" means in relation to the Loan or any part thereof, each period for the calculation of interest in respect of the Loan or such part ascertained in accordance with Clauses 3.2 (*Selection of Interest Period*) and 3.3 (*Determination of Interest Periods*);

"IFRS" means international accounting standards within the meaning of the IAS Regulations 1606/2002 to the extent applicable to the relevant financial statements;

"ISM Code" means in relation to its application to the Borrower, the Vessel, the Approved Managers and her operation:

- (a) *"The International Management Code for the Safe Operation of Ships and for Pollution Prevention"*, currently known or referred to as the *"ISM Code"*, adopted by the Assembly of the International Maritime Organisation by Resolution A. 741(18) on 4th November, 1993 and incorporated on 19th May, 1994 into chapter IX of the International Convention for the Safety of Life at Sea 1974 (SOLAS 1974); and
- (b) all further resolutions, circulars, codes, guidelines, regulations and recommendations which are now or in the future issued by or on behalf of the International Maritime Organisation or any other entity with responsibility for implementing the ISM Code, including without limitation, the *"Guidelines on implementation or administering of the International Safety Management (ISM) Code by Administrations"* produced by the International Maritime Organisation pursuant to Resolution A. 788(19) adopted on 25th November, 1995,

as the same may be amended, supplemented or replaced from time to time;

"ISM Code Documentation" includes:

- (a) the DOC and SMC issued by the Classification Society in all respects acceptable to the Lender in its absolute discretion pursuant to the ISM Code in relation to the Vessel within the period specified by the ISM Code;
- (b) all other documents and data which are relevant to the ISM SMS and its implementation and verification which the Lender may require by request; and
- (c) any other documents which are prepared or which are otherwise relevant to establish and maintain the Vessel's or the Borrower's compliance with the ISM Code which the Lender may require by request;

"ISM SMS" means the safety management system which is required to be developed, implemented and maintained under the ISM Code;

"ISPS Code" means the International Ship and Port Security Code of the International Maritime Organization and includes any amendments or extensions thereto and any regulation issued pursuant thereto;

"ISSC" means an International Ship Security Certificate issued in respect of the Vessel pursuant to the ISPS Code;

"Lending Office" means the office of the Lender appearing at the beginning of this Agreement or any other office of the Lender designated by the Lender as the Lending Office by notice to the Borrower;

"Lender" means the Lender as specified in the beginning of this Agreement and includes its successors in title and transferees;

"LIBOR" means, in relation to the Loan or any part of the Loan:

- (a) the applicable Screen Rate at or about 11.45 a.m. (London time) on the Quotation Day for Dollars and for a period equal in length to the Interest Period then applicable to the Loan or that part of the Loan; or
- (b) as otherwise determined pursuant to Clause 3.6(d) (Negotiation of alternative rate of interest),

and if, in either case, that rate is less than zero, LIBOR shall be deemed to be zero;

"Loan" means the aggregate principal amount borrowed by the Borrower in respect of the Commitment or (as the context may require) the principal amount thereof owing to the Lender under this Agreement at any relevant time;

"Major Casualty" means any casualty to the Vessel in respect whereof the claim or the aggregate of the claims against all insurers, before adjustment for any relevant franchise or deductible, exceeds the Major Casualty Amount;

"Major Casualty Amount" means Six hundred thousand Dollars (\$600,000) or the equivalent in any other currency;

"Management Agreement" in relation to the Vessel means the agreement made between the Borrower and the relevant Approved Manager providing (*inter alia*) for that Approved Manager to manage the Vessel (together, the **"Management Agreements"**);

"Margin" means three point three five percent (3.35%) per annum;

"Market Value" means the market value of the Vessel as determined in accordance with Clause 8.5(b) (Valuation of Vessel);

"Material Adverse Change" means any event or series of events which, in the opinion of the Lender, is likely to have a Material Adverse Effect;

"Material Adverse Effect" means a material, in the reasonable opinion of the Lender, adverse effect on:

- (a) the business, property, assets, liabilities, operations or financial condition (of the Borrower and/or any other Security Party taken as a whole;

- (b) the ability of the Borrower and/or any other Security Party to (i) comply with or perform any of its obligations or (ii) discharge any of its liabilities, under any Finance Document as they fall due; or
- (c) the validity, legality or enforceability of any Finance Document or the rights and remedies of the Lender under any Finance Document;

Provided that the Total Loss of the Vessel shall not be considered as an event having a Material Adverse Effect on (a), (b) or (c) hereinabove so long as the Borrower complies with Clause 4.3.

"Material of Environmental Concern" means and includes pollutants, contaminants, toxic substances, oil as defined in the United States Oil Pollution Act of 1990 and all hazardous substances as defined in the United States Comprehensive Environmental Response, Compensation and Liability Act 1988;

"MII" and **"MAPI"** have the meaning given in Clause 10.7 (*MII and MAPI costs*);

"month" means a period beginning in one calendar month and ending in the next calendar month on the day numerically corresponding to the day of the calendar month on which it started, provided that (i) if the period started on the last Banking Day in a calendar month or if there is no such numerically corresponding day, it shall end on the last Banking Day in such next calendar month and (ii) if such numerically corresponding day is not a Banking Day, the period shall end on the next following Banking Day in the same calendar month but if there is no such Banking Day it shall end on the preceding Banking Day and **"months"** and **"monthly"** shall be construed accordingly;

"Mortgage" means the first preferred Marshall Islands ship mortgage on the Vessel to be executed by the Borrower in favour of the Lender in form and substance as the Lender may approve or require, as the same may from time to time be amended and/or supplemented;

"Operating Account" means the account opened or to be opened and maintained in the name of the Borrower with the Lending Office or with any other branch or office of the Lender or with such other bank as may be required by and at the discretion of the Lender pursuant to Clause 13.7 (*Relocation of Operating Account*) and shall include any sub-accounts or call accounts (whether in Dollars or any other currency) opened under the same designation or any revised designation or number from time to time notified by the Lender to the Borrower, to which (inter alia) all Earnings of the Vessel and/or any other moneys are to be paid in accordance with the provisions of this Agreement and/or the General Assignment and/or any of the other Finance Documents;

"Operating Expenses" means the voyage and operating expenses of the Vessel, including, but not limited to, the expenses for operating, crewing, victualing, insuring, maintaining, repairing and generally trading the Vessel (and if applicable, voyage expenses), the expenses for spares, administration and management of the Vessel (inclusive of the management fees), the expenses for complying with requirements of the Classification Society and/or with any regulatory requirements as well as the reserves that the Borrower, acting reasonably, considers necessary for the commercial operation of the Vessel and the costs of intermediate and special surveys and dry docking of the Vessel;

"Operator" means any person who is from time to time during the Security Period concerned in the operation of the Vessel and falls within the definition of **"Company"** set out in rule 1.1.2. of the ISM Code;

"Outstanding Indebtedness" means the aggregate of (a) the Loan and interest accrued and accruing thereon, (b) the Expenses, (c) all other sums of any nature (together with all interest on any of those sums) which from time to time may be payable by the Borrower to the Lender pursuant to the Finance Documents, whether actually or contingently, (d) any damages payable as a result of any breach by the Borrower of any of the Finance Documents and (e) any damages or other sums payable as a result of any of the obligations of the Borrower under or pursuant to any of the Finance Documents being disclaimed by a liquidator or any other person, or, where the context permits, the amount thereof for the time being outstanding;

"Owner" means the Borrower;

"Party" means a party to this Agreement, and **"Parties"** means any or all of them, as the context may require;

"Permitted Financial Indebtedness" means:

- (a) any Financial Indebtedness incurred under the Finance Documents;
- (b) any shareholders' loans, including any loans made by the Corporate Guarantor, which are unsecured and fully subordinated to all Financial Indebtedness incurred under the Finance Documents in writing pursuant to a subordination agreement acceptable to the Lender ;
- (c) any Financial Indebtedness owing to an Approved Manager, subject to the Borrower ensuring on or prior to incurring such Financial Indebtedness, that the rights of the relevant creditor thereunder are fully subordinated to the rights of the Lender hereunder in writing pursuant to a subordination agreement acceptable to the Lender; and
- (d) any Financial Indebtedness incurred in the ordinary course of owning, operating, maintaining, repairing and trading the Vessel or for the purposes of complying with requirements of the Classification Society and/or with any regulatory requirements.

"Permitted Security Interests" means:

- (a) Security Interests created by the Finance Documents;
- (b) until the Drawdown Date, the Existing Security;
- (c) liens for unpaid master's and crew's wages in accordance with usual maritime practice;
- (d) liens for salvage;
- (e) liens arising by operation of law for not more than one month's prepaid hire under any charter in relation to the Vessel not prohibited by this Agreement;
- (f) liens for master's disbursements incurred in the ordinary course of trading and any other lien arising by operation of law or otherwise in the ordinary course of the operation, repair or maintenance of the Vessel, provided such liens do not secure amounts more than 90 days overdue (unless the overdue amount is being contested by the Borrower in good faith by appropriate steps) and, in the case of liens for repair or maintenance, in the Vessel is put in the possession of any person for the

purpose of work being done upon her in an amount exceeding or likely to exceed the Major Casualty Amount provided that (i) either that person has first given to the Lender(s) and in terms satisfactory to it a written undertaking not to exercise any lien on the Vessel or her earnings for the cost of such work or (ii) the previous consent of the Lender shall have been obtained (which consent shall not be unreasonably withheld);

- (g) any Security Interest created in favour of a plaintiff or defendant in any proceedings or arbitration as security for costs and expenses while the Borrower is actively prosecuting or defending such proceedings or arbitration in good faith; and
- (h) Security Interests arising by operation of law in respect of taxes which are not overdue for payment or in respect of taxes being contested in good faith by appropriate steps and in respect of which appropriate reserves have been made;

"Pledged Deposit" has the meaning ascribed thereto in Clause 8.1(j) (*Pledged Deposit*)

"Quotation Day" means, in respect of any Interest Period in respect of which an interest rate is to be determined, the date falling two (2) Banking Days before the first day of that Interest Period unless market practice differs in the London interbank market, in which case the Quotation Day will be determined by the Lender in accordance with market practice in the London interbank market (and if quotations would normally be given by leading banks in the London interbank market on more than one day, the Quotation Day will be the last of those days);

"Registry" means the offices of such registrar, commissioner or representative of the Flag State who is duly authorised to register the Vessel, the Borrower's title to the Vessel and the Mortgage over the Vessel under the laws and flag of the Flag State;

"Regulatory Agency" means the Government Entity or other organization in the relevant Flag State which has been designated by the government of the relevant Flag State to implement and/or administer and/or enforce the provisions of the ISM Code;

"Related Company" means any company or other entity which is an Affiliate of the Borrower and **"Related Companies"** means any or all of them, as the context may require;

"Relevant Jurisdiction" means any jurisdiction in which or where any Security Party is incorporated, resident, domiciled, has a permanent establishment, carries on, or has a place of business or is otherwise effectively connected;

"Relevant Nominating Body" means any applicable central bank, regulator or other supervisory authority or a group of them, or any working group or committee sponsored or chaired by, or constituted at the request of, any of them or the Financial Stability Board;

"Relevant Party" means the Borrower and each of the Borrower's Related Companies, and **"Relevant Parties"** means any or all of them, as the context may require;

"Relevant Ship" means the Vessel and any other vessel from time to time (whether before or after the date of this Agreement) owned, managed or crewed by, or chartered to, any Relevant Party, and **"Relevant Ships"** means any or all of them, as the context may require;

"Repayment Date" means each of the dates specified in Clause 4.1 (*Repayment*) on which the Repayment Instalments shall be payable by the Borrower to the Lender (together, the

"Repayment Dates");

"Repayment Instalment" means each instalment of the Loan which becomes due for repayment by the Borrower to the Lender on a Repayment Date pursuant to Clause 4.1 (*Repayment*) (together, the **"Repayment Instalments"**);

"Replacement Benchmark" means a benchmark rate which is:

- (a) formally designated, nominated or recommended as the replacement for a Screen Rate by:
 - (i) the administrator of that Screen Rate (provided that the market or economic reality that such benchmark rate measures is the same as that measured by that Screen Rate); or
 - (ii) any Relevant Nominating Body,and if replacements have, at the relevant time, been formally designated, nominated or recommended under both paragraphs, the **"Replacement Benchmark"** will be the replacement under paragraph (ii) above;
- (b) in the opinion of the Lender and the Borrower, generally accepted in the international loan markets as the appropriate successor to a Screen Rate; or
- (c) in the opinion of the Lender and the Borrower, an appropriate successor to a Screen Rate;

"Requisition Compensation" means all sums of money or other compensation from time to time payable during the Security Period by reason of Compulsory Acquisition of the Vessel otherwise than by requisition for hire;

"Resolution Authority" means any body which has authority to exercise any Write-down and Conversion Powers;

"Sanctions" means any economic, financial or trade sanctions laws, regulations, embargoes or other restrictive measures adopted, administered, enacted or enforced by any Sanctions Authority, or otherwise imposed by any law or regulation compliance with which is reasonable in the ordinary course of business of the Borrower, any other Security Party and the Lender or to which the Borrower, any other Security Party and the Lender are subject (which shall include without limitation, any extra-territorial sanctions imposed by law or regulation of the United States of America);

"Sanctions Authority" means:

- (a) the government of the United States of America;
- (b) the United Nations;
- (c) the European Union (or the governments of any of its member states);
- (d) the United Kingdom; or
- (e) the respective governmental institutions and agencies of any of the foregoing including the Office of Foreign Assets Control of the U.S. Department of the

Treasury ("**OFAC**"), the United States Department of State, the United States Department of Commerce and Her Majesty's Treasury;

"Sanctions Restricted Jurisdiction" means any country or territory which is the subject of country-wide or territory-wide Sanctions, including as at the date of this Agreement, Iran, Sudan, Syria, Crimea, North Korea, Venezuela and Cuba.

"Sanctions Restricted Person" means a person or vessel:

- (a) that is, or is directly or indirectly, owned or controlled (as such terms are defined by the relevant Sanctions Authority) by, or acting on behalf of, one or more persons or entities on any list (each as amended, supplemented or substituted from time to time) of restricted entities, persons or organisations (or equivalent) published by a Sanctions Authority;
- (b) that is located or resident in or incorporated under the laws of, or owned or controlled by, a person located or resident in or incorporated under the laws of a Sanctions Restricted Jurisdiction; or
- (c) that is otherwise the subject of Sanctions;

"Screen Rate" means the London interbank offered rate administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for Dollars for the relevant period displayed (before any correction, recalculation or republication by the administrator) on page LIBOR01 or LIBOR02 of the Thomson Reuters screen (or any replacement Thomson Reuters page which displays that rate) or on the appropriate page of such other information service which publishes that rate from time to time in place of Thomson Reuters. If such page or service ceases to be available, the Lender may specify another page or service displaying the relevant rate after consultation with the Borrower;

"Screen Rate Replacement Event" means, in relation to a Screen Rate:

- (a) the methodology, formula or other means of determining that Screen Rate has, in the opinion of the Lender and the Borrower, materially changed;
- (b) (i)
 - (A) the administrator of that Screen Rate or its supervisor publicly announces that such administrator is insolvent; or
 - (B) information is published in any order, decree, notice, petition or filing, however described, or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body which reasonably confirms that the administrator of that Screen Rate is insolvent,

provided that, in each case, at that time, there is no successor administrator to continue to provide that Screen Rate;
- (ii) the administrator of that Screen Rate publicly announces that it has ceased or will cease, to provide that Screen Rate permanently or indefinitely and, at that time, there is no successor administrator to continue to provide that Screen Rate;

- (iii) the supervisor of the administrator of that Screen Rate publicly announces that such Screen Rate has been or will be permanently or indefinitely discontinued; or
- (iv) the administrator of that Screen Rate or its supervisor announces that that Screen Rate may no longer be used; or
- (v) in the opinion of the Lender and the Borrower, that Screen Rate is otherwise no longer appropriate for the purposes of calculating interest under this Agreement;

"Security Documents" means:

- (a) the Account Pledge Agreement;
- (b) the Approved Manager's Undertakings;
- (c) the General Assignment;
- (d) the Mortgage;
- (e) the Charterparty Assignment in respect of any Assignable Charterparty;
- (f) the Corporate Guarantee; and
- (g) any other document (whether creating a Security Interest or not) which is executed at any time by the Borrower or the other Security Parties or any other person as security for, or to establish any form of subordination or priorities arrangement in relation to, the whole or any part of the Outstanding Indebtedness and/or any and all other obligations of the Borrower pursuant to this Agreement and other moneys from time to time owing or payable under or in connection with this Agreement to the Lender or any of the documents referred to in this definition as each such document may from time to time be amended and/or supplemented, and "Security Document" means any of them as the context may require;

"Security Party" means each of the Borrower, the Corporate Guarantor, the Approved Commercial Manager and any other person (except the Lender, any charterer and any Approved Technical Manager) who, as a surety or mortgagor, as a party to any subordination or priorities arrangement, or in any similar capacity, executes a document falling within the last paragraph of the definition of *"Finance Documents"*, and **"Security Parties"** means any or all of them, as the context may require;

"Security Period" means the period commencing on the Drawdown Date and ending on the date on which the Lender notifies the Borrower and the other Security Parties that:

- (a) all amounts which have become due for payment by the Borrower or any other Security Party under the Finance Documents have been paid;
- (b) no amount is owing or has accrued (without yet having become due for payment) under any Finance Document; and
- (c) neither the Borrower nor any other Security Party has any future or contingent liability under Clauses 11 (*Indemnities- Expenses-Fees*) or 5 (*Payments, Taxes, Loan Account and Computation*) or any other provision of this Agreement or another Finance Document;

"Security Requirement" means the amount in Dollars (as certified by the Lender whose certificate shall, in the absence of manifest error, be conclusively binding on the Borrower) which is at any relevant time equal to the Security Requirement Ratio;

"Security Requirement Ratio" means one hundred and twenty five (125%) of the Loan outstanding at the relevant time;

"Security Value" means the amount in Dollars (as certified by the Lender whose certificate shall, in the absence of manifest error, be conclusive and binding on the Borrower) which, at any relevant time is the aggregate of (i) the Market Value of the Vessel as most recently determined in accordance with Clause 8.5(b) (Valuation of Vessel) and (ii) the market value of any additional security provided under Clause 8.5(a) (Security shortfall-Additional security) and accepted by the Lender (if any) and (iii) the amount of the Pledged Deposit referred to in Clause 8.1(j) (Pledged Deposit) standing to the credit of the Operating Account at the relevant time;

"SMC" means a safety management certificate issued in respect of the Vessel in accordance with rule 13 of the ISM Code;

"Subsidiary" of a person means any company or entity directly or indirectly controlled by such person;

"Taxes" includes all present and future taxes, levies, imposts, duties, fees or charges of whatever nature together with interest thereon and penalties in respect thereof (except taxes concerning the Lender and/or imposed on the overall net income of the Lender) and **"Taxation"** shall be construed accordingly;

"Total Loss" means:

- (a) actual, constructive, compromised or arranged total loss of the Vessel; or
- (b) the Compulsory Acquisition of the Vessel; or
- (c) any condemnation of the Vessel by any tribunal or by any person or persons claiming to be a tribunal, or capture, seizure, confiscation, arrest or detention of the Vessel (other than where the same amounts to the Compulsory Acquisition of the Vessel) by any Government Entity, or by persons acting on behalf of any Government Entity or otherwise, unless it is within one hundred and twenty (120) days from the date of such occurrence released and restored to the full control of the Borrower; and
- (d) any arrest, capture, seizure, confiscation or detention of the Vessel (including any hijacking or theft or piracy or related incident) unless it is within one hundred and eighty (180) days from the date of such occurrence redelivered to the full control of the Borrower;

"Total Loss Date" means, in relation to the Vessel:

- (b) in the case of an actual loss of the Vessel, the date on which it occurred or, if that is unknown, the date when the Vessel was last heard of;
- (c) in the case of a constructive, compromised, agreed or arranged total loss of the Vessel, the earliest of:

- (i) the date on which a notice of abandonment is given to the insurers; and
 - (ii) the date of any compromise, arrangement or agreement made by or on behalf of the Owner of the Vessel with the Vessel's insurers in which the insurers agree to treat the Vessel as a total loss;
- (d) in the case of the Compulsory Acquisition of the Vessel, on the date upon which the relevant requisition of title or other compulsory acquisition occurs;
 - (e) in the case of, condemnation, capture, seizure, confiscation, arrest, or detention of such Vessel (other than where the same amounts to Compulsory Acquisition of such Vessel) by any Government Entity, or by persons acting on behalf of any Government Entity, which deprives its Owner of the use of such Vessel for more than one hundred twenty (120) days, upon the expiry of the period of one hundred twenty (120) days after the date upon which the relevant, condemnation, capture, seizure or confiscation, arrest or detention occurred; and
 - (f) in the case of hijacking, capture, seizure or confiscation of a Vessel arising as a result of a piracy or related incident upon the expiry of the period of one hundred eighty (180) days after the occurrence thereof;

"UK Bail-In Legislation" means (to the extent that the United Kingdom is not an EEA Member Country which has implemented, or implements, Article 55 BRRD) Part 1 of the United Kingdom Banking Act 2009 and any other law or regulation applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutes or their Affiliates (otherwise than through liquidation, administration or other insolvency proceedings);

"US" means the United States of America;

"US Tax Obligor" means:

- (a) the Borrower, if it is resident for tax purposes in the United States of America; or
- (b) a Security Party some or all of whose payments under the Finance Documents are from sources within the United States for US Federal income tax purposes;

"Vessel" means the oil tanker motor vessel **"PYXIS EPSILON"** of approximately **29,730** gt and **13,823** nt, IMO No. **9708760** built in 2015 in Korea by SPP Shipbuilding Co., Ltd., of Korea registered under the laws and flag of the Flag State in the ownership of the Borrower with Official No. **9023**, together with all her boats, engines, machinery tackle outfit spare gear fuel consumable and other stores belongings and appurtenances whether on board or ashore and whether now owned or hereafter acquired and all the additions, improvements and replacements in or on the above described vessel;

"Wilmington Trust" means Wilmington Trust, National Association of 50 South Sixth Street, Suite 1290, Minneapolis, MN 55402, United States of America; and

"Write-down and Conversion Powers" means:

- (a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule; and

- (b) in relation to any other applicable Bail-In Legislation:
 - (i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or Affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and
 - (ii) any similar or analogous powers under that Bail-In Legislation; and
- (c) in relation to any UK Bail-In Legislation:
 - (i) any powers under that UK Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or Affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that UK Bail-In Legislation that are related to or ancillary to any of those powers; and
 - (ii) any similar or analogous powers under that UK Bail-In Legislation.

1.3 Interpretation

In this Agreement:

- (a) Clause headings and the table of contents are inserted for convenience of reference only and in interpreting a Finance Document or any provision of a Finance Document, all Clause, sub-Clause and other headings in that and any other Finance Document shall be entirely disregarded;
- (b) subject to any specific provision of this Agreement or of any assignment and/or participation or syndication agreement of any nature whatsoever, reference to each of the parties hereto and to the other Finance Documents shall be deemed to be reference to and/or to include, as appropriate, their respective successors and permitted assigns;
- (c) where the context so admits, words in the singular include the plural and vice versa;
- (d) the words "*including*" and "*in particular*" shall not be construed as limiting the generality of any foregoing words;
- (e) references to (or to any specified provisions of) a Finance Document or any other agreement or instrument is a reference to that Finance Document or other

agreement or instrument as it may from time to time be amended, restated, novated or replaced, however fundamentally, whether before the date of this Agreement or otherwise;

- (f) references to Clauses and Schedules are to be construed as references to the Clauses of, and the Schedules to, the relevant Finance Document and references to a Finance Document include all the terms of that Finance Document and any Schedules, Annexes or Appendices thereto, which form an integral part of same;
- (g) references to the opinion of the Lender or a determination or acceptance by the Lender or to documents, acts, or persons acceptable or satisfactory to the Lender or the like shall be construed as reference to opinion, determination, acceptance or satisfaction of the Lender at the sole discretion of the Lender and such opinion, determination, acceptance or satisfaction of the Lender shall be conclusive and binding on the Borrower;
- (h) references to a "**regulation**" include any present or future regulation, rule, directive, requirement, request or guideline (whether or not having the force of law) of any of any governmental or intergovernmental body, agency, authority, central bank or government department or any self-regulatory or other national or supra-national authority or organisation and includes (without limitation) any Basel II Regulation or Basel III Regulation;
- (i) references to any person include such person's assignees and successors in title; and
- (j) references to or to a provision of, any law include any amendment, extension, re-enactment or replacement, whether made before the date of this Agreement or otherwise;

1.4 Construction of certain terms

In this Agreement:

"asset" includes every kind of property, asset, interest or right, including any present, future or contingent right to any revenues or other payment;

"company" includes any partnership, joint venture and unincorporated association;

"consent" includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration, notarisation and legalisation;

"continuing", in relation to any Default or any Event of Default, means that the Default or the Event of Default has not been remedied or waived;

"contingent liability" means a liability which is not certain to arise and/or the amount of which remains unascertained;

"control" of an entity means:

- (a) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:
 - (i) cast, or control the casting of, more than 50 per cent of the maximum number of votes that might be cast at a general meeting of that entity; or

- (ii) appoint or remove all, or the majority, of the directors or other equivalent officers of that entity; or
 - (iii) give directions with respect to the operating and financial policies of that entity with which the directors or other equivalent officers of that entity are obliged to comply; and/or
- (b) the holding beneficially of more than 50 per cent of the issued share capital of that entity (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital) (and, for this purpose, any Security Interest over share capital shall be disregarded in determining the beneficial ownership of such share capital);

and **controlled** shall be construed accordingly;

"document" includes a deed; also a letter or fax;

"guarantee" means any guarantee, letter of credit, bond, indemnity or similar assurance against loss, or any obligation, direct or indirect, actual or contingent, to purchase or assume any indebtedness of any person or to make an investment in or loan to any person or to purchase assets of any person where, in each case, such obligation is assumed in order to maintain or assist the ability of such person to meet its indebtedness and *"guaranteed"* shall be construed accordingly;

"law" includes any form of delegated legislation, any order or decree, any treaty or international convention and any regulation or resolution of the Council of the European Union, the European Commission, the United Nations or its Security Council;

"liability" includes every kind of debt or liability (present or future, certain or contingent), whether incurred as principal or surety or otherwise;

"person" includes any individual, firm, company, corporation, unincorporated body of persons or any state, political sub-division or any agency thereof and local or municipal authority and any international organisation;

"policy", in relation to any insurance, includes a slip, cover note, certificate of entry or other document evidencing the contract of insurance or its terms;

"regulation" includes any regulation, rule, official directive, request or guideline whether or not having the force of law of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

"right" means any right, privilege, power or remedy, any proprietary interest in any asset and any other interest or remedy of any kind, whether actual or contingent, present or future, arising under contract or law, or in equity;

"successor" includes any person who is entitled (by assignment, novation, merger or otherwise) to any other person's rights under this Agreement or any other Finance Document (or any interest in those rights) or who, as administrator, liquidator or otherwise, is entitled to exercise those rights; and in particular references to a successor include a person to whom those rights (or any interest in those rights) are transferred or pass as a result of a merger, division, reconstruction or other reorganisation of it or any other person;

"tax" includes any present or future tax, duty, impost, levy or charge of any kind which is imposed by any state, any political sub-division of a state or any local or municipal authority (including any such imposed in connection with exchange controls), and any connected penalty, interest or fine; and

"liquidation", "winding up", "dissolution", or "administration" of person or (ii) a **"receiver"** or **"administrative receiver"** or **"administrator"** in the context of insolvency proceedings or security enforcement actions in respect of a person shall be construed so as to include any equivalent or analogous proceedings or any equivalent and analogous person or appointee (respectively) under the law of the jurisdiction in which such person is established or incorporated or any jurisdiction in which such person carries on business including (in respect of proceedings) the seeking or occurrences of liquidation, winding-up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

1.5 Same meaning

Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

1.6 Inconsistency

Unless a contrary indication appears, in the event of any inconsistency between the terms of this Agreement and the terms of any other Finance Document when dealing with the same or similar subject matter (other than as relates to the creation and/or perfection of security) are subject to the terms of this Agreement and, in the event of any conflict between any provision of this Agreement and any provision of any Finance Document (other than in relation to the creation and/or perfection of security) the provisions of this Agreement shall prevail.

1.7 Finance Documents

Where any other Finance Document provides that Clause 1.3 (*Interpretation*) and Clause 1.4 (*Construction of certain terms*), shall apply to that Finance Document, any other provision of this Agreement which, by its terms, purports to apply to all or any of the Finance Documents and/or any Security Party shall apply to that Finance Document as if set out in it but with all necessary changes.

2. THE LOAN

2.1 Commitment to Lend

The Lender, relying upon (inter alia) each of the representations and warranties set forth in Clause 6 (*Representations and warranties*) and in each of the Security Documents, agrees to lend to the Borrower in one (1) Advance and upon and subject to the terms of this Agreement, the amount specified in Clause 1.1 (*Amount and Purpose*) and the Borrower shall apply all amounts borrowed under the Commitment in accordance with Clause 1.1 (*Amount and Purpose*).

2.2 Drawdown Notice and Commitment to Borrow

Subject to the terms and conditions of this Agreement, the Commitment shall be advanced

to the Borrower following receipt by the Lender from the Borrower of a Drawdown Notice not later than 10:00 a.m. (London time) on the second Banking Day before the date on which the drawdown is intended to be made or such shorter period as the Lender may agree.

2.3 Drawdown Notice irrevocable

A Drawdown Notice must be signed by a director or a duly authorised attorney-in-fact of the Borrower and shall be effective on actual receipt thereof by the Lender and, once served, it, subject as provided in Clause 3.6 (*Market disruption – Non Availability*), cannot be revoked without the prior consent of the Lender.

2.4 Number of Advances Agreed

The Commitment shall be advanced to the Borrower in one (1) Advance and any amount undrawn under the Commitment shall be cancelled and may not be borrowed by the Borrower at a later date.

2.5 Disbursement

Upon receipt of the Drawdown Notice complying with the terms of this Agreement the Lender shall, subject to the provisions of Clause 7 (*Conditions precedent*), on the date specified in the Drawdown Notice, make the Commitment available to the Borrower, and payment to the Borrower shall be made to the account which the Borrower specifies in the Drawdown Notice.

2.6 Application of Proceeds

Without prejudice to the Borrower's obligations under Clause 8.1(c) (*Use of Loan proceeds*), the Lender is not bound to monitor or verify the application of any amount borrowed pursuant to this Agreement and shall have no responsibility for the application of the proceeds of the Loan (or any part thereof) by the Borrower.

2.7 Termination Date of the Commitment

Any part of the Commitment undrawn and uncanceled at the end of the Availability Period shall thereupon be automatically cancelled.

2.8 Evidence

It is hereby expressly agreed and admitted by the Borrower that abstracts or photocopies of the books of the Lender as well as statements of accounts or a certificate signed by an authorised officer of the Lender shall be conclusive binding and full evidence, save for manifest error, on the Borrower as to the existence and/or the amount of the at any time Outstanding Indebtedness, of any amount due under this Agreement, of the applicable interest rate or Default Rate or any other rate provided for or referred to in this Agreement, the Interest Period, the value of additional securities under Clause 8.5(a) (*Security shortfall-Additional security*), the payment or non-payment of any amount. Nevertheless, enforcement procedures or any other court or out-of-court procedure can be commenced by the Lender on the basis of the above mentioned means of evidence including written statements or certificates of the Lender.

2.9 Cancellation

The Borrower may, cancel any undrawn part of the Commitment under this Agreement upon giving the Lender not less than five (5) Banking Days' notice in writing to that effect, provided, that no Drawdown Notice has been given to the Lender under Clause 2.2 (*Drawdown Notice and Commitment to Borrow*) for the full amount of the Commitment or in respect of the portion thereof in respect of which cancellation is required by the Borrower. Any such notice of cancellation, once given, shall be irrevocable. Any amount cancelled may not be drawn. Notwithstanding any such cancellation pursuant to this Clause 2.9 the Borrower shall continue to be liable for any and all amounts due to the Lender under this Agreement including without limitation any amounts due to the Lender under Clause 10 (*Indemnities - Expenses - Fees*).

2.10 No security or lien from other person

The Borrower has not taken or received, and the Borrower undertakes that until all moneys, obligations and liabilities due, owing or incurred by the Borrower under this Agreement and the Security Documents have been paid in full, it will not take or receive, any security or lien from any other Security Party.

2.11 Disbursement of the Commitment to the Existing Lenders

(a) Notwithstanding the foregoing provisions of this Clause 2, in the event that any part of the Commitment is required to be drawn down prior to the satisfaction of the requirements of Clause 7 (*Conditions precedent*) and remitted to Wilmington Trust (in its capacity as the Facility Agent under the Existing Loan Agreement), the Lender may in its absolute discretion agree to remit such amount (the "*paid amount*") to Wilmington Trust by MT103 prior to the satisfaction of the requirements of Clause 7 (*Conditions precedent*) expressly subject to the following conditions:

- (i) The Lender receives from Wilmington Trust a letter of undertaking concerning the discharge of the Existing Security, in form and substance satisfactory to the Lender (*the "Letter of Undertaking"*); and
- (ii) in the event that Wilmington Trust fails to comply with its obligations under the Letter of Undertaking:

:

(1) the continued failure of Wilmington Trust to comply with its obligations under the Letter of Undertaking shall be deemed to be an Event of Default for the purposes of this Agreement and (2) the Borrower shall forthwith upon demand by the Lender pay to the Lender such amounts that may be certified by the Lender as being the amount required to indemnify the Lender in respect of any cost transferred to the Lender in relation to the paid amount from the date of payment thereof to Wilmington Trust to the date of discharge of the Existing Security or the refund of the paid amount to the Lender less the amount (if any) of the earned interest received by the Lender from Wilmington Trust and/or the Existing Lenders.

- (iii) Without prejudice to the obligations of the Borrower to indemnify the Lender on demand, the Lender shall in good faith take reasonable and proper steps diligently to seek recovery of the paid amount from Wilmington Trust and/or the Existing Lenders (provided that prior to taking such action the Borrower shall have agreed to indemnify the Lender for all costs and expenses which may be incurred in seeking recovery of such amount, including, without limitation, all legal fees and disbursements reasonably and properly incurred) and if the Lender shall recover any part of the paid amount (and provided that it has previously recovered full indemnification under Clause 2.11(a)(ii)) the Lender shall, so long as no Event of Default has occurred and is continuing, pay to the Borrower the amount so recovered after subtracting any tax suffered or incurred thereon or Expenses incurred by the Lender.
- (iv) The Lender shall have no liability whatsoever to the Borrower or any other person for any loss caused by Wilmington Trust's failure for any reason whatsoever to remit the said amount and any earned interest to the designated account or to comply fully in accordance with the Letter of Undertaking.
- (v) Any amounts remitted by Wilmington Trust and/or the Existing Lenders to the Lender and returned pursuant to this Clause 2.11 will be applied as follows, and express authority is hereby given by the Borrower to the Lender to make such application, in case the repayment of the Existing Indebtedness has not been effected, these amounts together, if needed, with the amount of the Pledged Deposit, shall be applied in or towards prepayment of the Outstanding Indebtedness in full, and, following such prepayment, the remaining amount (if any) shall be freely available to the Borrower.

(b) The provisions of Clause 4.5 (*Amounts payable on prepayment*) shall apply to any prepayment of the Loan made under this Clause 2.11.

3. INTEREST

3.1 Normal Interest Rate

The Borrower shall pay interest on the Loan (or as the case may be, each portion thereof to which a different Interest Period relates) in respect of each Interest Period (or part thereof) on each Interest Payment Date. The interest rate for the calculation of interest shall be the rate per annum determined by the Lender to be the aggregate of (i) the Margin and (ii) LIBOR for such Interest Period, unless there is an Alternative Rate in which case the interest rate for the calculation of interest shall be the rate per annum determined by the Lender to be the aggregate of (i) the Margin and (ii) the Alternative Rate.

3.2 Selection of Interest Period

- (a) Notice: The Borrower may by notice received by the Lender not later than 10:00 a.m. (London time) on the second Banking Day before the beginning of each Interest Period specify (subject to Clause 3.3 (*Determination of Interest Periods*)) whether such Interest Period shall have a duration of one (1) or two (2) or three (3) months (or such other period as may be requested by the Borrower and as the Lender, in its sole discretion, may agree to).

- (b) Non-availability of matching deposits for Interest Period selected: If, after the Borrower has selected an Interest Period longer than 3 months, the Lender notifies the Borrower by 10.00 a.m. (London time) on the third Banking Day before the commencement of the Interest Period that it is not satisfied that deposits in Dollars for a period equal to the Interest Period will be available to it in the London Interbank Market when the Interest Period commences, the Interest Period shall be of such duration as the Lender may advise the Borrower in writing.

3.3 Determination of Interest Periods

Every Interest Period shall, subject to market availability to be conclusively determined by the Lender, be of the duration specified by the Borrower pursuant to Clause 3.2 (Selection of Interest Period) but so that:

- (a) Initial Interest Period: the initial Interest Period applicable to the Loan will commence on the Drawdown Date and each subsequent Interest Period will commence forthwith upon the expiry of the preceding Interest Period;
- (b) Interest Period overrunning Repayment Date(s): if any Interest Period would otherwise overrun one or more Repayment Dates, then, in the case of the last Repayment Date, such Interest Period shall end on such Repayment Date, and in the case of any other Repayment Date or Dates the Loan shall be divided into parts so that there is one part equal to the amount of the Repayment Instalment due on each Repayment Date falling during that Interest Period and having an Interest Period ending on the relevant Repayment Date and another part equal to the amount of the balance of the Loan having an Interest Period determined in accordance with Clause 3.2 (Selection of Interest Period) and the other provisions of this Clause 3.3 and the expression "*Interest Period in respect of the Loan*" when used in this Agreement refers to the Interest Period in respect of the balance of the Loan; and
- (c) Failure to notify: if the Borrower fails to specify the duration of an Interest Period in accordance with the provisions of Clause 3.2 (Selection of Interest Period) and this Clause 3.3, such Interest Period shall have a duration of three (3) months unless another period shall be agreed between the Lender and the Borrower provided, always, that such period (whether of three months or different duration) shall comply with this Clause 3.3.

3.4 Default Interest

- (a) Default interest: If the Borrower fails to pay any sum (including, without limitation, any sum payable pursuant to this Clause 3.4) on its due date for payment under any of the Finance Documents, the Borrower shall pay interest on such sum from the due date up to the date of actual payment (as well after as before judgement) at the rate determined by the Lender pursuant to this Clause 3.4. The period beginning on such due date and ending on such date of payment shall be divided into successive periods of not more than three (3) months as selected by the Lender each of which (other than the first, which shall commence on such due date) shall commence on the last day of the preceding such period. The rate of interest applicable to each such period shall be the aggregate (as determined by the Lender) of (i) two per cent (2%), per annum, (ii) the Margin and (iii) LIBOR. Such interest shall be due and payable on the last day of each such period as determined by the Lender and each such day shall, for the purposes of this Agreement, be treated as an Interest

Payment Date, provided that if such unpaid sum is of principal which became due and payable by reason of a declaration by the Lender under Clause 9.2 (*Consequences of Default – Acceleration*) or a prepayment pursuant to Clauses 4.3 (*Compulsory Prepayment in case of Total Loss or sale of the Vessel*), 8.5(a) (*Security shortfall-Additional security*) and 12.1 (*Unlawfulness*) on a date other than an Interest Payment Date relating thereto, the first such period selected by the Lender shall be of a duration equal to the period between the due date of such principal sum and such Interest Payment Date and interest shall be payable on such principal sum during such period at a rate two per cent (2%) above the rate applicable thereto immediately before it fell due. If for the reasons specified in Clause 3.6 (*Market disruption – Non Availability*), the Lender is unable to determine a rate in accordance with the foregoing provisions of this Clause 3.4 (*Default interest*), interest on any sum not paid on its due date for payment shall be calculated at a rate determined by the Lender to be two per cent (2%) per annum above the aggregate of (i) the Margin and (ii) the Alternative Rate.

- (b) Compounding of default interest: Any such interest which is not paid at the end of the period by reference to which it was determined shall be compounded semi-annually.

3.5 Notification of Interest and interest rate

The Lender shall notify the Borrower promptly of the duration of each Interest Period and of each rate of interest determined by it under this Clause 3 without prejudice to the right of the Lender to make determinations at its sole discretion, but this shall not be taken to imply that the Borrower is liable to pay such interest only with effect from the date of the Lender's notification. However, omission of the Lender to make such notification (without the application of the Borrower) will not constitute and will not be interpreted as if to constitute a breach of obligation of the Lender except in case of wilful misconduct.

3.6 Market disruption – Non Availability

- (a) Market Disruption Event: If and whenever, at any time prior to the commencement of any Interest Period, the Lender (in its discretion) shall have determined (which determination shall be conclusive in the absence of manifest error) that a Market Disruption Event has occurred in relation to the Loan for any such Interest Period, then the Lender shall forthwith give notice thereof (a "**Determination Notice**") to the Borrower and the rate of interest on the Loan (or the relevant part thereof) for that Interest Period shall be the percentage rate per annum which is the sum of:
- (i) the Margin; and
 - (ii) the rate which expresses as a percentage rate per annum the cost to the Lender of funding the Loan (or the relevant part thereof) from whatever source it may select.
- (b) Suspension of drawdown: If the Determination Notice is given before the Commitment (or a part thereof) is advanced, the Lender's obligation to make the Commitment (or a part thereof) available shall be suspended while the circumstances referred to in the Determination notice continue.
- (c) Meaning of "Market Disruption Event": In this Agreement "**Market Disruption Event**" means:

- (i) at or about noon on the Quotation Day for the relevant Interest Period no Screen Rate is available for LIBOR for Dollars; and/or
 - (ii) before close of business in London on the Quotation Day for the relevant Interest Period, the Lender determines (in its sole discretion) that the cost to it of obtaining matching deposits in the London Interbank Market to fund the Loan (or the relevant part thereof) for such Interest Period would be in excess of the Screen Rate for such Interest Period; and
 - (iii) before close of business in London on the Quotation Day for the relevant Interest Period, deposits in Dollars are not available to the Lender in the London Interbank Market in the ordinary course of business in sufficient amounts to fund the Loan (or the relevant part thereof) for such Interest Period.
- (d) Negotiation of alternative rate of interest: If the Determination Notice is served after the Loan is borrowed, the Borrower and the Lender shall enter into negotiations (for a period of not more than 15 days after the date on which the Lender serves the Determination Notice (the "*Negotiation Period*") and shall use reasonable endeavours to agree, an alternative interest rate or (as the case may be) an alternative basis for the Lender to fund or continue to fund the Loan during the Interest Period concerned. During the Negotiation Period the Lender shall set an Interest Period and interest rate representing the Cost of Funding of the Lender in Dollars, in each case as determined by the Lender, of the Loan plus the Margin.
- (e) Application of agreed alternative rate of interest: Any alternative interest rate or an alternative basis which is agreed during the Negotiation Period shall be binding on the Lender and all Security Parties and shall take effect in accordance with the terms agreed.
- (f) Alternative basis of interest in absence of agreement: If the Lender and the Borrower will not enter into negotiations as provided in Clause 3.6(d) (i) or if an alternative interest rate or alternative basis is not agreed within the Negotiation Period, and the relevant circumstances are continuing at the end of the Negotiation Period, then the Lender shall set the following Interest Period and an interest rate representing the cost of funding of the Lender in Dollars of the Loan (or the relevant part thereof) plus the Margin for such Interest Period; if the relevant circumstances are continuing at the end of the Interest Period so set by the Lender, the Lender shall continue to set the following Interest Period and an interest rate representing its cost of funding in Dollars of the Loan (or the relevant part thereof) plus the Margin for such Interest Period until such time as the circumstances specified in Sub-Clause 3.6(a) (*Market Disruption Event*) shall no longer exist, whereupon the normal rate of interest shall apply.
- (g) Notice of prepayment: If the Borrower does not agree with an interest rate set by the Lender under Clause 3.6(f) (*Alternative basis of interest in absence of agreement*), the Borrower may give the Lender not less than 5 Banking Days' notice of its intention to prepay the Loan at the end of the interest period set by the Lender.
- (h) Prepayment; termination of Commitment: A notice under Clause 3.6(g) (*Notice of prepayment*) shall be irrevocable; and on the last Banking Day of the interest period set by the Lender the Borrower shall prepay (without premium or penalty) the Loan, together with accrued interest thereon at the applicable interest rate and the

balance of the Outstanding Indebtedness.

- (i) Application of prepayment: The provisions of Clause 4 (*Repayment-Prepayment*) shall apply in relation to the prepayment made hereunder.

3.7 Replacement of Screen Rate

- (a) If a Screen Rate Replacement Event has occurred in relation to the Screen Rate for dollars, any amendment or waiver which relates to:
- (i) providing for the use of a Replacement Benchmark in relation to that currency in place of that Screen Rate ; and
 - (ii)
 - (1) aligning any provision of any Finance Document to the use of that Replacement Benchmark;
 - (2) enabling that Replacement Benchmark to be used for the calculation of interest under this Agreement (including, without limitation, any consequential changes required to enable that Replacement Benchmark to be used for the purposes of this Agreement);
 - (3) implementing market conventions applicable to that Replacement Benchmark;
 - (4) providing for appropriate fallback (and market disruption) provisions for that Replacement Benchmark; or
 - (5) adjusting the pricing to reduce or eliminate, to the extent reasonably practicable, any transfer of economic value from one Party to another as a result of the application of that Replacement Benchmark (and if any adjustment or method for calculating any adjustment has been formally designated, nominated or recommended by the Relevant Nominating Body, the adjustment shall be determined on the basis of that designation, nomination or recommendation),

may be made without the consent of the Borrower.

4. REPAYMENT - PREPAYMENT

4.1 Repayment

The Borrower shall and it is expressly undertaken by the Borrower to repay the Loan by (a) twenty (20) consecutive quarterly Repayment Instalments (the "**Repayment Instalments**") to be repaid on each of the Repayment Dates so that the first Repayment Instalment is repaid on the date falling three (3) months after the Drawdown Date and each of the subsequent ones consecutively falling due for payment on each of the dates falling three (3) months after the immediately preceding Repayment Date with the last (the 20th) of such Repayment Instalments falling due for payment on the Final Maturity Date and (b) the Balloon Instalment falling due for payment on the Final Maturity Date; subject to the provisions of this Agreement the amount of each of such Repayment Instalments shall be

Dollars Three hundred thousand (\$300,000);

provided, that (a) if the last Repayment Date would otherwise fall after the Final Maturity Date, the last Repayment Date shall be the Final Maturity Date, (b) in the event that the Commitment is not drawn down in full by the last day of the Availability Period, the amount of each of the Repayment Instalments shall be proportionally reduced, (c) there shall be no Repayment Dates after the Final Maturity Date, (d) on the Final Maturity Date the Borrower shall also pay to the Lender any and all other moneys then due and payable under this Agreement and the other Finance Documents and (e) if any of the Repayment Instalments shall become due on a day which is not a Banking Day, the due date therefor shall be extended to the next succeeding Banking Day unless such Banking Day falls in the next calendar month in which event such due date shall be the immediately preceding Banking Day.

4.2 Voluntary Prepayment

The Borrower shall have the right, upon giving the Lender not less than five (5) days' notice in writing, to prepay, without penalty or prepayment fee, part or all of the Loan, in each case together with all unpaid interest accrued thereon and all other sums of money whatsoever due and owing from the Borrower to the Lender hereunder or pursuant to the other Finance Documents and all interest accrued thereon, provided, that:

- (a) the giving of such notice by the Borrower will irrevocably commit the Borrower to prepay such amount as stated in such notice;
- (b) if the Borrower shall request consent to make such prepayment on a day other than the last day of an Interest Period the Borrower will pay, in addition to the amount to be prepaid, any such sum as may be payable to the Lender pursuant to Clause 10.1 (*Indemnity*);
- (c) each such prepayment shall be in an amount of \$100,000 or a whole multiple thereof or the balance of the Loan and will be applied by the Lender in or towards pro-rata prepayment of the Balloon Instalment and the remaining Repayment Instalments;
- (d) every notice of prepayment shall be effective only on actual receipt (including by fax or electronic mail) by the Lender, shall be irrevocable and shall oblige the Borrower to make such prepayment on the date specified;
- (e) the Borrower has provided evidence satisfactory to the Lender that any consent required by the Borrower or any Security Party in connection with the prepayment has been obtained and remains in force, and that any regulation relevant to this Agreement which affects the Borrower or any Security Party has been complied with;
- (f) no amount prepaid may be re-borrowed; and
- (g) the Borrower may not prepay the Loan or any part thereof, save as expressly provided in this Agreement or as otherwise agreed by the Lender;

Provided always that if the Borrower shall, subject always to Clause 4.2(a), make a prepayment on a Banking Day other than the last day of an Interest Period in respect of the whole of the Loan, it shall, in addition to the amount prepaid and accrued interest, pay to

the Lender any amount which the Lender may certify is necessary to compensate the Lender for any Break Costs incurred by the Lender as a result of the making of the prepayment in question.

4.3 Compulsory Prepayment in case of Total Loss or sale of the Vessel

- (a) Total Loss: On the Vessel becoming a Total Loss:
- (i) prior to the advancing of the Commitment (or any part thereof), the obligation of the Lender to advance the Commitment (or any part thereof) shall immediately cease and the Commitment shall be reduced to zero; or
 - (ii) in case the Commitment (or any part thereof) has been already advanced, the Borrower shall prepay the Outstanding Indebtedness in full on the earlier of (1) the date falling one hundred and eighty (180) days after the Total Loss Date and (2) the date of receipt by the Lender of the insurance proceeds relating to such Total Loss or Requisition Compensation.
- (b) Sale of the Vessel - Refinancing: In the event of a sale or other disposal of the Vessel, or in case of refinancing by another bank or if the Borrower requests the Lender's consent for the discharge of the Mortgage on the Vessel, the Borrower shall prepay the Outstanding Indebtedness in full on the date of the sale and delivery of the Vessel to her buyer or on the date of the refinancing or the date of the discharge of the Mortgage on the Vessel, as the case may be.

4.4 Amounts payable on prepayment

Any prepayment of all or part of the Loan under this Agreement shall be made together with:

- (a) accrued interest on the prepaid amount to the date of such prepayment (calculated, in the case of a prepayment pursuant to Clause 3.6 (*Market disruption – Non Availability*) at a rate equal to the aggregate of the Margin and the cost to the Lender of funding the Loan);
- (b) any additional amount, if applicable, payable under Clause 5.3 (*Gross Up*) and/or 12.2 (*Increased cost*) and 12.3 (*Claim for increased cost*);
- (c) all other sums payable by the Borrower to the Lender under this Agreement or any of the other Finance Documents including, without limitation, any amounts payable under Clause 10 (*Indemnities - Expenses – Fees*); and
- (d) in relation to any prepayment made on a date other than an Interest Payment Date in respect of the whole of the Loan, it shall, in addition to the amount prepaid and accrued interest, pay to the Lender any amount which the Lender may certify is necessary to compensate the Lender for any Break Costs incurred by the Lender as a result of the making of the prepayment in question.

5. PAYMENTS, TAXES, LOAN ACCOUNT AND COMPUTATION

5.1 Payments – No set-off or counterclaims

- (a) The Borrower acknowledges that in performing its obligations under this Agreement, the Lender will be incurring liabilities to third parties in relation to the

funding of amounts to the Borrower, such liabilities matching the liabilities of the Borrower to the Lender and that it is reasonable for the Lender to be entitled to receive payments from the Borrower gross on the due date in order that the Lender is put in a position to perform its matching obligations to the relevant third parties. Accordingly, all payments to be made by the Borrower under this Agreement and/or any of the other Finance Documents shall be made in full, without any set-off or counterclaim whatsoever and, subject as provided in Clause 5.3 (*Gross-up*), free and clear of any deductions or withholdings or Governmental Withholdings whatsoever, as follows:

- (i) in Dollars, not later than 10:00 a.m. (London time) on the Banking Day (in Piraeus, Athens, London and New York City) on which the relevant payment is due under the terms of this Agreement; and
 - (ii) to the account of the Lender at Citibank N.A., 399, Park Avenue, New York 10022, N.Y., U.S.A. (SWIFT Code CITIUS33) for account of the Lender, account number 36251442 (Swift Code: CRBAGRAA), or such other bank in New York as the Lender may notify from time to time to the Borrower, reference: "*EIGHTHONE CORP.-LOAN AGREEMENT DATED: 29TH MARCH, 2021*", provided, however, that the Lender shall have the right to change the place of account for payment, upon ten (10) Banking Days' prior written notice to the Borrower from the date on which the relevant payment has to be made.
- (b) If at any time it shall become unlawful or impracticable for the Borrower to make payment under this Agreement to the relevant account or bank referred to in Clause 5.1(a), the Borrower may request and the Lender may agree to alternative arrangements for the payment of the amounts due by the Borrower to the Lender under this Agreement or the other Finance Documents.

5.2 Payments on Banking Days

All payments due shall be made on a Banking Day. If the due date for payment falls on a day which is not a Banking Day, that payment due shall be made on the next following Banking Day unless such Banking Day falls in the next calendar month in which case payment shall be made on the immediately preceding Banking Day.

5.3 Gross Up

If at any time any law, regulation, regulatory requirement or requirement of any governmental authority, monetary agency, central bank or the like compels the Borrower to make payment subject to Governmental Withholdings (other than a FATCA Deduction), the Borrower shall pay to the Lender such additional amounts as may be necessary to ensure that there will be received by the Lender a net amount equal to the full amount which would have been received had payment not been made subject to such Governmental Withholdings. The Borrower shall indemnify the Lender against any losses or costs incurred by the Lender by reason of any failure of the Borrower to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment. The Borrower shall, not later than thirty (30) days after each deduction, withholding or payment of any Governmental Withholdings (other than a FATCA Deduction), forward to the Lender official receipts and any other documentary receipts and any other documentary evidence reasonably required by the Lender in respect of the payment made or to be made of any deduction or withholding or Governmental Withholding (other than a FATCA Deduction). The obligations of the Borrower under this

provision shall, subject to applicable law, remain in force notwithstanding the repayment of the Loan and the payment of all interest due thereon pursuant to the provisions of this Agreement.

5.4 Mitigation

If circumstances arise which would result in an increased amount being payable by the Borrower under this Clause then, without in any way limiting the rights of the Lender under this Clause, the Lender shall use reasonable endeavours to transfer the obligations, liabilities and rights under this Agreement and the Security Documents to another office or financial institution not affected by the circumstances, but the Lender shall be under no obligation to take any such action if in its opinion, to do so would or might:

- (a) have an adverse effect on its business, operations or financial condition on the Lender; or
- (b) involve it in any activity which is unlawful or prohibited or any activity that is contrary to, or inconsistent, with any regulation of the Lender; or
- (c) involve the Lender in any expense (unless indemnified to its reasonable satisfaction) or tax disadvantage.

5.5 Claw-back of Tax benefit

If, following any such deduction or withholding as is referred to in Clause 5.3 (*Gross-up*) from any payment by the Borrower, the Lender shall receive or be granted a credit against or remission for any Taxes payable by it, the Lender shall, subject to the Borrower having made any increased payment in accordance with Clause 5.3 (*Gross-up*) and to the extent that the Lender can do so without prejudicing its retention of the amount of such credit or remission and without prejudice to the right of the Lender to obtain any other relief or allowance which may be available to it, reimburse the Borrower with such amount as the Lender shall in its absolute discretion certify to be the proportion of such credit or remission as will leave the Lender (after such reimbursement) in no worse position than it would have been in had there been no such deduction or withholding from the payment by the Borrower. Such reimbursement shall be made forthwith upon the Lender certifying that the amount of the credit or remission has been received by it, provided, always, that:

- (a) the Lender shall not be obliged to allocate this transaction any part of a tax repayment or credit which is referable to a number of transactions;
- (b) nothing in this Clause shall oblige the Lender to rearrange its tax affairs in any particular manner, to claim any type of relief, credit, allowance or deduction instead of, or in priority to, another or to make any such claim within any particular time or to disclose any information regarding its tax affairs and computations;
- (c) nothing in this Clause shall oblige the Lender to make a payment which exceeds any repayment or credit in respect of tax on account of which the Borrower has made an increased payment under this Clause;
- (d) any allocation or determination made by the Lender under or in connection with this Clause shall be binding on the Borrower; and
- (e) without prejudice to the generality of the foregoing, the Borrower shall not, by

virtue of this Clause 5.5, be entitled to enquire about the Lender's tax affairs.

5.6 Loan Account

All sums advanced by the Lender to the Borrower under this Agreement and all interest accrued thereon and all other amounts due under this Agreement from time to time and all repayments and/or payments thereof shall be debited and credited respectively to a separate loan account maintained by the Lender in accordance with its usual practices in the name of the Borrower. The Lender may, however, in accordance with its usual practices or for its accounting needs, maintain more than one account, consolidate or separate them but all such accounts shall be considered parts of one single loan account maintained under this Agreement. In case that a ship mortgage in the form of Account Current is granted as security under this Agreement, the account(s) referred to in this Clause shall be the Account Current referred to in such mortgage.

5.7 Computation

All interest and other payments payable by reference to a rate per annum under this Agreement shall accrue from day to day and be calculated on the basis of actual days elapsed and a 360 day year.

6. REPRESENTATIONS AND WARRANTIES

6.1 Continuing representations and warranties

The Borrower hereby represents and warrants to the Lender as follows:

- (a) Due Incorporation/Valid Existence: each of the Borrower and the other corporate Security Parties is duly incorporated and validly existing and in good standing under the laws of their respective countries of incorporation, and have power to own their respective property and assets, to carry on their respective business as the same are now being lawfully conducted and to purchase, own, finance and operate vessels, or, as the case may be, manage vessels, as well as to undertake the obligations which they have undertaken or shall undertake pursuant to the Finance Documents;
- (b) Due Corporate Authority: each of the Borrower and the other corporate Security Parties has power to execute, deliver and perform its obligations under the Finance Documents to which it is a party and to borrow the Commitment and to make all the payments contemplated by, and to comply with, those Finance Documents to which that Security Party is a party and each of the corporate Security Parties has power to execute and deliver and perform its obligations under the Finance Documents to which it is or is to be a party; all necessary corporate, shareholder and other action has been taken to authorise the execution, delivery and performance of the same and no limitation on the powers of the Borrower to borrow will be exceeded as a result of borrowing the Loan;
- (c) Litigation: no litigation or arbitration, tax claim or administrative proceeding (including action relating to any alleged or actual breach of the ISM Code and the ISPS Code) relating to sums exceeding in respect of the Borrower, the amount of Six hundred thousand Dollars (\$600,000) and in respect of the Corporate Guarantor, the amount of One million two hundred thousand Dollars (\$1,200,000) involving a potential liability of the Borrower or the Corporate Guarantor is current or pending or (to its or its officers' knowledge) threatened against the Borrower or the

Corporate Guarantor, which, if adversely determined, would have a Material Adverse Effect on any of them;

- (d) No conflict with other obligations: the execution and delivery of, the performance of its obligations under, and compliance with the provisions of, the Finance Documents by the relevant Security Parties will not (i) contravene any existing applicable law, statute, rule or regulation or any judgment, decree or permit to which the Borrower or any other Security Party is subject, (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which the Borrower or any other Security Party is a party or is subject to or by which it or any of its property is bound, (iii) contravene or conflict with any provision of the memorandum and articles of association/articles of incorporation/by-laws/statutes or other constitutional documents of the Borrower or any other Security Party or (iv) result in the creation or imposition of or oblige the Borrower or any other Security Party to create any Security Interest (other than a Permitted Security Interest) on any of the undertakings, assets, rights or revenues of the Borrower or any other Security Party;
- (e) Financial Condition: to the knowledge of the officers/directors or shareholders of the Borrower the financial condition of the Borrower and of the other Security Parties has not suffered any material deterioration since that condition was last disclosed to the Lender;
- (f) No Immunity: neither the Borrower nor any other Security Party nor any of their respective assets are entitled to immunity on the grounds of sovereignty or otherwise from any legal action or proceeding (which shall include, without limitation, suit, attachment prior to judgement, execution or other enforcement);
- (g) Shipping Company: each of the Borrower and the Approved Commercial Manager is a shipping company involved in the owning or, as the case may be, managing of ships engaged in international voyages and earning profits in free foreign currency;
- (h) Licences/Authorisation: every consent, authorisation, license or approval of, or registration with or declaration to, governmental or public bodies or authorities or courts required by any Security Party to authorise, or required by any Security Party in connection with, the execution, delivery, validity, enforceability or admissibility in evidence of each of the Finance Documents or the performance by each Security Party of its obligations under the Finance Documents to which such Security Party is or is to be a party has been obtained or made and is in full force and effect and there has been no default in the observance of any of the conditions or restrictions (if any) imposed in, or in connection with, any of the same so far as the Borrower is aware;
- (i) Perfected Securities: the Finance Documents do now or, as the case may be, will, upon execution and delivery (and, where applicable, registration as provided for in the Finance Documents):
 - (i) constitute the relevant Security Party's legal, valid and binding obligations enforceable against that Security Party in accordance with their respective terms (having the requisite corporate benefit which is legally and economically sufficient); and
 - (ii) create legal, valid and binding Security Interests (having the priority specified in the relevant Finance Document) enforceable in accordance with

their respective terms over all the assets and revenues intended to be covered to which they, by their terms, relate, subject to any relevant insolvency laws affecting creditors' rights generally;

- (j) No third party Security Interests: without limiting the generality of Clause 6.1(i) (*Perfected Securities*), at the time of the execution and delivery of each Finance Document to which the Borrower is a party:
 - (i) the Borrower will have the right to create all the Security Interests which that Finance Document purports to create; and
 - (ii) no third party will have any Security Interests (except for Permitted Security Interests) or any other interest, right or claim over, in or in relation to any asset to which any such Security Interest, by its terms, relates;
- (k) No Notarisation/Filing/Recording: save for the registration of any mortgage in the Registry, it is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of this Agreement or any of the other Finance Documents that it or they or any other instrument be notarised, filed, recorded, registered or enrolled in any court, public office or elsewhere or that any stamp, registration or similar tax or charge be paid on or in relation to this Agreement or the other Finance Documents;
- (l) No conflict: There are no other agreements or arrangements which may adversely affect or conflict with the Finance Documents or the security thereby created;
- (m) Valid Choice of Law: the choice of law agreed to govern this Agreement and/or any other Finance Document and the submission to the jurisdiction of the courts agreed in each of the Finance Documents are or will be, on execution of the respective Finance Documents, valid and binding on the Borrower and any other Security Party which is or is to be a party thereto;
- (n) Shareholdings:
 - (i) all the shares in the Borrower are legally and beneficially held directly or indirectly by the Beneficial Shareholders disclosed to the Lender before signing of this Agreement; and
 - (ii) no change of control has been made directly or indirectly in the ownership, beneficial ownership, or management of the Borrower or any share therein or of the Vessel and 100% of the shares and voting rights in the Borrower and at least 20% in the Corporate Guarantor will remain throughout the Security Period in the ultimate legal and beneficial ownership of the Beneficial Shareholders disclosed to the Lender before signing of this Agreement unless otherwise permitted by the Lender; and
- (o) Sanctions:
 - (i) none of the Security Parties nor any other member of the Group:
 - a) is a Sanctions Restricted Person;
 - b) owns or controls directly or indirectly a Sanctions Restricted Person;

or

- c) has a Sanctions Restricted Person serving as a director, officer or, to the best of its knowledge, employee; and
- (ii) no proceeds of the Loan shall be made available, directly or to the knowledge of the Borrower (after reasonable enquiry) indirectly, to or for the benefit of a Sanctions Restricted Person contrary to Sanctions or for transactions in a Sanctions Restricted Jurisdiction nor shall they be otherwise directly or indirectly, applied in a manner or for a purpose prohibited by Sanctions.

6.2 Initial representations and warranties

The Borrower hereby further represents and warrants to the Lender that:

- (a) Direct obligations - Pari Passu: the obligations of the Borrower under this Agreement are direct, general and unconditional obligations of the Borrower and rank at least pari passu with all other present and future unsecured and unsubordinated Financial Indebtedness of the Borrower with the exception of any obligations which are mandatorily preferred by law;
- (b) Information: all information, accounts, statements of financial position, exhibits and reports furnished by or on behalf of any Security Party to the Lender in connection with the negotiation and preparation of this Agreement and each of the other Finance Documents are true and accurate in all material respects and not misleading, do not omit material facts and all reasonable enquiries have been made to verify the facts and statements contained therein; to the best knowledge of the Directors/Officers or shareholders of the Borrower, there are no other facts the omission of which would make any fact or statement therein misleading and, in the case of accounts and statements of financial position, they have been prepared in accordance with generally accepted accounting principles which have been consistently applied;
- (c) No Event of Default: no Event of Default has occurred and is continuing and neither the Borrower nor the Corporate Guarantor has been declared in default under any agreement relating to Financial Indebtedness to which it is a party or by which it may be bound;
- (d) No Taxes: no Taxes are imposed by deduction, withholding or otherwise on any payment to be made by the Borrower under this Agreement and/or any other of the Finance Documents or are imposed on or by virtue of the execution or delivery of this Agreement and/or any other of the Finance Documents or any document or instrument to be executed or delivered hereunder or thereunder. In case that any Tax exists now or will be imposed in the future, it will be borne by the Borrower;
- (e) Ownership/Flag/Seaworthiness/Class/Insurance of the Vessel: the Vessel is and on the Drawdown Date will be:
 - (i) in the absolute and free from Security Interests (other than Permitted Security Interests) ownership of the Borrower who is and will on and after the Drawdown Date be the sole legal and beneficial owner of the Vessel;

- (ii) registered in the name of the Borrower through the Registry under the laws and flag of the Flag State;
 - (iii) operationally seaworthy and in every way fit for service;
 - (iv) classed with the Classification Society which is a member of IACS and which has been approved by the Lender in writing and such class will be free of any overdue requirements and recommendations of the Classification Society affecting class;
 - (v) insured in accordance with the provisions of this Agreement and the Mortgage;
 - (vi) managed by the Approved Managers; and
 - (vii) in full compliance with the ISM and the ISPS Code;
- (f) No Charter: unless otherwise permitted in writing by the Lender, the Vessel is not and will not on the Drawdown Date be subject to any charter or contract nor to any agreement to enter into any charter or contract which, if entered into after the Drawdown Date would have required the consent of the Lender under any of the Finance Documents and there will not on or before the Drawdown Date be any agreement or arrangement whereby the Earnings of the Vessel may be shared with any other person;
- (g) No Security Interests: neither the Vessel, nor its Earnings, Requisition Compensation or Insurances nor any other properties or rights which are, or are to be, the subject of any of the Security Documents nor any part thereof will, on the Drawdown Date, be subject to any Security Interests other than Permitted Security Interests or otherwise permitted by the Finance Documents;
- (h) Compliance with Environmental Laws and Approvals: except as may already have been disclosed by the Borrower in writing to, and acknowledged in writing by, the Lender:
- (i) the Borrower and its Related Companies have complied with the provisions of all Environmental Laws;
 - (ii) the Borrower and its Related Companies have obtained all Environmental Approvals and are in compliance with all such Environmental Approvals; and
 - (iii) neither the Borrower nor any of its Related Companies have received notice of any Environmental Claim that the Borrower or any of its Related Companies is not in compliance with any Environmental Law or any Environmental Approval;
- (i) No Environmental Claims: except as may already have been disclosed by the Borrower in writing to, and acknowledged in writing by, the Lender:
- (i) there is no Environmental Claim in excess of Six hundred thousand Dollars (\$600,000) pending or, to the best of the Borrower's knowledge and belief, threatened against the Borrower or the Vessel or the Borrower's Related

Companies or any other Relevant Ship; and

- (ii) there has been no emission, spill, release or discharge of a Material of Environmental Concern from the Vessel or any other Relevant Ship or any vessel owned by, managed or crewed by or chartered to the Borrower which could give rise to an Environmental Claim;
- (j) Copies true and complete: the copies of the Management Agreements delivered or to be delivered to the Lender pursuant to Clause 7.2 (*Conditions precedent to the making of the Commitment*) are, or will when delivered be, true and complete copies of such documents; such documents will when delivered constitute valid and binding obligations of the parties thereto enforceable in accordance with their respective terms and there will have been no amendments or variations thereof or defaults thereunder;
- (m) Compliance with the ISM Code: the Vessel and the Operator comply with the requirements of the ISM Code and the SMC which has been issued in respect of the Vessel and shall remain valid on the Drawdown Date and thereafter throughout the Security Period.
- (n) Compliance with ISPS Code: the Vessel and the Operator comply with the requirements of the ISPS Code and the ISSC which has been issued in respect of the Vessel and shall remain valid on the Drawdown Date and thereafter throughout the Security Period;
- (o) No US Tax Obligor: None of the Security Parties and the Group Members is a US Tax Obligor;
- (p) Shareholding: all of the issued shares in the Borrower and at least 20% of the issued shares in the Corporate Guarantor are legally and ultimately beneficially owned by the Beneficial Shareholders; and
- (q) Taxes paid: the Borrower has paid all taxes applicable to, or imposed on or in relation to itself, its business or the Vessel.

6.3 Acting for its own account - Money laundering

The Borrower represents and warrants and confirms that it is the beneficiary of the Loan made or to be made available to it and it will promptly inform the Lender by written notice if it is not, or ceases to be, the beneficiary and notify the Lender in writing of the name and the address of the new beneficiary/beneficiaries; the Borrower is aware that under applicable money laundering provisions, it has an obligation to state for whose account the Loan is obtained; the Borrower confirms that, by entering into this Agreement and the other Finance Documents, it is acting on its own behalf and for its own account and it is obtaining the Loan for its own account. In relation to the borrowing by the Borrower of the Loan, the performance and discharge of its obligations and liabilities under this Agreement or any of the other Finance Documents and the transactions and other arrangements effected or contemplated by this Agreement or any of the Documents to which the Borrower is a party, it is acting for its own account and that the foregoing will not involve or lead to a contravention of any law, official requirement or other regulatory measure or procedure which has been implemented to combat "money laundering" (as defined in Article 1 of the Directive (91/308/EEC) of the Council of the European Community).

6.4 Representations Correct

At the time of entering into this Agreement all above representations and warranties or any other information given by the Borrower and/or the Corporate Guarantor to the Lender are true and accurate.

6.5 Repetition of Representations and Warranties

The representations and warranties in this Clause 6 (except in relation to the representations and warranties in Clause 6.2 (*Initial representations and warranties*)) shall be deemed to be repeated by the Borrower:

- (a) on the date of service of the Drawdown Notice;
- (b) on the Drawdown Date; and
- (c) on each Interest Payment Date throughout the Security Period,

as if made with reference to the facts and circumstances existing on each such day.

7. CONDITIONS PRECEDENT

7.1 Conditions precedent to the execution of this Agreement

The obligation of the Lender to make the Commitment or any part thereof available shall be subject to the condition that the Lender shall have received, not later than the day on which the Drawdown Notice in respect of the Commitment or such part thereof is given, the following documents and evidence in form substance satisfactory to the Lender:

- (a) Constitutional Documents: a duly certified true copy of the Articles of Incorporation and By-Laws or the Memorandum and Articles of Association, or of any other constitutional documents, as the case may be, of each corporate Security Party;
- (b) Certificates of incumbency: a recent certificate of incumbency of each corporate Security Party issued by the appropriate authority or, as appropriate, signed by the secretary or a director thereof, stating the officers and the directors of each of them;
- (c) Shareholding: a written letter or statement addressed to the Lender from individual(s) acceptable to the Lender confirming the identity of the Beneficial Shareholder(s) of the Borrower, in line with "*know your customer*" procedures of the Lender;
- (d) Resolutions: minutes of separate meetings of the directors of each corporate Security Party and in respect of the Borrower, of the shareholders thereof, at which there was approved (inter alia) the entry into, execution, delivery and performance of this Agreement, the other Finance Documents and any other documents executed or to be executed pursuant hereto or thereto to which the relevant corporate Security Party is or is to be a party;
- (e) Powers of Attorney: the original of any power(s) of attorney and any further evidence of the due authority of any person signing this Agreement and the other Finance Documents;

- (f) Consents: evidence that all necessary licences, consents, permits and authorisations (including exchange control ones) have been obtained by any Security Party for the execution, delivery, validity, enforceability, admissibility in evidence and the due performance of the respective obligations under or pursuant to this Agreement and the other Finance Documents;
- (g) Fees: evidence that the fees referred to in Clause 10.10 (Fees) have been paid in full;
- (h) Other documents: any other documents or recent certificates or other evidence which would be reasonably required by the Lender in relation to any corporate Security Party evidencing that the relevant Security Party has been properly established, continues to exist validly and is in good standing;
- (i) Management Agreements-Assignable Charterparty: a copy of each of the following documents certified as true and complete by the legal counsel of the Borrower:
 - (i) each Management Agreement evidencing that the Vessel is managed by the relevant Approved Manager on terms acceptable to the Lender; and
 - (ii) any Assignable Charterparty; and
- (j) Operating Account: evidence that the Operating Account has been duly opened and all mandate forms and other legal documents required for the opening of an account under any applicable law, as well as signature cards and properly adopted authorizations have been duly delivered to and have been accepted by the compliance department of the Lender.

7.2 Conditions precedent to the making of the Commitment

The obligation of the Lender to advance the Commitment (or any part thereof) is subject to the further condition that the Lender shall have received prior to the drawdown or, where this is not possible, simultaneously with or immediately following the drawdown of the Commitment or the relevant part thereof:

- (a) Conditions precedent: evidence that the conditions precedent set out in Clause 7.1 (Conditions precedent to the execution of this Agreement) remain fully satisfied;
- (b) Drawdown Notice: the Drawdown Notice duly executed and issued;
- (c) Security Documents: each of the Security Documents duly executed and where appropriate duly registered with the Registry or any other competent authority (as required);
- (d) Title and no Security Interests: evidence that the Vessel is and on the Drawdown Date will be duly registered in the ownership of the Borrower with the Registry and under the laws and flag of the Flag State free from any Security Interests save for those in favour of the Lender and otherwise as contemplated herein;
- (e) Insurances: evidence in form and substance satisfactory to the Lender that the Vessel has been or will - on the Drawdown Date- be insured in accordance with the insurance requirements provided for in this Agreement and the other Security Documents, , together with an opinion from insurance consultants (appointed by the Lender at the Borrower's expense) as to the adequacy of the insurances effected

or to be effected in respect of the Vessel, to be followed by full copies of cover notes, policies, certificates of entry or other contracts of insurance and irrevocable authority is hereby given to the Lender at any time at its discretion to obtain copies of the policies, certificates of entry or other contracts of insurance from the insurers and/or obtain any information in relation to the Insurances relating to the Vessel;

- (f) Insurers' confirmations: all necessary confirmations from the insurers of the Vessel that they will issue letters of undertaking and endorse notice of assignment and loss payable clauses on the Insurances, in form and substance satisfactory to the Lender in its sole discretion and - in the event of fleet cover - accompanied by waivers for liens for unpaid premium of other vessels managed by the Approved Managers and which are not subject to any mortgage in favour of the Lender) and (if required by the Lender) an opinion signed by an independent firm of marine insurance brokers appointed and/or approved by the Lender at the expenses of the Borrower confirming the adequacy of the Insurances maintained on the Vessel;
- (g) MII & MAPI: the MII and MAPI shall have been reimbursed by the Borrower as provided in Clause 10.7 (*MII and MAPI costs*);
- (h) Access to class records: due authorisation in form and substance satisfactory to the Lender authorising the Lender to have access and/or obtain any copies of class records or other information at its discretion from the Classification Society of the Vessel, provided however, that the Lender shall not exercise such right unless and until an Event of Default has occurred and is continuing;
- (i) Notices of assignment: duly executed notices of assignment in the form prescribed by the Security Documents;
- (j) Mortgage registration: evidence that the Mortgage on the Drawdown Date will be registered against the Vessel through the Registry under the laws and flag of the Flag State.
- (k) Trading Certificates: copies of the trading certificates of the Vessel evidencing the same to be valid and in force;
- (l) Class confirmation: evidence from the Classification Society that the Vessel is classed with the class notation (referred to in the Mortgage), with the Classification Society or to a similar standard with another classification society of like standing to be specifically approved by the Lender and remains free from any overdue requirements or recommendations affecting her class;
- (m) Trim and stability booklet: a copy of the trim and stability booklet certifying the lightweight of the Vessel certified as true and complete by the legal counsel of the Borrower;
- (n) DOC and SMC: copies of (i) the DOC referred to in paragraph (a) in the definition of the ISM Code Documentation and (ii) of the SMC for the Vessel;
- (o) ISPS Code: a copy of the ISSC for the Vessel;
- (p) Valuation: charter free valuation of the Vessel, at the Borrower's expense, as of March 22, 2021, prepared on the basis specified in Clause 8.5(b) (*Valuation of Vessel*) by an Approved Shipbroker in form and substance satisfactory to the Lender, for

the purposes of determining the amount of the Loan as per Clause 1.1 (*Amount and purpose*);

- (q) Insurance Letter: the Insurance Letter duly executed;
- (r) Pledged Deposit: evidence that the Borrower has deposited or, as the case may be, will deposit concurrently with the drawdown of the Loan, the Pledged Deposit of Five hundred thousand Dollars (\$500,000) as provided in Clause 8.1(j) (*Pledged Deposit*);
- (s) Existing Indebtedness: evidence satisfactory to the Lender that the Existing Indebtedness will be fully repaid upon the drawdown of the Loan;
- (t) Deed of Release: an original of the Deed of Release and Notices of Reassignment executed by Wilmington Trust (in its capacity as security agent of the Existing Lenders) and of each document to be delivered under or pursuant to it, together with evidence satisfactory to the Lender of its due execution by Wilmington Trust;
- (u) Acknowledgement of Receipt: a receipt in writing in form and substance satisfactory to the Lender including an acknowledgement and admission of the Borrower and/or any other Security Party to the effect that the Loan was drawn by the Borrower and a declaration by the Borrower that all conditions precedent have been fulfilled, that there is no Event of Default and that all the representations and warranties are true and correct;
- (v) Legal opinions: draft opinion from lawyers appointed by the Lender as to all the matters referred to in Clauses 6.1(a) (*Due Incorporation/Valid Existence*) and (b) (*Due Corporate Authority*) and all such aspects of law as the Lender shall deem relevant to this Agreement and the other Finance Documents and any other documents executed pursuant hereto or thereto;
- (w) Security Parties' process agent: a letter from each Security Party's agent for receipt of service of proceedings referred to in each Security Document to which the relevant Security Party is a party, accepting its appointment under each of the relevant Security Documents; and
- (x) Flag State opinion: draft opinion of legal advisers to the Lender on matters of the laws of the Flag State;
- (y) Borrower's equity: Borrower's equity required for the refinancing of the Existing Indebtedness under the Existing Loan Agreement has been deposited into the Operating Account prior to the Drawdown Date so that it is remitted to Wilmington Trust (in its capacity as the facility agent of the Existing Lenders) together with the amount of the Loan.

7.3 No change of circumstances

The obligation of the Lender to advance the Commitment or any part thereof is subject to the further condition that at the time of the giving of the Drawdown Notice and on the Drawdown Date:

- (a) Representations and warranties: the representations and warranties set out in Clause 6 (*Representations and warranties*) and in each of the other Finance

Documents are true and correct on and as of each such time as if each was made with respect to the facts and circumstances existing at such time;

- (b) No Event of Default: no Event of Default shall have occurred and be continuing or would result from the drawdown of the Loan;
- (c) No change: the Lender shall be satisfied that (i) there has been no change in control directly or indirectly in the ownership, beneficial ownership, or management of the Borrower or any share therein or of the Vessel and (ii) 100% of the shares and voting rights in the Borrower and at least 20% in the Corporate Guarantor remain in the ultimate legal and beneficial ownership of the Beneficial Shareholders disclosed to the Lender prior to the date of this Agreement and (iii) there has been no Material Adverse Change in the financial condition of any Security Party which (change) might, in the opinion of the Lender, be detrimental to the interests of the Lender; and
- (d) No Market Disruption Event: none of the circumstances contemplated by Clause 3.6 (*Market disruption – Non Availability*) has occurred and is continuing.

7.4 Know your customer and money laundering compliance

The obligation of the Lender to advance the Commitment or any part thereof is subject to the further condition that the Lender, prior to or simultaneously with the drawdown, shall have received, to the extent required by any change in applicable law and regulation or any changes in the Lender's own internal guidelines since the date on which the applicable documents and evidence were delivered to the Lender pursuant to Clause 8.9 (*Know your customer and money laundering compliance*), such further documents and evidence as the Lender shall require to identify the Borrower and the other Security Parties and any other persons involved or affected by the transaction(s) contemplated by this Agreement.

7.5 Further documents

Without prejudice to the provisions of this Clause 7, and provided reasonable notice is given to the Borrower by the Lender, the Borrower hereby undertakes with the Lender to make or procure to be made such amendments and/or additions to any of the documents delivered to the Lender in accordance with this Clause 7 and to execute and/or deliver to the Lender or procure to be executed and/or delivered to the Lender such further documents as the Lender and its legal advisors may reasonably require to satisfy themselves that all the terms and requirements of this Agreement have been complied with.

7.6 Waiver of conditions precedent

The conditions specified in this Clause 7 are inserted solely for the benefit of the Lender and may be waived by the Lender in whole or in part and with or without conditions. Without prejudice to any of the other provisions of this Agreement, in the event that the Lender, in its sole and absolute discretion, makes the Commitment available to the Borrower prior to the satisfaction of all or any of the conditions referred to in Clause 7.1 (*Conditions precedent to the execution of this Agreement*), Clause 7.2 (*Conditions precedent to the making of the Commitment*) and Clause 7.3 (*No change of circumstances*), the Borrower hereby covenants and undertakes to satisfy or procure the satisfaction of such condition or conditions by no later than fourteen (14) days after the Drawdown Date or within such longer period as the Lender may, in its sole and absolute discretion, agree to or specify.

8. COVENANTS

8.1 General

The Borrower hereby undertakes with the Lender that, from the date of this Agreement and so long as any moneys are owing under any of the Finance Documents and until the full and complete payment and discharge of the Outstanding Indebtedness, it will:

- (a) Notice on adverse change or Default: promptly inform the Lender upon becoming aware of any occurrence which might adversely affect the ability of any Security Party to perform its obligations under any of the Finance Documents and, without limiting the generality of the foregoing, will inform the Lender of any Event of Default forthwith upon becoming aware thereof and will from time to time, if so requested by the Lender, confirm to the Lender in writing that, save as otherwise stated in such confirmation, no Event of Default has occurred and is continuing;
- (b) Consents and licenses: without prejudice to Clause 6 (*Representations and warranties*) and Clause 7 (*Conditions precedent*), obtain or cause to be obtained, maintain in full force and effect and comply in all material respects with the conditions and restrictions (if any) imposed in, or in connection with, every consent, authorisation, license or approval of governmental or public bodies or authorities or courts and do or cause to be done, all other acts and things which may from time to time be necessary or desirable under applicable law for the continued due performance of all the obligations of the Security Parties under each of the Finance Documents;
- (c) Use of Loan proceeds: use the Loan exclusively for the purpose specified in Clause 1.1 (*Amount and Purpose*);
- (d) Pari passu: ensure that its obligations under this Agreement shall, without prejudice to the provisions of this Clause 8.1, at all times rank at least pari passu with all its other present and future unsecured and unsubordinated Financial Indebtedness with the exception of any obligations which are mandatorily preferred by law and not by contract;
- (e) Financial statements: furnish the Lender with (i) annual financial statements of the Borrower and the Corporate Guarantor audited by an Approved Auditor, and (ii) un-audited semi-annual financial statements of the Corporate Guarantor, in each case prepared in accordance with Applicable Accounting Principles consistently applied, in respect of each Financial Year or each semester (as the case may be) as soon as practicable but not later than 180 days (in the case of the annual financial statements) and 90 days (in the case of the un-audited semi-annual financial statements of the Corporate Guarantor) after the end of the financial period to which they relate, in each case commencing with the Financial Year ending on 31st December, 2020, provided that the first financial statements of the Borrower for the Financial Year ending on 31st December, 2020, will be unaudited;
- (f) Provision of further information: promptly, when requested, provide the Lender with such customary financial and other information and accounts relating to the business, undertaking, assets, liabilities, revenues, financial condition or affairs of any Security Party and, on a consolidated basis, the Group and such other further general information relating to any Security Party and, on a consolidated basis, the Group as the Lender from time to time may reasonably require, save where any

such information is publicly available;

- (g) Financial Information: provide the Lender from time to time as the Lender may reasonably request with information on the financial conditions, actual and projected for the following 12 month period, cash flow position, commitments and operations of the Borrower and on consolidated basis of the Group including cash flow analysis and voyage accounts of the Vessel with a breakdown of income and running expenses showing net trading profit, trade payables and trade receivables, such financial details to be certified by an authorized signatory of the Borrower as to their correctness;
- (h) Information on the employment of the Vessel: provide the Lender from time to time as the Lender may request with information on the employment of the Vessel, as well as on the terms and conditions of any charterparty, contract of affreightment, agreement or related document in respect of the employment of the Vessel, such information to be certified by an authorised signatory of the Borrower as to their correctness;
- (i) Banking operations: subject to the provisions of Clause 13.7 (*Relocation of Operating Account*), ensure that all banking operations in connection with the Vessel are carried out through the Operating Account;
- (j) Pledged Deposit: ensure that throughout the Security Period the Borrower shall maintain in an the Operating Account with the Lender, cash minimum liquidity in the amount of Five hundred thousand Dollars (\$500,000) pledged in favour of the Lender (herein, the "**Pledged Deposit**");
- (k) Subordination: ensure that all Financial Indebtedness of the Borrower to its shareholders is fully subordinated to the rights of the Lender under the Finance Documents, all in a form acceptable to the Lender, and to subordinate to the rights of the Lender under the Finance Documents any Financial Indebtedness issued to it by its shareholders, all in a form acceptable to the Lender;
- (l) Obligations under Finance Documents: duly and punctually perform each of the obligations expressed to be assumed by it under the Finance Documents to which is or it is to be a party;
- (m) Payment on demand: pay to the Lender within seven (7) days from the Lender's first demand any sum of money which is due and payable by the Borrower to the Lender under this Agreement but in respect of which it is not specified in any other Clause when it is due and payable; and
- (n) Compliance with Laws and Regulations: to comply, or procure compliance with all laws or regulations relating to the Borrower and/or the Vessel, its ownership, operation and management or to the business of the Borrower and cause this Agreement and the other Finance Documents to comply with and satisfy all the requirements and formalities established by the applicable laws to perfect this Agreement and the other Finance Documents as valid and enforceable Finance Documents;
- (o) Compliance with ISM Code: procure that the Approved Commercial Manager and any Operator:

- (i) will comply with and ensure that the Vessel and any Operator by no later than the Drawdown Date complies with the requirements of the ISM Code, including (but not limited to) the maintenance and renewal of valid certificates pursuant thereto throughout the Security Period;
 - (ii) immediately inform the Lender if there is any threatened or actual withdrawal of the Borrower's, the Approved Commercial Manager's or an Operator's DOC or the SMC in respect of the Vessel; and
 - (iii) promptly inform the Lender upon the issue to the Borrower, the Approved Commercial Manager or any Operator of a DOC and to the Vessel of an SMC or the receipt by the Borrower, the Approved Commercial Manager or any Operator of notification that its application for the same has been realised;
- (p) Compliance with ISPS Code: procure that the Approved Commercial Manager or any Operator will:
- (i) maintain at all times a valid and current ISSC respect of the Vessel;
 - (ii) immediately notify the Lender in writing of any actual or threatened withdrawal, suspension, cancellation or modification of the ISSC in respect of the Vessel; and
 - (iii) procure that the Vessel will comply at all times with the ISPS Code;
- (q) Maintenance of Security Interests:
- (i) at its own cost, do all that it reasonably can to ensure that any Finance Document validly creates the obligations and the Security Interests which it purports to create; and
 - (ii) without limiting the generality of paragraph (q) above, at its own cost, promptly register, file, record or enrol any Finance Document with any court or authority in all Relevant Jurisdictions, pay any stamp, registration or similar tax in all Relevant Jurisdictions in respect of any Finance Document, give any notice or take any other step which may be or has become necessary or desirable for any Finance Document to be valid, enforceable or admissible in evidence or to ensure or protect the priority of any Security Interest which it creates;
- (r) Inspections/Surveys: once per year or in case an Event of Default has occurred and is continuing at any time that the Lender might consider to be necessary or useful, have the Vessel inspected and/or surveyed at the expense of the Borrower by surveyors and/or inspectors appointed by the Lender and the Borrower hereby duly authorise the Lender to review the insurance and operating records of the Borrower provided that any inspections/surveys/reviews are conducted at reasonable times and without interfering with the daily operations and the ordinary trading of the Vessel;
- (s) Notification of litigation: provide the Lender with details of any legal or administrative action relating to an amount exceeding Seven hundred Fifty thousand Dollars (\$750,000) involving the Borrower, the Approved Commercial

Manager, the Vessel, the Earnings or the Insurances and of any legal or administrative action relating to an amount exceeding One million two hundred thousand Dollars (\$1,200,000) involving the Corporate Guarantor, as soon as such action is instituted or it becomes apparent to the Borrower that it is likely to be instituted, unless it is clear that the legal or administrative action cannot be considered material in the context of any Finance Document and the Borrower shall procure that all reasonable measures are taken to defend any such legal or administrative action;

- (t) Notification of default: the Borrower will notify the Lender as soon as the Borrower becomes aware of the occurrence of an Event of Default and will keep the Lender fully up-to-date with all developments;
- (u) Registered office: maintain its registered office at the address referred to in the Recital; and will not establish, or do anything as a result of which it would be deemed to have, a place of business in the United Kingdom or the United States of America; and
- (v) Compliance with Covenants: duly and punctually perform all obligations under this Agreement and the other Finance Documents.

8.2 Negative undertakings

The Borrower undertakes with the Lender that, from the date of this Agreement and so long as any moneys are owing under the Finance Documents and until the full and complete payment and discharge of the Outstanding Indebtedness, it will not, without the prior written consent of the Lender:

- (a) Negative pledge:
 - (i) cease to hold the legal title to, and own the entire beneficial interest in the Vessel, its Insurances and Earnings, free from all Security Interests and other interests and rights of every kind, except for those created by the Finance Documents and other Permitted Security Interests and the effect of the assignments contained in the General Assignment and any other Finance Documents; and
 - (ii) permit any Security Interest (other than a Permitted Security Interest) to subsist, arise or be created or extended over all or any part of its present or future undertakings, assets, rights or revenues to secure or prefer any present or future Financial Indebtedness or other liability or obligation of the Borrower or any other person;
- (b) No further Financial Indebtedness: incur no further Financial Indebtedness other than Permitted Financial Indebtedness;
- (c) No merger: merge or consolidate with any other person;
- (d) No disposals:
 - (i) sell, transfer, abandon, lend, lease or otherwise dispose of or cease to exercise direct control over any part (being either alone or when aggregated with all other disposals falling to be taken into account pursuant to this

Clause 8.2(d), material in the opinion of the Lender, in relation to the undertakings, assets, rights and revenues of the Borrower) of its present or future undertaking, assets, rights or revenues (otherwise than by transfers, sales or disposals for full consideration in the ordinary course of trading) whether by one or a series of transactions related or not;

- (ii) transfer, lease or otherwise dispose of any debt payable to it or any other right (present, future or contingent right) to receive a payment, including any right to damages or compensation;
- (e) No other business: undertake any type of business other than the ownership and operation of the Vessel and the chartering of the Vessel to third parties;
- (f) No acquisitions: acquire any further assets other than the Vessel and rights arising under contracts entered into by or on behalf of the Borrower in the ordinary course of its business of owning, operating and chartering the Vessel;
- (g) No other obligations: incur any liability or obligations except liabilities and obligations arising under the Finance Documents or contracts entered into in the ordinary course of its business of owning, operating and chartering the Vessel or any other Permitted Financial Indebtedness, (and for the purposes of this Clause 8.2(g) (*No other obligations*) fees to be paid pursuant to the Management Agreements in respect of the Vessel shall be considered as permitted obligations under the Finance Documents);
- (h) No repayment of borrowings: following the occurrence of an Event of Default that is continuing, repay the principal of, or pay interest on or any other sum in connection with, any of its Financial Indebtedness except for Financial Indebtedness pursuant to the Finance Documents;
- (i) No Payments: except pursuant to this Agreement and the other Finance Documents (and then only to the extent expressly permitted by the same) not pay out any funds (whether out of the Earnings or out of moneys collected under the General Assignment and/or the other Finance Documents or not) to any company or person except in connection with the administration of the Borrower, the operation, upgrade, maintenance and/or repair of the Vessel;
- (j) No guarantees: issue any guarantees or indemnities or otherwise become directly or contingently liable for the obligations of any person, firm, or corporation except pursuant to the Finance Documents and except for guarantees or indemnities from time to time required in the ordinary course by any protection and indemnity or war risks association with which the Vessel is entered, guarantees required to procure the release of the Vessel from any arrest, detention, attachment or levy or guarantees or undertakings required for the salvage of the Vessel;
- (k) No loans: make any loans or advances to, or any investments in any person, firm, corporation, joint venture or other entity including (without limitation) any loan or advance or grant any credit (save for normal trade credit in the ordinary course of business) to any officer, director, stockholder or employee or any other company managed by the Approved Commercial Manager directly or through the managers of the Vessel or agree to do so;
- (l) No securities: permit any Financial Indebtedness of the Borrower to any person

(other than the Lender) to be guaranteed by any person (save, in the case of the Borrower, for guarantees or indemnities from time to time required in the ordinary course by any protection and indemnity or war risks association with which the Vessel is entered, guarantees required to procure the release of the Vessel from any arrest, detention, attachment or levy or guarantees or undertakings required for the salvage of the Vessel);

(m) No dividends or distribution: on the condition that:

- (i) no Event of Default has occurred and is continuing,
- (ii) no Event of Default will result from the payment of such dividends or the making of any other form of distribution or any redemption, purchase or return of share capital,
- (iii) prior written notice in respect thereto will be given to the Lender, and
- (iv) the Total Liabilities/Total Assets ratio of the Corporate Guarantor does not exceed 75%,

the Borrower may declare or pay any dividends or make any other distribution under any name or description upon any of the issued shares or effect any form of redemption, purchase or return of share capital or otherwise dispose of any of its present or future assets, undertakings, rights or revenues (which are all assigned to the Lender) to any of its shareholders;

AND for the purposes of this sub-Clause 8.2(n):

"Fleet Market Value" means, as of the date of calculation, the aggregate market value of all the vessels (including, but not limited to, the Vessel) from time to time owned by a member of the Group, as determined in accordance with the provisions (*mutatis-mutandis*) of Clause 8.5(b) (Valuation of Vessel);

"Total Assets" means, in respect of each Financial Year and by reference to the last day thereof, the aggregate on a consolidated basis of the assets of the Corporate Guarantor (including, for the avoidance of doubt, the assets of the other members of the Group and the aggregate of all monies standing to the credit of the Operating Account and any other account whether held in the name of the Corporate Guarantor or any other member of the Group and whether encumbered or otherwise) adjusted to reflect the aggregate Fleet Market Value, as reported in the financial statements to be provided to the Lender according to Clause 8.1(e) (Financial statements); and

"Total Liabilities" means, in respect of each Financial Year and by reference to the last day thereof, the consolidated liabilities of the Group which, in accordance with GAAP or (as the case may be) IFRS, are classified as liabilities less the aggregate of any shareholders' loans, which are unsecured and fully subordinated to all Financial Indebtedness incurred under the Finance Documents pursuant to a subordination agreement or otherwise, made to any one or more members of the Group, all as shown in the financial statements to be provided to the Lender according to Clause 8.1(e) (Financial statements);

- (n) No subsidiaries: form or acquire any Subsidiaries;
- (o) No change of Business Structure: change the nature, organisation and conduct of the business of the Borrower or the Approved Commercial Manager as owner of the Vessel or as manager of Vessel, as the case may be, or carry on any business other than the business carried on at the date of this Agreement;
- (p) No change of Legal Structure: (such consent not be unreasonably withheld) ensure that none of the documents defining the constitution of the Borrower shall be materially (in the Lender's opinion) altered in any manner whatsoever;
- (q) No Security Interest of Assets: allow any part of its undertaking, property, assets or rights, whether present or future, to be mortgaged, charged, pledged, used as a lien or otherwise encumbered without the prior written consent of the Lender save for any Permitted Security Interests;
- (r) Master Agreement Derivatives: not enter into any transaction in a derivative other than any under a master agreement entered into with the Lender; and
- (s) No change of control: throughout the Security Period:

ensure that no change shall be made directly or indirectly in the ownership, beneficial ownership, control or management of any of the Borrower and the Corporate Guarantor or any share therein or the Vessel, as a result of which less than 100% of the shares and voting rights in the Borrower or less than 20% of the shares and voting rights in the Corporate Guarantor remain in the ultimate legal and beneficial ownership of the Beneficial Shareholder(s) disclosed to the Lender at the negotiation of this Agreement and confirmed in writing on or before the date hereof.

8.3 Undertakings concerning the Vessel

The Borrower hereby undertakes with the Lender that, from the date of this Agreement and until the full and complete payment and discharge of the Outstanding Indebtedness, that it will:

- (a) Chartering: not without the prior written consent of the Lender which shall not be unreasonably withheld (and then only subject to such conditions as the Lender may impose) let or agree to let the Vessel:
 - (i) on demise charter for any period; or
 - (ii) by any Assignable Charterparty; or
 - (iii) other than on an arm's length basis;
- (b) No amendment to Assignable Charterparty: not without the prior written consent of the Lender which shall not be unreasonably withheld waive or fail to enforce, any Assignable Charterparty to which it is a party or any of its provisions, and will promptly notify the Lender of any amendment or supplement to any Assignable Charterparty;
- (c) Approved Managers: not without the prior written consent of the Lender which

shall not be unreasonably withheld appoint a manager of the Vessel other than the Approved Managers;

- (d) Ownership/Management/Control: ensure that the Vessel remains registered in the ownership of the Borrower under the laws of the Flag State and thereafter ensure that the Vessel will maintain her ownership, management and control;
- (e) Class: ensure that the Vessel remains in class free of overdue recommendations by the Classification Society and provide the Lender on demand with copies of all class and trading certificates of the Vessel;
- (f) Insurances: ensure that all Insurances (as defined in the relevant Mortgage/General Assignment) of the Vessel are maintained and comply with all insurance requirements specified in this Agreement and in the Mortgage and in case of failure to maintain the Vessel so insured, authorise the Lender (and such authorisation is hereby expressly given to the Lender) to have the right but not the obligation to effect such Insurances on behalf of the Owner thereof (and in case that the Vessel remains in port for an extended period) to effect port risks insurances at the cost of the Borrower which, if paid by the Lender, shall be Expenses; if (i) an Event of Default has occurred and is continuing or (ii) there has been any change in the insurance placement within such year or (iii) there has been a Material Adverse Change of the financial condition of any of the insurers of the Vessel at the Lender's sole opinion, the Lender shall be entitled to obtain once per year at Borrower's expense an opinion from insurance consultants (appointed by the Lender at the Borrower's expense) as to the adequacy of the insurances effected or to be effected in respect of the Vessel;
- (g) Transfer/Security Interests: except as provided in Clause 4.3 (b) (*Sale of the Vessel - Refinancing*), not without the prior written consent of the Lender sell or otherwise dispose of the Vessel or any share therein or create or agree to create or permit to subsist any Security Interest over the Vessel (or any share or interest therein other than Permitted Security Interests);
- (h) Not imperil Flag, Ownership, Insurances: ensure that the Vessel following her delivery, is maintained and trades in conformity with the laws of the Flag State, of its owning company or of the nationality of the officers, the requirements of the Insurances and nothing is done or permitted to be done which could endanger the flag of the Vessel or its unencumbered (other than Security Interests in favour of the Lender and Security Interests permitted by this Agreement) ownership or its Insurances;
- (i) Mortgage Covenants: always comply with all the covenants provided for in the Mortgage;
- (j) Assignment of Earnings: not assign or agree to assign otherwise than to the Lender the Earnings or any part thereof.
- (k) Sharing of Earnings: not, without the prior written consent of the Lender which shall not be unreasonably withheld
 - (i) enter into any agreement or arrangement for the sharing or pooling of any Earnings;

- (ii) enter into any agreement or arrangement for the postponement of any date on which any Earnings are due; the reduction of the amount of any Earnings or otherwise for the release or adverse alteration of any right of the Borrower to any Earnings; and
 - (iii) enter into any agreement or arrangement for the release of, or adverse alteration to, any guarantee or Security Interest relating to any Earnings.
- (l) Assignable Charterparty: ensure and procure that in the event of the Vessel being employed under an Assignable Charterparty:
- (i) the Borrower shall execute and deliver to the Lender within fifteen (15) days from the Lender's relevant request a specific assignment of all its rights, title and interest in and to such charter and any charter guarantee (if available) in the form of a Charterparty Assignment and a notice of such assignment addressed to the relevant charterer;
 - (ii) the Borrower will ensure (on a reasonable endeavours basis) that the relevant charterer and any charter guarantor agree to acknowledge to the Lender the specific assignment of such charter and charter guarantee by executing an acknowledgement substantially in the form included in the relevant Charterparty Assignment;
 - (iii) in the case where such charter is a demise charter, the relevant charterer to undertake to the Lender (1) to comply with all of the Borrower's undertakings with regard to the employment, insurances, operation, repairs and maintenance of the Vessel contained in this Agreement, the Mortgage and the General Assignment and (2) to provide (*inter alia*) an assignment of its interest in the insurances of the Vessel in the form of a tripartite agreement in form and substance acceptable to the Lender, to be made between the Lender, the relevant Owner and such charterer;
- (m) No freight derivatives: not enter into or agree to enter into any freight derivatives or any other instruments which have the effect of hedging forward exposures to freight derivatives without the Lender's consent;
- (n) Vessel's inspection: permit the Lender (i) by surveyors or other persons appointed by it in its behalf to board its Vessel at all reasonable times (but in any event without interfering with the daily operations and the ordinary trading of its Vessel and not more than once per annum or if an Event of Default has occurred and is continuing, at any time the Lender considers it appropriate or necessary) for the purpose of inspecting her condition or for the purpose of satisfying itself with regard to proposed or executed repairs and to afford all proper facilities for such inspections and (ii) at any time by financial or insurance advisors or other persons appointed by the Lender to review the operating and insurance records of its Vessel and the Owner and the costs (as supported by vouchers) of any and all such inspections shall be borne by the Borrower;
- (o) Compliance with Environmental Laws: comply with, and procure that all its Environmental Affiliates comply with, all Environmental Laws including without limitation, requirements relating to manning and establishment of financial responsibility and to obtain and comply with, and procure that all its Environmental Affiliates comply with, all Environmental Approvals and to notify the Lender

forthwith:

- (i) of any Environmental Claim for an amount or amounts in aggregate exceeding Six hundred thousand Dollars (\$600,000) made against the Vessel, any Relevant Ship and/or her respective owner; and
 - (ii) upon becoming aware of any incident which may give rise to an Environmental Claim and to keep the Lender advised in writing of the Borrower's response to such Environmental Claim on such regular basis and in such detail as the Lender shall require; and
- (p) War Risk Insurance cover: in the event of hostilities in any part of the world (whether war is declared or not), not cause or permit the Vessel to enter or trade to any zone which is declared a war zone by any government or by the Vessel's war risks insurers unless first obtaining the consent to such employment or trade of the insurers and complying with such requirements as to extra premium or otherwise as the insurers may prescribe require.

8.4 Validity of Securities - Earnings - Taxes etc.

The Borrower hereby undertakes with the Lender that, from the date of this Agreement and throughout the Security Period, it will:

- (a) Validity: ensure and procure that all governmental or other consents required by law and/or any other steps required for the validity, enforceability and legality of this Agreement and the other Finance Documents are maintained in full force and effect and/or appropriately taken;
- (b) Earnings: ensure and procure that, unless and until directed by the Lender otherwise (i) all the Earnings of the Vessel shall be paid to the Operating Account and (ii) the persons from whom the Earnings are from time to time due are irrevocably instructed to pay them to the Operating Account or to such account in the name of the Borrower as shall be from time to time determined by the Lender in accordance with the provisions of this Agreement and/or the relevant Security Documents;
- (c) Taxes: pay all Taxes, assessments and other governmental charges when the same fall due, except to the extent that the same are being contested in good faith by appropriate proceedings and adequate reserves have been set aside for their payment if such proceedings fail; and
- (d) Additional Documents: from time to time at the request of the Lender execute and deliver to the Lender or procure the execution and delivery to the Lender of all such documents as shall be deemed necessary at the reasonable discretion of the Lender for giving full effect to this Agreement, and for perfecting, protecting the value of or enforcing any rights or securities granted to the Lender under any one or more of this Agreement, the other Finance Documents and any other documents executed pursuant hereto or thereto and in case that any conditions precedent (with the Lender's consent) have not been fulfilled prior to the relevant Drawdown Date, such conditions shall be complied with within ten (10) Banking Days after the Lender's written request (unless the Lender agrees otherwise in writing) and failure to comply with this covenant shall be an Event of Default.

8.5 Security cover - Valuation of the Vessel

- (a) Security shortfall - Additional Security: If at any time during the Security Period, the Security Value shall be less than the Security Requirement, the Lender may give notice to the Borrower requiring that such deficiency be remedied and then the Borrower shall (unless the sole cause of such deficiency is the Total Loss of the Vessel and the Borrower is in full compliance with his obligations in relation to such Total Loss) either;
- (i) prepay (in accordance with Clause 4.2 (*Voluntary prepayment*) (but without regard to the requirement for five (5) days' notice) within a period of forty five (45) days of the date of receipt by the Borrower of the Lender's said notice (the "*Prepayment Date*") such sum in Dollars as will result in the Security Requirement after such prepayment (taking into account any other repayment of the Loan made or to be made between the date of the notice and the date of such prepayment) being at least equal to the Security Value; or
 - (ii) on or before the Prepayment Date constitute to the satisfaction of the Lender such additional security for the Loan as shall be acceptable to the Lender having a net realisable value for security purposes (as determined by the Lender in its absolute discretion) at the date upon which such additional security shall be constituted which, when added to the Security Value, shall not be less than the Security Requirement as at such date. Such additional security shall be constituted by:
 - a) additional pledged cash deposits in favor of the Lender in an amount equal to such shortfall with the Lender and in an account and manner to be determined by the Lender; and/or
 - b) any other security acceptable to the Lender at its absolute discretion to be provided in a manner determined by the Lender.

Any such additional security provided to the Lender shall be promptly released by the Lender once the Security Requirement Ratio has been restored. The provisions of Clauses 4.3 (*Compulsory Prepayment in case of Total Loss or sale of the Vessel*) and 4.4 (*Amounts payable on prepayment*) shall apply to prepayments under Clause 8.5(a)(i).

- (b) Valuation of Vessel: The Vessel shall, for the purposes of this Clause 8.5, be valued in Dollars once a year or, if an Event of Default has occurred and is continuing at any other time that the Lender shall reasonably require by two Approved Shipbrokers, one appointed by the Lender and one appointed by the Borrower (such valuations to be addressed to the Lender and to be made without, unless required by the Lender, physical inspection, and on the basis of a sale for prompt delivery for cash at arm's length on normal commercial terms as between a willing buyer and a willing seller, without taking into account the benefit of any charterparty or other engagement concerning the Vessel. The Lender and the Borrower agree to accept the average of such valuations made by the Approved Shipbrokers appointed as aforesaid as conclusive evidence of the Market Value of the Vessel at the date of such valuations and that the average of such valuations shall constitute the Market Value of the Vessel for the purposes of this Clause 8.5.

The value of the Vessel determined in accordance with the provisions of this Clause 8.5 shall be binding upon the Borrower and the Lender until such time as any further such valuations shall be obtained.

- (c) Information: The Borrower undertakes to the Lender to supply to the Lender and to any such Approved Shipbrokers such information concerning the Vessel and its condition as such Approved Shipbrokers may reasonably require for the purpose of making any such valuation.
- (d) Costs: All costs in connection with:
 - (i) the Lender obtaining any valuation of the Vessel referred to in Clause 8.5(b) (*Valuation of Vessel*); and
 - (ii) any valuation of any additional security for the purposes of ascertaining the Security Value at any time or necessitated by the Borrower electing to constitute additional security pursuant to Clause 8.5(a)(ii); and
 - (iii) all legal and other expenses incurred by the Lender in connection with any matter arising out of this Clause 8.5shall be borne by the Borrower.
- (e) Valuation of additional security: For the purpose of this Clause 8.5, the market value of any additional security provided or to be provided to the Lender shall be determined by the Lender in its absolute discretion without any necessity for the Lender assigning any reason thereto and if such security consists of a vessel shall be that shown by a valuation complying with the requirements of Clause 8.5(b) (*Valuation of Vessel*) (whereas the costs shall be borne by the Borrower in accordance with Clause 8.5(d) (*Costs*)) or if the additional security is in the form of a cash deposit full credit shall be given for such cash deposit on a Dollar for Dollar basis.
- (f) Documents and evidence: In connection with any additional security provided in accordance with this Clause 8.5, the Lender shall be entitled to receive such evidence and documents of the kind referred to in Schedule 2 as may in the Lender's opinion be appropriate and such favourable legal opinions as the Lender shall in its discretion require.

8.6 Sanctions

- (a) Without Limiting Clause 8.7 (*Compliance with laws etc.*), the Borrower hereby undertakes with the Lender that, from the date of this Agreement and until the date that the Outstanding Indebtedness is paid in full, shall ensure that:
 - (i) the Vessel will not be used by or for the benefit of a Sanctions Restricted Person contrary to Sanctions;
 - (ii) the Vessel will not be used in trading in any Sanctions Restricted Jurisdiction or in any manner contrary to Sanctions; and
 - (iii) the Vessel will not be traded in any manner which would trigger the operation of any sanctions limitation or exclusion clause (or similar) in the

Insurances.

- (b) The Borrower shall:
- (i) not directly or to its knowledge (after reasonable enquiry) indirectly use or permit to be used all or any part of the proceeds of the Loan, or lend, contribute or otherwise make available such proceeds directly or to its knowledge (after reasonable enquiry) indirectly, to any person or entity (i) to finance or facilitate any activity or transaction of or with any Sanctions Restricted Person contrary to Sanctions or in any Sanctions Restricted Country, or (ii) in any other manner that would result in a violation of any Sanctions by any Party;
 - (ii) shall not fund all or part of any payment under the Loan out of proceeds derived directly or to its knowledge (after reasonable enquiry) indirectly from any activity or transaction with a Sanctions Restricted Person contrary to Sanctions or in a Sanctions Restricted Jurisdiction or which would otherwise cause any party to be in breach of any Sanctions; and
 - (iii) procure that no proceeds to its knowledge (after reasonable enquiry) from activities or business with a Sanctions Restricted Person contrary to Sanctions or in a Sanctions Restricted Jurisdiction are credited to the Operating Account.

8.7 Compliance with laws etc.

The Borrower shall:

- (a) comply, or procure compliance with all laws or regulations by the relevant Security Party:
 - (i) relating to its respective business generally; and
 - (ii) relating to the Vessel, its ownership, employment, operation, management and registration including, but not limited to, the ISM Code, the ISPS Code, all Environmental Laws and the laws of the Flag State; and
 - (iii) all Sanctions;
- (b) obtain, comply with and do all that is necessary to maintain in full force and effect any Environmental Approvals; and
- (c) without limiting paragraph (a) above, not employ the Vessel nor allow its employment, operation or management in any manner contrary to any law or regulation including, but not limited to, the ISM Code, the ISPS Code and all Environmental Laws which has or is likely to have a Material Adverse Effect on the business, position, profitability, assets or the financial condition of any of the Security Parties and Sanctions.

8.8 Know your customer and money laundering compliance

The Borrower hereby undertakes with the Lender that, from the date of this Agreement and so long as any moneys are owing under the Finance Documents and while all or any part of

the Commitment remains outstanding, it will provide the Lender, or procure the provision of, such documentation and other evidence as the Lender shall from time to time require, based on applicable law and regulations from time to time and the Lender's own internal guidelines from time to time to identify the Borrower and the other Security Parties, including the disclosure in writing of the ultimate legal and beneficial owner or owners of such entities, and any other persons involved or affected by the transaction(s) contemplated by this Agreement in order for the Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations pursuant to the transactions contemplated in the Finance Documents.

9. EVENTS OF DEFAULT

9.1 Events

There shall be an Event of Default if:

- (a) Non-payment: any Security Party fails to pay any sum payable by it under any of the Finance Documents at the time, in the currency and in the manner stipulated in the Finance Documents (and so that, for this purpose, sums payable on demand shall be treated as having been paid at the stipulated time if paid within five (5) Banking Days of demand and other sums due shall be treated as having been paid at the stipulated time if paid within three (3) Banking Days of its falling due); or
- (b) Breach of Insurance and certain other obligations: the Borrower fails to obtain and/or maintain the Insurances (as defined in, and in accordance with the requirements of, the Finance Documents) or if any insurer in respect of such Insurances cancels the Insurances or disclaims liability by reason, in either case, of mis-statement in any proposal for the Insurances or for any other failure or default on the part of the Borrower or the Borrower commits any breach of or omits to observe any of the obligations or undertakings expressed to be assumed by it under Clause 8 (*Covenants*); or
- (c) Breach of other obligations: any Security Party commits any breach of or omits to observe any of its obligations or undertakings expressed to be assumed by it under any of the Finance Documents (other than those referred to in Clauses 9.1(a) (*Non-payment*) and 9.1(b) (*Breach of Insurance and certain other obligations*)) and, in respect of any such breach or omission which in the opinion of the Lender is capable of remedy, such action as the Lender may require shall not have been taken within fifteen (15) Banking Days of the Lender notifying in writing the relevant Security Party of such default and of such required action; or
- (d) Misrepresentation: any representation or warranty made or deemed to be made or repeated by or in respect of any Security Party in or pursuant to any of the Finance Documents or in any notice, certificate or statement referred to in or delivered under any of the Finance Documents is or proves to have been incorrect or misleading in any material respect; or
- (e) Cross-default:
 - (i) any Financial Indebtedness of the Borrower relating to an amount exceeding Six hundred thousand Dollars (\$600,000) or any Financial Indebtedness of the Corporate Guarantor relating to an amount exceeding One million two hundred thousand Dollars (\$1,200,000) is not paid when

due (unless contested in good faith), or

- (ii) any Financial Indebtedness of the Borrower relating to an amount exceeding Six hundred thousand Dollars (\$600,000) **or** any Financial Indebtedness of the Corporate Guarantor relating to an amount exceeding One million two hundred thousand Dollars (\$1,200,000) (whether by declaration or automatically in accordance with the relevant agreement or instrument constituting the same) becomes due and payable prior to the date when it would otherwise have become due (unless as a result of the exercise by the Borrower or the Corporate Guarantor (as the case may be) of a voluntary right of prepayment), or
 - (iii) any facility or commitment available to the Borrower relating to Financial Indebtedness relating to an amount exceeding Six hundred thousand Dollars (\$600,000) **or** any facility or commitment available to the Corporate Guarantor relating to Financial Indebtedness relating to an amount exceeding One million two hundred thousand Dollars (\$1,200,000) is withdrawn, suspended or cancelled by reason of any default (however described) of the person concerned unless the Borrower or the Corporate Guarantor (as the case may be) shall have satisfied the Lender that such withdrawal, suspension or cancellation will not affect or prejudice in any way the Borrower's or the Corporate Guarantor's (as the case may be) ability to pay its debts as they fall due, or
 - (iv) any guarantee given by the Borrower or the Corporate Guarantor in respect of Financial Indebtedness relating, with respect to the Borrower to an amount exceeding Six hundred thousand Dollars (\$600,000) and in respect of the Corporate Guarantor, to an amount exceeding One million two hundred thousand Dollars (\$1,200,000) is not honoured when due and called upon; or
- (f) Legal process: any judgment or order made or commenced in good faith by a person against any of the Borrower and the Corporate Guarantor relating with respect to the Borrower to an amount exceeding Six hundred thousand Dollars (\$600,000) and in respect of the Corporate Guarantor, to an amount exceeding One million two hundred thousand Dollars (\$1,200,000), is not stayed or complied with within thirty (30) Banking Days or a good faith creditor attaches or takes possession of, or a distress, execution, sequestration or other *bonafide* process relating with respect to the Borrower to an amount exceeding Six hundred thousand Dollars (\$600,000) and in respect of the Corporate Guarantor, to an amount exceeding One million two hundred thousand Dollars (\$1,200,000), is levied or enforced upon or sued out against, any of the undertakings, assets, rights or revenues of any of the Borrower and the Corporate Guarantor and is not discharged within thirty (30) Banking Days; or
- (g) Insolvency: any Security Party becomes insolvent or stops or suspends making payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so; or
- (h) Reduction or loss of capital: a meeting is convened by the Borrower for the purpose of passing any resolution to purchase, reduce or redeem any of its share capital; or
- (i) Winding up: any petition is presented or other step is taken for the purpose of winding up any Security Party or an order is made or resolution passed for the

winding up of any Security Party or a notice is issued convening a meeting for the purpose of passing any such resolution; or

- (j) Administration: any *bonafide* petition is presented or other step is taken for the purpose of the appointment of an administrator of any Security Party or an administration order is made in relation to any Security Party; or
- (k) Appointment of receivers and managers: any administrative or other receiver is appointed of any Security Party or any material (in the Lender's opinion) part of its assets and/or undertaking or any other steps are taken to enforce any Security Interest over all or any material (in the Lender's opinion) part of the assets of any Security Party; or
- (l) Compositions: any steps are taken, or negotiations commenced, by any Security Party or by any of its creditors with a view to the general readjustment or rescheduling of all or a material (in the Lender's opinion) part of its indebtedness or to proposing any kind of composition, compromise or arrangement involving such company and any of its creditors provided, however, that if the Borrower is able to provide such evidence as is satisfactory in all respects to the Lender that such rescheduling will not relate to any payment default or anticipated default the same shall not constitute an Event of Default; or
- (m) Analogous proceedings: there occurs, in relation to any Security Party, in any country or territory in which any of them carries on business or to the jurisdiction of whose courts any part of their assets is subject, any event which in that country or territory corresponds with, or have an effect equivalent or similar to, any of those mentioned in Clauses 9.1(f) (*Legal process*) to (l) (*Compositions*) (inclusive) or any Security Party otherwise becomes subject, in any such country or territory, to the operation of any law relating to insolvency, bankruptcy or liquidation; or
- (n) Cessation of business: any Security Party suspends or ceases to carry on its business; or
- (o) Seizure: all or a material part of the undertaking, assets, rights or revenues of, or shares or other ownership interests in, any Security Party are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government; or
- (p) Invalidity: any of the Finance Documents shall at any time and for any reason become invalid or unenforceable or otherwise cease to remain in full force and effect, or if the validity or enforceability of any of the Finance Documents shall at any time and for any reason be contested by any Security Party which is a party thereto, or if any such Security Party shall deny that it has any, or any further, liability thereunder; or
- (q) Unlawfulness: it becomes impossible or unlawful at any time for any Security Party, to fulfil any of the covenants and obligations expressed to be assumed by it in any of the Finance Documents or for the Lender to exercise the rights or any of them vested in it under any of the Finance Documents or otherwise; or
- (r) Repudiation: any Security Party repudiates any of the Finance Documents or does or causes or permits to be done any act or thing evidencing an intention to repudiate any of the Finance Documents; or
- (s) Security Interests enforceable: any Security Interest (other than Permitted Security

Interests) in respect of any of the property (or a material (in the Lender's opinion) part thereof) which is the subject of any of the Finance Documents becomes enforceable; or

- (t) Material Adverse Change: there occurs, in the reasonable opinion of the Lender, a Material Adverse Change in the financial condition of any of the Borrower and the Corporate Guarantor as described by the Borrower or any other Security Party to the Lender in the negotiation of this Agreement, which materially impairs the ability of the above Security Parties (or either of them) to perform their respective obligations under this Agreement and the Finance Documents to which is or is to be a party; or
- (u) Arrest: the Vessel is arrested, confiscated, seized, taken in execution, impounded, forfeited, detained in exercise or purported exercise of any possessory lien or other claim or otherwise taken from the possession of the Owner thereof (otherwise that due to an event falling within the definition of Total Loss) and the Owner shall fail to procure the release of the Vessel within a period of forty (40) Banking Days thereafter; or
- (v) Registration: the registration of the Vessel under the laws and flag of the Flag State is cancelled or terminated without the prior written consent of the Lender or, if the Vessel is only provisionally registered on the relevant Drawdown Date and is not permanently registered under the laws and flag of the Flag State at least thirty (30) days prior to the deadline for completing such permanent registration; or
- (w) Unrest: the Flag State of the Vessel becomes involved in hostilities or civil war or there is a seizure of power in such Flag State by unconstitutional means if, in any such case, (a) such event could in the opinion of the Lender reasonably be expected to have a Material Adverse Effect on the security constituted by any of the Finance Documents and (b) the Borrower has failed within thirty (30) days from receiving notice from the Lender to this effect to (i) delete the Vessel from its Flag State and (ii) re-register the Vessel under another Flag State approved by the Lender in its sole discretion through a relevant Registry, in each case, at the Borrowers' cost and expense; or
- (x) Approved Manager: there occurs, in relation to an Approved Manager any of the events mentioned in Clauses 9.1(e) (*Legal process*) to (m) (*Cessation of business*) (inclusive) and the Borrower fails to appoint a new Approved Manager of the Vessel acceptable to the Lender such acceptance not to be unreasonably withheld within ten (10) days of becoming aware of the occurrence of such event.
- (x) Environment: the Approved Commercial Manager fails to comply with any Environmental Law or any Environmental Approval or the Vessel is involved in any incident which gives rise or which may give rise to any Environmental Claim, if in any such case, such non-compliance or incident or the consequences thereof could (in the reasonable opinion of the Lender) be expected to have a Material Adverse Effect on the business assets, operations, property or financial condition of the Borrower or any other Security Party or on the security created by any of the Finance Documents; or
- (y) P&I: the Borrower fails or omits to comply with any requirements of the protection and indemnity association or other insurer with which the Vessel is entered for insurance or insured against protection and indemnity risks (including oil pollution risks) to the effect that any cover in relation to the Vessel (including without

limitation, liability for Environmental Claims arising in jurisdictions where the Vessel operates or trades) is or may be liable to cancellation, qualification or exclusion at any time; or

- (z) **Beneficial Ownership:** there has been any change of control directly or indirectly in the ownership, beneficial ownership, or management of the Borrower or of the Corporate Guarantor or any share therein or of the Vessel, as a result of which any of the Borrower and the Corporate Guarantor ceases to remain, in the case of the Borrower, at least 100% and in the case of the Corporate Guarantor at least 20% in the ultimate legal and beneficial ownership of the Beneficial Shareholders or the Vessel ceases to remain 100% owned by the Borrower; or
- (aa) **Total Loss:** the Vessel becomes a Total Loss and the Borrower does not within one hundred and eighty (180) days from the respective Total Loss Date prepay the Loan and all other amounts outstanding hereunder or provides the Lender with a written statement from the insurers of the Vessel (via the respective broker) confirming that the event is covered in full under the relevant insurance policies and that the insurers will pay an amount equivalent to the insured value of the Vessel to the Lender; or
- (bb) **Change of Management:** the Vessel ceases to be managed by the Approved Commercial Manager or, as the case may be, the Approved Technical Manager (for any reason other than the reason of a Total Loss or sale of the Vessel) without the approval of the Lender, which shall not be unreasonably withheld, and the Borrower fails to appoint another Approved Commercial Manager or, as the case may be, the Approved Technical Manager prior to the termination of the mandate with the previous relevant Approved Manager; or
- (cc) **Deviation of Earnings:** any Earnings of the Vessel are not paid to the Operating Account for any reason whatsoever (other than with the Lender's prior written consent); or
- (dd) **ISM Code and ISPS Code:** (without prejudice to the generality of sub-Clause 9.1(c) (*Breach of other obligations*)) for any reason whatsoever the provisions of Clause 8.1(o) (*Compliance with ISM Code*) and (p) (*Compliance with ISPS Code*) are not complied with and the Vessel ceases to comply with the ISM Code or, as the case may be, the ISPS Code; or
- (ee) **Sanctions:** (without prejudice to the generality of sub-Clause 9.1(c) (*Breach of other obligations*)) for any reason whatsoever the provisions of Clause 8.6 (*Sanctions*) and Clause 8.7 (*Compliance with laws etc.*) are not complied with.

9.2 Consequences of Default – Acceleration

The Lender may without prejudice to any other rights of the Lender (which will continue to be in force concurrently with the following), at any time after the happening of an Event of Default, which is continuing:

- (a) by notice to the Borrower declare that the obligation of the Lender to make the Commitment (or any part thereof) available shall be terminated, whereupon the Commitment shall be reduced to zero forthwith; and/or
- (b) by notice to the Borrower declare that the Loan and all interest accrued and all other sums payable under the Finance Documents have become due and payable, whereupon the same shall, immediately or in accordance with the terms of such

notice, become due and payable without any further diligence, presentment, demand of payment, protest or notice or any other procedure from the Lender which are expressly waived by the Borrower; and/or

- (c) put into force and exercise all or any of the rights, powers and remedies possessed by the Lender under this Agreement and/or under any other Finance Document and/or as mortgagee of the Vessel, mortgagee, chargee or assignee or as the beneficiary of any other property right or any other security (as the case may be) of the assets charged or assigned to it under the Finance Documents or otherwise (whether at law, by virtue of any of the Finance Documents or otherwise).

9.3 Multiple notices; action without notice

The Lender may serve notices under paragraphs (a) and (b) of Clause 9.2 (*Consequences of Default – Acceleration*) simultaneously or on different dates and it may take any action referred to in that Clause if no such notice is served or simultaneously with or at any time after service of both or either of such notices, it being understood and agreed that the non-service of a notice in respect of an Event of Default hereunder, or under any of the Finance Documents (whether known to the Lender or not), shall not be construed to mean that the Event of Default shall cease to exist and bring about its lawful consequences.

9.4 Demand basis

If, pursuant to Clause 9.2(b), the Lender declares the Loan to be due and payable on demand, the Lender may by written notice to the Borrower (a) call for repayment of the Loan on such date as may be specified whereupon the Loan shall become due and payable on the date so specified together with all interest accrued and all other sums payable under this Agreement or (b) withdraw such declaration with effect from the date specified in such notice.

9.5 Proof of Default

It is agreed that (i) the non-payment of any sum of money in time will be proved conclusively by mere passage of time and (ii) the occurrence of this (non-payment) shall be proved conclusively by a mere written statement of the Lender (save for manifest error).

9.6 Exclusion of Bank's liability

Neither the Lender nor any receiver or manager appointed by the Lender, shall have any liability to the Borrower or a Security Party:

- (a) for any loss caused by an exercise of rights under, or enforcement of a Security Interest created by, a Finance Document or by any failure or delay to exercise such a right or to enforce such a Security Interest; or
- (b) as mortgagee in possession or otherwise, for any income or principal amount which might have been produced by or realised from any asset comprised in such a Security Interest or for any reduction (however caused) in the value of such an asset,

except that this does not exempt the Lender or a receiver or manager from liability for losses shown to have been caused by the wilful misconduct of the Lender's own officers and employees or (as the case may be) such receiver's or manager's own partners or employees.

10. INDEMNITIES - EXPENSES – FEES

10.1 Indemnity

The Borrower shall on demand (and it is hereby expressly undertaken by the Borrower to) indemnify the Lender, without prejudice to any of the other rights of the Lender under any of the Finance Documents, against any loss (including, in the cases referred to in sub clauses (a) and (b) of this Clause, loss of the Margin and in every case, any Break Costs) or expense which the Lender sustains or incurs as a consequence of:

- (a) any default in payment by any of the Security Parties of any sum under any of the Finance Documents when due;
- (b) the occurrence of any Event of Default which is continuing;
- (c) any prepayment of the Loan or part thereof being made under Clauses 3.6(g) (*Prepayment: termination of Commitment*), 4.2 (*Voluntary Prepayment*) and 4.3 (*Compulsory Prepayment in case of Total Loss or sale of the Vessel*), 8.5(a) (*Security shortfall*) or 12 or any other repayment of the Loan or part thereof being made otherwise than on an Interest Payment Date relating to the part of the Loan prepaid or repaid; or
- (d) the Commitment not being advanced for any reason (excluding any default by the Lender and any reason mentioned in Clause 12.1 (*Unlawfulness*)) after the Drawdown Notice has been given, including, in any such case, but not limited to, any loss or expense sustained or incurred in maintaining or funding the Loan or any part thereof or in liquidating or re-employing deposits from third parties acquired to effect or maintain the Loan or any part thereof.

10.2 Expenses

The Borrower shall (and it is hereby expressly undertaken by the Borrower to) pay to the Lender on demand:

- (a) Initial and Amendment expenses: all expenses (including reasonable legal, printing and out-of-pocket expenses) reasonably incurred by the Lender in connection with the negotiation, preparation and execution of this Agreement and the other Finance Documents and of any amendment or extension of or the granting of any waiver or consent under this Agreement and/or any of the Finance Documents and/or in connection with any proposal by the Borrower to constitute additional security pursuant to sub-Clause 8.5(a) (*Security shortfall*), whether any such security shall in fact be constituted or not;
- (b) Enforcement expenses: all expenses (including reasonable legal and out-of-pocket expenses) incurred by the Lender in contemplation of, or otherwise in connection with, the enforcement of, or preservation of any rights under, this Agreement and/or any of the other Finance Documents, or otherwise in respect of the moneys owing under this Agreement and/or any of the other Finance Documents or the contemplation or preparation of the above, whether they have been effected or not;
- (c) Legal costs: the legal costs of the Lender's appointed lawyers, in respect of the preparation of this Agreement and the other Finance Documents as well as the legal costs of the foreign lawyers (if these are available) in respect of the registration of the Finance Documents or any search or opinion given to the Lender in respect of the Security Parties or the Vessel or the Finance Documents. The said legal costs shall be due and payable on the Drawdown Date; and
- (d) Other expenses: any and all other Expenses.

All expenses payable pursuant to this Clause 10.2 (*Expenses*) shall be paid together with value added tax (if any) thereon (if applicable).

10.3 Stamp duty

The Borrower shall pay (if applicable) any and all stamp, registration and similar taxes or charges (including those payable by the Lender) imposed by governmental authorities in relation to this Agreement and any of the other Finance Documents, and shall indemnify the Lender against any and all liabilities with respect to, or resulting from delay or omission on the part of the Borrower to pay such stamp taxes or charges.

10.4 Environmental Indemnity

The Borrower shall indemnify the Lender on demand and hold the Lender harmless from and against all costs, expenses, payments, charges, losses, demands, liabilities, actions, proceedings (whether civil or criminal) penalties, fines, damages, judgements, orders, sanctions or other outgoings of whatever nature which may be suffered, incurred or paid by, or made or asserted against the Lender at any time, whether before or after the repayment in full of principal and interest under this Agreement, relating to, or arising directly or indirectly in any manner or for any cause or reason out of an Environmental Claim made or asserted against the Lender if such Environmental Claim would not have been, or been capable of being, made or asserted against the Lender if it had not entered into any of the Finance Documents and/or exercised any of its rights, powers and discretions thereby conferred and/or performed any of its obligations thereunder and/or been involved in any of the transactions contemplated by the Finance Documents.

10.5 Currency indemnity

If any sum due from the Borrower under any of the Finance Documents or any order or judgement given or made in relation hereto has to be converted from the currency (the "*first currency*") in which the same is payable under the relevant Finance Document or under such order or judgement into another currency (the "*second currency*") for the purpose of (i) making or filing a claim or proof against the Borrower or any other Security Party, as the case may be or (ii) obtaining an order or judgement in any court or other tribunal or (iii) enforcing any order or judgement given or made in relation to any of the Finance Documents, the Borrower shall (and it is hereby expressly undertaken by the Borrower to) indemnify and hold harmless the Lender from and against any loss suffered as a result of any difference between (a) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (b) the rate or rates of exchange at which the Lender may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgement, claim or proof. The term "*rate of exchange*" includes any premium and costs of exchange payable in connection with the purchase of the first currency with the second currency.

10.6 Maintenance of the Indemnities

The indemnities contained in this Clause 10 shall apply irrespective of any indulgence granted to the Borrower or any other party from time to time and shall continue to be in full force and effect notwithstanding any payment in favour of the Lender and any sum due from the Borrower under this Clause 10 will be due as a separate debt and shall not be affected by judgement being obtained for any other sums due under any one or more of this Agreement, the other Finance Documents and any other documents executed pursuant hereto or thereto.

10.7 MII and MAPI costs

The Borrower shall reimburse the Lender on demand for any and all costs incurred by the Lender (as conclusively certified by the Lender) in effecting and keeping effected (a) a Mortgagee's Interest Insurance (herein, "*MI*") and (b) a Mortgagee's Interest Additional Perils (Pollution) Insurance (herein, "*MPI*"), each of which the Lender may at any time effect on such terms, for an amount of 120% of the Loan and with such insurers as shall from time to time be determined by the Lender, provided, however, that the Lender shall in its absolute discretion appoint and instruct in respect of any such MII and/or MAPI policy the insurance brokers in respect of such Insurance and provided, further, that in the event that the Lender effects any such Insurance on the basis of any mortgagee's open cover, the Borrower shall pay on demand to the Lender its proportion of premium due in respect of the Vessel(s) for which such insurance cover has been effected by the Lender, provided always that the Lender has provided the Borrower with copies of the corresponding invoice from the MII and MAPI insurers/their brokers and any certificate of the Lender in respect of any such premium due by the Borrower shall (save for manifest error) be conclusive and binding upon the Borrower.

10.8 Central Bank or European Central Bank reserve requirements indemnity

The Borrower shall on demand promptly indemnify the Lender against any documented cost incurred or loss suffered by the Lender as a result of its complying with the minimum reserve requirements of the European Central Bank and/or with respect to maintaining required reserves with the relevant national Central Bank to the extent that such compliance relates to the Commitment or deposits obtained by it to fund the whole or part of the Loan and to the extent such cost or loss is not recoverable by the Lender under Clause 12.2 (*Increased cost*).

10.9 Communications Indemnity

It is hereby agreed in connection with communications that:

- (a) Express authority is hereby given by the Borrower to the Lender to accept all tested or untested communications given by facsimile, electronic mail or otherwise, regarding any or all of the notices (as defined in Clause 16.4 (*Meaning of "notice"*) under this Agreement, subject to any restrictions imposed by the Lender relating to such notices including, without limitation (if so required by the Lender), the obligation to confirm such notices by letter.
- (b) The Borrower shall recognise any and all of the said notices as legal, valid and binding, when these notices come from the fax number or electronic mail address mentioned in Clause 16.1 (*Notices*) or any other fax or electronic mail address usually used by it or the Approved Commercial Manager and are duly signed or in case of emails are duly sent by the person appearing to be sending such notice.
- (c) The Borrower hereby assumes full responsibility for the execution of the said notices, and promises and recognises that the Lender shall not be held responsible for any loss, liability or expense that may result from such notices. It is hereby undertaken by the Borrower to indemnify in full the Lender from and against all actions, proceedings, damages, costs, claims, demands, expenses and any and all direct and/or indirect losses which the Lender may suffer, incur or sustain by reason of the Lender following such notices.

- (d) With regard to notices (as defined in Clause 16.4 (*Meaning of "notice"*)) issued by electronic and/or mechanical processes (e.g. by facsimile or electronic mail) the following are applicable:
- (i) The Borrower hereby acknowledges and accepts the risks associated with the use of unsecured electronic mail communication including, without limitation, risk of delay, loss of data, confidentiality breach, forgery, falsification and malicious software. The Lender shall not be liable in any way for any loss or damage or any other disadvantage suffered by the Borrower resulting from such unsecured electronic mail communication.
 - (ii) If the Borrower or any other Security Party wishes to cease all electronic communication, it shall give written notice to the Lender accordingly after receipt of which notice the Parties shall cease all electronic communication.
 - (iii) For as long as electronic communication is an accepted form of communication, the Parties shall:
 - a) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and
 - b) notify each other of any change to their respective addresses or any other such information supplied to them; and
- (e) in case electronic communication is sent to recipients with the domain < *pyxistankers.com* >, the parties shall without undue delay inform each other if there are changes to the said domain or if electronic communication shall thereafter be sent to individual electronic mail addresses.
- (f) The risks of misunderstandings and errors resulting from notices (as defined in Clause 16.4 (*Meaning of "notice"*)) being given as mentioned above, are for the Borrower and the Lender will be indemnified in full pursuant to this Clause save in case of Lender's wilful misconduct.
- (g) The Lender shall have the right to ask the Borrower to furnish any information the Lender may require to establish the authority of any person purporting to act on behalf of the Borrower for these notices, but it is expressly agreed that there is no obligation for the Lender to do so. The Lender shall be fully protected in, and the Lender shall incur no liability to the Borrower for acting upon the said notices, which were believed by the Lender in good faith to have been given by the Borrower or by any of its authorised representative(s).
- (h) It is undertaken by the Borrower to use its best endeavours to safeguard the function and the security of the electronic and mechanical appliance(s) such as fax(es), electronic mail(s) etc. The Borrower shall hold the Lender harmless and indemnified from all claims, losses, damages and expenses which the Lender may incur by reason of the failure of the Borrower to comply with the obligations under this Clause.

10.10 Fees

- (a) Arrangement fee: The Borrower shall pay to the Lender an arrangement fee (the

"Arrangement Fee") in the amount equal to zero point eight zero per cent (0.80%) of the amount of the Commitment payable on the Drawdown Date.

- (b) Commitment commission: The Borrower shall pay to the Lender commitment commission (the *"Commitment Commission"*) at the rate of one per cent (1%) per annum on the daily undrawn and uncanceled amount of the Commitment, computed from the date of acceptance of the Commitment Letter (18th March, 2021) until the earlier of (a) the last day of the Availability Period (b) the Drawdown Date and (c) the date of cancellation of the Commitment by the Borrower (the *"Commitment Commission Period"*) payable on the last day of the Commitment Commission Period.
- (c) Non-refundable: The Arrangement Fee and the Commitment Commission shall be non-refundable.

10.11 FATCA Deduction

- (a) Each party to a Finance Document may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and shall not be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.
- (b) Each party to a Finance Document shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the party to a Finance Document to whom it is making the payment.

10.12 FATCA status

- (a) Subject to Clause 10.12(c) below, each party shall, within ten Banking Days of a reasonable request by another party:
 - (i) confirm to that other party whether it is:
 - (aa) a FATCA Exempt Party; or
 - (bb) not a FATCA Exempt Party; and
 - (ii) supply to that other party such forms, documentation and other information relating to its status under FATCA (including its applicable passthru percentage or other information required under the Treasury Regulations or other official guidance including intergovernmental agreements) as that other party reasonably requests for the purposes of that other party's compliance with FATCA.
- (b) If a party confirms to another party pursuant to Clause 10.12(a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that party shall notify that other party reasonably promptly.
- (c) Clause 10.12(a)(i) above shall not oblige the Lender to do anything which would or might in its reasonable opinion constitute a breach of:

- (i) any law or regulation;
 - (ii) any fiduciary duty; or
 - (iii) any duty of confidentiality.
- (d) If a party fails to confirm its status or to supply forms, documentation or other information requested in accordance with Clause 10.12(a) above (including, for the avoidance of doubt, where Clause 10.12(c) above applies), then:
- (i) if that party failed to confirm whether it is (and/or remains) a FATCA Exempt Party then such party shall be treated for the purposes of the Finance Documents as if it is not a FATCA Exempt Party; and
 - (ii) if that party failed to confirm its applicable passthru percentage then such party shall be treated for the purposes of the Finance Documents (and payments made thereunder) as if its applicable passthru percentage is 100%,

until (in each case) such time as the party in question provides the requested confirmation, forms, documentation or other information.

11. SECURITY, APPLICATION, AND SET-OFF

11.1 Securities

As security for the due and punctual repayment of the Loan and payment of interest thereon as provided in this Agreement and of all other Outstanding Indebtedness, the Borrower shall ensure and procure that the following Finance Documents are duly executed and, where required, registered in favour of the Lender in form and substance satisfactory to the Lender at the time specified herein or otherwise as required by the Lender and ensure that such security consists, on the Drawdown Date in respect of the Loan, of the Finance Documents.

11.2 Maintenance of Securities

It is hereby undertaken by the Borrower that the Finance Documents shall both at the date of execution and delivery thereof and so long as any moneys are owing and/or due under this Agreement or under the other Finance Documents be valid and binding obligations of the respective Security Parties thereto and rights of the Lender enforceable in accordance with their respective terms and that they will, at the expense of the Borrower, execute, sign, perfect and do any and every such further assurance, document, act, omission or thing as in the opinion of the Lender may be necessary for perfecting the security contemplated or constituted by the Finance Documents.

11.3 Application of funds

- (a) Order of application: Except as any Finance Document may otherwise provide, any sums which are received or recovered by the Lender under or pursuant to or by virtue of any of the Finance Documents and expressed to be applicable in accordance with this Clause 11.3 shall be applied by the Lender in the following manner:

- (i) FIRST: in or towards satisfaction of any amounts then due and payable under the Finance Documents in the following order and proportions:
 - a) Firstly, in or towards satisfaction of all amounts then due and payable to the Lender under the Finance Documents other than those amounts referred to at paragraphs b) and c) below (including, but without limitation, all amounts payable by the Borrower under Clauses 11 (*Indemnities- Expenses-Fees*), 5.1 (*Payments – No set-off or counterclaims*) or 5.3 (*Gross Up*) of this Agreement or by the Borrower or any Security Party under any corresponding or similar provision in any other Finance Document);
 - b) Secondly, in or towards payment of any default interest;
 - c) Thirdly, in or towards payment of any arrears of interest (other than default interest) due in respect of the Loan or any part thereof; and
 - d) Fourthly, in or towards repayment of the Loan (whether the same is due and payable or not);
 - (ii) SECOND: the surplus (if any) after the full and complete payment of the Outstanding Indebtedness shall be paid to the Borrower or to any other person entitled to it.
- (b) Notice of variation of order of application: The Lender may, by notice to the Borrower and the Security Parties, provide, at its sole discretion, for a different order of application from that set out in Clause 11.3(a) (*Order of application*) either as regards a specified sum or sums or as regards sums in a specified category or categories, without affecting the obligations of the Borrower to the Lender.
 - (c) Effect of variation notice: The Lender may give notices under Clause 11.3(b) (*Notice of variation of order of application*) from time to time; and such a notice may be stated to apply not only to sums which may be received or recovered in the future, but also to any sum which has been received or recovered on or after the third Banking Day before the date on which the notice is served.
 - (d) Insufficient balance: For the avoidance of doubt, in the event that such balance is insufficient to pay in full the whole of the Outstanding Indebtedness, the Lender shall be entitled to collect the shortfall from the Borrower or any other person liable therefor.
 - (e) Appropriation rights overridden: This Clause 11.3 and any notice which the Lender gives under Clause 11.3(b) (*Notice of variation of order of application*) shall override any right of appropriation possessed, and any appropriation made, by the Borrower or any other Security Party.

11.4 Set off

- (a) Application of credit balances: Express authority is hereby given by the Borrower to the Lender without prejudice to any of the rights of the Lender at law, contractually or otherwise, at any time after an Event of Default has occurred and is continuing, and without prior notice to the Borrower:

- (i) to apply any credit balance standing upon any account of the Borrower with any branch of the Lender (including, without limitation, the Operating Account and in whatever currency in or towards satisfaction of any sum due to the Lender from the Borrower under this Agreement, the General Assignment and/or any of the other Finance Documents;
- (ii) in the name of the Borrower and/or the Lender to do all such acts and execute all such documents as may be necessary or expedient to effect such application; and
- (iii) to combine and/or consolidate all or any accounts in the name of the Borrower with the Lender; and

for that purpose:

- a) to break, or alter the maturity of, all or any part of a deposit of the Borrower;
 - b) to convert or translate all or any part of a deposit or other credit balance into Dollars; and
 - c) to enter into any other transaction or make any entry with regard to the credit balance which the Lender considers appropriate.
- (b) Existing rights unaffected: The Lender shall not be obliged to exercise any right given by this Clause; and those rights shall be without prejudice and in addition to any right of set-off, combination of accounts, charge, lien or other right or remedy to which the Lender is entitled (whether under the general law or any document). For all or any of the above purposes authority is hereby given to the Lender to purchase with the moneys standing to the credit of any such account or accounts such other currencies as may be necessary to effect such application. The Lender shall notify the Borrower forthwith upon the exercise of any right of set-off giving full details in relation thereto.

12. UNLAWFULNESS, INCREASED COSTS AND BAIL-IN

12.1 Unlawfulness

If any change in, or introduction of, any law, regulation or regulatory requirement or any request of any central bank, monetary, regulatory or other authority or any order of any court renders it unlawful or contrary to any such regulation, requirement, request or order for the Lender to advance the Commitment or the relevant part thereof (as the case may be) or to maintain or fund the Loan, notice shall be given promptly by the Lender to the Borrower whereupon the Commitment shall be reduced to zero and the Borrower shall be obliged to prepay the Loan either (i) forthwith or (ii) on a future specified date not being earlier than the latest date permitted by the relevant law or regulation, together with accrued interest thereon to the date of prepayment and all other sums payable by the Borrower under this Agreement.

12.2 Increased Cost

If the result of any change in, or in the interpretation, implementation or application of, or the introduction of, any law or any regulation (whether or

not having the force of law, but, if not having the force of law, with which the Lender or, as the case may be, its holding company habitually complies), including (without limitation) those relating to Taxation, capital adequacy, liquidity, reserve assets, cash ratio deposits and special deposits or other banking or monetary controls or requirements which affect the manner in which the Lender allocates capital resources to its obligations hereunder (including, without limitation, those resulting from the implementation or application of or compliance with the Basel II Accord or the Basel III Accord or any Basel II Regulation or the Basel III Accord or any Basel III Regulation or any subsequent accord, approach or regulation thereto) (collectively, "*Capital Adequacy Law*") or compliance by the Lender with any such Capital Adequacy Law, is to:

- (a) increase the cost to, or impose an additional cost on, the Lender or its holding company in making or keeping the Commitment available or maintaining or funding all or part of the Loan; and/or
- (b) subject the Lender to Taxes or change the basis of Taxation of the Lender with respect to any payment under any of the Finance Documents (other than Taxes or Taxation on the overall net income, profits or gains of the Lender imposed in the jurisdiction in which its principal or lending office under this Agreement is located); and/or
- (c) reduce the amount payable or the effective return to the Lender under any of the Finance Documents; and/or
- (d) reduce the Lender's or its holding company rate of return on its overall capital by reason of a change in the manner in which it is required to allocate capital resources to the Lender's obligations under any of the Finance Document; and/or
- (e) require the Lender or its holding company to make a payment or forgo a return on or calculated by references to any amount received or receivable by it under any of the Finance Documents is required; and/or
- (f) require the Lender or its holding company to incur or sustain a loss (including a loss of future potential profits) by reason of being obliged to deduct all or part of the Commitment or the Loan from its capital for regulatory purposes,

then and in each case (subject to Clause 12.5 (*Exception*)):

- (i) the Lender shall notify the Borrower in writing of such event promptly upon its becoming aware of the same; and
- (ii) the Borrower shall on demand pay to the Lender the amount which the Lender specifies (in a certificate and supporting documents setting forth and evidencing the basis of the computation of such amount but not including any matters which the Lender or its holding company regards as confidential) is required to compensate the Lender and/or (as the case may be) its holding company for such liability to Taxes, cost, reduction, payment, foregone return or loss whatsoever.

For the purposes of this Clause 12 "*holding company*" means the company or entity (if any) within the consolidated supervision of which the Lender is included.

12.3 Claim for increased cost

The Lender will promptly notify the Borrower of any intention to claim indemnification

pursuant to Clause 12.2 (*Increased Cost*) and such notification will be a conclusive and full evidence binding on the Borrower as to the amount of any increased cost or reduction and the method of calculating the same and the Borrower shall be allowed to rebut such evidence by any means of evidence save for witness. A claim under Clause 12.2 (*Increased Cost*) may be made at any time and must be discharged by the Borrower within (10) days of demand. It shall not be a defence to a claim by the Lender under this Clause 12.3 that any increased cost or reduction could have been avoided by the Lender. Any amount due from the Borrower under Clause 12.2 (*Increased Cost*) shall be due as a separate debt and shall not be affected by judgement being obtained for any other sums due under or in respect of this Agreement.

12.4 Option to prepay

If any additional amounts are required to be paid by the Borrower to the Lender by virtue of Clause 12.2 (*Increased Cost*), the Borrower shall be entitled, on giving the Lender not less than five (5) days prior notice in writing, to prepay (without premium or penalty) the Loan and accrued interest thereon, together with all other Outstanding Indebtedness, on the next Repayment Date. Any such notice, once given, shall be irrevocable.

12.5 Exception

Nothing in Clause 12.2 (*Increased Cost*) shall entitle the Lender to receive any amount in respect of compensation for any such liability to Taxes, increased or additional cost, reduction, payment, foregone return or loss to the extent that the same is subject of an additional payment under Clause 5.3 (*Gross-up*).

12.9 Contractual recognition of bail-in

Notwithstanding any other term of any Finance Document or any other agreement, arrangement or understanding between the Parties, each Party acknowledges and accepts that any liability of any Party to any other Party under or in connection with the Finance Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

- (a) any Bail-In Action in relation to any such liability, including (without limitation):
 - (i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;
 - (ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and
 - (iii) a cancellation of any such liability; and
- (b) a variation of any term of any Finance Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

13. OPERATING ACCOUNT

13.1 General

The Borrower undertakes with the Lender that it will:

- (a) on or before the Drawdown Date open the Operating Account; and
- (b) procure that all moneys payable to the Borrower in respect of the Earnings of the Vessel shall, unless and until the Lender directs to the contrary pursuant to the General Assignment, be paid to the Operating Account, free from Security Interests and rights of set off other than those created by or under the Finance Documents and, shall be held there on trust for the Lender and shall be applied as provided in Clause 13.2 (*Application of Earnings*),

provided, always, that any moneys received in a currency other than Dollars, may be converted in Dollars by the Lender at the Lender's spot rate of exchange on the day of conversion.

13.2 Application of Earnings

Subject to the terms and conditions of the Accounts Pledge Agreement no monies shall be withdrawn from the Operating Account save as hereinafter provided. Subject to no Event of Default having occurred and being continuing, all monies paid to the Operating Account (whether being Earnings or not) after discharging the costs (if any) incurred by the Lender, in collecting such monies, shall be applied as follows:

- (a) firstly: in payment of any arrears of interest and principal of the Loan due and payable hereunder and any and all other sums whatsoever which at each relevant time are due and payable to the Lender hereunder (such sums to be paid in such order as the Lender may in its sole discretion elect);
- (b) secondly: in payment of the Operating Expenses of the Vessel; and
- (c) thirdly: any credit balance shall be available to the Borrower to be used for any purpose not inconsistent with the Borrower's other obligations under this Agreement.

13.3 Interest

Any amounts for the time being standing to the credit of the Operating Account shall bear interest at the rate from time to time offered by the Lender to its customers for Dollar deposits of similar amounts and for periods similar to those for which such amounts are likely to remain standing to the credit of the Operating Account. Such interest shall, provided that (a) the foregoing provisions of this Clause 13.3 shall have been complied with and (b) no Event of Default shall have occurred and is continuing, be released to the Borrower.

13.4 Drawings from Operating Account

After the occurrence of an Event of Default which is continuing the Lender shall not permit the Borrower to make any drawings from the Operating Account.

13.5 Sufficient monies

The Borrower hereby warrants that sufficient monies to meet the next Repayment Instalment plus interest thereon will be accumulated each and every month in the Operating Account.

13.6 Obligations unaffected

The provisions of this Clause 13 do not affect:

- (a) the liability and absolute obligation of the Borrower to repay the Loan and pay interest thereon on the due dates as provided in Clause 3 (*Interest*) and Clause 4 (*Repayment-Prepayment*) nor shall they constitute or be construed as constituting a manner of postponement thereof; or
- (b) any other liability or obligation of the Borrower or any other Security Party under any Finance Document.

13.7 Relocation of Operating Account

The Borrower, at its own costs and expenses, undertakes with the Lender to comply with or cause to be complied with any written requirement of the Lender from time to time as to the location or re-location of the Operating Account and will from time to time enter into such documentation as the Lender may require in order to create or maintain a Security Interest in the Operating Account.

13.8 Authorisation

The Lender shall be entitled (but not obliged) at any time, and to this respect the Lender is hereby authorised by the Borrower from time to time to debit the Operating Account, with notice to the Borrower, in order to discharge any amount due and payable to the Lender under the terms of this Agreement and the Security Documents or otherwise howsoever in connection with the Loan, including, without limitation, any payment of which the Lender has become entitled to demand under Clause 10 (*Indemnities - Expenses - Fees*). The Lender shall notify the Borrower following any such discharge of any amount due and payable to the Lender giving the necessary details in relation thereto.

13.9 Set-off

Upon the occurrence of an Event of Default that is continuing or at any time thereafter (whether or not notice of default has been given to the Borrower) when an Event of Default continues the Lender shall be entitled, but not bound, to set off and apply all sums standing to the credit of the Operating Account and accrued interest (if any) without notice to the Borrower in the manner specified in Clause 11.3 (*Application of funds*) (and express and irrevocable authority is hereby given by the Borrower to the Lender so to debit the Operating Account accordingly by the same and the Borrower shall be released to the extent of such set off and application).

13.10 No Security Interests

The Borrower hereby covenants with the Lender that the Operating Account and any moneys therein shall not be charged, assigned, transferred or pledged nor shall there be granted by the Borrower or suffered to arise any third party rights over or against the whole

or any part of the Operating Account other than in favour of the Lender as promised herein and in the General Assignment.

13.11 Operation of Operating Account

The Operating Account shall be operated by the Borrower to the degree permitted by this Agreement and the General Assignment in accordance with the Lender's usual terms and conditions (full knowledge of which the Borrower hereby acknowledges) and subject to the Lender's usual charges levied on such accounts and/or transactions conducted on such accounts (as from time to time notified by the Lender to the Borrower).

13.12 Application after occurrence of Event of Default

After the occurrence of an Event of Default the Lender shall be entitled, but not bound, to apply the balance (if any) including any accrued interest standing to the credit of the Operating Account in accordance with the provisions of Clause 11.3 (*Application of funds*).

13.13 Release

Upon payment in full of all principal, interest and all other amounts due to the Lender under the terms of this Agreement and the other Finance Documents, any balance then standing to the credit of the Operating Account shall be released and paid to the Borrower or to whomsoever else may be entitled to receive such balance.

14. ASSIGNMENT, TRANSFER, PARTICIPATION, LENDING OFFICE

14.1 Binding Effect

This Agreement shall be binding upon and inure to the benefit of the Lender and the Borrower and their respective successors and permitted assigns.

14.2 No Assignment by the Borrower and other Security Parties

Neither the Borrower nor any other Security Parties may assign or transfer any of its rights and/or obligations under this Agreement or any of the other Finance Documents or any documents executed pursuant to this Agreement and/or the other Finance Documents.

14.3 Assignment by the Lender

The Lender may at any time, (without the consent of, or consultation with, the Borrower and the other Security Parties but with 30-days prior notice to the Borrower) cause all or any part of its rights, benefits and/or obligations under this Agreement and the other Finance Documents to be assigned or transferred to:

- (a) another branch, Subsidiary or Affiliate of, or company controlled by, the Lender;
- (b) another first class international bank or financial institution, insurer, social security fund, pension fund, capital investment company, financial intermediary or special purpose vehicle associated to any of them or any other person; and
- (c) a trust corporation, fund or other person which regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets of which are managed or serviced by the Lender

(in each case an "*Assignee*" or a "*Transferee*"),

provided that the Assignee or Transferee, shall deliver to the Lender such undertaking as the Lender may approve, whereby it becomes bound by the terms of this Agreement and agrees to perform all or, as the case may be, part of the Lender's obligations under this Agreement; and

provided further that the liabilities of the Borrower under this Agreement and any other Finance Document shall not be increased as a result of any such assignment or transfer and that in the event that the Borrower's liabilities (actual or contingent) are increased, the Borrower shall not be liable for any such excess.

14.4 Participation

The Lender may at any time sub-participate all or any part of its rights, benefits and/or obligations under this Agreement and the other Finance Documents without the consent of, or consultation with or notice to the Borrower and the other Security Parties.

14.5 Cost

Any cost of such assignment or transfer or granting sub-participation shall be for the account of the Lender and/or the Assignee, Transferee or sub-participant unless any such assignment, transfer or sub-participation is undertaken at the request of the Borrower in which case any cost arising therefrom shall be for the account of the Borrower.

14.6 Documenting assignments and transfers

If the Lender assigns, transfers or in any other manner grants participation in respect of all or any part of its rights or benefits or transfers all or any of its obligations as provided in this Clause 14.6 the Borrower undertakes, immediately on being requested to do so by the Lender, to enter at the expense of the Lender into and procure that each Security Party enters into such documents as may be necessary to transfer to the Assignee, Transferee or participant all or the relevant part of the interest of the Lender in the Finance Documents and all relevant references in this Agreement to the Lender shall thereafter be construed as a reference to the Lender and/or Assignee, Transferee or participant of the Lender to the extent of their respective interests and, in the case of a transfer of all or part of the obligations of the Lender, the Borrower shall thereafter look only to the Assignee, Transferee or participant in respect of that proportion of the obligations of the Lender under this Agreement assumed by such Assignee, Transferee or participant. Subject to the provisions of Clause 14.3 (*Assignment by the Lender*), the Borrower hereby expressly consents to any subsequent transfer of the rights and obligations of the Lender and undertakes that it shall join in and execute such supplemental or substitute agreements as may be necessary to enable the Lender to assign and/or transfer and/or grant participation in respect of its rights and obligations to another branch or to one or more banks or financial institutions in a syndicate or otherwise. The cost of any such assignment shall be borne by the Lender and/or the relevant Assignee or Transferee.

14.7 Disclosure of information

The Lender may without the consent of, or consultation with or notice to the Borrower and the other Security Parties, disclose to a prospective assignee, substitute or transferee in relation to this Agreement such information about the Borrower as the Lender shall consider appropriate if the Lender first procures that the relevant prospective assignee,

substitute or transferee (such person together with any prospective assignee, substitute or transferee being hereinafter described as the "**Prospective Assignee**") shall undertake in to the Lender to keep secret and confidential and, without the consent of the Borrower, not disclose to any third party any of the information, reports or documents supplied by the Lender provided, however, that the Prospective Assignee shall be entitled to disclose such information, reports or documents in the following situations:

- (a) in relation to any proceedings arising out of this Agreement or the other Finance Documents to the extent considered necessary by the Prospective Assignee to protect its interest; or
- (b) pursuant to a court order relating to discovery or otherwise; or
- (c) pursuant to any law or regulation or to any fiscal, monetary, tax, governmental or other competent authority; or
- (d) to its auditors, legal or other professional advisers.

In addition the Prospective Assignee shall be entitled to disclose or use any such information, reports or documents if the information contained therein shall have emanated in conditions free from confidentiality, bona fide from some person other than the Lender or the Borrower.

14.8 Changes in constitution or reorganisation of the Lender

For the avoidance of doubt and without prejudice to the provisions of Clause 14.1 (*Binding Effect*), this Agreement shall remain binding on the Borrower and the other Security Parties notwithstanding any change in the constitution of the Lender or its absorption in, or amalgamation with, or the acquisition of all or part of its undertaking or assets by, any other person, or any reconstruction or reorganisation of any kind, to the intent that this Agreement shall remain valid and effective in all respects in favour of any Assignee, Transferee or other successor in title of the Lender in the same manner as if such Assignee, Transferee or other successor in title had been named in this Agreement as a party instead of, or in addition to, the Lender.

14.9 Securitisation

The Lender may include all or any part of the Loan in a securitisation (or similar transaction) without the consent of, or consultation with, but with notice to the Borrower. The Borrower will assist the Lender as necessary to achieve a successful securitisation (or similar transaction) provided that the Borrower shall not be required to bear any third party costs related to any such securitisation (or similar transaction) and that such securitisation (or similar transaction) shall not result in an increase of the obligations of the Borrower and/or any other Security Parties under this Agreement and the other Security Documents and need only provide any such information which any third parties may reasonably require.

14.10 Lending Office

The Lender shall lend through its office at the address specified in the preamble of this Agreement or through any other office of the Lender selected from time to time by it through which the Lender wishes to lend for the purposes of this Agreement. If the office through which the Lender is lending is changed pursuant to this Clause 14.10, the Lender shall notify the Borrower promptly of such change and upon notification of any such

transfer, the word "*Lender*" in this Agreement and in the other Finance Documents shall mean the Lender, acting through such branch or branches and the terms and provisions of this Agreement and of the other Finance Documents shall be construed accordingly.

15. MISCELLANEOUS

15.1 Time of essence

Time shall be of the essence of this Agreement.

15.2 Cumulative Remedies

The rights and remedies of the Lender contained in this Agreement and the other Finance Documents are cumulative and not neither exclusive of each other nor of any other rights or remedies conferred by law.

15.3 No implied waivers

No failure, delay or omission by the Lender to exercise any right, remedy or power vested in the Lender under this Agreement and/or the other Finance Documents or by law shall impair such right or power, or be construed as a waiver of, or as an acquiescence in any default by the Borrower, nor shall any single or partial exercise by the Lender of any power, right or remedy preclude any other or further exercise thereof or the exercise of any other power, right or remedy. In the event of the Lender on any occasion agreeing to waive any such right, remedy or power, or consenting to any departure from the strict application of the provisions of this Agreement or of any other Finance Document, such waiver shall not in any way prejudice or affect the powers conferred upon the Lender under this Agreement and the other Finance Documents or the right of the Lender thereafter to act strictly in accordance with the terms of this Agreement and the other Finance Documents. No modification or waiver by the Lender of any provision of this Agreement or of any of the other Finance Documents nor any consent by the Lender to any departure therefrom by any Security Party shall be effective unless the same shall be in writing and then shall only be effective in the specific case and for the specific purpose for which given. No notice to or demand on any such party in any such case shall entitle such party to any other or further notice or demand in similar or other circumstances.

15.4 Integration of Terms

This Agreement contains the entire agreement of the parties and its provisions supersede the provisions of the Commitment Letter (save for the provisions thereof which relate to fees) any and all other prior correspondence and oral negotiation by the parties in respect of the matters regulated by this Agreement.

15.5 No modification, waiver etc. unless in writing

No modification or waiver by the Lender of any provision of this Agreement or of any of the other Finance Documents nor any consent by the Lender to any departure therefrom by any Security Party shall be effective unless the same shall be in writing and then shall only be effective in the specific case and for the specific purpose for which given. No notice to or demand on any such party in any such case shall entitle such party to any other or further notice or demand in similar or other circumstances.

15.6 Invalidity of Terms

In the event of any provision contained in one or more of this Agreement, the other Finance

Documents and any other documents executed pursuant hereto or thereto being invalid, illegal or unenforceable in any respect under any applicable law in any jurisdiction whatsoever, such provision shall be ineffective as to that jurisdiction only without affecting the remaining provisions hereof or thereof. If, however, this event becomes known to the Lender prior to the drawdown of the Commitment or of any part thereof the Lender shall be entitled to refuse drawdown until this discrepancy is remedied. In case that the invalidity of a part results in the invalidity of the whole Agreement, it is hereby agreed that there will exist a separate obligation of the Borrower for the prompt payment to the Lender of all the Outstanding Indebtedness. Where, however, the provisions of any such applicable law may be waived, they are hereby waived by the parties hereto to the full extent permitted by the law to the intent that this Agreement, the other Finance Documents and any other documents executed pursuant hereto or thereto shall be deemed to be valid binding and enforceable in accordance with their respective terms.

15.7 Language and genuineness of documents

- (a) Language: All certificates, instruments and other documents to be delivered under or supplied in connection with this Agreement or any of the other Finance Documents shall be in the Greek or the English language (or such other language as the Lender shall agree) or shall be accompanied by a certified Greek translation upon which the Lender shall be entitled to rely.
- (b) Certification of documents: Any copies of documents delivered to the Lender shall be duly certified as true, complete and accurate copies by appropriate authorities or legal counsel practising in Greece or otherwise as will be acceptable to the Lender at the sole discretion of the Lender.
- (c) Certification of signature: Signatures on Board or shareholder resolutions, Secretary's certificates and any other documents are, at the discretion of the Lender, to be verified for their genuineness by appropriate Consul or other competent authority.

15.8 Recourse to other security

The Lender shall not be obliged to make any claim or demand or to resort to any Finance Document or other means of payment now or hereafter held by or available to it for enforcing this Agreement or any of the Finance Documents against the Security Parties (or any of them) or any other person liable and no action taken or omitted by the Lender in connection with any such Finance Document or other means of payment will discharge, reduce, prejudice or affect the liability of any Security Party under this Agreement and the other Finance Documents to which it is, or is to be, a party.

15.9 Further assurances

The Borrower undertakes that the Finance Documents shall both at the date of execution and delivery thereof and so long as any moneys are owing under any of the Finance Documents be valid and binding obligations of the respective parties thereto and enforceable in accordance with their respective terms and that it will, at its expense, execute, sign, perfect and do and (if required) register, and will procure the execution, signing, perfecting, doing and (if required) registering by each of the other Security Parties of, any and every such further assurance, document, act or thing as in the reasonable opinion of the Lender may be necessary or desirable for perfecting the security contemplated or constituted by the Finance Documents.

15.10 Confidentiality

- (a) Each of the parties hereto agrees and undertakes to keep confidential any documentation and any confidential information concerning the business, affairs, directors or employees of the other which comes into its possession in connection with this Agreement and not to use any such documentation, information for any purpose other than for which it was provided.

Notwithstanding the foregoing, compliance of the Borrower and/or of the Corporate Guarantor with their reporting and filing requirements, relating to the transactions and matters contemplated by this Agreement and the other Finance Documents, to governmental or regulatory agencies and authorities, including, but not limited to, the Securities and Exchange Commission of the United States of America, shall not constitute a breach of confidentiality.

- (b) The Borrower acknowledges and accepts that the Lender may be required by law, regulation or regulatory requirement or any request of any central bank or any court order, to disclose information and deliver documentation relating to the Borrower and the transactions and matters in relation to this Agreement and/or the other Finance Documents to governmental or regulatory agencies and authorities.
- (c) The Borrower acknowledges and accepts that in case of occurrence of any of the Events of Default the Lender may disclose information and deliver documentation relating to the Borrower and the transactions and matters in relation to this Agreement and/or the other Finance Documents to third parties to the extent that this is necessary for the enforcement or the contemplation of enforcement of the Lender's rights or for any other purpose for which in the opinion of the Lender, such disclosure would be useful or appropriate for the interests of the Lender or otherwise and the Borrower expressly authorises any such disclosure and delivery.
- (d) The Borrower acknowledges and accepts that the Lender may be prohibited from disclosing information to the Borrower by reason of law or duties of confidentiality owed or to be owed to other persons.

15.11 Process of personal data

- (a) Process of personal data: The Borrower hereby confirms that it has been informed that its personal data and/or the personal data of its director(s), officer(s) and legal representative(s) (together the "*personal data*") contained in this Agreement or the personal data that have been or will be lawfully received by the Lender in relation to this Agreement and the Security Documents will be included at the personal data database maintained by the Lender as processing agent (*Υπεύθυνη Επεξεργασίας*) and will be processed by the Lender for the purpose of properly serving, supporting and monitoring their current business relationship.
- (b) Process of personal data to Teiresias: The Borrower hereby expressly gives its consent to the communication for process in the meaning of law 2472/97 by the Lender of its personal data contained in this Agreement, the Security Documents, in the Operating Account for onwards communication thereof to an inter-banking database record called "*Teiresias*" kept and solely used by banks and financial institutions. The Borrower is entitled at any relevant time throughout the Security Period to revoke its consent given hereunder by written notice addressed to the Lender and the Registrar of "*Teiresias A.E.*" at 2, Alamanas street, 15125 Maroussi,

Athens, Greece.

- (c) Duration of the process: The personal data process shall survive the termination of this Agreement for such period as it is required by the applicable law.

15.12 Process Agent for Greek Proceedings

Mrs. ALEXANDRA TATAGIA, an Attorney-at-Law, presently of 61-65 Filonos Street, Piraeus, Greece (hereinafter called the "**Process Agent for Greek Proceedings**") is hereby appointed by the Borrower as agent to accept service, upon whom any judicial process in respect of proceedings in Greece may be served and any process notice, judicial or extra-judicial request, demand for payment, payment order, foreclosure proceedings, notarial announcement of claim, notice, request, demand or other communication under this Agreement or any of the Finance Documents. In the event that the Process Agent for Greek Proceedings (or any substitute process agent notified to the Lender in accordance with the foregoing) cannot be found at the address specified above (or, as the case may be, notified to the Lender), which will be conclusively proved by a deed of a process server to the effect that the Process Agent for Greek Proceedings was not found at such address, any process notice, judicial or extra-judicial request, demand for payment, payment order, foreclosure proceedings, notarial announcement of claim or other communication to be sent to any Security Party may be validly served/notified in accordance with the relevant provisions of the Hellenic Code on Civil Procedure.

16. NOTICES AND COMMUNICATIONS

16.1 Notices

Every notice under or in connection with this Agreement or any other Finance Document shall be given by letter, electronic mail or fax; and references in the Finance Documents to written notices, notices in writing and notices signed by particular persons shall be construed accordingly.

- (a) every such notice in the case of a letter shall be in writing delivered personally or be first-class prepaid letter, or shall be served through a process server or subject to Clause 10.9 (Communications Indemnity) by fax or electronic mail;
- (b) be deemed to have been received, subject as otherwise provided in this Agreement or the relevant Finance Document, in the case of a letter, when delivered personally or five (5) days after it has been put in to the post and, in the case of a facsimile transmission or electronic mail or other means of telecommunication in permanent written form, at the time of despatch (provided that if the date of despatch is not a business day in the country of the addressee or if the time of despatch is after the close of business in the country of the addressee it shall be deemed to have been received at the opening of business on the next such business day); and
- (c) be sent by letter, electronic mail or fax:
- (i) if to be sent to any Security Party, to:

c/o PYXIS MARITIME CORP.,
59 K. Karamanli Street,
Maroussi 15125, Greece
Fax: +30 210 6510530
Attention: Mr. Kostantinos Lytras
E-mail: klytras@pyxistankers.com, fin@pyxis.gr and

and

(ii) in the case of the Lender at:

ALPHA BANK S.A.,
93 Akti Miaouli, Piraeus, Greece,
Fax No. +30 210 42 90 268
Attention: The Manager
E-mail: shipdivision@alpha.gr

or to such other person, address or fax number or electronic mail address as is notified by the relevant Security Party or the Lender (as the case may be) to the other parties to this Agreement and, in the case of any such change of address or fax number or electronic mail address notified to the Lender, the same shall not become effective until notice of such change is actually received by the Lender and a copy of the notice of such change is signed by the Lender.

16.2 Illegible notices

Clause 16.1 (*Notices*) does not apply if the recipient of a notice notifies the sender within one hour after the time at which the notice would otherwise be deemed to be served that the notice has been received in a form which is illegible in a material respect.

16.3 Valid notices

A notice under or in connection with a Finance Document shall not be invalid by reason that its contents or the manner of serving it do not comply with the requirements of this Agreement or, where appropriate, any other Finance Document under which it is served if:

- (a) the failure to serve it in accordance with the requirements of this Agreement or other Finance Document, as the case may be, has not caused any party to suffer any significant loss or prejudice; or
- (b) in the case of incorrect and/or incomplete contents, it should have been reasonably clear to the party on which the notice was served what the correct or missing particulars should have been.

16.4 Meaning of "notice"

In this Clause 16, "*notice*" includes any demand, consent, authorisation, approval, instruction, waiver or other communication.

17. LAW AND JURISDICTION

17.1 Governing Law

This Agreement and any non-contractual obligations connected with it shall be governed by and construed in accordance with English Law.

17.2 Jurisdiction

- (a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement or any non-contractual obligations connected

with it (including a dispute regarding the existence, validity or termination of this Agreement and including claims arising out of tort or delict) (*"Dispute"*). The Borrower irrevocably and unconditionally submits to the jurisdiction of such courts.

- (b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary and waives any objections to the inconvenience of England as a forum.
- (c) This Clause 17.2 is for the benefit of the Lender only. As a result, the Lender shall not be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Lender may take concurrent proceedings in any number of jurisdictions.

17.3 Process Agent for English Proceedings

Without prejudice to any other mode of service allowed under any relevant law the Borrower irrevocably designates, appoints MESSRS. ATLAS MARITIME SERVICES LIMITED, at its registered office for the time being at Enterprise House, 113-115 George Lane, E18 1AB, London, England (hereinafter called the *"Process Agent for English Proceedings"*), to receive for it and on its behalf, service of process issued out of the English courts in relation to any proceedings before the English courts in connection with any Finance Document, provided, however, that:

- (a) the Borrower hereby agrees and undertakes to maintain a Process Agent for English Proceedings throughout the Security Period and hereby agrees that in the event that if any Process Agent for English Proceedings is unable for any reason to act as agent for service of process, the Borrower must immediately (and in any event within fifteen (15) days of such event taking place) appoint another agent on terms acceptable to the Lender. Failing this, the Lender may appoint for this purpose a substitute Process Agent for English Proceedings and the Lender is hereby irrevocably authorised to effect such appointment on Borrower's behalf. The appointment of such Process Agent for English Proceedings shall be valid and binding from the date notice of such appointment is given by the Lender to the Borrower in accordance with Clause 16.1 (*Notices*); and
- (b) the Borrower hereby agrees that failure by a Process Agent for English Proceedings to notify the Borrower of the process will not invalidate the proceedings concerned.

17.4 Proceedings in any other country

If it is decided by the Lender that any such proceedings should be commenced in any other country, then any objections as to the jurisdiction or any claim as to the inconvenience of the forum is hereby waived by the Borrower and it is agreed and undertaken by the Borrower to instruct lawyers in that country to accept service of legal process and not to contest the validity of such proceedings as far as the jurisdiction of the court or courts involved is concerned and the Borrower agrees that any judgment or order obtained in an English court shall be conclusive and binding on the Borrower and shall be enforceable without review in the courts of any other jurisdiction.

17.5 Third Party Rights

A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

17.6 Meaning of "proceedings"

In this Clause 17 "*proceedings*" means proceedings of any kind, including an application for a provisional or protective measure.

EXECUTION PAGE

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed on the date stated at the beginning of this Agreement.

SIGNED by)
Mr. Konstantinos Lytras)
for and on behalf of)
EIGHTHONE CORP.,)
of the Marshall Islands,)
in the presence of:) /s/ Konstantinos Lytras
Attorney-in-fact

Witness: /s/ Dimitrios P. Sioufas
Name: *Dimitrios P. Sioufas*
Address: *13 Defteras Merarchias*
Piraeus, Greece
Occupation: *Attorney-at-Law*

SIGNED by)
Mrs. Aikaterini Damianidou and)
Mrs. Chrysanthi Papathanasopoulou)
for and on behalf of)
ALPHA BANK S.A.,)
in the presence of:) /s/ Aikaterini Damianidou
Attorney-in-fact
/s/ Chrysanthi Papathanasopoulou
Attorney-in-fact

Witness: /s/ Dimitrios P. Sioufas
Name: *Dimitrios P. Sioufas*
Address: *13 Defteras Merarchias*
Piraeus, Greece
Occupation: *Attorney-at-Law*

SCHEDULE 1

FORM OF DRAWDOWN NOTICE
(referred to in Clause 2.2)

To: **ALPHA BANK S.A.**
93 Akti Miaouli,
Piraeus, Greece
(the "**Lender**")

[●] March, 2021

Re: US\$17,000,000 Loan Agreement dated [●] March, 2021 made between (A) **EIGHTHONE CORP.** (the "**Borrower**") and (B) the Lender (the "**Loan Agreement**").

1. We refer to the Loan Agreement and hereby give you notice that we wish to draw the Commitment as follows:

- (a) Loan: the full amount of the Commitment in the amount of Seventeen million Dollars (\$17,000,000);
- (b) Drawdown Date: [●] March, 2021;
- (c) Duration of first Interest Period: duration of the first Interest Period in respect of the Loan shall be [●] months; and
- (d) Payment instructions: [*The funds to be credited into the Operating Account for application for the purpose set out in Clause 1.1 (Amount and purpose) of the Loan Agreement*].

2. We confirm, represent and warrant that:

- (a) no event or circumstance has occurred and is continuing which constitutes a Default;
- (b) the representations and warranties contained in Clause 6 (*Representations and warranties*) of the Loan Agreement and the representations and warranties contained in each of the other Finance Documents would remain true and not misleading if repeated on the date of this Drawdown Notice with reference to the circumstances now existing;
- (c) the borrowing to be effected by the drawing down of the Commitment will be within our corporate powers, has been validly authorised by appropriate corporate action and will not cause any limit on our borrowings (whether imposed by statute, regulation, agreement or otherwise) to be exceeded; and
- (d) to the best of our knowledge and belief there has been no Material Adverse Change in our financial position or in the consolidated financial position of ourselves and the

other Security Parties from that described by us to the Lender in the negotiation of the Loan Agreement.

3. This Drawdown Notice cannot be revoked without the prior consent of the Lender.

Words and expressions defined in the Loan Agreement shall have the same meanings when used herein.

SIGNED by)
Mr. [])
for and on behalf of)
the Borrower)
EIGHTHONE CORP.,)
of the Marshall Islands,)
in the presence of:)

Attorney-in-fact

Witness:
Name: _____
Address: *Dimitrios P. Sioufas*
Occupation: *13 Defteras Merarchias*
Attorney-at-Law

Schedule 2

Form of Insurance Letter

To: *[P&I Club]*
[•]
[•]

From: **EIGHTHONE CORP.**
Trust Company Complex,
Ajeltake Road, Ajeltake Island,
Majuro, Marshall Islands MH 96960

[•] 20[•]

Dear Sirs

m.v. "PYXIS EPSILON" (the "*Vessel*")

We are obtaining loan finance from **ALPHA BANK S.A.** (the "*Lender*") secured (*inter alia*) by a first ship mortgage over the Vessel. The Vessel's insurances will also be assigned to the Lender.

You are hereby authorised to send a copy of the Certificate of Entry for the Vessel to the Lender, c/o their lawyers, namely, THEO V. SIOUFAS & Co. LAW OFFICES, of 13 Deferas Merarchias Street, 185 35 Piraeus, Greece. Further, you are also irrevocably authorised to provide the Lender from time to time with any other information whatsoever which they may require relating to the entry of the Vessel in the association.

This letter is governed by, and shall be construed in accordance with, English law.

For and on behalf of
EIGHTHONE CORP.

Pyxis Tankers Inc.**List of Subsidiaries*****Company Name**

Secondone Corporation Ltd.
Thirdone Corporation Ltd.
Fourthone Corporation Ltd.
Sixthone Corp.**
Seventhone Corp.
Eighthone Corp.
Maritime Technologies Corp.

Jurisdiction of Incorporation

Malta
Malta
Malta
Republic of the Marshall Islands
Republic of the Marshall Islands
Republic of the Marshall Islands
Delaware, U.S.A.

*Each subsidiary is 100% owned by Pyxis Tankers Inc.

** *Pyxis Delta* was sold to an unaffiliated third party on January 13, 2020.

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Valentios Valentis, certify that:

1. I have reviewed this annual report on Form 20-F of Pyxis Tankers Inc. for the year ended December 31, 2020;
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.

Date: April 12, 2021

/s/ Valentios Valentis

Valentios Valentis
Chief Executive Officer (Principal Executive Officer)

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Henry Williams, certify that:

1. I have reviewed this annual report on Form 20-F of Pyxis Tankers Inc. for the year ended December 31, 2020;
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.

Date: April 12, 2021

/s/ Henry Williams

Henry Williams
Chief Financial Officer and Treasurer
(Principal Financial Officer)

**PRINCIPAL EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Annual Report of Pyxis Tankers Inc. (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, Valentios Valentis, 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; 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.

Date: April 12, 2021

/s/ Valentios Valentis

Valentios Valentis
Chief Executive Officer (Principal Executive Officer)

**PRINCIPAL FINANCIAL OFFICER CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350**

In connection with this Annual Report of Pyxis Tankers Inc. (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, Henry Williams, 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; 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.

Date: April 12, 2021

/s/ Henry Williams

Henry Williams
Chief Financial Officer and Treasurer
(Principal Financial Officer)

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form F-3 No. 333-222848) of Pyxis Tankers Inc. and in the related Prospectus of our report dated April 9, 2021, with respect to the consolidated financial statements of Pyxis Tankers Inc. included in this Annual Report (Form 20-F) for the year ended December 31, 2020.

/s/ Ernst & Young (Hellas) Certified Auditors Accountants S.A.

Athens, Greece

April 12, 2021



Pyxis Tankers Inc.
59 K. Karamanli Street
Maroussi 15125
Greece

April 9, 2021

Dear Sir/Madam:

Reference is made to the annual report on Form 20-F of Pyxis Tankers Inc. (the “Company”) for the year ended December 31, 2020 (the “Annual Report”) and the registration statements on Form F-3 (File No. 333-222160 and File No. 333-222848) of the Company, as may be amended, including the prospectuses contained therein and any prospectus supplements related thereto (the “Registration Statements”). We hereby consent to the incorporation by reference in the Registration Statements of all references to our name in the Annual Report and to the use of the statistical information supplied by us as set forth in the Annual Report. We further advise the Company that our role has been limited to the provision of such statistical data supplied by us. With respect to such statistical data, we advise you that:

- (1) we have accurately described the information and data of the oil tanker shipping industry, subject to the availability and reliability of the data supporting the statistical and graphical information presented; and
- (2) our methodologies for collecting information and data may differ from those of other sources and does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the oil tanker shipping industry.

We hereby consent to the filing of this letter as an exhibit to the Annual Report, which is incorporated by reference into the Registration Statements and any related prospectuses.

Yours faithfully,

/s/ Nigel Gardiner

Nigel Gardiner
Group Managing Director
Drewry Shipping Consultants Ltd.

LONDON | DELHI | SINGAPORE | SHANGHAI

Drewry Shipping Consultants, 15-17 Christopher Street, London EC2A 2BS, United Kingdom

t: +44 (0) 20 7538 0191 f: +44 (0) 20 7987 9396 e: enquiries@drewry.co.uk

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www.drewry.co.uk
