

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(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

Date of event requiring this shell company report: Not applicable

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-38802

CASTOR MARITIME INC.

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English)

Republic of the Marshall Islands

(Jurisdiction of incorporation or organization)

223 Christodoulou Chatzipavlou Street  
Hawaii Royal Gardens  
3036 Limassol, Cyprus

(Address of principal executive offices)

Petros Panagiotidis, Chairman, Chief Executive Officer and Chief Financial Officer  
223 Christodoulou Chatzipavlou Street, Hawaii Royal Gardens, 3036 Limassol, Cyprus  
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(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 Shares, \$0.001 par value	CTRM	Nasdaq Capital Market
Series C Participating Preferred Shares, \$0.001 par value	CTRM	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 share capital as of the close of the period covered by the annual report:

As of December 31, 2020, there were outstanding 131,212,376 common shares of the Registrant, \$0.001 par value per share.

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

Yes

No

If this report is an annual report 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 this 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 definition of "large accelerated filer", "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Emerging Growth Company

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

† 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

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

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

Item 17

Item 18

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

Yes

No

(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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#### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Matters discussed in this annual report may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995, or the PSLRA, provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

Castor Maritime Inc. desires to take advantage of the safe harbor provisions of the PSLRA and is including this cautionary statement in connection with this safe harbor legislation. This annual report and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. When used in this annual report, the words "anticipate," "believe," "targets," "likely," "will," "would," "could," "seeks," "continue," "contemplate," "possible," "might," "expect," "intend," "estimate," "forecast," "project," "plan," "potential," "may," "should," and similar expressions or phrases may identify forward-looking statements.

The forward-looking statements in this annual report are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies that are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these assumptions and matters discussed elsewhere herein and in the documents incorporated by reference herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the following:

- dry bulk and tanker market trends, including fluctuations in charter rates, factors affecting supply and demand, and opportunities for the profitable operations of dry bulk and tanker carriers;
- our future financial condition or results of operations and our future revenues and expenses;
- 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 continued ability to enter into time or voyage charters with existing and new customers, and to re-charter our vessels upon the expiry of the existing charters;
- changes in our operating expenses, including bunker prices, dry-docking and insurance costs;
- 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, business strategy and expected capital spending or operating expenses, including dry-docking, surveys, upgrades and insurance costs;
- our expectations regarding the availability of vessel acquisitions and our ability to complete acquisition transactions as planned;
- our ability to realize the expected benefits from our vessel acquisitions;

- vessel breakdowns and instances of off-hire;
- potential conflicts of interest involving members of our Board of Directors, or the Board, and senior management;
- potential liability from pending or future litigation and potential costs due to environmental damage and vessel collisions;
- potential exposure or loss from investment in derivative instruments (if any);
- changes in supply and demand in the dry bulk and tanker shipping industry, including the market for our vessels and the number of newbuildings under construction;
- the length and severity of epidemics and pandemics, including the ongoing global outbreak of the novel coronavirus ("COVID-19") and its impact on the demand for seaborne transportation in the dry bulk and tanker sector;
- the strength of world economies;
- stability of Europe and the Euro;
- fluctuations in interest rates and foreign exchange rates;
- changes in seaborne and other transportation;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- general domestic and international political conditions or events, including "trade wars";
- potential disruption of shipping routes due to accidents, political events, international hostilities and instability, piracy or acts by terrorists;
- our business strategy and other plans and objectives for future operations;
- future sales of our securities in the public market;
- the impact of the discontinuance of LIBOR after 2021 on interest rates of our debt that reference LIBOR;
- the impact of adverse weather and natural disasters;
- the impact of public health threats and outbreaks of other highly communicable diseases; and
- other factors detailed in this annual report and from time to time in our periodic reports.

Any forward-looking statements contained herein are made only as of the date of this annual report, and we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all or any of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement. See the section entitled "Item 3. Key Information—D. Risk Factors" of this annual report on Form 20-F for the year ended December 31, 2020 for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. These factors and the other risk factors described in this annual report are not necessarily all of the important factors that could cause actual results or developments to differ materially from those expressed in any of our forward-looking statements. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

**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**

Unless the context otherwise requires, as used in this annual report, the terms "Company", "we", "us", and "our" refer to Castor Maritime Inc. and all of its subsidiaries, and "Castor Maritime Inc." refers only to Castor Maritime Inc. and not to its subsidiaries. We use the term deadweight ton, or dwt, in describing the size of vessels. Dwt, expressed in metric tons, each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry.

**A. Selected Financial Data**

The selected consolidated financial and operational data set forth below should be read in conjunction with our audited consolidated financial statements and related notes included in "Item 18. Financial Statements" herein, and together with "Item 5. Operating and Financial review and Prospects". The selected statement of operations data for the years ended December 31, 2020 and 2019, the three-month transition period ended December 31, 2018, the year ended September 30, 2018 and the period ended September 30, 2017 and the selected balance sheet data as of December 31, 2020 and 2019 have been derived from our audited consolidated financial statements included elsewhere in this annual report. The selected balance sheet data as of December 31, 2018 have been derived from our audited consolidated financial statements included in our annual report on Form 20-F for the year ended December 31, 2019. The selected balance sheet data as of September 30, 2018 and 2017 have been derived from our audited consolidated financial statements included in our annual report on Form 20-F for the year ended September 30, 2018.

	Period from December 13, 2016 to September 30, 2017	Year ended September 30, 2018	Three-months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2020
<i>In U.S. dollars, except for share data</i>					
<b>SELECTED STATEMENT OF OPERATIONS DATA</b>					
Vessel revenues, net	2,018,061	3,960,822	1,111,075	5,967,772	12,487,692
Voyage expenses – including related parties	(80,853)	(37,373)	(19,556)	(261,179)	(584,705)
Vessel operating expenses	(1,194,995)	(1,727,770)	(432,544)	(2,802,991)	(7,447,439)
General and administrative expenses					
- Company administration expenses (including related party)	(58,467)	(109,233)	(22,954)	(378,777)	(1,130,953)
- Public registration costs	(35,973)	(350,167)	(161,116)	(132,091)	-
Depreciation & amortization	(182,346)	(637,611)	(177,378)	(897,171)	(1,904,963)
Provision for doubtful debt	-	-	-	-	(37,103)
Management fees, related parties	(55,500)	(111,480)	(29,440)	(212,300)	(930,500)
<b>Operating Income</b>	<b>\$ 409,927</b>	<b>\$ 987,188</b>	<b>\$ 268,087</b>	<b>\$ 1,283,263</b>	<b>\$ 452,029</b>
Interest and finance costs – including related party	(532)	(3,393)	(519)	(222,163)	(2,189,577)
Interest income	-	4,243	7,985	31,589	34,976
Gain on derivative financial instruments	475,530	-	-	-	-
Foreign exchange (losses)/gains	(7,021)	(8,539)	89	(4,540)	(29,321)
Other, net	740	1,439	800	-	-
<b>Total other income/(expenses), net</b>	<b>468,717</b>	<b>(6,250)</b>	<b>8,355</b>	<b>(195,114)</b>	<b>(2,183,922)</b>
US Source Income Taxes	-	-	-	-	(21,640)
<b>Net income/(loss)</b>	<b>\$ 878,644</b>	<b>\$ 980,938</b>	<b>\$ 276,442</b>	<b>\$ 1,088,149</b>	<b>\$ (1,753,533)</b>
<b>EARNINGS/(LOSS) PER COMMON SHARE, basic &amp; diluted</b>	<b>\$ 0.35</b>	<b>\$ (0.28)</b>	<b>\$ (0.30)</b>	<b>\$ 0.31</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares outstanding, basic and diluted</b>	<b>2,400,000</b>	<b>2,400,000</b>	<b>2,400,000</b>	<b>2,662,383</b>	<b>67,735,195</b>
<b>CASH FLOW DATA:</b>					
Net Cash Provided by/ (Used in) Operating Activities	\$ 770,749	\$ 902,706	\$ 148,106	\$ 2,311,962	\$ (2,343,809)
Net Cash Used in Investing Activities	(7,549,281)	-	-	(17,227,436)	(35,472,173)
Net Cash Provided by Financing Activities	7,615,000	-	-	18,087,133	42,183,946
<b>SELECTED BALANCE SHEET DATA (as of period/year):</b>					
	<b>September 30, 2017</b>	<b>September 30, 2018</b>	<b>December 31, 2018</b>	<b>December 31, 2019</b>	<b>December 31, 2020</b>
Total current assets	\$ 1,350,983	\$ 2,110,000	\$ 2,847,417	\$ 6,220,897	\$ 13,564,154
Vessel(s), net	7,366,935	7,070,404	6,995,350	23,700,029	58,045,628
Total assets	8,717,918	9,623,798	10,183,837	30,420,926	74,371,355
Total current liabilities	224,274	149,216	432,813	2,982,750	10,903,907
Total long-term debt, including current portion and related party debt, net of unamortized deferred financing fees	-	-	-	15,757,060	18,185,866
Common stock	2,400	2,400	2,400	3,318	131,212
Total shareholders' equity	8,493,644	9,474,582	9,751,024	13,204,011	52,383,619
Shares issued and outstanding	2,400,000	2,400,000	2,400,000	3,318,112	131,212,376

	Period from December 13, 2016 to September 30, 2017	Year ended September 30, 2018	Three-months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2020
<b>FLEET PERFORMANCE DATA:</b>					
Number of vessels at the end of the year	1	1	1	3	6
Available days <sup>(1)</sup>	216	336	92	545	1,219
Ownership days <sup>(2)</sup>	222	365	92	556	1,405
Fleet utilization <sup>(3)</sup>	97%	92%	100%	98%	87%
<b>OTHER OPERATIONAL METRICS:</b>					
Daily time charter equivalent (or TCE) <sup>(4)</sup>	\$ 8,969	\$ 11,677	\$ 11,864	\$ 10,471	\$ 9,765
EBITDA <sup>(4)</sup>	\$ 1,061,522	\$ 1,617,699	\$ 446,354	\$ 2,175,894	\$ 2,327,671

<sup>(1)</sup> Available days are the Ownership days after subtracting off-hire days associated with major scheduled repairs, vessel upgrades and dry-dockings or special or intermediate surveys and major unscheduled repair and positioning days (which do not include ballast voyage days for which compensation has been received by the Company). The shipping industry uses Available days to measure the aggregate number of days in a period during which vessels are available to generate revenues. Our calculation of Available days may not be comparable to that reported by other companies.

<sup>(2)</sup> Ownership days are the total number of calendar days in a period during which we owned our fleet, or our Fleet.

<sup>(3)</sup> We calculate fleet utilization by dividing the number of our Available days during a period by the number of our Ownership days during that period.

<sup>(4)</sup> **Non-GAAP Financial Information**

**Time Charter Equivalent ("TCE") Rate.** TCE rate, is a measure of the average daily revenue performance of a vessel and is calculated by dividing total revenues (time charter and/or voyage revenues, net of charterers' commissions), less voyage expenses, by the number of Available Days during that period. Under a time charter, the charterer pays substantially all the vessel voyage related expenses. However, we may incur voyage related expenses when positioning or repositioning vessels before or after the period of a time charter, during periods of commercial waiting time or while off-hire during dry-docking or due to other unforeseen circumstances. The TCE rate is not a measure of financial performance under U.S. GAAP (non-GAAP measure), and should not be considered as an alternative to Time charter revenues, net, the most directly comparable GAAP measure, or any other measure of financial performance presented in accordance with U.S. GAAP. TCE rate is a standard shipping industry performance measure used primarily to compare period-to-period changes in a company's performance and assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance. Our calculation of TCE rates may not be comparable to that reported by other companies. The following table reflects the calculation of our TCE rates for the periods presented (amounts in U.S. dollars, except for Available Days):

	For the period ended September 30, 2017	Year ended September 30, 2018	Three Months Ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2020
<i>(In U.S. dollars, except for Available days)</i>					
Vessel revenues, net	\$ 2,018,061	\$ 3,960,822	\$ 1,111,075	\$ 5,967,772	\$ 12,487,692
Voyage expenses	(80,853)	(37,373)	(19,556)	(261,179)	(584,705)
<b>Time charter equivalent revenues</b>	<b>1,937,208</b>	<b>3,923,449</b>	<b>1,091,519</b>	<b>5,706,593</b>	<b>11,902,987</b>
Available days	216	336	92	545	1,219
<b>Time charter equivalent (TCE) rate</b>	<b>\$ 8,969</b>	<b>\$ 11,677</b>	<b>\$ 11,864</b>	<b>\$ 10,471</b>	<b>\$ 9,765</b>



**EBITDA.** We define EBITDA as earnings before interest and finance costs (if any), net of interest income/(loss), taxes (when incurred), depreciation and amortization of deferred dry-docking costs. EBITDA is used as a supplemental financial measure by management and external users of financial statements, such as investors, to assess our operating performance. We believe that EBITDA assists our management and investors by providing useful information that increases the comparability of our performance operating from period to period and against the operating performance of other companies in our industry that provide EBITDA information. This increased comparability is achieved by excluding the potentially disparate effects between periods or companies of interest, depreciation and amortization and taxes, which items are affected by various and possibly changing financing methods, capital structure and historical cost basis and which items may significantly affect net income between periods. We believe that including EBITDA as a measure of operating performance benefits investors in (a) selecting between investing in us and other investment alternatives and (b) monitoring our ongoing financial and operational strength. EBITDA is not a measure of financial performance under U.S. GAAP, does not represent and should not be considered as an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance presented in accordance with U.S. GAAP. EBITDA as presented below may not be comparable to similarly titled measures of other companies. The following table reconciles EBITDA to net income, the most directly comparable U.S. GAAP financial measure, for the periods presented:

**Reconciliation of Net Income/(Loss) to EBITDA**

<i>(In U.S. Dollars)</i>	Period ended	Year ended	Three Months	Year ended	Year ended
	September 30,	September 30,	Ended December	December 31,	December 31, 2020
	2017	2018	31,	2019	2020
			2018		
<b>Net Income/(Loss)</b>	<b>\$ 878,644</b>	<b>\$ 980,938</b>	<b>\$ 276,442</b>	<b>\$ 1,088,149</b>	<b>\$ (1,753,533)</b>
Depreciation and amortization	182,346	637,611	177,378	897,171	1,904,963
Interest and finance costs, net	532	(850)	(7,466)	190,574	2,154,601
US Source Income Taxes	-	-	-	-	21,640
<b>EBITDA</b>	<b>\$ 1,061,522</b>	<b>\$ 1,617,699</b>	<b>\$ 446,354</b>	<b>\$ 2,175,894</b>	<b>\$ 2,327,671</b>

**B. Capitalization and Indebtedness**

Not applicable.

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

Not applicable.

**D. Risk Factors**

Some of the following risks relate principally to the industry in which we operate. Other risks relate principally to ownership of our common stock. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results, cash available for dividends, as and if declared, or the trading price of our common stock.

**Summary of Risk Factors**

- Charter hire rates for dry bulk and tanker vessels are volatile and have declined significantly since their historic highs and may remain at low levels or decrease in the future, which may adversely affect our earnings, revenues and our profitability.
- Global economic conditions may continue to negatively impact the dry bulk and tanker sectors of the shipping industry.
- The Company is exposed to fluctuating prices of oil and decreased demand for oil and petroleum products.
- The operation of tankers has unique operational risks associated with the transportation of oil.
- Seasonal fluctuations in the tanker and dry bulk industry demand could have a material adverse effect on our business, financial condition and results of operations and the amount of available cash with which we can pay dividends.

- A shift in consumer demand from oil towards other energy sources or changes to trade patterns for refined oil products may have a material adverse effect on our business.
- Risks involved with operating ocean-going vessels could affect our business and reputation, which could have a material adverse effect on our 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.
- Changes in the economic and political environment in China and policies adopted by the government to regulate its economy may have a material adverse effect on our business, financial condition and results of operations.
- Acts of piracy on ocean-going vessels could adversely affect our business.
- The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.
- Political instability, terrorist attacks, international hostilities and global public health threats can affect the seaborne transportation industry, which could adversely affect our business.
- A cyber-attack could materially disrupt our business.
- Major outbreaks of diseases (such as COVID-19) and governmental responses thereto could adversely affect our business.
- If our vessels call on ports located in countries or territories that are the subject of sanctions or embargoes imposed by the U.S. government or other governmental authorities, it could lead to monetary fines or penalties and adversely affect our reputation and the market for our common shares.
- Compliance with safety and other vessel requirements imposed by classification societies may be costly and could reduce our net cash flows and negatively impact our results of operations.
- Regulations relating to ballast water discharge may adversely affect our revenues and profitability.
- The IMO 2020 regulations may cause us to incur substantial costs and to procure low-sulfur fuel oil directly on the wholesale market for storage at sea and onward consumption on our vessels.
- We are subject to laws and regulations, which can adversely affect our business, results of operations, cash flows and financial condition, and our ability to pay dividends (as and if declared).
- Climate change and greenhouse gas restrictions may adversely impact our operations and markets.
- We are subject to international safety standards and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.
- Developments in safety and environmental requirements relating to the recycling of vessels may result in escalated and unexpected costs.
- Maritime claimants could arrest our vessels, which could interrupt our cash flow and business.
- Governments could requisition our vessels during a period of war or emergency resulting in a loss of earnings.
- Increased inspection procedures and tighter import and export controls could increase costs and disrupt our business.
- Our business has inherent operational risks, which may not be adequately covered by insurance.
- Failure to comply with the U.S. Foreign Corrupt Practices Act could result in fines, criminal penalties, charter terminations and an adverse effect on our business.
- We are a recently formed company with a limited history of operations.
- Our Fleet currently consists of nine dry bulk carriers and two tanker vessels and we are awaiting delivery of three dry bulk carriers. Any limitation in the availability or operation of these vessels could have a material adverse effect on our business, results of operations and financial condition.
- We may not be able to re-charter or obtain new and favorable charters for our vessels, which could adversely affect our revenues and profitability.
- We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or negatively impact our results of operations and cash flows.
- The failure of our charterers to meet their obligations under our charter agreement, on which we depend for our revenues, could cause us to suffer losses or otherwise adversely affect our business.
- Our credit facilities contain, and we expect that any new or amended credit facility we may enter into will contain, restrictive covenants that limit, or may limit the future, our business and financing activities.

- We are exposed to volatility in the London Interbank Offered Rate or LIBOR, and we may enter into derivative contracts, which can result in higher than market interest rates and charges against our income. If volatility in LIBOR occurs, it could affect our profitability, earnings and cash flow.
- Our vessels operate under a mix of period time charters and trip time charters and any decrease in trip charter rates or indexes in the future may adversely affect our earnings.
- We may not be able to obtain financing on acceptable terms, which may negatively impact our planned growth.
- The Company has relied on financial support from Mr. Panagiotidis through related party loans, which may not be available to the Company in the future.
- 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 cannot assure you that our Board will declare dividends.
- We are dependent upon Castor Ships and Pavimar, which are related parties, for the management of our Fleet and business.
- We may have difficulty managing our planned growth properly.
- As we expand our business, we may be unable to improve our operating and financial systems and to recruit suitable employees and crew for our vessels.
- Exposure to currency exchange rate fluctuations will result in fluctuations in our cash flows and operating results.
- We operate secondhand vessels, and, as a result, we may incur increased operating costs which could adversely affect our earnings. Furthermore, as our vessels age, the risks associated with our vessels could adversely affect our ability to obtain profitable charters.
- Technological innovation and quality and efficiency requirements from our customers could reduce our charter hire income and the value of our vessels.
- Increasing scrutiny and changing expectations from investors, lenders and other market participants with respect to our Environmental, Social and Governance ("ESG") policies may impose additional costs on us or expose us to additional risks.
- 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.
- A change in tax laws, treaties or regulations, or their interpretation, of any country in which we operate could result in a higher tax rate on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.
- We are dependent on our management and their ability to hire and retain key personnel, in particular our Chairman, Chief Executive Officer and Chief Financial Officer, Petros Panagiotidis.
- Our share price has recently been volatile and may continue to be volatile in the future, and as a result, investors in our common shares could incur substantial losses.
- Nasdaq may delist our common shares from its exchange which could limit your ability to make transactions in our securities and subject us to additional trading restrictions.
- Recent share issuances and the issuance of additional shares in the future may impact the price of our common shares and our ability to regain compliance with Nasdaq's minimum bid price requirement.
- We have a continuing ATM program in effect, under which we may sell up to \$10.0 million of our common shares.
- We issued 918,112, 127,894,264 and 575,945,560 common shares during 2019, 2020 and 2021, respectively, through various transactions. Shareholders may experience significant dilution as a result of our offerings.
- Future issuances or sales, or the potential for future issuances or sales, of our common shares may cause the trading price of our securities to decline and could impair our ability to raise capital through subsequent equity offerings.
- We are incorporated in the Marshall Islands, which does not have a well-developed body of corporate and case law.
- We are incorporated in the Marshall Islands, and all of our officers and directors are non-U.S. residents. It may be difficult to serve legal process or enforce judgments against us, our directors or our management.

- Anti-takeover provisions in our organizational documents and in our stockholder rights plan could have the effect of discouraging, delaying or preventing a merger or acquisition, or could make it difficult for our shareholders to replace or remove our current Board, which could adversely affect the market price of our common shares.
- Our Chairman, Chief Executive Officer and Chief Financial Officer, who may be deemed to beneficially own, directly or indirectly, 100% of our Series B Preferred Shares, has control over us.
- We are an "emerging growth company", and we cannot be certain if the reduced requirements applicable to emerging growth companies make our securities less attractive to investors.
- U.S. tax authorities could treat us as a "passive foreign investment company", which could have adverse U.S. federal income tax consequences to U.S. shareholders.
- We may have to pay tax on United States source income, which would reduce our earnings, cash from operations and cash available for distribution to our shareholders.
- Our Series A Preferred Shares rank senior to our common shares with respect to dividends, distributions and payments upon liquidation, which could have an adverse effect on the value of our common shares.
- We may not have sufficient cash from our operations to enable us to pay dividends on our Series A Preferred Shares following the payment of expenses and the establishment of any reserves.
- The Series A Preferred Shares represent perpetual equity interests.
- Our Series A Preferred Shares are subordinate to our indebtedness, and your interests could be diluted by the issuance of additional preferred shares, including additional Series A Preferred Shares, and by other transactions.
- We may redeem the Series A Preferred Shares, and holders of Series A Preferred Shares may not be able to reinvest the redemption price they receive in a similar security.
- Holders of Series A Preferred Shares have extremely limited voting rights.
- Our ability to pay dividends on and to redeem our Series A Preferred Shares is limited by the requirements of Marshall Islands law.

#### **Risk Related to Our Industry**

*Charter hire rates for dry bulk and tanker vessels are volatile and have declined significantly since their historic highs and may remain at low levels or decrease in the future, which may adversely affect our earnings, revenues and our profitability.*

The dry bulk shipping industry is cyclical with attendant volatility in charter hire rates and profitability. The degree of charter hire rate volatility among different types of dry bulk vessels has varied widely, and charter hire rates for dry bulk vessels have declined significantly from historically high levels. For example, in the past, time charter and spot market rates for dry bulk vessels have declined below operating costs of vessels. The Baltic Dry Index, or BDI, an index published by the Baltic Exchange Limited of shipping rates for 20 key dry bulk routes, fell 97% from a peak of 11,793 in May 2008 to a low of 290 in February 2016. While the BDI has since increased to 1960 on March 15, 2021, there can be no assurance that the dry bulk charter market will not decline further in the future.

The tanker industry is also both cyclical and volatile in terms of charter rates and profitability. Periodic adjustments to the supply of and demand for oil tankers cause the industry to be cyclical in nature. We expect continued volatility in market rates for our tanker vessels in the foreseeable future with a consequent effect on our liquidity as soon as the charters attached to those vessels expire. A worsening of current global economic conditions resulting from the COVID-19 pandemic and other factors may cause tanker charter rates to further decline and thereby adversely affect our ability to charter or re-charter our vessels or to sell them on the expiration or termination of their charters. Fluctuations in charter rates and vessel values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil and oil products. Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the major commodities carried by water internationally. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in charter rates are also unpredictable.

Factors that influence demand for vessel capacity include:

- supply of and demand for energy resources, commodities, semi-finished and finished consumer and industrial products and oil and petroleum products;
- changes in the exploration or production of energy resources, commodities, semi-finished and finished consumer and industrial products;
- the location of regional and global exploration, production and manufacturing facilities;
- the location of consuming regions for energy resources, commodities, semi-finished and finished consumer and industrial products;
- the globalization of production and manufacturing;
- global and regional economic and political conditions and developments, including armed conflicts and terrorist activities, embargoes and strikes;
- developments in international trade;
- changes in seaborne and other transportation patterns leading to repositioning and distances cargo is transported by sea;
- pandemics, such as the COVID-19 outbreak;
- environmental and other regulatory developments
- with respect to tanker vessel demand, regional availability of refining capacity and inventories, competition from alternative sources of energy and the distance over which oil and oil products are to be moved by sea;
- currency exchange rates; and
- the weather.

Demand for our vessels is dependent upon economic growth in the world's economies, seasonal and regional changes in demand, changes in the capacity of the global dry bulk and tanker fleet and the sources and supply of dry bulk and wet cargo transported by sea. To the extent that the newbuilding deliveries exceed the scrapping rates of older vessels, the capacity of the global fleet of dry bulk and tanker vessels may exceed the economic growth and the resulting demand for vessel capacity. As such, adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

Factors that influence the supply of both dry bulk and tanker vessel capacity include:

- number of newbuilding orders and deliveries;
- the number of shipyards and ability of shipyards to deliver vessels;
- port and canal congestion;
- scrapping of older vessels;
- speed of vessels being operated;

- vessel casualties;
- with respect to tanker vessel supply, demand for alternative sources of energy and supply and demand for energy resources and oil and petroleum products; and
- number of vessels that are out of service or laid up.
- environmental concerns and regulations;
- product imbalances (affecting the level of trading activity);
- developments in international trade, including refinery additions and closures; and
- port or canal congestion.

In addition to the prevailing and anticipated charter rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, normal maintenance costs, insurance coverage costs, the efficiency and age profile of the existing fleet in the market, and government and industry regulations of maritime transportation practices, particularly environmental protection laws and regulations. These factors influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions.

Furthermore, a significant decrease in charter rates would cause asset values to decline, and we may have to record an impairment charge in our consolidated financial statements which could adversely affect our financial results. Because the market value of our vessels may fluctuate significantly, we may also incur losses when we sell vessels, which may adversely affect our earnings. If we sell vessels at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel's carrying amount in our financial statements, resulting in a loss and a reduction in earnings.

***Global economic conditions may continue to negatively impact the dry bulk and tanker sectors of the shipping industry.***

In the current global economy, operating businesses are faced with tightening credit, weak demand for goods and services, and weak international liquidity conditions. There has similarly been a general decline in the willingness by banks and other financial institutions to extend credit, particularly in the shipping industry, due to the historically volatile asset values of vessels. As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it has been negatively affected by this decline. In particular, lower demand for dry bulk cargoes and crude oil and petroleum products as a result of the COVID-19 pandemic and resulting reduction in economic activity, as well as diminished trade credit available for the delivery of such cargoes have led to decreased demand for dry bulk and tanker vessels, creating downward pressure on charter rates and vessel values. Any further weakening in global economic conditions may have a number of adverse consequences for dry bulk and tanker 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 vessels and limited second-hand market for the sale of vessels;
- limited financing for vessels;
- widespread loan covenant defaults; and
- declaration of bankruptcy by certain vessel operators, vessel owners, shipyards and charterers.

The occurrence of one or more of these events could have a material adverse effect on our business, results of operations, cash flows and financial condition.

***The Company is exposed to fluctuating prices of oil and decreased demand for oil and petroleum products.***

Sustained periods of low oil prices typically result in reduced exploration and extraction because oil companies' capital expenditure budgets are subject to cash flow from such activities and are therefore sensitive to changes in energy prices. These changes in commodity prices can have a material effect on demand for our services, and periods of low demand can cause excess vessel supply and intensify the competition in the industry, which often results in vessels, particularly older and less technologically-advanced vessels, being idle for long periods of time. We cannot predict the future level of demand for our services or future conditions of the oil industry. Any decrease in exploration, development or production expenditures by oil companies could reduce our revenues and materially harm our business, results of operations and cash available for distribution.

The COVID-19 pandemic has in the past negatively impacted demand for oil and petroleum products. A worsening of current global economic conditions resulting from the COVID-19 pandemic and other factors may cause a decrease in demand for oil and petroleum products, which may have a material effect on demand for our services.

***The operation of tankers has unique operational risks associated with the transportation of oil.***

The operation of oil and petroleum products tankers is inherently risky. An oil spill may cause significant environmental damage. 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. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages. As a result, the unique operational risks associated with transportation of oil could result in significantly more expensive insurance coverage and the associated costs of an oil spill could exceed the insurance coverage available to us. Further, the involvement of our vessels in an oil spill or other environmental disaster may harm our reputation as a safe and reliable dry bulk and tanker operator, which could have a material adverse effect on our results of operations and financial condition.

Additionally, 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 oil transported in tankers.

***Seasonal fluctuations in the tanker and dry bulk industry demand could have a material adverse effect on our business, financial condition and results of operations and the amount of available cash with which we can pay dividends.***

The tanker sector has historically exhibited seasonal variations in demand and, as a result, in charter rates. This seasonality may result in quarter-to-quarter volatility in our operating results. The tanker sector is typically stronger in the fall and winter months in anticipation of increased consumption of oil and petroleum products in the northern hemisphere during the winter months. As a result, our revenues from our tankers may be weaker during the fiscal quarters ending June 30 and September 30, and, conversely, revenues may be stronger in fiscal quarters ending December 31 and March 31.

The market for dry bulk transportation services is typically stronger in the fall months in anticipation of increased consumption of coal in the northern hemisphere during the winter months and the grain export season from North America. Similarly, the market for marine dry bulk transportation services is typically stronger in the spring months in anticipation of the South American grain export season due to increased distance traveled by vessels to their end destination known as ton mile effect, as well as increased coal imports in parts of Asia due to additional electricity demand for cooling during the summer months. Demand for marine dry bulk transportation services is typically weaker at the beginning of the calendar year and during the summer months. In addition, unpredictable weather patterns during these periods tend to disrupt vessel scheduling and supplies of certain commodities.

This seasonality in the tanker and dry bulk industry could have a material adverse effect on our business, financial condition and results of operations.

***A shift in consumer demand from oil towards other energy sources or changes to trade patterns for refined oil products may have a material adverse effect on our business.***

A shift in the consumer demand from oil and oil products towards other energy resources such as wind energy, solar energy, electricity or water energy would potentially affect the demand for our product tankers. This could have a material adverse effect on our future performance, results of operations, cash flows and financial position.

Seaborne trading and distribution patterns are primarily influenced by the relative advantage of the various sources of production, locations of consumption, pricing differentials and seasonality. Changes to the trade patterns of refined oil products may have a significant negative or positive impact on the ton-mile and therefore the demand for our product tankers. This could have a material adverse effect on our future performance, results of operations, cash flows and financial position.

***Risks involved with operating ocean-going vessels could affect our business and reputation, which could have a material adverse effect on our results of operations and financial condition.***

The operation of an ocean-going vessel carries inherent risks. These risks include the possibility of:

- a marine disaster;
- terrorism;
- environmental accidents;
- cargo and property losses and damage; and
- business interruptions caused by mechanical failure, human error, war, terrorism, piracy, political action in various countries, labor strikes, or adverse weather conditions.

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an oil spill or other environmental disaster may harm our reputation as a safe and reliable dry bulk and tanker operator, which could have a material adverse effect on our 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.***

On June 23, 2016, in a referendum vote commonly referred to as "Brexit," a majority of voters in the U.K. voted to exit the European Union. Since then, the U.K. and the EU have negotiated the terms of a withdrawal agreement, which was approved in October 2019 and ratified in January 2020. The U.K. formally exited the European Union 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. government and the EU agreed to a trade deal ("Trade and Cooperation Agreement"), which went into effect on January 1, 2021, replacing the transitional agreements. The Trade and Cooperation Agreement sets out 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 the 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 the economic and political environment in China and policies adopted by the government to regulate its economy may have a material adverse effect on our business, financial condition and results of operations.***

The Chinese economy differs from the economies of western countries in such respects as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, bank regulation, currency and monetary policy, rate of inflation and balance of payments position. Prior to 1978, the Chinese economy was a "planned economy". Since 1978, increasing emphasis has been placed on the utilization of market forces in the development of the Chinese economy. Annual and five-year State Plans are adopted by the Chinese government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is reducing the level of direct control that it exercises over the economy through State Plans and other measures. There is an increasing 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 commodities are principally determined by market forces. In addition, economic reforms may include reforms to the banking and credit sector and may produce a shift away from the export-driven growth model that has characterized the Chinese economy over the past few decades. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. The level of imports to and exports from China could be adversely affected by the failure to continue market reforms or changes to existing pro-export economic policies. The level of imports to and exports from China may also be adversely affected by changes in political, economic and social conditions (including a slowing of economic growth) or other relevant policies of the Chinese government, such as changes in laws, regulations or export and import restrictions, internal political instability, changes in currency policies, changes in trade policies and territorial or trade disputes. A decrease in the level of imports to and exports from China could adversely affect our business, operating results and financial condition.

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

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden off the coast of Somalia and, in particular, the Gulf of Guinea region off Nigeria, which experienced increased incidents of piracy in recent years. Sea piracy incidents continue to occur, increasingly in the Sulu Sea and the Gulf of Guinea, with dry bulk and tanker vessels particularly vulnerable to such attacks. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping. The perception that our vessels are a potential piracy or terrorist target could have a material adverse impact on our business, financial condition and results of operations.

Further, if these piracy attacks occur in regions in which our vessels are deployed that insurers characterize as "war risk" zones or by the Joint War Committee as "war and strikes" listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain, if available at all. In addition, crew costs, including costs that may be incurred to the extent we employ on-board security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, results of operations, cash flows and financial condition, and this may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

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

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

***Political instability, terrorist attacks, international hostilities and global public health threats can affect the seaborne transportation industry, which could adversely affect our business.***

We conduct most of our operations outside of the United States, or the U.S., and our business, results of operations, cash flows, financial condition and ability to pay dividends, if any, in the future may be adversely affected by changing economic, political and government conditions in the countries and regions where our vessels are employed or registered. Moreover, we operate in a sector of the economy that is likely to be adversely impacted by the effects of political conflicts.

Currently, the world economy faces a number of challenges, including public health concerns stemming from the ongoing COVID-19 pandemic, trade tensions between the United States and China and between the United States and the European Union, continuing turmoil and hostilities in the Middle East, the Korean Peninsula, North Africa, Venezuela, Iran and other geographic areas and countries, continuing economic weakness in the European Union, geopolitical events such as the withdrawal of the U.K. from the European Union ("Brexit"), continuing threat of terrorist attacks around the world, and slowing growth in China.

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, 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 United States 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 and 2020). 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, 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. Brexit further increases the risk of additional trade protectionism. 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.

Also, China and the US have implemented certain increasingly protective trade measures with continuing trade tensions, including significant tariff increases, between these countries. These trade barriers to protect domestic industries against foreign imports, depress shipping demand. Protectionist developments, or the perception 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, financial condition and our ability to pay any cash distributions to our shareholders.

In addition, public health threats such as influenza and other highly communicable diseases or viruses, outbreaks of which have from time to time occurred in various parts of the world in which we operate, including China, Japan and South Korea, which may even become pandemics, such as the COVID-19 virus, could lead to a significant decrease of demand for the transportation of dry bulk commodities, crude-oil and other petroleum products. Such events have and may also in the future adversely impact our operations, including timely rotation of our crews, the timing of completion of any outstanding or future newbuilding projects or repair works in drydock as well as the operations of our customers. Delayed rotation of crew may adversely affect the mental and physical health of our crew and the safe operation of our vessels as a consequence.

***A cyber-attack could materially disrupt our business.***

We rely on information technology systems and networks in our operations and administration of our business. 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. Our business operations could be targeted by individuals or groups seeking to sabotage or disrupt our information technology systems and networks, or to steal data. A successful cyber-attack could materially disrupt our operations, including the safety of our operations, or lead to unauthorized release of information or alteration of information in our systems. Any such attack or other breach of our information technology systems could have a material adverse effect on our business and results of operations. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business and results of operations.

In addition, 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 require us 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.

***Major outbreaks of diseases (such as COVID-19) and governmental responses thereto could adversely affect our business.***

Since the beginning of calendar year 2020, the outbreak of the COVID-19 pandemic around the world has negatively affected economic conditions, the supply chain, the labor market, the demand for shipping both regionally and globally, has caused delays and uncertainties relating to newbuildings, dry-dockings and other functions of shipyards, and may continue to impact our operations and the operations of our customers and suppliers. The COVID-19 pandemic 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 dry bulk and tanker vessels may deteriorate further and our operations and cash flows may be negatively impacted. The extent of COVID-19's continuous impact on our financial and operational results, which could be material in the long run, will depend on the length of time that the pandemic continues, the ability to effectively vaccinate a large percentage of the population and whether subsequent waves of the infection happen globally or in certain geographic regions. Uncertainties regarding the economic impact of the ongoing COVID-19 pandemic are likely to result in sustained market volatility, which could impact our business, financial condition and cash flows to a greater extent. Governments are approving large stimulus packages to mitigate the effects of the sudden decline in economic activity caused by the pandemic; however, we cannot predict the extent to which these measures will be sufficient to restore or sustain the business and financial condition of companies in the shipping industry. These measures, though contemplated to be temporary in nature, may continue and increase as countries attempt to contain the outbreak or any reoccurrences thereof.

At this stage, it is difficult to determine the full impact of COVID-19 on our business in the long run. Effects of the current ongoing pandemic have included or may include, among others:

- deterioration of economic conditions and activity and of demand for shipping;
- operational disruptions to us or our customers due to worker health risks and the effects of new regulations, directives or practices implemented in response to the pandemic (such as travel restrictions for individuals and vessels and quarantining and physical distancing);
- potential delays in (a) the loading and discharging of cargo on or from our vessels, (b) vessel inspections and related certifications by class societies, customers or government agencies and (c) maintenance, modifications or repairs to, or dry-docking of, our existing vessels due to worker health or other business disruptions;
- reduced cash flow and financial condition, including potential liquidity constraints;
- credit tightening or declines in global financial markets, including to the prices of our publicly traded securities and the securities of our peers, could make it more difficult for us to access capital;
- potential reduced ability to opportunistically sell any of our vessels on the second-hand market, either as a result of a lack of buyers or a general decline in the value of second-hand vessels;
- potential decreases in the market values of our vessels and any related impairment charges or breaches relating to vessel-to-loan financial covenants;
- potential disruptions, delays or cancellations in the construction of new vessels, which could reduce our future growth opportunities;
- difficulty of our crew in embarking and disembarking on our ships due to quarantine restrictions placed on persons and limitations on commercial aviation and other forms of public transportation; although the restrictions have in certain cases delayed crew embarking and disembarking on our ships, they have not functionally affected our ability to sufficiently crew our vessels;
- international transportation of personnel could be limited or otherwise disrupted. In particular, our crews generally work on a rotation basis, relying largely on international air transport for crew changes plan fulfillment. Any such disruptions could impact the cost of rotating our crew, and possibly impact our ability to maintain a full crew synthesis on-board all our vessels at any given time. It may also be difficult for our in-house technical teams to travel to shipyards to observe vessel maintenance, and we may need to hire local experts, which local experts may vary in skill and are difficult to supervise remotely for work we ordinarily address in-house; and
- potential non-performance by counterparties relying on force majeure clauses and potential deterioration in the financial condition and prospects of our customers or other business partners.

The ongoing 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 face significant risks to our onshore or offshore personnel and operations due to the COVID-19 pandemic. Our crews 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 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. Although our vessels' deviations / repositioning and/or delays in ports that are or will be open for crew rotations should be considered as the most notable impact, we have incurred and should also continue to expect to incur considerable expenses in relation to health protocols imposed by both departure and arrival countries for the incoming and outgoing of crew members, which should be strictly followed (i.e. repeated PCR tests, quarantine periods up to 21 days, governmental special permissions and/or visas, personal protective equipment etc.). Furthermore, reduced flights availability, limitation of selected routes for our flight schedule and imposed health measures by air carrier companies, caused us and may continue to cause us significant increases in the average airfare costs.

The impact of the ongoing COVID-19 pandemic has also resulted in reduced industrial activity in China with temporary closures of factories and other facilities, labor shortages and restrictions on travel. We believe these disruptions along with other seasonal factors, including lower demand for some of the cargoes we carry such as iron ore and coal, have contributed to lower dry bulk rates in 2020.

Organizations across industries, including ours, are rightly focusing on their employees' well-being, whilst 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 significantly increases the risk of cyber security attacks.

While we cannot fully assess the overall impact that the ongoing COVID-19 pandemic will have on our financial condition and results of operations and on the dry bulk and tanker industries in general in the long run, we assess that the dry bulk and tanker charter rates have been reduced significantly as a result of the ongoing COVID-19 pandemic and that the shipping industry in general and our Company specifically are likely to continue to be exposed to volatility in the near to medium term. Indicatively, vessels in our Fleet which came up for charter renewal in the 2020 were employed at comparably less favorable charter rates than those achieved during 2019 and those expected before the ongoing COVID-19 pandemic which had a negative impact on voyage revenues earned in 2020.

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 prolonged 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, value of our vessels, and ability to pay dividends (as and if declared).

***If our vessels call on ports located in countries or territories that are the subject of sanctions or embargoes imposed by the U.S. government or other governmental authorities, it could lead to monetary fines or penalties and adversely affect our reputation and the market for our common shares.***

While none of our vessels have called on ports located in countries or territories that are the subject of country-wide or territory-wide sanctions or embargoes imposed by the U.S. government or other governmental authorities ("Sanctioned Jurisdictions") in violation of sanctions or embargo laws in 2020, and although we intend to maintain compliance with all applicable sanctions and embargo laws, and we endeavor to take precautions reasonably designed to mitigate such risks, it is possible that, in the future, our vessels may call on ports located 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 ordinary shares could adversely be 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 imposed by the governments of the U.S., EU, and/or other international bodies. If we determine that such sanctions 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, our results of operations may be adversely affected, 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, any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. In addition, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have contracts with countries 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 shares may adversely affect the price at which our common shares trade. 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. Investor perception of the value of our common shares may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in countries or territories that we operate in.

***Compliance with safety and other vessel requirements imposed by classification societies may be costly and could reduce our net cash flows and negatively impact our results of operations.***

The hull and machinery of every commercial vessel must be certified as being "in class" 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 the Safety of Life at Sea Convention.

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be placed on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. We expect our vessels to be on special survey cycles for hull inspection and continuous survey cycles for machinery inspection. Most vessels are also required to be dry-docked, or inspected by divers, every two to three years for inspection of its underwater parts.

While the Company believes that it has adequately budgeted for compliance with all currently applicable safety and other vessel operating requirements, newly enacted regulations in the future applicable to the Company and its vessels may result in significant and unanticipated expense in the future. If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade between ports and will be unemployable, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

***Regulations relating to ballast water discharge may adversely affect our revenues and profitability.***

The IMO has imposed updated guidelines for ballast water management systems specifying the maximum amount of viable organisms allowed to be discharged from a vessel's ballast water. Depending on the date of the International Oil Pollution Prevention (IOPP) renewal survey, existing vessels constructed before September 8, 2017 must comply with the updated D-2 standard on or after September 8, 2019. For most vessels, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ships constructed on or after September 8, 2017 are to comply with the D-2 standards on or after September 8, 2017.

Currently, our vessels will be required to comply with the regulation at our IOPP renewal survey scheduled for August 8, 2022 for the Magic P, July 15, 2022 for the Magic Moon and June 13, 2022 for the Magic Rainbow. The costs of compliance may be substantial and adversely affect our revenues and profitability. The eight remaining vessels in our Fleet and the vessels that we expect to take delivery of pursuant to our previously entered acquisition transactions are currently in compliance with this regulation.

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 in 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 and to the extent we are not able to pass these costs on to our customers may materially and adversely affect our results of operations and/or cash flows.

***The IMO 2020 regulations may cause us to incur substantial costs and to procure low-sulfur fuel oil directly on the wholesale market for storage at sea and onward consumption on our vessels.***

Effective January 1, 2020, the IMO implemented a new regulation for a 0.50% global sulfur cap on emissions from vessels. Under this new global cap, vessels must use marine fuels with a sulfur content of no more than 0.50% against the former regulations specifying a maximum of 3.50% sulfur in an effort to reduce the emission of sulfur oxide into the atmosphere.

Although the cost of low sulfur marine fuels has remained relatively low in 2020, we may incur costs to comply with these revised standards. Additional or new conventions, laws and regulations may be adopted that could require, among others, the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition.

Currently, none of our vessels are equipped with scrubbers and, as of January 1, 2020, we have transitioned to burning IMO compliant fuels. We continue to evaluate different options in complying with IMO and other rules and regulations. Low sulfur fuel is more expensive than standard marine fuel containing 3.5% sulfur content and may become more expensive or difficult to obtain as a result of increased demand. Although the cost differential between low sulfur fuel and standard marine fuel in 2020 was less than anticipated, that differential has increased during the first quarter of 2021. If the cost differential between low sulfur fuel and high sulfur fuel is significantly higher than anticipated in the future, or if low sulfur fuel is not available at ports on certain trading routes, it may not be feasible or competitive to operate our vessels on certain trading routes without installing scrubbers or without incurring deviation time to obtain compliant fuel. Scrubbers may not be available to be installed on such vessels at a favorable cost or at all if we seek them at a later date.

Fuel is a significant, if not the largest, expense in our shipping operations when vessels are under voyage charter and is an important factor in negotiating charter rates. Our operations and the performance of our vessels, and as a result our results of operations, cash flows and financial position, may be negatively affected to the extent that compliant sulfur fuel oils are unavailable, of low or inconsistent quality, if de-bunkering facilities are unavailable to permit our vessels to accept compliant fuels when required, or upon occurrence of any of the other foregoing events. Costs of compliance with these and other related regulatory changes may be significant and may have a material adverse effect on our future performance, results of operations, cash flows and financial position. As a result, an increase in the price of fuel beyond our expectations may adversely affect our profitability at the time of charter negotiation. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

While we carry cargo insurance to protect us against certain risks of loss of or damage to the procured commodities, we may not be adequately insured to cover any losses from such operational risks, which could have a material adverse effect on us. Any significant uninsured or under-insured loss or liability could have a material adverse effect on our business, results of operations, cash flows and financial condition and our available cash.

***We are subject to laws and regulations, which can adversely affect our business, results of operations, cash flows and financial condition, and our ability to pay dividends (as and if declared).***

Our operations are subject to numerous international, national, state and local laws, regulations, treaties and conventions in force in international waters and the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These regulations include, but are not limited to, the U.S. Oil Pollution Act of 1990, or OPA, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, the U.S. Clean Air Act, the U.S. Clean Water Act and the U.S. Maritime Transportation Security Act of 2002, or the MTSA, and treaties and conventions of the United Nations International Maritime Organization, or the IMO, including the International Convention for the Prevention of Pollution from Ships of 1973, as from time to time amended and generally refer to as MARPOL, the International Convention for the Safety of Life at Sea of 1974, or the SOLAS Convention, and the International Convention on Load Lines of 1966. Compliance with such laws, regulations and standards, where applicable, may require installation of costly equipment or implementation of operational changes and may affect the resale value or useful lives of our vessels. These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations.

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 OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the U. S. Furthermore, the 2010 explosion of the *Deepwater Horizon* and the subsequent release of oil into the Gulf of Mexico, or other similar events, may result in further regulation of the shipping and offshore industry, and modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. An oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages under other federal, state and local laws, as well as third-party damages.

***Climate change and greenhouse gas restrictions may adversely impact our operations and markets.***

Due to concern over the risk of climate change, a number of countries and the IMO have adopted 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. In addition, although the emissions of greenhouse gases from international shipping currently are not subject to the Paris Agreement (discussed below in "Item 4. Information on the Company—B. Business Overview—Environmental and Other Regulations in the Shipping Industry—Greenhouse Gas Regulation"), or the Kyoto Protocol to the United Nations Framework Convention on Climate Change, that required adopting countries to implement national programs to reduce emissions of certain gases, a new treaty may be adopted in the future that includes restrictions on shipping emissions.

Adverse effects upon the oil industry relating to climate change and greenhouse gas restrictions may also adversely affect demand for our tanker services.



***We are subject to international safety standards and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.***

The operation of our vessels is affected by the requirements set forth in the International Safety Management Code, or 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 a safety and environmental protection policy setting forth instructions and procedures for safe operation of vessels and describing procedures for dealing with emergencies. In addition, vessel classification societies impose significant safety and other requirements on our vessels. The failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.

***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, or 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, each ship sent for recycling will have to carry an inventory of its hazardous materials. The hazardous materials, whose use or installation are 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, which is currently open for accession by IMO Member States, will enter into force 24 months after the date on which 15 IMO Member States, representing at least 40% of world merchant shipping by gross tonnage, have ratified or approved accession. As of the date of this annual report, 15 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.

On November 20, 2013, the European Parliament and the Council of the EU 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.

Apart from that, any vessel, including ours, is required to set up and maintain an Inventory of Hazardous Materials ("IHM") from December 31, 2018 for EU flagged new ships and from December 31, 2020 for EU flagged existing ships and Non-EU flagged ships calling at a port or anchorage of an EU member state. Such a system includes information on the hazardous materials with a quantity above the threshold values specified in relevant EU Resolution and are identified in the ship's structure and equipment. This inventory should be properly maintained and updated, especially after repairs, conversions or unscheduled maintenance on board the ship.

These regulatory developments, when implemented, may lead to cost escalation by shipyards, repair yards and recycling 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.

***Maritime claimants could arrest our vessels, which could interrupt our cash flow and business.***

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by "arresting" or "attaching" a vessel through foreclosure proceedings. The arrest or attachment of our vessels could result in a significant loss of earnings for the related off-hire period. In addition, in jurisdictions where the "sister ship" theory of liability applies, such as South Africa, a claimant may arrest the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. In countries with "sister ship" liability laws, claims might be asserted against us or any of our vessels for liabilities of other vessels that we will then own.

***Governments could requisition our vessels during a period of war or emergency resulting in a loss of earnings.***

A government of a vessel's registry could requisition for title or seize a vessel. Requisition for title occurs when a government takes control of a vessel and becomes the owner. A government could also requisition a vessel for hire. Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of our vessels could have a material adverse effect on our business, results of operations, cash flows and financial condition.

***Increased inspection procedures and tighter import and export controls 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 may result in the seizure of contents of our vessels, delays in the loading, offloading, trans-shipment 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. Changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, financial condition and results of operations.

***Our business has inherent operational risks, which may not be adequately covered by insurance.***

Our vessels and their cargoes are at risk of being damaged or lost because of events such as marine disasters, bad weather, mechanical failures, human error, environmental accidents, war, terrorism, piracy and other circumstances or events. In addition, transporting cargoes across a wide variety of international jurisdictions creates a risk of business interruptions due to political circumstances in foreign countries, hostilities, labor strikes and boycotts, the potential for changes in tax rates or policies, and the potential for government expropriation of our vessels. Any of these events may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

In the event of a casualty to our vessels or other catastrophic event, we will rely on our insurance to pay the insured value of the vessel or the damages incurred. We procure insurance for our vessels employed under time charters against those risks that we believe the shipping industry commonly insures against. This insurance includes marine hull and machinery insurance, protection and indemnity insurance, which include pollution risks and crew insurance, and war risk insurance. Currently, the amount of coverage for liability for pollution, spillage and leakage available to us on commercially reasonable terms through protection and indemnity associations and providers of excess coverage is \$1 billion per occurrence.

We maintain hull and machinery insurance, protection and indemnity insurance for our vessels, which provides environmental damage and pollution insurance coverage and war risk insurance. We do not maintain, for our vessels, insurance against loss of hire, which covers business interruptions that result from the loss of use of a vessel. We may not be adequately insured against all risks. We may not be able to obtain adequate insurance coverage for our Fleet in the future, and we may not be able to obtain certain insurance coverages. The insurers may not pay particular claims. Our insurance policies contain deductibles for which we will be responsible and limitations and exclusions which may increase our costs or lower our revenues. Moreover, insurers may default on claims they are required to pay.

We cannot assure you that we will be adequately insured against all risks or that we will be able to obtain adequate insurance coverage at reasonable rates for our vessels in the future. For example, in the past more stringent environmental regulations have led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. Additionally, our insurers may refuse to pay particular claims. Any significant loss or liability for which we are not insured could have a material adverse effect on our financial condition.

***Failure to comply with the U.S. Foreign Corrupt Practices Act could result in fines, criminal penalties, charter terminations and an adverse effect on our business.***

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws and have adopted a code of business conduct and ethics which is consistent and in full compliance with the U.S. Foreign Corrupt Practices Act of 1977, or the FCPA. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws, including the FCPA. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our 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 our senior management.

**Risk Related To Our Company**

***We are a recently formed company with a limited history of operations.***

We are a recently formed company and have a limited performance record, operating history and historical financial statements upon which you can evaluate our operations or our ability to implement and achieve our business strategy. We cannot assure you that we will be successful in implementing our business strategy. Up to September 4, 2019, we had had only one vessel in our Fleet with a relatively short operating history, and as such, we may face certain operational challenges not faced by companies with a longer operating history and more vessels. As we continue to expand our Fleet, we cannot assure you that we will be able to successfully integrate the additional vessels that we have agreed to purchase when they are delivered to us or that we may purchase in the future.

***Our Fleet currently consists of nine dry bulk carriers and two tanker vessels and we are awaiting delivery of three dry bulk carriers. Any limitation in the availability or operation of these vessels could have a material adverse effect on our business, results of operations and financial condition.***

Our Fleet currently consists of nine dry bulk carriers and two tankers and, upon the completion of our recently announced acquisitions, our Fleet will consist of twelve dry bulk carriers and two tankers. If any of our vessels is unable to generate revenues as a result of off-hire time, early termination of the time charter in effect, delays in the delivery of the recently acquired vessels or failure to secure new charters at charter hire rates as favorable as our average historical rates or at all, our future liquidity, cash flows, results of operations, and financial condition could be materially adversely affected.

***We may not be able to re-charter or obtain new and favorable charters for our vessels, which could adversely affect our revenues and profitability.***

Our vessels are currently employed solely on time charters and may, from time to time in the future, be employed under voyage charters. Our ability to renew charters or obtain new charters will depend on the prevailing market conditions at the time.

If we are not able to obtain new charters, either on time charter or in the spot market, in direct continuation with our existing charters or if new charters are entered into at rates substantially below the existing rates or on terms otherwise less favorable compared to the existing charter terms, our revenues and profitability could be adversely affected and we may have difficulty meeting our working capital and debt obligations or paying dividends in the future.

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

We have entered into, and may enter into in the future, various contracts, including charter agreements, shipbuilding contracts and credit facilities. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. For example, the combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us. In addition, in depressed market conditions, our charterers and customers may no longer need a vessel that is then under charter or contract or may be able to obtain a comparable vessel at lower rates. As a result, charterers and customers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***The failure of our charterers to meet their obligations under our charter agreement, on which we depend for our revenues, could cause us to suffer losses or otherwise adversely affect our business.***

We expect to employ our vessels under short-term, medium or long-term charter agreements as well as in the spot voyage market. The ability and willingness of each of our counterparties to perform their obligations under a time charter, spot charter or other agreement with us, will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the dry bulk and tanker industries and the overall financial condition of the counterparties. 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 counterparty fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on time charters may be at lower rates. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends, if any, in the future.

***Our credit facilities contain, and we expect that any new or amended credit facility we may enter into will contain, restrictive covenants that limit, or may limit the future, our business and financing activities.***

The operating and financial restrictions and covenants in our credit agreements with Alpha Bank S.A., Chailease International Financial Services Co. Ltd. and Hamburg Commercial AG, and any new or amended credit facility we may enter into in the future, could adversely affect our ability to finance future operations or capital needs or to engage, expand or pursue our business activities.

For example, our current facilities require the consent of our lenders to:

- incur or guarantee indebtedness outside of our ordinary course of business;
- charge, pledge or encumber our vessels;
- change the flag, class, management or ownership of our vessels;
- change the commercial and technical management of our vessels;

- declare or pay any dividends or other distributions at a time when the Company has an Event of Default or the payment of such distribution would cause an Event of Default;
- form or acquire any subsidiaries;
- make any investments in any person, asset, firm, corporation, joint venture or other entity;
- merge or consolidate with any other person; and
- sell or change the beneficial ownership or control of our vessels.

Additionally, it is an event of default under one or more of our existing facilities if, among other things, (i) the registration of vessels under the laws and flag of the relevant flag state is cancelled or terminated without the prior written consent of the lender, (ii) there has been a change of control directly or indirectly in our subsidiaries or us, or (iii) there is a change in management of our vessels without the prior written consent of the respective lender.

Our facilities also require us to comply with certain financial covenants related to (i) maintaining a certain minimum level of free cash on a pledged deposit account and (ii) maintaining a certain security requirement ratio, which is the ratio of the aggregate market value of the mortgaged vessels plus the value of any additional security and value of the pledged deposit to the aggregate principal amounts due under the facilities.

Our ability to comply with the covenants and restrictions contained in our current or future credit facilities may be affected by events beyond our control, including prevailing economic, financial and industry conditions, interest rate developments, changes in the funding costs of our banks and changes in vessel earnings and asset valuations. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. If we are in breach of any of the restrictions, covenants, ratios or tests in our current or future credit facilities, or if we trigger a cross-default contained in our current or future credit facilities, a significant portion of our obligations may become immediately due and payable. We may not have, or be able to obtain, sufficient funds to make these accelerated payments. In addition, obligations under our current and future credit facilities are and are expected to be secured by our vessels, and if we are unable to repay debt under our current or future credit facilities, the lenders could seek to foreclose on those assets.

Furthermore, any contemplated vessel acquisitions will have to be at levels that do not impair the required ratios set out above. The global economic downturn that occurred within the past several years had an adverse effect on vessel values, which may occur again if an economic slowdown arises in the future. If the estimated asset values of the vessels in our Fleet decrease, such decreases may limit the amounts we can draw down under our future credit facilities to purchase additional vessels and our ability to expand our Fleet. In addition, we may be obligated to prepay part of our outstanding debt in order to remain in compliance with the relevant covenants in our current or future credit facilities. If funds under our current or future credit facilities become unavailable as a result of a breach of our covenants or otherwise, we may not be able to perform our business strategy which could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends.

***We are exposed to volatility in the London Interbank Offered Rate or LIBOR, and we may enter into derivative contracts, which can result in higher than market interest rates and charges against our income. If volatility in LIBOR occurs, it could affect our profitability, earnings and cash flow.***

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. The amount outstanding under our senior secured credit facilities has been, and amounts under additional credit facilities that we have entered into after December 31, 2020 including the \$15.3 Million Term Loan Facility (as described in "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Our Borrowing Activities") or may enter in the future will generally be, unless a replacement rate is introduced, advanced at a floating rate based on LIBOR, which has been volatile in prior years and can affect the amount of interest payable on our debt, and in turn, could have an adverse effect on our earnings and cash flow. In addition, in recent years, LIBOR has been at relatively low levels, and may rise in the future as the current low interest rate environment comes to an end. Our financial condition could be materially adversely affected at any time that we have not entered into interest rate hedging arrangements to hedge our exposure to the interest rates applicable to our credit facilities and any other financing arrangements we may enter into in the future. Moreover, we currently do not have any derivative instruments but even if we enter into interest rate swaps or other derivative instruments for purposes of managing our interest rate exposure, our hedging strategies may not be effective and we may incur substantial losses.

LIBOR has historically been volatile, with the spread between LIBOR and the prime lending rate widening significantly at times. These conditions are the result of the disruptions in the international credit markets. Because the interest rates borne by our variable interest-bearing outstanding indebtedness fluctuate with changes in LIBOR, if this volatility were to occur, it would affect the amount of interest payable on our variable interest debt, which in turn, could have an adverse effect on our profitability, earnings and cash flow.

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 planned that LIBOR will be phased out in the future. As a result, lenders have insisted on provisions that entitle the lenders, following consultation with the borrowers and in the absence of agreement, in their discretion, and under certain market disruption events, to replace published LIBOR as the base for the interest calculation with their cost-of-funds rate. As such, our lending costs could increase significantly, which would have an adverse effect on our profitability, earnings and cash flow.

In addition, the banks currently reporting information used to set LIBOR will likely stop such reporting after 2021, when their commitment to reporting information ends. However, on November 30, 2020 the administrator of LIBOR, ICE Benchmark Administration ("IBA"), announced that it would consult on ceasing to determine one-week and two-month U.S. dollar LIBOR with effect from December 31, 2021 deadline but ceasing to determine the remaining U.S. dollar LIBOR tenors on June 30, 2023. This announcement coincided with an announcement by the International Swaps and Derivatives Association ("ISDA") that the IBA announcement was not a triggering event which would set the spread to be used in its derivative contracts as part of the risk-free rate determination process. 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.

In order to manage our exposure to interest rate fluctuations, we may from time to time use interest rate derivatives to effectively fix some of our floating rate debt obligations. No assurance can however be given that the use of these derivative instruments, if any, may effectively protect us from adverse interest rate movements. The use of interest rate derivatives may affect our results through mark to market valuation of these derivatives. Also, adverse movements in interest rate derivatives may require us to post cash as collateral, which may impact our free cash position. Interest rate derivatives may also be impacted by the transition from LIBOR to SOFR or other alternative rates. Entering into swaps and derivatives transactions is inherently risky and presents various possibilities for incurring significant expenses. Such risk may have an adverse effect on our financial condition and results of operations.

***Our vessels operate under a mix of period time charters and trip time charters and any decrease in trip charter rates or indexes in the future may adversely affect our earnings.***

Our vessels have historically operated mostly under period time charters but may, from period to period, be placed on the trip time charter market, exposing us to fluctuations in trip market charter rates. Further, we may employ any additional vessels that we acquire in the trip time charter market.

Although the number of vessels in our Fleet that participate in the trip time charter market vary from time to time, we anticipate that some portion of our Fleet will participate in this market. As a result, our financial performance may be significantly affected by conditions in the trip time charter market and only our vessels that may operate under fixed-rate period time charters may, during the period such vessels operate under such period time charters, provide a fixed source of revenue to us.

Historically, the cargo markets have been volatile as a result of the many conditions and factors that can affect the price, supply of and demand for dry bulk and tanker vessel capacity. The weak global economic trends may further reduce demand for transportation of dry bulk cargoes and for energy consumption and the demand for the carriage of oil products in our tanker vessels over longer distances, which may materially affect our revenues, profitability and cash flows. The trip charter market may fluctuate significantly based upon supply of and demand of vessels and cargoes. The successful operation of our vessels in the competitive trip charter market depends upon, among other things, obtaining profitable trip charters and minimizing, to the extent possible, time spent waiting for charters and time spent traveling unladen to pick up cargo. The trip charter market is very volatile, and, in the past, there have been periods when trip charter rates have declined below the operating cost of vessels. If future trip charter rates decline, then we may be unable to operate our vessels which may trade in the trip market profitably, or meet our debt and other working capital obligations. Furthermore, as charter rates for trip charters are fixed for a single voyage, which may last up to several weeks, during periods in which trip charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

***We may not be able to obtain financing on acceptable terms, which may negatively impact our planned growth.***

As a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the ability to obtain money from the credit markets has become more difficult as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers. Due to these factors, we cannot be certain that financing will be available if needed and to the extent required, on acceptable terms. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

***The Company has relied on financial support from Mr. Panagiotidis through related party loans, which may not be available to the Company in the future.***

From time to time, we have obtained loans from our Chairman, Chief Executive Officer and Chief Financial Officer, Petros Panagiotidis, to meet vessel purchase obligations of the Company. These loans may not be available to the Company in the future. Even if we are able to borrow money from such parties, such borrowing could create a conflict of interest of management to the extent they also act as lenders to the Company.

***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 pay dividends in the future, as and if declared, 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 law, which regulates the payment of dividends by our companies.

The applicable loan agreements entered into by our subsidiaries, prohibits such subsidiaries from paying any dividends to us if we or such subsidiary breach a covenant in our loan agreements or any financing agreement we may enter into in the future. 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.

***We cannot assure you that our Board will declare dividends.***

Our Board will continue to assess our dividend policy and may in the future determine to pay dividends. The declaration and payment of dividends, if any, will always be subject to the discretion of our Board, restrictions contained in our debt agreements or debt agreements that we may enter into in the future and the requirements of Marshall Islands law. The timing and amount of any dividends declared will depend on, among other things, our earnings, financial condition and cash requirements and availability, our ability to obtain debt and equity financing on acceptable terms as contemplated by our growth strategy, the terms of our outstanding indebtedness and the ability of our subsidiaries to distribute funds to us. The dry bulk and tanker industries are highly volatile, and we cannot predict with certainty the amount of cash, if any, that will be available for distribution as dividends in any period. Also, there may be a high degree of variability from period to period in the amount of cash that is available for the payment of dividends.

We may incur expenses or liabilities or be subject to other circumstances in the future that reduce or eliminate the amount of cash that we have available for distribution as dividends, including as a result of the risks described herein. Our growth strategy contemplates that we will finance our acquisitions of additional vessels through debt financings or the net proceeds of future equity issuances on terms acceptable to us. If financing is not available to us on acceptable terms or at all, our Board may determine to finance or refinance acquisitions with cash from operations, which would reduce the amount of any cash available for the payment of dividends, if any.

The Republic of Marshall Islands laws generally prohibits the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or while a company is insolvent or would be rendered insolvent by the payment of such a dividend. We may not have sufficient surplus in the future to pay dividends and our subsidiaries may not have sufficient funds or surplus to make distributions to us. We can give no assurance that dividends will be paid at all.

***We are dependent upon Castor Ships and Pavimar, which are related parties, for the management of our Fleet and business.***

The management of our business, including, but not limited, the commercial and technical management of our Fleet as well as administrative, financial and other business functions, is carried out by Castor Ships S.A. ("Castor Ships"), which is a company controlled by our Chairman, Chief Executive Officer and Chief Financial Officer, Petros Panagiotidis, and Pavimar S.A. ("Pavimar"), which is a company controlled by Ismini Panagiotidis, the sister of our Chairman, Chief Executive Officer and Chief Financial Officer. The loss of Castor Ships' and/or Pavimar's services or their failure to perform their obligations to us could materially and adversely affect our results of operations and financial condition.

In addition, our ability to enter into new charters and expand our customer relationships depends largely on our ability to leverage our relationship with Castor Ships and Pavimar and their reputations and relationships in the shipping industry. If Castor Ships or Pavimar suffer material damage to their reputations or relationships, it may harm our ability to renew existing charters upon their expiration, obtain new charters or maintain satisfactory relationships with suppliers and other third parties.

Our business will be harmed if Castor Ships or Pavimar fail to perform these services satisfactorily, if they cancel their agreements with us or if they stop providing these services to us. Our operational success and ability to execute our growth strategy will depend significantly upon the satisfactory performance of these services by Castor Ships and Pavimar and their reputations.

***We may have difficulty managing our planned growth properly.***

We are a recent company formed for the purpose of acquiring, owning, chartering and operating oceangoing cargo vessels. One of our principal strategies is to continue to grow by expanding our operations and adding to our Fleet. As our business grows, we intend to acquire additional dry bulk, tanker and other vessels and expand our activities. Our future growth will primarily depend upon a number of factors, some of which may not be within our control. These factors include our ability to:

- identify suitable vessels, including newbuilding slots at reputable shipyards and/or shipping companies for acquisitions at attractive prices;
- obtain required financing for our existing and new operations;
- integrate any acquired vessels, assets or businesses successfully with our existing operations, including obtaining any approvals and qualifications necessary to operate vessels that we acquire;
- hire, train and retain qualified personnel and crew to manage and operate our growing business and Fleet;



- enhance our customer base; and
- improve our operating, financial and accounting systems and controls.

In addition, competition from other companies, many of which have significantly greater financial resources than we do, may reduce our acquisition opportunities or cause us to pay higher prices. Our failure to effectively identify, acquire, develop and integrate any vessels could adversely affect our business, financial condition and results of operations. The number of employees that perform services for us and our current operating and financial systems may not be adequate as we implement our plan to expand the size of our Fleet, and we may not be able to effectively hire more employees or adequately improve those systems. Finally, acquisitions may require additional equity issuances, which may dilute our common shareholders if issued at lower prices than the price they acquired their shares, or debt issuances (with amortization payments), both of which could lower our available cash. If any such events occur, our financial condition may be adversely affected.

Growing any business by acquisition(s) 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 our Fleet may impose significant additional responsibilities on our management and the management and staff of our commercial and technical managers, and may necessitate that we, and they, increase the number of personnel. We 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.

***As we expand our business, we may be unable to improve our operating and financial systems and to recruit suitable employees and crew for our vessels.***

Our or our managers' current operating and financial systems may not be adequate as we continue to implement our plan to expand the size of our Fleet and our attempts to improve those systems may be ineffective. In addition, if we further expand our Fleet, we will need to recruit suitable additional seafarers and shore-side administrative and management personnel. We cannot guarantee that we will be able to hire suitable employees as we expand our Fleet. If we encounter business or financial difficulties, we may not be able to adequately staff our vessels or our shore-side personnel. If we are unable to grow our financial and operating systems or to recruit suitable employees as we expand our Fleet, our financial performance may be adversely affected and, among other things, the amount of cash available for distribution as dividends to our shareholders may be reduced.

***Exposure to currency exchange rate fluctuations will result in fluctuations in our cash flows and operating results.***

We may incur some of our operating expenses and general and administrative expenses in currencies other than the U.S. dollar. This difference could lead to fluctuations in vessel operating expenses, which would affect our financial results. Expenses incurred in foreign currencies increase when the value of the U.S. dollar falls, which would reduce our profitability. Our operating results could suffer as a result.

***We operate secondhand vessels, and, as a result, we may incur increased operating costs which could adversely affect our earnings. Furthermore, as our vessels age, the risks associated with our vessels could adversely affect our ability to obtain profitable charters.***

While we have inspected our vessels and we intend to inspect any potential future vessel acquisition, this does not provide us with the same knowledge about its condition that we would have had if the vessel had been built for and operated exclusively by us. Generally, purchasers of secondhand vessels do not receive the benefit of warranties from the builders for the secondhand vessels that they acquire.

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. We currently own a fleet with an average age of 14.3 years and, upon completion of our recently announced acquisitions, we will own a fleet with an average age of 13.5 years. As our vessels age typically, it will become less fuel-efficient and more costly to maintain 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 and safety or other equipment standards related to the age of vessels may also require expenditures for alterations or the addition of new equipment, to our vessels and may restrict the type of activities in which our vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of its useful life.

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

Our customers 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, operate in extreme climates, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. We face competition from companies with more modern vessels with more fuel efficient designs than our vessels, or eco vessels, and if new dry bulk vessels and tanker vessels are built that are more efficient or more flexible or have longer physical lives than the current eco vessels, competition from the current eco vessels and any 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. This could have an adverse effect on our results of operations, cash flows, financial condition and ability to pay dividends.

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

Companies across all industries are facing increasing scrutiny relating to their ESG policies. Investor advocacy groups, certain institutional investors, investment funds, lenders and other market participants are increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. The increased focus and activism related to ESG and similar matters may hinder access to capital, as investors and lenders may decide to reallocate capital or to not commit capital as a result of their assessment of a company's ESG practices. 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, especially given the highly focused and specific trade of dry bulk, crude oil and petroleum products transportation in which we are engaged. If we do not meet these standards, our business and/or our ability to access capital could be harmed.

These limitations in both the debt and equity capital markets may affect our ability to grow 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 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, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment matters, governmental claims for taxes or duties, 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 and/or insurers may not remain solvent which may have a material adverse effect on our financial condition.

***A change in tax laws, treaties or regulations, or their interpretation, of any country in which we operate could result in a higher tax rate on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.***

We conduct our operations through subsidiaries which can trade worldwide. Tax laws and regulations are highly complex and subject to interpretation. Consequently, we are subject to changing tax laws, treaties and regulations in and between countries in which we operate. Our income tax expense, if any, is based upon our interpretation of tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, treaties or regulations, or in the interpretation thereof, could result in a materially higher tax expense or a higher effective tax rate on our worldwide earnings, and such change could be significant to our financial results. If any tax authority successfully challenges our operational structure, or the taxable presence of our operating subsidiaries in certain countries, or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure, or if we lose a material tax dispute in any country, our effective tax rate on our worldwide earnings could increase substantially, and our earnings and cash flows from these operations could be materially adversely affected.

Our subsidiaries may be subject to taxation in the jurisdictions in which its activities are conducted. The amount of any such taxation may be material and would reduce the amounts available for distribution to shareholders.

Investors are encouraged to consult their own tax advisors concerning the overall tax consequences of the ownership of the common shares arising in an investor's particular situation under U.S. federal, state, local or foreign law.

***We are dependent on our management and their ability to hire and retain key personnel, in particular our Chairman, Chief Executive Officer and Chief Financial Officer, Petros Panagiotidis.***

Our success will depend upon our and our management's ability to hire and retain key members of our management team, including Petros Panagiotidis. The loss of Mr. Panagiotidis could adversely affect our business prospects and financial condition.

Difficulty in hiring and retaining personnel could adversely affect our results of operations. We do not maintain "key man" life insurance on any of our officers.

## Risks Relating To Our Common Shares

*Our share price has recently been volatile and may continue to be volatile in the future, and as a result, investors in our common shares could incur substantial losses.*

Our stock price has recently been volatile and may continue to be volatile in the future. For example, the reported closing sale price of our common shares on the Nasdaq Capital Market was \$0.12 per share on November 2, 2020 and \$1.73 per share on February 11, 2021. In addition, on January 28, 2021, the intra-day sale price of our common shares reported on the Nasdaq Capital Market fluctuated between a low of \$0.50 per share and a high of \$0.90 per share. The stock market in general, and the market for shipping companies in particular, have experienced extreme volatility that has often been unrelated or disproportionate to the operating performance of particular companies. In addition, the ongoing COVID-19 pandemic has caused broad stock market and industry fluctuations. Further, we believe that we have a large number of retail investors holding our common shares, which could increase volatility in the price of our common shares. As a result of this volatility, investors may experience substantial losses on their investment in our common shares. The market price for our common shares may be influenced by many factors, including the following:

- investor reaction to our business strategy;
- sentiment of retail investors (including as may be expressed on financial trading and other social media sites and online forums), the direct access by retail investors to broadly available trading platforms, the amount and status of short interest in our common shares, access to margin debt, trading in options and other derivatives on our common shares and any related hedging and other trading factors;
- our continued compliance with the listing standards of the Nasdaq Capital Market;
- 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 shareholders;
- speculation in the press or investment community about our Company or industry;
- 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, and natural disasters such as fire, hurricanes, earthquakes, tornados or other adverse weather and climate conditions, whether occurring in the United States or elsewhere, could disrupt our operations or result in political or economic instability.

These factors, many of which are outside of our control, may negatively impact the market price of our common shares, regardless of our operating performance. For example, recent increases are significantly inconsistent with any improvements in actual or expected business prospects, operating performance, financial condition or other traditional measures of value, including our loss per share of \$0.03 for the year ended December 31, 2020. Since the price of our common shares has recently been volatile and may continue to be volatile in the future, investors in our common shares could incur substantial losses.

Further, investors may purchase our common shares to hedge existing exposure or to speculate on the price of our common shares. Speculation on the price of our common shares may involve long and short exposures. To the extent an aggregate short exposure in our common shares becomes significant, investors with short exposure may have to pay a premium to purchase shares for delivery to share lenders at times if and when the price of our common shares increases significantly, particularly over a short period of time. Those purchases may in turn, dramatically increase the price of our common shares. This is often referred to as a "short squeeze". A short squeeze could lead to volatile price movements in our common shares that are not directly correlated to our business prospects, operating performance, financial condition or other traditional measures of value for the Company or our common shares.

In addition, some companies that have experienced volatility in the market price of their common shares have been subject to securities class-action litigation. If instituted against us, such litigation 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 the price of our common shares will remain at its current level or that future sales of our common shares will not be at prices lower than those sold to investors.

***Nasdaq may delist our common shares from its exchange which could limit your ability to make transactions in our securities and subject us to additional trading restrictions.***

We received written notification from Nasdaq, dated April 14, 2020, indicating that because the closing bid price of the Company's common shares for 30 consecutive business days, from February 27, 2020 to April 13, 2020, was below the minimum \$1.00 per share bid price requirement for continued listing on the Nasdaq Capital Market, the Company is not in compliance with the minimum bid price requirement of Nasdaq Listing Rule 5550(a)(2). The Company was also informed by Nasdaq that due to the COVID-19 crisis, temporary relief has been granted related to the minimum bid price requirement and the Company's compliance period will be suspended until June 30, 2020. Pursuant to the Nasdaq Listing Rule 5810(c)(3) (A), the applicable grace period to regain compliance is 180 days, or December 28, 2020, which included the temporary COVID-19 relief period.

On December 30, 2020, we announced that we received a notification letter from Nasdaq granting us an additional 180-day extension, or until June 28, 2021, to regain compliance with the minimum bid price requirement. We can cure this deficiency if the closing bid price of our common shares is \$1.00 per share or higher for the requisite amount of time during the Second Compliance Period. Nasdaq may exercise its discretion to extend such requisite amount of time to better evaluate the registrant's ability to sustain long-term compliance with the minimum bid price requirement. We are evaluating all our options to regain compliance with the minimum bid price requirement within the Second Compliance Period, including a reverse stock split. During this time, our common shares will continue to be listed and traded on the Nasdaq Capital Market.

If we are unable to regain compliance with the minimum bid price requirement within the Second Compliance Period, our common shares may be suspended or delisted at the discretion of Nasdaq. If a suspension or delisting of our common shares were to occur, there would be significantly less liquidity in the suspended or delisted common shares. In addition, our ability to raise additional capital through equity or debt financing would be greatly impaired. There can be no assurance that we will regain compliance with the minimum bid price requirement and, if we regain compliance, there can be no assurance that we will maintain compliance in the future.

***Recent share issuances and the issuance of additional shares in the future may impact the price of our common shares and our ability to regain compliance with Nasdaq's minimum bid price requirement.***

The Company had 707,157,936 issued and outstanding shares as of March 26, 2021. Upon the exercise of outstanding warrants, the Company may issue up to an additional 1,394,940 common shares. Additionally, the Company has an authorized share capital of 1,950,000,000 common shares that it may issue without further shareholder approval. We cannot assure you at what price the offering of our common shares in the future, if any, will be made but they may be offered and sold at a price significantly below the current trading price of our common shares and may be at a discount to the trading price of our common shares at the time of such sale. The issuance and sale of any securities in the future may be dilutive to our existing shareholders and may cause the price of our common shares to decline. The issuance of additional shares by the Company that has the effect of reducing the price of the trading price of the common shares may also prevent the Company from being able to regain compliance with the minimum bid price requirement of Nasdaq Listing Rule 5550(a)(2) prior to June 28, 2021, which may result in our common shares being suspended or delisted from the Nasdaq Capital Market. If a suspension or delisting of our common shares were to occur, there would be significantly less liquidity in the suspended or delisted common shares. In addition, our ability to raise additional capital through equity or debt financing would be greatly impaired.

***We have a continuing ATM program in effect, under which we may sell up to \$10.0 million of our common shares.***

Subject to certain limitations in the Equity Distribution Agreement (as defined in "Item 5. Operating and Financial Review and Prospects—A. Liquidity and Capital Resources—Equity Issuances") and compliance with applicable law, we have the discretion to deliver placement notices to Maxim Group LLC, or Maxim, as our exclusive sales agent at any time throughout the term of the Equity Distribution Agreement, which started on June 28, 2019 and may be terminated by either party at any time. The number of shares that are sold by Maxim after delivering a placement notice will fluctuate based on the market price of the common shares during the sales period and limits we set with Maxim. Although we are initially eligible to sell common shares with an initial aggregate sales price of up to \$10.0 million, should we be eligible and desire to offer additional common shares pursuant to the Equity Distribution Agreement with Maxim, we will file an additional prospectus supplement to register such additional common shares and the related preferred shares purchase rights. Therefore, investors will have no advance insight into the number of shares we are actually offering under the Equity Distribution Agreement. As of the date of this annual report, we have sold 618,112 common shares having raised approximate gross proceeds of approximately \$2.6 million pursuant to the Equity Distribution Agreement.

***We issued 918,112, 127,894,264 and 575,945,560 common shares during 2019, 2020 and 2021, respectively, through various transactions. Shareholders may experience significant dilution as a result of our offerings.***

We have already issued and sold large quantities of our common shares pursuant to previous public and private offerings of our equity and equity-linked securities. We also have 480,000 Series A Preferred Shares outstanding and 12,000 Series B Preferred Shares outstanding. In addition, in the future we may file a replacement shelf registration statement covering the sale of some or all of our authorized common shares and other securities. We have additional outstanding warrants that may obligate us to issue up to an additional 1,394,940 common shares, in aggregate, upon the exercise of these warrants in full.

Purchasers of the common shares we sell, as well as our existing shareholders, will experience significant dilution if we sell shares at prices significantly below the price at which they invested. In addition, we may issue additional common shares or other equity securities of equal or senior rank in the future in connection with, among other things, debt prepayments, future vessel acquisitions, redemptions of our Series A Preferred Shares, without shareholder approval, in a number of circumstances. Our existing shareholders may experience significant dilution if we issue shares in the future at prices below the price at which previous shareholders invested.

Our issuance of additional common shares or other equity securities of equal or senior rank would have the following effects:

- our existing shareholders' proportionate ownership interest in us will decrease;
- the per share amount of cash available for dividends on our common shares (as and if declared) could decrease;
- the relative voting strength of each previously outstanding common share could be diminished; and
- the market price of our common shares could decline.

***Future issuances or sales, or the potential for future issuances or sales, of our common shares may cause the trading price of our securities to decline and could impair our ability to raise capital through subsequent equity offerings.***

We have issued a significant number of our common shares and we may do so in the future. Shares to be issued in future equity offerings could cause the market price of our common shares to decline, and could have an adverse effect on our earnings per share. In addition, future sales of our common shares or other securities in the public markets, or the perception that these sales may occur, could cause the market price of our common shares to decline, and could materially impair our ability to raise capital through the sale of additional securities.

The market price of our common shares could decline due to sales, or the announcements of proposed sales, of a large number of common shares in the market, including sales of common shares by our large shareholders, or the perception that these sales could occur. These sales or the perception that these sales could occur could also depress the market price of our common shares and impair our ability to raise capital through the sale of additional equity securities or make it more difficult or impossible for us to sell equity securities in the future at a time and price that we deem appropriate. We cannot predict the effect that future sales of common shares or other equity-related securities would have on the market price of our common shares.

Our Articles of Incorporation authorizes our Board to, among other things, issue additional shares of common or preferred shares or securities convertible or exchangeable into equity securities, without shareholder approval. We may issue such additional equity or convertible securities to raise additional capital. The issuance of any additional shares of common or preferred shares or convertible securities could be substantially dilutive to our shareholders. Moreover, to the extent that we issue restricted stock units, stock appreciation rights, options or warrants to purchase our common shares in the future and those stock appreciation rights, options or warrants are exercised or as the restricted stock units vest, our shareholders may experience further dilution. Holders of shares of our common shares have no preemptive rights that entitle such holders to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our shareholders.

***We are incorporated in the Marshall Islands, which does not have a well-developed body of corporate and case law.***

We are organized in the Republic of the Marshall Islands, which does not have a well-developed body of corporate or case law, and as a result, shareholders may have fewer rights and protections under Marshall Islands law than under a typical jurisdiction in the United States. Our corporate affairs are governed by our Articles of Incorporation and Bylaws and by the Marshall Islands Business Corporations Act, or 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 Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the laws 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 the United States. The rights of shareholders of companies incorporated in the Marshall Islands may differ from the rights of shareholders of companies incorporated in the United States. While the BCA 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 can't predict whether Marshall Islands courts would reach the same conclusions as U.S. courts. Thus, you may have more difficulty in protecting your interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction which has developed a relatively more substantial body of case law.

***We are incorporated in the Marshall Islands, and all of our officers and directors are non-U.S. residents. It may be difficult to serve legal process or enforce judgments against us, our directors or our management.***

We are incorporated under the laws of the Republic of the Marshall Islands, and substantially all of our assets are located outside of the United States. Our principal executive office is located in Cyprus. In addition, all of our directors and officers are non-residents of the United States, and substantially all of their assets are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Republic of the Marshall Islands and of other jurisdictions may prevent or restrict you from enforcing a judgment against our assets or our directors and officers. Although you may bring an original action against us or our affiliates in the courts of the Marshall Islands, and the courts of the Marshall Islands may impose civil liability, including monetary damages, against us or our affiliates for a cause of action arising under Marshall Islands law, it may be impracticable for you to do so.

***Anti-takeover provisions in our organizational documents and in our stockholder rights plan could have the effect of discouraging, delaying or preventing a merger or acquisition, or could make it difficult for our shareholders to replace or remove our current Board, which could adversely affect the market price of our common shares.***

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

- authorizing our Board to issue "blank check" preferred shares without shareholder approval;
- providing for a classified Board with staggered, three-year terms;
- establishing certain advance notice requirements for nominations for election to our Board or for proposing matters that can be acted on by shareholders at shareholder meetings;
- prohibiting cumulative voting in the election of directors;
- limiting the persons who may call special meetings of shareholders; and
- establishing supermajority voting provisions with respect to amendments to certain provisions of our Articles of Incorporation and Bylaws.

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

***Our Chairman, Chief Executive Officer and Chief Financial Officer, who may be deemed to beneficially own, directly or indirectly, 100% of our Series B Preferred Shares, has control over us.***

Our Chairman, Chief Executive Officer and Chief Financial Officer, Mr. Petros Panagiotidis, may be deemed to beneficially own, directly or indirectly, all of the 12,000 outstanding shares of our Series B Preferred Shares. The shares of Series B Preferred Shares each carry 100,000 votes. By his ownership of 100% of our Series B Preferred Shares, Mr. Panagiotidis has control over our actions. The interests of Mr. Panagiotidis may be different from your interests.



***We are an "emerging growth company", and we cannot be certain if the reduced requirements applicable to emerging growth companies make our securities less attractive to investors.***

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). As an emerging growth company, we are not required to comply with, among other things, the auditor attestation requirements of the Sarbanes-Oxley Act. Investors may find our securities less attractive because we rely on this provision. If investors find our securities less attractive as a result, there may be a less active trading market for our securities and prices of the securities may be more volatile.

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

A foreign corporation will be treated as a "passive foreign investment company", or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those 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 a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income," whereas rental income would generally constitute "passive income" to the extent not attributable to the active conduct of a trade or business. U.S. shareholders 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.

We do not believe that we will be treated as a PFIC for any taxable year. However, our status as a PFIC is determined on an annual basis and will depend upon the operations of our vessels and our other activities during each taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our spot chartering and 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 U.S. Internal Revenue Service, or 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 a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any taxable year we become unable to acquire vessels in a timely fashion or if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. shareholders would face adverse U.S. federal income tax consequences and information reporting obligations. Under the PFIC rules, unless those shareholders made an election available under the Internal Revenue Code (which election could itself have adverse consequences for such shareholders, as discussed below under "Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Status and Significant Tax Consequences"), such shareholders would be liable to pay U.S. federal income tax upon excess distributions and upon any gain from the disposition of our common shares at the then prevailing income tax rates applicable to ordinary income plus interest as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of our common shares. Please see the section of this annual report entitled "Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company Status and Significant Tax Consequences" for a more comprehensive discussion of the U.S. federal income tax consequences to U.S. shareholders if we are treated as a PFIC.

***We may have to pay tax on United States source income, which would reduce our earnings, cash from operations and cash available for distribution to our shareholders.***

Under the United States Internal Revenue Code of 1986, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States, may be subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable Treasury Regulations promulgated thereunder.

We expect that we will not qualify for this statutory tax exemption for the 2020 taxable year and as such we will be subject to an effective 2% U.S. federal income tax on the gross shipping income we derive during the year that are attributable to the transport of cargoes to or from the United States. The imposition of this tax for the 2020 taxable year is not expected to have a material negative effect on our business and cash flows, however, we cannot guarantee that it will not do so in any future taxable years.

#### **Risks Relating to Our Series A Preferred Shares**

***Our Series A Preferred Shares rank senior to our common shares with respect to dividends, distributions and payments upon liquidation, which could have an adverse effect on the value of our common shares.***

The rights of the holders of our Series A Preferred Shares rank senior to the obligations to holders of our common shares. Upon our liquidation, the holders of Series A Preferred Shares will be entitled to receive a liquidation preference of \$30.00 per share, plus all accrued but unpaid dividends, prior and in preference to any distribution to the holders of any other class of our equity securities, including our common shares. The Series A Preferred Shareholders agreed to waive all dividend payment obligations on the Series A Preferred Shares during the period from July 1, 2019 until December 31, 2021. The existence of the Series A Preferred Shares could have an adverse effect on the value of our common shares.

***We may not have sufficient cash from our operations to enable us to pay dividends on our Series A Preferred Shares following the payment of expenses and the establishment of any reserves.***

Starting on January 1, 2022, the Series A Preferred Shareholders will be entitled to semi-annual dividends on our Series A Preferred Shares only from funds legally available for such purpose when, as and if declared by our Board. We may not have sufficient cash available to pay our dividends semi-annually. The amount of dividends we can pay on our Series A Preferred Shares depends upon the amount of cash we generate from and use in our operations, which may fluctuate.

The amount of cash we have available for dividends on our Series A Preferred Shares will not depend solely on our profitability. The actual amount of cash we have available to pay dividends on our Series A Preferred Shares depends on many other factors, including the following:

- changes in our operating cash flow, capital expenditure requirements, working capital requirements and other cash needs;
- restrictions under any current or future credit facilities or any future debt securities on our ability to pay dividends if an event of default has occurred and is continuing or if the payment of the dividend would result in an event of default, or under certain facilities if it would result in the breach of certain financial covenants;
- the amount of any cash reserves established by our Board; and
- restrictions under Marshall Islands law, which generally prohibit the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or while a company is insolvent or would be rendered insolvent by the payment of such a dividend.

The amount of cash we generate from our operations may differ materially from our net income or loss for the period, which is affected by non-cash items, and our Board in its discretion may elect not to declare any dividends. As a result of these and the other factors mentioned above, we may pay dividends during periods when we record losses and may not pay dividends during periods when we record profits.

***The Series A Preferred Shares represent perpetual equity interests.***

The Series A Preferred Shares represent perpetual equity interests in us and, unlike our indebtedness, do not give rise to a claim for payment of a principal amount at a particular date. As a result, holders of the Series A Preferred Shares may be required to bear the financial risks of an investment in the Series A Preferred Shares for an indefinite period of time. In addition, the Series A Preferred Shares will rank junior to all of our indebtedness and other liabilities, and to any other senior securities we may issue in the future with respect to assets available to satisfy claims against us.

***Our Series A Preferred Shares are subordinate to our indebtedness, and your interests could be diluted by the issuance of additional preferred shares, including additional Series A Preferred Shares, and by other transactions.***

Our Series A Preferred Shares are subordinated to all indebtedness. Therefore, our ability to pay dividends on, redeem or pay the liquidation preference on our Series A Preferred Shares in liquidation or otherwise may be subject to prior payments due to the holders of our indebtedness. Our future indebtedness may include restrictions on, our ability to pay dividends on or redeem preferred shares. Our Articles of Incorporation currently authorize the issuance of up to 50,000,000 preferred shares, par value \$0.001 per share. Of these preferred shares, 480,000 shares have been designated Series A Preferred Shares. The issuance of additional Series A Preferred Shares would dilute the interests of holders of our Series A Preferred Shares, and any current or future indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on our Series A Preferred Shares. The Series A Preferred Shares do not contain any provisions affording the holders of our Series A Preferred Shares protection in the event of a highly-leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, which might adversely affect the holders of our Series A Preferred Shares, so long as the rights of our Series A Preferred Shares are not directly materially and adversely affected.

***We may redeem the Series A Preferred Shares, and holders of Series A Preferred Shares may not be able to reinvest the redemption price they receive in a similar security.***

We may, at our option, redeem Series A Preferred Shares, in whole or in part, at any time or from time to time. We may have an incentive to redeem Series A Preferred Shares voluntarily if market conditions allow us to issue other preferred shares or debt securities at a rate that is lower than the dividend on the Series A Preferred Shares. If we redeem Series A Preferred Shares, then from and after the redemption date, dividends will cease to accrue on the Series A Preferred Shares, the Series A Preferred Shares shall no longer be deemed outstanding and all of the rights of the holders of those shares will terminate, except the right to receive the redemption price plus accumulated and unpaid dividends, if any, payable upon redemption. If we redeem the Series A Preferred Shares for any reason, the Series A Preferred Shareholders may not be able to reinvest the redemption price they receive in a similar security.

***Holders of Series A Preferred Shares have extremely limited voting rights.***

The voting rights of the Series A Preferred Shares are extremely limited. Our common shares and Series B Preferred Shares are the only outstanding classes or series of our shares carrying full voting rights. Holders of Series A Preferred Shares have no voting rights other than the ability to approve any amendments to our Articles of Incorporation that adversely alters the preferences, powers or rights of the Series A Preferred Shares.

***Our ability to pay dividends on and to redeem our Series A Preferred Shares is limited by the requirements of Marshall Islands law.***

Marshall Islands law provides that we may pay dividends on and redeem the Series A Preferred Shares only to the extent that assets are legally available for such purposes. Legally available assets generally are limited to our surplus, which essentially represents our retained earnings and the excess of consideration received by us for the sale of shares above the par value of the shares. In addition, under Marshall Islands law we may not pay dividends on or redeem Series A Preferred Shares if we are insolvent or would be rendered insolvent by the payment of such a dividend or the making of such redemption.

**ITEM 4. INFORMATION ON THE COMPANY**

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

We are a growth-oriented global shipping company that was incorporated in the Republic of the Marshall Islands in September 2017 for the purpose of acquiring, owning, chartering and operating oceangoing cargo vessels. We are a provider of worldwide seaborne transportation services for dry bulk cargo as well as crude oil and refined petroleum products. As of March 26, 2021, our Fleet consisted of 9 dry bulk carriers and 2 tankers with an aggregate cargo carrying capacity of 1.0 million dwt and an average age of 14.3 years. Upon the successful consummation of our recent vessel acquisitions, as further discussed under B. Business Overview—Fleet Development, our Fleet will consist of 14 vessels, with an aggregate capacity of 1.3 million dwt, consisting of 1 Capesize, 5 Kamsarmax and 6 Panamax dry bulk vessels and 2 Aframax LR2 tankers and an average age of 13.5 years.

Our commercial strategy primarily focuses on deploying our Fleet under a mix of period time charters and trip time charters according to our assessment of market conditions, adjusting the mix of these charters to take advantage of the relatively stable cash flows and high utilization rates associated with period time charters or to profit from attractive trip charter rates during periods of strong charter market conditions.

Our principal executive office is at 223 Christodoulou Chatzipavlou Street, Hawaii Royal Gardens, 3036 Limassol, Cyprus. Our telephone number at that address is + 357 25 357 767. Our website is [www.castormaritime.com](http://www.castormaritime.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](http://www.sec.gov). None of the information contained on these websites is incorporated into or forms a part of this annual report.

For an overview of our Fleet and information regarding the development of our Fleet, including vessel acquisitions, please see "B. Business Overview—Our Fleet".

*Nasdaq Listing Standards Compliance*

On April 14, 2020, we received written notification from the Nasdaq indicating that because the closing bid price of our common shares for 30 consecutive business days, from February 27, 2020 to April 13, 2020, was below the minimum \$1.00 per share bid price requirement for continued listing on the Nasdaq, we were not in compliance with Nasdaq Listing Rule 5550(a)(2). We were also informed by the Nasdaq that due to the COVID-19 crisis, temporary relief has been granted related to minimum listing bid price requirements and our compliance period would be suspended until June 30, 2020. Pursuant to the Nasdaq Listing Rule 5810(c)(3)(A), the applicable initial grace period to regain compliance was 180 days, or December 28, 2020, which included the temporary COVID-19 relief period.

On December 30, 2020, we announced that we received a notification letter from the Nasdaq granting us an additional 180-day extension, or until June 28, 2021, to regain compliance with Nasdaq's minimum bid price requirement (the "Second Compliance Period"). We can cure this deficiency if the closing bid price of our common shares is \$1.00 per share or higher for the requisite period of time during the Second Compliance Period. Nasdaq may exercise its discretion to extend such requisite amount of time to better evaluate the registrant's ability to sustain long-term compliance with the minimum bid price requirement. We are evaluating all our options to regain compliance within the Second Compliance Period, including a reverse stock split. During this time, our common shares will continue to be listed and traded on the Nasdaq Capital Market.

#### *Equity transactions*

For a description of our recent equity transactions, please see "Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Equity Issuances".

#### *Fleet Development and Vessel Capital Expenditures*

As of the date of this annual report, 8 of the 11 vessels in our Fleet are equipped with ballast water management system ("BWMS"). 1 vessel is partly equipped and 2 are non-equipped. We expect to retrofit the 3 non-fully equipped and non-equipped vessels with BWMS within 2022, obtaining operational flexibility worldwide. As of December 31, 2020, we had made capital expenditures of approximately \$1.0 million regarding the installation of BWMS on our vessels. It is estimated that the contractual obligations related to these purchases as well as purchases on our remaining fleet vessels (in cases where not already installed), excluding installation costs, will be approximately \$0.8 million, with scheduled payments of \$0.5 million in 2021 and \$0.3 million in 2022.

In connection with our Fleet expansion, we conducted a series of vessel acquisitions and financing transactions, which are further discussed below under in "B. Business Overview—Fleet Development".

#### *Financing Transactions*

On January 23, 2020, we, through one of our ship-owning subsidiaries, entered into \$4.5 million secured term loan facility with Chailease International Financial Services Co. Ltd., or the Chailease Financial Services Facility. The loan was drawn down on January 31, 2020, has a tenor of five years from the drawdown date and bears interest at a margin plus LIBOR.

On January 27, 2020, we entered into a securities purchase agreement with YAII PN, LTD, or the Investor, pursuant to which we agreed to sell and the Investor agreed to purchase up to three convertible debentures (individually, a "Convertible Debenture" and collectively, the "\$5.0 Million Convertible Debentures") for a maximum aggregate price of \$5.0 million. During the period from January 28, 2020 up to June 9, 2020, the Investor had converted the full \$5.0 million principal amount and \$0.1 million of interest under the \$5.0 Million Convertible Debentures for 8,042,078 common shares.

On January 22, 2021, we, through two of our ship-owning subsidiaries, entered into a \$15.3 million senior secured term loan facility with Hamburg Commercial AG, or the \$15.3 Million Term Loan Facility, secured by the *M/V Magic Horizon* and the *M/V Magic Nova*. The \$15.3 Million Term Loan Facility has a tenor of four years from the drawdown date and bears interest at a margin plus LIBOR. The loan was drawn down in full on January 27, 2021. The Company intends to use the net proceeds from the \$15.3 Million Term Loan Facility to support the Company's growth plans and for general corporate purposes.

For more information about our financing agreements which we have entered into in connection with the expansion of our Fleet and for other general corporate purposes, please see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Our Borrowing Activities".

## B. Business Overview

### Our Fleet

The following table summarizes key information about our Fleet (delivered only vessels) as of March 26, 2021:

Vessel Name	Year Built	Type of Charter	Capacity (dwt)	Delivered to Castor	Gross Charter Rate (\$/day)	Estimated Earliest Charter Expiration	Estimated Latest Charter Expiration
<b>Dry bulk vessels</b>							
<b>Panamax</b>							
<i>Magic P</i>	2004	Period Time Charter	76,453	February 2017	\$12,750	August 2021	November 2021
<i>Magic Sun</i>	2001	Period Time Charter	75,311	September 2019	\$10,200	August 2021	October 2021
<i>Magic Moon</i>	2005	Period Time Charter	76,602	October 2019	\$10,500	July 2021	September 2021
<i>Magic Rainbow</i>	2007	Trip Time Charter	73,593	August 2020	\$18,500	April 2021	April 2021
<i>Magic Horizon</i>	2010	Period Time Charter	76,619	October 2020	\$11,000	August 2021	December 2021
<i>Magic Nova</i>	2010	Period Time Charter	78,833	October 2020	\$10,400	April 2021	August 2021
<b>Kamsarmax</b>							
<i>Magic Venus</i>	2010	Period Time Charter	83,416	March 2021	\$18,500	August 2021	October 2021
<i>Magic Argo</i>	2009	Trip Time Charter	82,338	March 2021	\$25,100	June 2021	June 2021
<b>Capesize</b>							
<i>Magic Orion</i>	2006	Trip Time Charter	180,200	March 2021	\$21,000	April 2021	April 2021
<b>Tanker vessels</b>							
<b>Aframax/LR2</b>							
<i>Wonder Polarix</i>	2005	Period Time Charter	115,341	March 2021	\$15,000 + profit sharing	February 2022	February 2023
<i>Wonder Sirius</i>	2005	Period Time Charter	115,340	March 2021	\$15,000 + profit sharing	February 2022	February 2023

### Fleet Development

On July 25, 2019, we, through one of our wholly-owned subsidiaries, entered into an agreement to purchase a 2001 Korean-built Panamax dry bulk carrier, or the *M/V Magic Sun*, from an unaffiliated third party for a purchase price of \$6.7 million. The *M/V Magic Sun* was delivered to us on September 5, 2019. The acquisition of the *M/V Magic Sun* was financed with both cash on hand and the proceeds from a \$5.0 million unsecured term loan agreement entered into between the Company and an entity controlled by Petros Panagiotidis, as further described under "Item 5 – Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Our Borrowing Activities".

On October 14, 2019, we, through one of our wholly-owned subsidiaries, entered into an agreement to purchase a 2005 Japanese-built Panamax dry bulk carrier, or the *M/V Magic Moon*, from a third party in which a family member of our Chairman, Chief Executive Officer and Chief Financial Officer had an interest, for a purchase price of \$10.2 million. The *M/V Magic Moon* was delivered to us on October 20, 2019. The acquisition of the *M/V Magic Moon* was financed with a combination of cash on hand, the net cash proceeds from sales under our ATM Program and the proceeds from a \$7.5 million interest free unsecured bridge loan, which was provided to the Company by an entity controlled by Petros Panagiotidis, as further described under "Item 7. Major Shareholders and Related Party Transactions – B. Related Party Transactions – Loans – \$7.5 Million Shareholder Bridge Loan".

On June 30, 2020, we, through one of our wholly-owned subsidiaries, entered into an agreement to purchase a 2007 Chinese- built Panamax dry bulk carrier, or the *M/V Magic Rainbow*, from an unaffiliated third party for a purchase price of \$7.85 million. The *M/V Magic Rainbow* was delivered to us on August 8, 2020. The acquisition of the *M/V Magic Rainbow* was financed in whole with the proceeds from our debt and equity financings concluded in 2020.

On July 28, 2020, we, through one of our wholly-owned subsidiaries, entered into an agreement to purchase a 2010 Japanese- built Panamax dry bulk carrier, or the *M/V Magic Horizon*, from an unaffiliated third party for a purchase price of \$12.75 million. The *M/V Magic Horizon* was delivered to us on October 9, 2020. The acquisition of the *M/V Magic Horizon* was financed in whole with the proceeds from our debt and equity financings concluded in 2020.

On September 28, 2020, we, through one of our wholly-owned subsidiaries, entered into an agreement to purchase a 2010 Japanese-built Panamax dry bulk carrier, or the *M/V Magic Nova*, from an unaffiliated third party for a purchase price of \$13.86 million. The *M/V Magic Nova* was delivered to us on October 15, 2020. The acquisition of the *M/V Magic Nova* was financed in whole with the proceeds from our debt and equity financings concluded in 2020.

On January 20, 2021, we, through one of our wholly-owned subsidiaries, entered into an agreement to purchase a 2006 Japanese-built Capesize dry bulk carrier, or the *M/V Magic Orion*, from an unaffiliated third party for a purchase price of \$17.5 million. The *M/V Magic Orion* was delivered to us on March 17, 2021. The acquisition of the *M/V Magic Orion* was financed in whole with cash on hand.

On January 28, 2021, we, through one of our wholly-owned subsidiaries, entered into an agreement to purchase a 2010 Japanese-built Kamsarmax dry bulk carrier, or the *M/V Magic Venus*, from an unaffiliated third party for a purchase price of \$15.85 million. The *M/V Magic Venus* was delivered to us on March 2, 2021. The acquisition of the *M/V Magic Venus* was financed in whole with cash on hand.

On February 2, 2021, we, through one of our wholly-owned subsidiaries, entered into an agreement to purchase a 2009 Japanese-built Kamsarmax dry bulk carrier, or the *M/V Magic Argo*, from an unaffiliated third party for a purchase price of \$14.5 million. The *M/V Magic Argo* was delivered to us on March 18, 2021. The acquisition of the *M/V Magic Argo* was financed in whole with cash on hand.

On February 5, 2021, we, through two of our wholly-owned subsidiaries, entered into agreements to purchase two 2005 Korean-built Aframax LR2 tankers for an aggregate purchase price of \$27.2 million from an unaffiliated third-party seller. Both vessels have attached time charter contracts with a reputable charterer with an estimated remaining term of about one year, each of which shall provide the Company with a minimum gross daily hire of \$15,000 and have a 50% profit sharing arrangement over such level based on a predetermined formula. The charterer has the option to extend the duration of each contract for an additional one-year term. The *M/T Wonder Polaris* and the *M/T Wonder Sirius* were delivered to us on March 11, 2021 and March 22, 2021, respectively. The acquisition of both vessels was financed in whole with cash on hand.

On February 18, 2021, we, through one of our wholly-owned subsidiaries, entered into an agreement to purchase a 2010 Japanese-built Kamsarmax dry bulk carrier, from an unaffiliated third party for a purchase price of \$14.8 million. The acquisition is expected to be consummated by taking delivery of the vessel sometime in the beginning of the second quarter of this year, is expected to be financed in whole with cash on hand and is subject to the satisfaction of certain customary closing conditions.

On March 9, 2021, we, through one of our wholly-owned subsidiaries, entered into an agreement to purchase a 2010 Korean-built Kamsarmax dry bulk carrier from an unaffiliated third party for a purchase price of \$15.5 million. The acquisition is expected to be consummated by taking delivery of the vessel within the second quarter of this year, is expected to be financed in whole with cash on hand and is subject to the satisfaction of certain customary closing conditions.

On March 11, 2021, we, through one of our wholly-owned subsidiaries, entered into an agreement to purchase a 2011 Japanese-built Kamsarmax dry bulk carrier from an unaffiliated third party for a purchase price of \$16.9 million. The acquisition is expected to be consummated by taking delivery of the vessel sometime between the second and third quarter of this year, is expected to be financed in whole with cash on hand and is subject to the satisfaction of certain customary closing conditions.

#### **Chartering of our Fleet**

We actively market our vessels, and expect to market the vessels that we have agreed to purchase once they are delivered to us, in the short, medium and long-term charter markets in order to secure optimal employment in the dry bulk and tanker shipping markets. As of March 26, 2021, three of our vessels were chartered on the trip time charter market. Trip charter rates are volatile and fluctuate on a seasonal and year-to-year basis. Fluctuations derive from imbalances in the availability of cargoes for shipment and the number of vessels available at any given time to transport these cargoes. Vessels operating in the trip market generate revenue that is less predictable than those under period time charters, but may enable us to capture increased profit margins during periods of improvements in the dry bulk and tanker markets. Downturns in the dry bulk and/or tanker industries would result in a reduction in profit margins and could lead to losses. Our remaining eight vessels were employed under medium term time charters which have a fixed charter hire rate and, particularly with regards to our Aframax LR2 tanker which we have purchased with time charter attached, a profit sharing arrangement over and above that fixed charter rate level. In the future, we may opportunistically look to employ more of our vessels under trip time charter contracts, should the market outlook become more attractive.

#### **Management of our Business**

Our vessels are technically managed by Pavimar, a company controlled by Ismini Panagiotidis, the sister of our Chairman, Chief Executive Officer and Chief Financial Officer, Petros Panagiotidis. Under the technical management agreements, our ship-owning subsidiaries pay a \$600 daily fee to Pavimar for the provision of a wide range of shipping services such as crew management, technical management, operational employment management, insurance arrangements, provisioning, bunkering, accounting and audit support services, which it may choose to subcontract to other parties at its discretion. Pavimar and one of our wholly-owned subsidiaries have entered into a management agreement with Fleet Ship Management Inc. ("Fleet Ship"), a third-party ship-management company, pursuant to which Fleet Ship provides technical management to the *M/V Magic Nova*. Pavimar pays, at its own expense, Fleet Ship a fee for the services it has subcontracted to it, without burdening the Company with any additional cost.

Our vessels are commercially managed by Castor Ships, a company controlled by our Chairman, Chief Executive Officer and Chief Financial Officer. Castor Ships manages our business overall and provides us with commercial, chartering and administrative services, including, but not limited to, securing employment for our Fleet, arranging and supervising the vessels' commercial operations, handling all of the Company's vessel sale and purchase transactions, undertaking related shipping project and management advisory and support services, as well as other associated services requested from time to time by us and our ship-owning subsidiaries. In exchange for these services, we and our subsidiaries pay Castor Ships (i) a flat quarterly management fee in the amount of \$0.3 million for the management and administration of our business, (ii) a daily fee of \$250 per vessel for the provision of commercial services, (iii) a commission rate of 1.25% on all charter agreements and (iv) a commission of 1% on each sale and purchase transaction.



The three Kamsarmax vessels that we have agreed to purchase and which we expect to take delivery of in the near term, will be technically and commercially managed by Pavimar and Castor Ships upon their delivery to us.

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

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

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the United States Coast Guard ("USCG"), harbor master or equivalent), classification societies, flag state administrations (countries of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of the operation of 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 our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits, licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations frequently change and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact could result in additional legislation or regulation that could negatively affect our profitability.

#### ***International Maritime Organization***

The International Maritime Organization, the United Nations agency for maritime safety and the prevention of pollution by vessels (the "IMO"), has adopted the International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto, collectively referred to as MARPOL 73/78 and herein as "MARPOL," the International Convention for the Safety of Life at Sea of 1974 ("SOLAS Convention"), and the International Convention on Load Lines of 1966 (the "LL Convention"). MARPOL establishes environmental standards relating to oil leakage or spilling, garbage management, sewage, air emissions, handling and disposal of noxious liquids and the handling of harmful substances in packaged forms. MARPOL is applicable to dry bulk, 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 tankers, 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 our vessels are currently compliant in all material respects with these regulations.

The Marine Environment Protection Committee, or "MEPC," adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which entered into force on July 1, 2010. The amended Annex VI seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. On October 27, 2016, at its 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 ("IAPP") Certificates from their flag states that specify sulfur content. Additionally, at MEPC 73, amendments to Annex VI to prohibit the carriage of bunkers above 0.5% sulfur on ships were adopted and took effect on March 1, 2020. These regulations subject ocean-going vessels to stringent emissions controls, and may cause us to incur substantial costs.

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

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

As determined at the MEPC 70, the new Regulation 22A of MARPOL Annex VI became effective as of March 1, 2018 and requires ships above 5,000 gross tonnage to collect and report annual data on fuel oil consumption to an IMO database, with the first year of data collection 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 Energy Efficiency Existing Ship Index ("EEXI"), and (2) operational carbon intensity reduction requirements, based on a new operational carbon intensity indicator ("CII"). The attained EEXI is required to be calculated for ships of 400 gross tonnage and above, in accordance with different values set for ship types and categories. With respect to the CII, the draft amendments would require ships of 5,000 gross tonnage to document and verify their actual annual operational CII achieved against a determined required annual operational CII. Additionally, MEPC 75 proposed draft amendments requiring that, on or before January 1, 2023, all ships above 400 gross tonnage must have an approved SEEMP on board. For ships above 5,000 gross tonnage, the SEEMP would need to include certain mandatory content. 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 International Safety Management Code for the Safe Operation of Ships and for Pollution Prevention (the "ISM Code"), our operations are also subject to environmental standards and requirements. The ISM Code requires the party with operational control of a vessel to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for operating its vessels safely and describing procedures for responding to emergencies. We rely upon the safety management system that we and our technical management team have developed for compliance with the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports.

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

The IMO's Maritime Safety Committee and MEPC, respectively, each adopted relevant parts of the International Code for Ships Operating in Polar Water (the "Polar Code"). The Polar Code, which entered into force on January 1, 2017, covers design, construction, equipment, operational, training, search and rescue as well as environmental protection matters relevant to ships operating in the waters surrounding the two poles. It also includes mandatory measures regarding safety and pollution prevention as well as recommendatory provisions. The Polar Code applies to new ships constructed after January 1, 2017, and after January 1, 2018, ships constructed before January 1, 2017 are required to meet the relevant requirements by the earlier of their first intermediate or renewal survey.

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

#### *Pollution Control and Liability Requirements*

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

On December 4, 2013, the IMO Assembly passed a resolution revising the application dates of the BWM Convention so that the dates are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels delivered before the entry into force date "existing vessels" and allows for the installation of ballast water management systems on such vessels at the first International Oil Pollution Prevention ("IOPP") renewal survey following entry into force of the convention. The MEPC adopted updated guidelines for approval of ballast water management systems (G8) at MEPC 70. At MEPC 71, the schedule regarding the BWM Convention's implementation dates was also discussed and amendments were introduced to extend the date existing vessels are subject to certain ballast water standards. Those changes were adopted at MEPC 72. Ships over 400 gross tons generally must comply with a "D-1 standard," requiring the exchange of ballast water only in open seas and away from coastal waters. The "D-2 standard" specifies the maximum amount of viable organisms allowed to be discharged, and compliance dates vary depending on the IOPP renewal dates. Depending on the date of the IOPP renewal survey, existing vessels must comply with the D-2 standard on or after September 8, 2019. For most ships, compliance with the D-2 standard will involve installing on-board systems to treat ballast water and eliminate unwanted organisms. Ballast water management systems, which include systems that make use of chemical, biocides, organisms or biological mechanisms, or which alter the chemical or physical characteristics of the Ballast Water, must be approved in accordance with IMO Guidelines (Regulation D-3). As of October 13, 2019, MEPC 72's amendments to the BWM Convention took effect, making the Code for Approval of Ballast Water Management Systems, which governs assessment of ballast water management systems, mandatory rather than permissive, and formalized an implementation schedule for the D-2 standard. Under these amendments, all ships must meet the D-2 standard by September 8, 2024. Costs of compliance with these regulations may be substantial. Additionally, in November 2020, MEPC 75 adopted amendments to the BWM Convention which would require a commissioning test of the ballast water management system for the initial survey or when performing an additional survey for retrofits. This analysis will not apply to ships that already have an installed BWM system certified under the BWM Convention. These amendments are expected to enter into force on June 1, 2022.

Once mid-ocean 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 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 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, we confirm our vessels are ISM Code certified through Pavimar that technically operates our vessels. The technical managers have obtained the document of compliance in order to operate the vessel in accordance with the ISM Code. 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 U.S. Oil Pollution Act of 1990 ("OPA") established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all "owners and operators" whose vessels trade or operate within the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S.'s territorial sea and its 200 nautical mile exclusive economic zone around the U.S. The U.S. has also enacted the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. OPA and CERCLA both define "owner and operator" in the case of a vessel as any person owning, operating or chartering by demise, the vessel. Both OPA and CERCLA impact our operations.

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

- (i) injury to, destruction or loss of, or loss of use of, natural resources and related assessment costs;
- (ii) injury to, or economic losses resulting from, the destruction of real and personal property;

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

OPA contains statutory caps on liability and damages; such caps do not apply to direct cleanup costs. Effective December 12, 2019, the USCG adjusted the limits of OPA liability for non-tank vessels, edible oil tank vessels, and any oil spill response vessels, to the greater of \$1,200 per gross ton or \$997,100 (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 be in compliance 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 tanker owners' responsibilities under these laws. The Company intends to be in compliance 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 our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage, it could have an adverse effect on our business and results of operations.

#### *Other United States Environmental Initiatives*

The U.S. Clean Air Act of 1970 (including its amendments of 1977 and 1990) ("CAA") requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. The CAA requires states to adopt State Implementation Plans, or "SIPs," some of which regulate emissions resulting from vessel loading and unloading operations which may affect our Vessel.

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

The EPA and the USCG have also enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial costs, and/or otherwise restrict our vessels from entering U.S. Waters. The EPA will regulate these ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters pursuant to the Vessel Incidental Discharge Act ("VIDA"), which was signed into law on December 4, 2018 and replaces the 2013 Vessel General Permit ("VGP") program (which authorizes discharges incidental to operations of commercial vessels and contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in U.S. waters, stringent requirements for exhaust gas scrubbers, and requirements for the use of environmentally acceptable lubricants) and current Coast Guard ballast water management regulations adopted under the U.S. National Invasive Species Act ("NISA"), such as mid-ocean ballast exchange programs and installation of approved USCG technology for all vessels equipped with ballast water tanks bound for U.S. ports or entering U.S. waters. VIDA establishes a new framework for the regulation of vessel incidental discharges under Clean Water Act (CWA), requires the EPA to develop performance standards for those discharges within two years of enactment, and requires the U.S. Coast Guard to develop implementation, compliance, and enforcement regulations within two years of EPA's promulgation of standards. Under VIDA, all provisions of the 2013 VGP and USCG regulations regarding ballast water treatment remain in force and effect until the EPA and U.S. Coast Guard regulations are finalized. Non-military, non-recreational vessels greater than 79 feet in length must continue to comply with the requirements of the VGP, including submission of a Notice of Intent ("NOI") or retention of a PARI form and submission of annual reports. We have submitted NOIs for our vessels where required. Compliance with the EPA, U.S. Coast Guard and state regulations could require the installation of ballast water treatment equipment on our vessels which have not already installed one or the implementation of other port facility disposal procedures as a result of which we may incur additional capital expenditures, or may otherwise restrict our vessels from entering U.S. waters.



### ***European Union Regulations***

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

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

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

### ***International Labour Organization***

The 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 our vessels are in substantial compliance with and are certified as per MLC 2006.

### ***Greenhouse Gas Regulation***

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions with targets extended through 2020. International negotiations are continuing with respect to a successor to the Kyoto Protocol, and restrictions on shipping emissions may be included in any new treaty. In December 2009, more than 27 nations, including the U.S. and China, signed the Copenhagen Accord, which includes a non-binding commitment to reduce greenhouse gas emissions. The 2015 United Nations Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016 and does not directly limit greenhouse gas emissions from ships. The U.S. initially entered into the agreement, but on June 1, 2017, former U.S. President Trump announced that the United States intends to withdraw from the Paris Agreement, and the withdrawal became effective on November 4, 2020. On January 20, 2021, U.S. President Biden signed an executive order to rejoin the Paris Agreement, which took effect 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 and on August 13, 2020, the EPA released rules rolling back standards to control methane and volatile organic compound emissions from new oil and gas facilities. However, U.S. President Biden recently directed the EPA to publish a proposed rule suspending, revising, or rescinding certain of these rules. The EPA or individual U.S. states could enact environmental regulations that would affect our operations.

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

#### ***Vessel Security Regulations***

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

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

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

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 and Arabian Sea 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. Our vessels are certified as being "in class" by the applicable IACS Classification Societies (e.g., American Bureau of Shipping, Lloyd's Register of Shipping, Nippon Kaiji Kyokai etc.).

A vessel must undergo annual surveys, intermediate surveys, dry-dockings 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 dry-docked 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, dry-docking or special survey, the vessel will be unable to carry cargo between ports and will be unemployable and uninsurable which could cause us to be in violation of certain covenants in our loan agreements. Any such inability to carry cargo or be employed, or any such violation of covenants, could have a material adverse impact on our financial condition and results of operations.

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

##### ***General***

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

##### ***Hull and Machinery Insurance***

We procure hull and machinery insurance, protection and indemnity insurance, which includes environmental damage and pollution insurance and war risk insurance and freight, demurrage and defense insurance for our Fleet. We generally do not maintain insurance against loss of hire, 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\$ 3.1 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.

### **Competition**

We operate in markets that are highly competitive. The process of obtaining new employment for our Fleet generally involves intensive screening, and competitive bidding, and often extends for several months. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation as an owner and operator. Demand for dry bulk and tanker vessels fluctuates in line with the main patterns of trade of the major dry bulk and tanker cargoes and varies according to their supply and demand. Ownership of dry bulk and tanker vessels is highly fragmented.

### **Permits and Authorizations**

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our vessels. The kinds of permits, licenses and certificates required depend upon several factors, including the commodity transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of a vessel. We have been able to obtain all permits, licenses and certificates currently required to permit our vessels to operate. Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase our cost of doing business.

### **Seasonality**

Demand for vessel capacity has historically exhibited seasonal variations and, as a result, fluctuations in charter rates. This seasonality may result in quarter-to-quarter volatility in our operating results for our vessels when trading in the spot market or if on time charter when a new time charter is being entered into. The dry bulk sector is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere. The tanker sector is typically stronger in the fall and winter months in anticipation of increased consumption of oil and petroleum products in the northern hemisphere during the winter months. Seasonality in the sectors in which we operate could materially affect our operating results and flows.

### **C. Organizational Structure**

We were incorporated in the Republic of the Marshall Islands in September 2017, with our principal executive offices located at 223 Christodoulou Chatzipavlou Street, Hawaii Royal Gardens, 3036 Limassol, Cyprus. A list of our subsidiaries is filed as Exhibit 8.1 to this annual report on Form 20-F.

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

We own no properties other than our vessels. For a description of our Fleet, please see "Item 4. Information on the Company—B. Business Overview—Our Fleet".

#### **ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

##### ***Introduction***

The following discussion provides a review of the performance of our operations and compares our performance with that of the preceding year. All dollar amounts referred to in this discussion and analysis are expressed in United States dollars except where indicated otherwise.

In September 2019, we changed our fiscal year end from September 30 to December 31. This change in our fiscal year end resulted in a three-month transition period from October 1, 2018 to 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 – Year ended December 31, 2019 as compared to year ended December 31, 2018" contained in our annual report on Form 20-F for the year ended December 31, 2019, filed with the Securities and Exchange Commission on March 31, 2020.

The Company's business could be materially and adversely affected by the risks, or the public perception of the risks related to the COVID-19 pandemic. The following discussion of the results of our operations and our financial condition should be read in conjunction with the financial statements and the notes to those statements included in "Item 18. Financial Statements". This discussion contains forward-looking statements that involve risks, uncertainties, and assumptions. Actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those set forth in "Item 3. Key Information—D. Risk Factors".

#### **A. Operating Results**

##### ***Principal factors impacting our business, results of operations and financial condition***

Our results of operations are affected by numerous factors. The principal factors that have impacted the business during the fiscal periods presented in the following discussion and analysis and that are likely to continue to impact our business are the following:

- The levels of demand and supply in the dry bulk and tanker shipping industries;
- The cyclical nature of the shipping industry in general and its impact on charter rates and vessel values;
- Utilization rates of our Fleet;
- The employment and operation of our Fleet;
- Management of the financial, general and administrative elements involved in the conduct of our business and ownership of our Fleet;
- The age, condition and specifications of our vessels;

- The performance of our charterers' obligations under their charter agreements;
- Our ability to maintain solid working relationships with our existing charterers and our ability to increase the number of our charterers through the development of new working relationships;
- The effective and efficient management of our Fleet by Castor Ships and Pavimar;
- Economic, regulatory, political and governmental conditions that affect shipping and the dry bulk and tanker industries;
- Dry-docking and special survey days, both expected and unexpected;
- Our ability to successfully employ our vessels at economically attractive rates and our strategic decisions regarding the employment mix of our Fleet in the voyage market as well as period and trip time charter markets, as our charters expire or are otherwise terminated;
- Performance of our counterparties, including our charterers ability to make charter payments to us;
- Our ability to obtain equity and debt financing at acceptable and attractive terms to fund future capital expenditures;
- Management of our financial resources, including banking relationships and of the relationships with our various stakeholders;
- Our access to capital required to acquire additional ships and/or to implement our business strategy; and
- The level of dividends on all classes of our shares, if any.

#### ***Cyclical Nature of the Industry***

One of the factors that impacts our profitability is the hire rates at which we are able to fix our vessels. The shipping industry is cyclical with attendant volatility in charter hire rates and, as a result, profitability. The dry bulk and tanker sectors have both been characterized by long and short periods of imbalances between supply and demand, causing charter rates to be volatile.

The degree of charter rate volatility among different types of dry bulk and tanker vessels has varied widely, and charter rates for these vessels have also varied significantly in recent years. Fluctuations in charter rates result from changes in the supply and demand for vessel capacity and changes in the supply and demand for the major commodities carried by ocean going vessels internationally. The factors affecting the supply and demand for vessels are unpredictable to a great extent and outside our control. That being said, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Our vessel deployment strategy seeks to maximize charter revenue throughout industry cycles while maintaining cash flow stability and foreseeability. Our gross revenues for the year ended December 31, 2020, consisted of hire earned under time charter contracts, where charterers pay a fixed daily hire, and other minor compensation costs related to the contracts. In the future, our revenues may also consist of amounts earned under voyage charter contracts, where charterers pay a fixed amount per ton of cargo carried. Our future gross revenues may be affected by the proportion of voyage and time charters, since revenues from voyage charters are generally higher than equivalent time charter hire revenues, as they are of a shorter duration and cover all costs relating to a given voyage, including port expenses, canal dues and fuel (bunker) costs. Accordingly, year-to-year comparisons of gross revenues are not necessarily indicative of vessel performance. We believe that the TCE rate provides a more accurate measure for comparison.

The BDI average for the years ended December 31, 2019 and 2020 was 1,352 points and 1,066 points, respectively; notably though, the charter rate volatility exhibited within this period due to the Covid-19 pandemic was significant and negatively affected our revenues. In particular, the Baltic Dry Index (BDI) closed at 411 points on February 10, 2020 and slowly recovered by year end. Following the increased flow of newbuilding vessels that entered the market during the early 2010's, the oversupply of capacity had a negative impact on the market as demand for dry bulk commodities transfer was not able to absorb the flow of the vessels entering the market. The deadweight carrying capacity for 2020 increased by approximately 3.7%, which is significantly lower from the double digit increases during the early 2000's and from 2009 to 2012, while increase in demand of commodities is expected to increase by approximately 1 to 2%. The volatility in charter rates in the dry bulk market affects the value of dry bulk vessels, which follows the trends of dry bulk charter rates, and earnings on our charters, and similarly, affects our cash flows and liquidity.

The tanker industry has also varied significantly, with Aframax LR2 tanker spot rates peaking in April 2020, according to BIMCO, before falling significantly in 2020 as a result of the global pandemic.

***Employment and operation of our Fleet***

A factor that impacts our profitability is the employment and operation of our Fleet which mainly requires regular maintenance and repair, effective crew selection and training, ongoing supply of our Fleet with the spares and the stores that it requires, contingency response planning, auditing of our vessels' onboard safety procedures, arrangements for our vessels' insurance, chartering of the vessels, training of onboard and on shore personnel with respect to the vessels' security and security response plans (ISPS), obtaining of ISM certifications and performing the necessary audit for the vessels within the six months of taking over a vessel and the ongoing performance monitoring of the vessels.

***Financial, general and administrative management***

The management of financial, general and administrative elements involved in the conduct of our business and ownership of our vessels requires us to manage our financial resources, which includes managing banking relationships, administrating our bank accounts, managing our accounting system, records and financial reporting, monitoring and ensuring compliance with the legal and regulatory requirements affecting our business and assets and managing our relationships with our service providers and customers.

Because many of these factors are beyond our control and certain of these factors have historically been volatile, past performance is not necessarily indicative of future performance and it is difficult to predict future performance with any degree of certainty.

***Important Measures and Definitions for Analyzing Results of Operations***

We believe that important concepts and measures for analyzing trends in our results of operations include the following:

***Ownership days.*** Ownership days are the total number of calendar days in a period during which we owned our vessels. Ownership days are an indicator of the size of our Fleet over a period and determine both the level of revenues and expenses recorded during that specific period.

***Available days.*** Available days are the Ownership days after subtracting off-hire days associated with major scheduled repairs, vessel upgrades and dry-dockings or special or intermediate surveys and major unscheduled repair and positioning days (which do not include ballast voyage days for which compensation has been received by the Company). The shipping industry uses Available days to measure the aggregate number of days in a period during which vessels are available to generate revenues. Our calculation of Available days may not be comparable to that reported by other companies.

**Fleet utilization.** We calculate Fleet utilization by dividing the Available days during a period by the number of Ownership days during that period. Fleet utilization is used to measure a company's ability to efficiently find suitable employment for its vessels and minimize the number of days that its vessels are off-hire for reasons such as major repairs, vessel upgrades, dry-dockings or special or intermediate surveys and other unforeseen events.

**Off-hire.** The period our Fleet is unable to perform the services for which it is required under a charter for reasons such as scheduled repairs, vessel upgrades, dry-dockings or special or intermediate surveys or other unforeseen events.

**Dry-docking/Special Surveys.** We periodically dry-dock and/ or perform special surveys on our Fleet for inspection, repairs and maintenance and any modifications to comply with industry certification or governmental requirements. Our ability to control our dry-docking and special survey expenses and our ability to complete our scheduled dry-dockings and/or special surveys on time also affects our financial results. Dry-docking and special survey costs are accounted under the deferral method whereby the actual costs incurred are deferred and are amortized on a straight-line basis over the period through the date the next survey is scheduled to become due.

**Daily vessel operating expenses.** The level of our vessels' operating expenses, including crewing costs, insurance and maintenance costs. Our ability to control our vessels' operating expenses also affects our financial results. These expenses include crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, lubricating oil costs, tonnage taxes and other miscellaneous expenses. Daily vessel operating expenses are calculated by dividing Fleet operating expenses by the Ownership days for the relevant period.

**Daily company administration expenses.** Daily company administration expenses include administration expenses such as audit fees, legal fees, directors' insurance and remuneration, listing fees and other miscellaneous administration expenses, essential for the conduct of our business, and are calculated by dividing company administration expenses by the Ownership days for the relevant period.

**Daily management fees.** Daily management fees are calculated by dividing management fees by the Ownership days for the relevant time period and represent the fees payable to Castor Ships and Pavimar for managing our Fleet.

**Time charter.** 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 charges, bunker expenses and canal charges. The vessel owner pays the vessel operating expenses, which include crew costs, provisions, deck and engine stores and spares, lubricants, insurance, maintenance and repairs. The vessel owner is also responsible for each vessel's dry-docking and intermediate and special survey costs. Time charter rates are usually fixed during the term of the charter. Prevailing time charter rates do fluctuate on a seasonal and year-to-year basis and may be substantially higher or lower from a prior time charter agreement when the subject vessel is seeking to renew the time charter agreement with the existing charterer or enter into a new time charter agreement with another charterer. Fluctuations in time charter rates are influenced by changes in spot charter rates.

**Time charter equivalent ("TCE") Rate.** Our method of calculating TCE rate is determined by dividing vessel revenues (time charter and/or voyage revenues, net of charterers' commissions and voyage expenses) by the Available days in the relevant period. Please see please see "Item 3. Key Information— A. Selected Financial Data" on the use by the Company of this Non-GAAP measure.



The following table presents the operational metrics that management uses to assess our financial condition and results of operations:

	For the year ended	
	December 31, 2019	December 31, 2020
<b>Operational Metrics</b>		
Available days	545	1,219
Ownership days	556	1,405
Fleet utilization	98%	87%
Daily time charter equivalent (or TCE)	\$ 10,471	\$ 9,765
Daily vessel operating expenses	\$ 5,041	\$ 5,301
Daily management fees	\$ 382	\$ 662
Daily general and administrative expenses	\$ 681	\$ 805
EBITDA <sup>(1)</sup>	\$ 2,175,894	\$ 2,327,671

<sup>(1)</sup> For this definition see "Item 3. Key information—A. Selected Financial Data".

### Results of Operations

Year ended December 31, 2020 as compared to year ended December 31, 2019

(In U.S. Dollars, except for share and per share data)	Year ended December 31, 2019	Year ended December 31, 2020	Change -amount	Change-%
Vessel revenues (net of charterers' commissions)	5,967,772	12,487,692	6,519,920	109.3%
Expenses:				
Voyage expenses (including commissions from related parties)	(261,179)	(584,705)	323,526	123.9%
Vessel operating expenses	(2,802,991)	(7,447,439)	4,644,448	165.7%
Management fees to related parties	(212,300)	(930,500)	718,200	338.3%
General and administrative expenses				
• Company administration expenses (including administrations costs from related party)	(378,777)	(1,130,953)	752,176	198.6%
• Public registration costs	(132,091)	—	(132,091)	(100)%
Provision for doubtful debt	—	(37,103)	37,103	100%
Depreciation and amortization	(897,171)	(1,904,963)	1,007,792	112.3%
Operating income	1,283,263	452,029	(831,234)	(64.8)%
Interest and finance costs, net (including interest costs from related party)	(190,574)	(2,154,601)	1,964,027	1,030.6%
Total Other Income / (expenses), net	(195,114)	(2,183,922)	1,988,808	1,019.3%
US Source Income Taxes	—	(21,640)	—	100%
Net income/ (loss) and comprehensive income/ (loss)	1,088,149	(1,753,533)	(2,841,682)	(261.1)%
Earnings/ (Loss) per common share, basic and diluted	0.31	(0.03)		
Weighted average number of common shares, basic and diluted	2,662,383	67,735,195		

*Vessel revenues, net* – Vessel revenues, net of charterers' commissions, increased by \$6,519,920, or 109.3%, from \$5,967,772 in the year ended December 31, 2019, to \$12,487,692 in the corresponding period of 2020. This increase was exclusively driven by the addition of the *M/V Magic Rainbow*, the *M/V Magic Horizon* and the *M/V Magic Nova* to our Fleet in the third and fourth quarters of 2020, respectively, which correspondingly increased our Fleet Available days from 545 in the year ended December 31, 2019, to 1,219 in the year ended December 31, 2020, partly counterbalanced by the weaker charter hire rates achieved in certain charter renewals in the current year mostly for the *M/V Magic P* and the *M/V Magic Sun* as compared to last year, which we predominantly attribute to the negative impact of the ongoing COVID-19 pandemic. The average daily TCE of our Fleet for the year ended December 31, 2020 was \$9,765, or 6.7% lower than the \$10,471 earned during the same period ended December 31, 2019, mainly as a result of the weaker charter market rates achieved for certain prolonged periods in 2020 to the majority part of our fleet, but mostly those achieved during the year for the *M/V Magic P* and *M/V Magic Sun*, as previously discussed. TCE rate is a non-GAAP measure. Please refer to "Item 3. Key Information— A. Selected Financial Data" for a reconciliation of the TCE rate to Vessel revenues, net, the most directly comparable U.S. GAAP measure.

*Voyage Expenses* – Voyage expenses consist primarily of brokerage commissions (including commissions from related parties, if any), port expenses, and gain/loss on bunkers. Gain/loss on bunkers may arise where the cost of the bunker fuel sold to the new charterer exceeds/falls short of the cost of the bunker fuel acquired, whereas, loss may also arise due to bunkers consumption due to repositioning, deviation(s) and/or port stay periods. The increase in voyage expenses by \$323,526, or by 123.9%, in the years ended December 31, 2019 and 2020, was primarily attributable to (i) higher charges for chartering brokerage commissions, consistent with our higher vessel revenues and (ii) \$222,753 of bunker losses we incurred in the year ended December 31, 2020, versus \$127,900 of bunker losses in the year ended December 31, 2019, mostly as a result of bunkers consumed during port stay, repositioning and/or deviation periods. The voyage expenses of our fleet, though, on a daily basis, were commensurate with the growth of our fleet since last year.

*Vessel Operating Expenses* – Vessel operating expenses increased by 165.7%, or \$4,644,448, to \$7,447,439 during the year ended December 31, 2020, from \$2,802,991 during the year ended December 31, 2019. On a daily basis, our operating expenses increased from \$5,041 in 2019 to \$5,301 in 2020. This increase was largely associated with (i) elevated crew costs for the vast majority of our fleet resulting from difficulties and delays in embarking and disembarking crew on our vessels amid the ongoing COVID-19 pandemic and, (ii) increased spares and repair maintenance costs for the *M/V Magic Rainbow*.

*Management Fees* – During the years ended December 31, 2019 and 2020, we incurred \$212,300 and \$930,500 in management fees, respectively, or an average daily management fee of \$382 and \$662, respectively. From January 1, 2020, the daily management fee of the vessels then comprising our fleet was \$500 per day and on September 1, 2020, we and Pavimar agreed to adjust the daily technical management fee of our fleet from \$500 per day to \$600 per day. In addition, effective September 1, 2020, we pay Castor Ships a daily commercial management fee of \$250. These are the main attributes to the increase in daily management fees in 2020 as compared with the prior year, whereas, the gross increase is also attributed to the growth of our fleet and the resultant increase in our fleet's Ownership Days from 556 in 2019 to 1,405 in 2020.

#### *General and Administrative Expenses*

- *Company administration expenses*

During the years ended December 31, 2019 and 2020, we incurred Company administration expenses of \$378,777 and \$1,130,953, respectively. Daily company administration expenses for each of the years ended December 31, 2019 and 2020 were \$681 and \$804, respectively. The \$123 increase in daily administration expenses mainly stemmed from additional legal, investor relations, listing and directors' insurance fees, commensurate with the growth of our business, as well as the quarterly \$0.3 million flat fee we pay Castor Ships effective September 1, 2020, in exchange for the management and administration of our business, further discussed under "Item 7. Major Shareholders and Related Party Transactions – B. Related Party Transactions".

- **Public registration costs**

Public registration costs decreased by \$132,091 or 100.0%, from \$132,091 for year ended December 31, 2019 to \$0 for the year ended December 31, 2020. Public registration costs relate to the costs incurred by the Company in connection with the Company's registration and listing of its 2,400,000 issued and outstanding common shares on the Norwegian OTC on December 21, 2018 and the NASDAQ Capital Market on February 11, 2019. Apart from registration and listing costs, public registration costs further include legal, consultancy and other costs incurred in connection with the subject listings. After the end of the first quarter of 2019, we did not incur nor do we expect to incur costs of similar nature.

*Depreciation and Amortization* – Depreciation and amortization expenses are comprised of vessels' depreciation and the amortization of vessels' capitalized dry-dock costs. Depreciation and amortization expenses increased for the year ended December 31, 2020 due to an increase in vessels' depreciation from \$556,101 in 2019 to \$1,750,434 in 2020 as a result of the increase in our Ownership days which was partly offset by a lower dry-dock amortization charge of \$154,529 for the year ended December 31, 2020 versus a relevant charge of \$341,070 in the respective period of 2019. Dry-dock days did not significantly vary in the years ended December 31, 2019 and 2020, however, average daily dry-dock amortization cost was approximately \$527 during 2020 versus an approximate cost of \$1,100 in 2019, which explains the above noted variation to a large extent.

*Interest and finance costs, net* – The increase by \$1,964,027 in net interest and finance costs in the year ended December 31, 2020, as compared with the previous year, is the result of (i) an increase in the level of weighted outstanding indebtedness from approximately \$3.5 million in 2019 to approximately \$20.2 million in 2020 (partly set-off, however, by the lower level of 5.0% of weighted average interest during 2020 as compared to 5.8% during 2019) and (ii) the non-cash recurring amortization expenses in connection with our existing credit facilities and the non-cash accelerated amortization expenses related to deferred financing costs and to a beneficial conversion feature recognized in connection with our fully repaid, as of December 31, 2020, \$5.0 Million Convertible Debentures aggregating to an amount of \$1,131,524.

#### **Recent Accounting Pronouncements**

Refer to "Note 2. Significant Accounting Policies" to our Consolidated Financial Statements included in this annual report.

#### **Inflation**

Inflation has not had a material effect on our expenses given recent economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase our operating costs.

#### **Currency Fluctuations**

Refer to risk factor "Exposure to currency exchange rate fluctuations will result in fluctuations in our cash flows and operating results". Currency fluctuations have not had a material effect on our expenses.

#### **Impact of Governmental Economic, Fiscal, Monetary or Political Policies**

Refer to risk factor "Political instability, terrorist attacks, international hostilities and global public health threats can affect the seaborne transportation industry, which could adversely affect our business".

### Implications of Being an Emerging Growth Company

We had less than \$1.07 billion in revenue during our last fiscal year, which means that we are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act, or JOBS Act. An emerging growth company may take advantage of specified reduced public company reporting requirements that are otherwise applicable generally to public companies. These provisions include:

- exemption from the auditor attestation requirement of management's assessment of the effectiveness of the emerging growth company's internal controls over financial reporting pursuant to Section 404(b) of Sarbanes-Oxley; and
- exemption from compliance with any new requirements adopted by the Public Company Accounting Oversight Board, or the PCAOB, requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and financial statements.

We may choose to take advantage of some or all of these reduced reporting requirements. We may take advantage of these provisions until the end of the fiscal year following the fifth anniversary of the date we first sell our common equity securities pursuant to an effective registration statement under the Securities Act or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if we have more than \$1.07 billion in "total annual gross revenues" during our most recently completed fiscal year, if we become a "large accelerated filer" with a public float of more than \$700 million, as of the last business day of our most recently completed second fiscal quarter or as of any date on which we have issued more than \$1 billion in non-convertible debt over the three-year period prior to such date. For as long as we take advantage of the reduced reporting obligations, the information that we provide shareholders may be different from information provided by other public companies.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. See Item 3. "Key Information—D. Risk Factors— We are an "emerging growth company" and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common shares less attractive to investors". As of October 1, 2018, we irrevocably elected to opt out of such extended transition period.

### B. Liquidity and Capital Resources

We operate in a capital-intensive industry and we expect to finance the purchase of additional vessels and other capital expenditures through a combination of proceeds from equity offerings, borrowings from debt transactions and cash generated from operations. Our liquidity requirements relate to servicing the principal and interest on our debt, funding capital expenditures and working capital (which includes maintaining the quality of our vessels and complying with international shipping standards and environmental laws and regulations) and maintaining cash reserves for the purpose of satisfying a certain minimum liquidity restrictions contained in our credit facilities. In accordance with our business strategy, other liquidity needs may relate to funding potential investments and maintaining cash reserves against fluctuations in operating cash flows. Our funding and treasury activities are intended to maximize investment returns while maintaining appropriate liquidity.

For the year ended December 31, 2020, our principal sources of funds were the net proceeds from (i) the issuance of common stock pursuant to the June Equity Offering and the July Equity Offering and the resultant issuance of certain Class A Warrants pursuant to the June Equity Offering and (ii) the incurrence of secured and unsecured debt as discussed below under "Our Borrowing Activities". As of December 31, 2020 and December 31, 2019, we had cash and cash equivalents of \$8.9 million and \$4.6 million (which excludes \$0.5 million of minimum cash restricted in both years under our debt agreements), respectively. Cash and cash equivalents are held in U.S. dollars.

Working capital is equal to current assets minus current liabilities. As of December 31, 2020, we had a working capital surplus of \$2.7 million as compared to a working capital surplus of \$3.2 million as of December 31, 2019. We believe that our current sources of funds and those that we anticipate to internally generate for a period of at least the next twelve months from the date of this annual report, will be sufficient to fund the operations of our Fleet, meet our normal working capital requirements and service the principal and interest on our debt.

### Capital Expenditures

We make capital expenditures from time to time in connection with vessel acquisitions and vessels upgrades and improvements (either for the purpose of meeting regulatory or legal requirements or for the purpose of complying with requirements imposed by classification societies), which we finance with cash from operations, debt and equity issuances. As of December 31, 2020, we had no commitments for capital expenditures related to vessel acquisitions. As of the date of this annual report, remaining capital expenditure requirements relating to our recent vessel acquisitions amount to 26.7 million, all due within 2021. We expect to cover such capital expenditures with cash from operations and cash on hand.

In November 2018, we entered into a contract to purchase and install BWMS on our then owned dry bulk carriers, as further amended in October 2019 and December 2020, to reflect our subsequent vessel acquisitions. We completed the BWMS installation on the *M/V Magic Sun* during the vessel's scheduled dry-docking which took place in the fourth quarter of 2020, whereas, the BWMS system installations on the *M/V Magic P* and the *M/V Magic Moon* were granted extensions from the third quarter of 2020 to the third quarter of 2022. It is estimated that the aggregate contractual obligations related to all these purchases as well as purchases on our remaining Fleet vessels (in cases where not already installed), excluding installation costs, will be approximately \$0.8 million, with scheduled payments of \$0.5 million in 2021 and \$0.3 million in 2022. We also expect to cover such cash flow needs with cash from operations and cash on hand.

A failure to fulfill our capital expenditure commitments generally results in a forfeiture of advances paid with respect to the contracted acquisitions and a write-off of capitalized expenses. In addition, we may also be liable for other damages for breach of contract(s). Such events could have a material adverse effect on our business, financial condition and results of operations.

### Equity Issuances

On June 28, 2019, we entered into an equity distribution agreement, or the Equity Distribution Agreement, with Maxim acting as a sales agent, under which we may, from time to time, offer and sell shares of our common stock through an at-the-market, or ATM, program having an aggregate offering price of up to \$10,000,000. As of December 31, 2020, we had raised gross and net proceeds (after deducting sales commissions and other fees and expenses) under the ATM of \$2.6 million and \$2.3 million, respectively, by issuing and selling 618,112 common shares. The net proceeds received under the ATM were used to partly finance the acquisition of the *M/V Magic Moon*. We have not incurred any further sales under the ATM program since September 2019.

On October 10, 2019, we reached an agreement with all of the holders of our Series A Preferred Shares to waive all due and overdue dividends and to adopt and to Amend and Restate the Statement of Designations of our Series A Preferred Shares, or the Series A Agreement. Pursuant to the Series A Agreement, on October 17, 2019, we issued 300,000 common shares to the holders of the Series A Preferred Shares in exchange for the waiver of approximately \$4.3 million worth of dividends accumulated on the Series A Preferred Shares, for the period since their original issuance to June 30, 2019.

On January 27, 2020, we entered into a securities purchase agreement with YAII PN, LTD, pursuant to which we agreed to sell and the Investor agreed to purchase up to three convertible debentures for a maximum aggregate price of \$5.0 million, further discussed below under "Our Borrowing Activities". During the period from January 2020 up until June 2020, the Investor had converted the full \$5.0 million principal amount and \$0.1 million of interest under the \$5.0 Million Convertible Debentures for 8,042,078 common shares.

On June 23, 2020, we entered into an agreement with Maxim, acting as underwriter, pursuant to which we offered and sold 59,110,000 units, each unit consisting of (i) one common share or a pre-funded warrant to purchase one common share at an exercise price equal to \$0.01 per common share (a "Pre-Funded Warrant"), and (ii) one Class A Warrant to purchase one common share (a "Class A Warrant"), for \$0.35 per unit (or \$0.34 per unit including a Pre-Funded Warrant), or the June Equity Offering. The June Equity Offering, which closed on June 26, 2020, resulted in the issuance of 59,082,686 common shares and 59,110,000 Class A Warrants, which also included 7,710,000 over-allotment units pursuant to an over-allotment option that was exercised by Maxim on June 24, 2020. In connection with this offering, we raised gross and net cash proceeds of approximately \$20.7 million and \$18.6 million, respectively. Further, as of March 26, 2021, an aggregate of 58,393,700 Class A Warrants have been exercised at an exercise price of \$0.35 per warrant, for which we have received total gross proceeds of approximately \$20.4 million.

On July 12, 2020, we entered into agreements with certain unaffiliated institutional investors pursuant to which we offered 57,750,000 common shares in a registered offering (the "July Equity Offering"). In a concurrent private placement, we also issued warrants to purchase up to 57,750,000 common shares (the "Private Placement Warrants"). The aggregate purchase price for each common share and Private Placement Warrant was \$0.30. In connection with the July Equity Offering, which closed on July 15, 2020, we received gross and net cash proceeds of approximately \$17.3 million and \$15.6 million, respectively. Further, as of March 26, 2021, an aggregate of 57,071,360 Private Placement Warrants have been exercised at an exercise price of \$0.35 per warrant, for which we have received total gross proceeds of approximately \$20.0 million.

On December 30, 2020, we entered into agreements with certain unaffiliated institutional investors pursuant to which we offered 94,750,000 common shares and warrants to purchase 94,750,000 common shares (the "January 5 Warrants") in a registered direct offering which closed on January 5, 2021. The aggregate purchase price for each common share and January 5 Warrant was \$0.19. In connection with this offering, we received gross proceeds of approximately \$18.0 million and net proceeds of approximately \$16.4 million, net of estimated fees and expenses of approximately \$1.6 million. All of the January 5 Warrants have been exercised at an exercise price of \$0.19 per warrant, for which we have received total gross proceeds of approximately \$18.0 million.

On January 8, 2021, we entered into agreements with certain investors pursuant to which we offered 137,000,000 common shares and warrants to purchase 137,000,000 common shares (the "January 12 Warrants") in a registered direct offering. The aggregate purchase price for each common share and January 12 Warrant was \$0.19. In connection with this offering, which closed on January 12, 2021, we received gross proceeds of approximately \$26.0 million and net proceeds of approximately \$24.0 million, net of estimated fees and expenses of approximately \$2.0 million. All of the January 12 Warrants have been exercised at an exercise price of \$0.19 per warrant, for which we have received total gross proceeds of approximately \$26.0 million.

#### **Our Borrowing Activities**

As of December 31, 2020, we had \$18.5 million of gross indebtedness outstanding under our debt agreements, of which \$7.2 million matures in the twelve-month period ending December 31, 2021. Our contractual commitments, as of December 31, 2020, primarily relate to debt and interest repayments of \$20.0 million under our credit facilities, of which approximately \$7.8 million mature in less than one year. As of December 31, 2020, we also were in compliance with all the financial and liquidity covenants contained in the Alpha Bank Facility (defined below) and the Chailease Financial Services Facility.

#### **\$5.0 Million Term Loan Facility**

On August 30, 2019, we entered into a \$5.0 million unsecured term loan with Thalassa Investment Co. S.A., or Thalassa, an entity affiliated with Petros Panagiotidis, or the \$5.0 Million Term Loan Facility. The proceeds from the \$5.0 Million Term Loan Facility were used to partly finance the acquisition of the *M/V Magic Sun*. The entire loan amount was drawn down on September 3, 2019. The \$5.0 Million Term Loan Facility bears a fixed interest rate at 6.0% per annum and had an original bullet repayment on March 3, 2021, a date which was eighteen (18) months after the drawdown date. On March 2, 2021, the maturity of the \$5.0 Million Term Loan Facility was extended for an additional six-month term on similar terms with those of the original loan agreement. The \$5.0 Million Term Loan Facility may be prepaid in whole or in part at any time prior to its maturity, at our option. The \$5.0 Million Term Loan Facility contains event of default provisions and covenants customary for unsecured facilities of this type, including, but not limited to, failure to pay, bankruptcy and insolvency, material litigation, change of business, as further set forth in the provisions of the \$5.0 Million Term Loan Facility. The \$5.0 Million Term Loan Facility does not impose any financial covenant requirements or other minimum liquidity restrictions on us.

#### **Alpha Bank Facility - \$11.0 Million Senior Secured Credit Facility**

On November 22, 2019, Spetses Shipping Co. and Pikachu Shipping Co., our wholly-owned subsidiaries, concluded as co-borrowers, or the Borrowers, our first secured financing in the amount of \$11.0 million, or the Alpha Bank Facility, the net proceeds of which were drawn down on December 2, 2019. The Alpha Bank Facility has a term of five years from the drawdown date, bears interest at 3.50% over LIBOR per annum and is repayable in twenty (20) equal quarterly instalments of \$400,000 each, plus a balloon instalment payable at maturity, on December 2, 2024. The facility is secured by, including but not limited to, a first preferred mortgage and first priority general assignment covering earnings, insurances and requisition compensation over the vessels owned by the Borrowers, an earnings account pledge, shares security deed relating to the shares of the vessels' owning subsidiaries, manager's undertakings and is guaranteed by Castor.

The Alpha Bank Facility contains certain customary minimum liquidity restrictions and financial covenants that require the Borrowers to:

- maintain a certain amount of minimum free liquidity per collateralized vessel ("the Minimum Liquidity Deposit"); and
- meet a specified minimum security requirement ratio, which is the ratio of the aggregate market value of the mortgaged vessels plus the value of any additional security and the value of the Minimum Liquidity Deposit to the aggregate principal amounts due under the Alpha Bank Facility.

#### **Chailease Financial Services Facility - \$4.5 Million Senior Secured Credit Facility**

On January 23, 2020, pursuant to the terms of a credit agreement, Bistro Maritime Co., our wholly-owned subsidiary, entered into a \$4.5 million secured term loan facility with Chailease International Financial Services Co., Ltd., or the Chailease Financial Services Facility. The loan was drawn down on January 31, 2020, is repayable in twenty (20) equal quarterly installments of \$150,000 each, plus a balloon installment payable at maturity and bears interest at 4.50% plus LIBOR per annum. The facility contains a standard security package including a first preferred mortgage on the vessel, pledge of bank account, charter assignment, shares pledge and a general assignment over the vessel's earnings, insurances and any requisition compensation in relation to the vessel owned by the borrower, and is guaranteed by the Company and Pavimar. Pursuant to the terms of the Chailease Financial Services Facility, the Company is also subject to a certain minimum liquidity restriction requiring the borrower to maintain a certain credit balance with the lender (the "Cash Collateral") as well as certain customary, for this type of facilities, negative covenants. The credit agreement governing the Chailease Financial Services Facility also requires maintenance of a minimum value to loan ratio being the aggregate principal amount of (i) fair market value of the collateral vessel and (ii) the value of any additional security (including the Cash Collateral), to the aggregate principal amount of the loan.

#### **\$5.0 Million Convertible Debentures**

On January 27, 2020, we entered into a securities purchase agreement with the Investor, pursuant to which, on January 27, 2020, February 10, 2020 and February 19, 2020, we issued and sold to the Investor three convertible debentures in original principal amounts of \$2.0 million, \$1.5 million and \$1.5 million each, respectively. The \$5.0 Million Convertible Debentures originally matured 12 months from their issuance dates and bore fixed interest at 6% per annum. As of June 9, 2020, the Investor had converted the aggregate \$5.0 million of principal and \$0.1 million of interest due under the \$5.0 Million Convertible Debentures for 8,042,078 common shares.

### \$15.3 Million Term Loan Facility

On January 22, 2021, pursuant to the terms of a credit agreement, Pocahontas Shipping Co. and Jumaru Shipping Co., our wholly-owned subsidiaries, entered into the \$15.3 Million Term Loan Facility with Hamburg Commercial Bank AG. The loan was drawn down on January 27, 2021, is repayable in sixteen (16) equal quarterly installments of \$471,000 each, plus a balloon installment payable at maturity and bears interest at 3.30% plus LIBOR per annum. The facility contains a standard security package including first preferred mortgages on the vessels, pledge of bank accounts, charter assignments, shares pledge and a general assignment over the vessels' earnings, insurances and any requisition compensation in relation to the vessels owned by the borrowers, and is guaranteed by the Company. Pursuant to the terms of the \$15.3 Million Term Loan Facility, the Company is also subject to a certain minimum liquidity restriction requiring the borrowers to maintain a certain credit balance with the lender (the "Liquidity Accounts"), to maintain and gradually fund certain dry-dock reserve accounts (the "Dry-dock Reserve Accounts") in order to ensure the payment of any costs incurred in relation to the next dry-docking of each mortgaged vessel, as well as to certain customary, for this type of facilities, negative covenants. The credit agreement governing the \$15.3 Million Term Loan Facility also requires maintenance of a minimum security cover ratio being the aggregate amount of (i) the fair market value of the collateral vessels, (ii) the value of the Liquidity Accounts, (iii) the value of the Dry-dock Reserve Accounts and (iv) any additional security provided, over the aggregate principal amount outstanding of the loan.

The Company intends to use the net proceeds from the \$15.3 Million Term Loan Facility to support the Company's growth plans and for general corporate purposes.

### Cash Flows

The following table summarizes our net cash flows from operating, investing and financing activities for the years ended December 31, 2020 and 2019:

<i>(In US Dollars)</i>	<b>For the year ended</b>	
	<b>December 31, 2019</b>	<b>December 31, 2020</b>
Net cash provided by/ (used in) operating activities	2,311,962	(2,343,809)
Net cash used in investing activities	(17,227,436)	(35,472,173)
Net cash provided by financing activities	18,087,133	42,183,946

*Operating Activities:* For the year ended December 31, 2020, net cash used in operating activities amounted to \$2.3 million, consisting of net income after non-cash items of \$1.1 million less a decrease in working capital by \$3.4 million. For the year ended December 31, 2019, net cash provided by operating activities amounted to \$2.3 million, consisting of net income after non-cash items of \$2.0 million plus an increase in working capital of \$0.3 million. The major driver of the decrease in cash provided by/ (used in) operating activities is the increase in interest costs paid as discussed in "Item 5. Operating and Financial Review and Prospects", as compared to the fiscal year ended December 31, 2019, further impacted by (i) increased cash outflows related to dry-docking capitalized expenses by \$1.3 million in 2020 compared to 2019, (ii) decreased cash inflows from trade receivables by \$1.6 million and (iii) other negative cash flow variations in working capital accounts during the fiscal year ended December 31, 2020 as compared with the fiscal year ended December 31, 2019.

*Investing Activities:* Net cash used in investing activities in the fiscal year ended December 31, 2020 reflects the cash outflows associated with (i) the acquisitions of the *M/V Magic Rainbow*, the *M/V Magic Horizon* and the *M/V Magic Nova* in the third and fourth quarters of 2020 and (ii) the BWMS installations on the *M/V Magic P* and the *M/V Magic Sun*. Net cash used in investing activities in the fiscal year ended December 31, 2019 reflects the cash outflows associated with the acquisition of the *M/V Magic Sun* in September 2019 and of the *M/V Magic Moon* in October 2019.

*Financing Activities:* Net cash from financing activities of \$42.2 million for the year ended December 31, 2020 consisted of (i) the net cash proceeds received pursuant to the June Equity Offering and the July Equity Offering amounting to \$35.3 million, (ii) proceeds of \$9.5 million in the period from the \$5.0 Million Convertible Debentures and the Chailease Financial Services Facility, (iii) principal scheduled repayments under our credit facilities amounting to \$2.0 million and (iv) payment of deferred finance costs in connection with the closing of our debt agreements in an aggregate amount of \$0.6 million.



**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. Charter hire rates paid for dry bulk and tanker vessels are primarily a function of the underlying balance between vessel supply and demand. For a discussion regarding the market performance, please see "Item 5. Operating and Financial Review and Prospects—A. Operating Results—Cyclical Nature of the Industry".

While global trade is likely to continue to grow, we expect the overcapacity in the shipping market to come to a stop and, therefore, no longer exert the considerable pressure that it did on charter rates in recent years. There can be no assurance as to how long charter rates will remain at their current levels or whether they will improve or deteriorate and, if so, when and to what degree. Charter rates may remain at current levels for some time, which may adversely affect our future growth potential and our profitability. Also, 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.

**E. Off Balance Sheet Arrangements**

As of December 31, 2020, we did not have any off-balance sheet arrangements.

**F. Tabular Disclosure of Contractual Obligations**

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

Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt	\$ 18,450,000	\$ 7,200,000	\$ 4,400,000	\$ 6,850,000	\$ -
Interest on long-term debt <sup>(1)</sup>	1,539,058	557,163	744,892	237,003	-
Administration fees - Castor Ships <sup>(2)</sup>	5,600,000	1,200,000	2,400,000	2,000,000	-
Management fees- Pavimar & Castor Ships <sup>(2)</sup>	8,690,400	1,861,500	3,723,000	3,105,900	-
Capital expenditures related to BWMS purchases <sup>(3)</sup>	849,122	495,871	353,251	-	-
<b>Total</b>	<b>\$ 35,128,580</b>	<b>\$ 11,314,534</b>	<b>\$ 11,621,143</b>	<b>\$ 12,192,903</b>	<b>\$ -</b>

- (1) Our variable rate long-term debt outstanding as of December 31, 2020 bears variable interest at a margin over LIBOR. The calculation of interest payments has been made assuming interest rates based on the LIBOR specific to our variable rate credit facilities as of December 31, 2020, and our applicable margin rate.
- (2) For further discussion on our contractual relationship with our managers, please see "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions".
- (3) Our calculation of the contractual obligations related to BWMS purchases as of December 31, 2020 excludes installation costs and other unforeseen costs that we might incur as part of the systems' installation and has been made on the basis of a Euro/US Dollar exchange rate of €1.0000/\$1.2271 as of December 31, 2020. For further discussion regarding the respective commitments, please see section Capital Expenditures above.

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

Please see "Cautionary Statement Regarding Forward Looking Statements" at the beginning of this annual report.

#### **Critical Accounting Estimates**

We prepare our financial statements in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. For a description of our material accounting policies, please read "Item 18. Financial Statements" and more precisely "Note 2. Summary of Significant Accounting Policies" of our Consolidated Financial Statements.

#### **Vessels' Depreciation**

We record the value of our dry bulk vessels at their cost (which includes the contract price plus any direct expenses incurred upon acquisition, including improvements, delivery expenses and other expenditures to prepare the vessel for its initial voyage) less accumulated depreciation. Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of a vessel; otherwise these amounts are charged to expense as incurred. Depreciation is calculated on a straight-line basis over the vessels' remaining economic useful life, estimated to be 25 years from the date of initial delivery from the shipyard, after considering the estimated residual value. Residual value is estimated by taking an estimated steel scrap rate times the weight of the ship noted in lightweight ton. Residual values are periodically reviewed and revised, if needed, to recognize changes in conditions, new regulations or for other reasons. Changes in the useful life of a vessel or in its residual value affect the depreciable amount of the vessels and affect the depreciation expense in the period of the revision and in future periods. Our vessels, being secondhand vessels, are depreciated from the date of their acquisition through their remaining estimated useful life. The assumptions inherent in the calculation of vessels' depreciation are based on current and historical market trends. We do not expect these assumptions to change in the near future unless market trends will indicate otherwise. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its remaining useful life is adjusted at the date such regulations become effective.

#### **Vessel Lives and Impairment**

The carrying value of each of our vessels represents its original cost (contract price plus any direct expenses incurred upon acquisition, including improvements, delivery expenses and other expenditures to prepare the vessel for its intended use) at the time of delivery or purchase less accumulated depreciation. Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of a vessel; otherwise these amounts are charged to expense as incurred. The Company reviews for impairment its long-lived assets held and used whenever events or changes in circumstances (such as market conditions, obsolescence or damage to the asset, potential sales and other business plans) indicate that the carrying amount of the assets may not be recoverable. When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use of the asset is less than its carrying amount, we are required to evaluate the asset for an impairment loss. Measurement of the impairment loss is based on the fair value of the asset.

The carrying values of our vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuilds. Historically, both charter rates and vessel values tend to be cyclical.

The table below specifies (i) the carrying value of each of our vessels as of December 31, 2020 and 2019 and (ii) which of those vessels we believe had a charter-free market value below its carrying value. We believe that the aggregate carrying value of the vessels indicated with an asterisk below exceeded their aggregate basic charter-free market value by approximately \$0.8 million as of December 31, 2020. This aggregate difference represents the approximate analysis of the amount by which we believe we would have to reduce our net loss if we sold all of such vessels in the current environment, on industry standard terms, in cash transactions, to a willing buyer in circumstances where we are not under any compulsion to sell, and where the buyer is not under any compulsion to buy. For purposes of this calculation, we have assumed that the vessels would be sold at a price that reflects our estimate of their current basic market values.

Our estimates of basic market value assume that the vessels are all in good and seaworthy condition without need for repair and, if inspected, would be certified in class without notations of any kind. Our estimates are based on the estimated market values for the vessels received from a third-party independent shipbroker approved by our financing providers. Vessel values are highly volatile. Accordingly, as such, our estimates may not be indicative of the current or future basic market value of the vessels or prices that could be achieved if the vessels were to be sold.

Vessels	Date acquired	Carrying value as of December 31, 2020 (in millions of United States dollars)	Carrying value as of December 31, 2019 (in millions of United States dollars)
Magic P	21/02/2017	\$ 6.8	\$ 6.7
Magic Sun	05/09/2019	\$ 6.9*	\$ 6.8
Magic Moon	20/10/2019	\$ 9.6*	\$ 10.2
Magic Rainbow	08/08/2020	\$ 8.0	-
Magic Horizon	09/10/2020	\$ 12.9	-
Magic Nova	15/10/2020	\$ 13.8	-
<b>Total</b>		<b>\$ 58.0</b>	<b>\$ 23.7</b>

\* Indicates vessels for which we believe that, as of December 31, 2020, the carrying value exceeded the charter-free market value. As discussed below, we believe that the carrying values of our vessels as of December 31, 2020 and 2019 were recoverable as the undiscounted projected net operating cash flows of these vessels exceeded their carrying value by a significant amount.

We performed undiscounted cash flow tests as of December 31, 2020, as an impairment analysis, in which we made estimates and assumptions relating to determining the projected undiscounted net operating cash flows by considering the following:

- the charter revenues from existing time charters for the fixed fleet days;
- estimated vessel operating expenses and voyage expenses;
- estimated dry-docking expenditures;
- an estimated gross daily charter rate for the unfixed days (based on the ten-year average of the historical six-months and one-year time charter rates available for each type of vessel) over the remaining economic life of each vessel, excluding days of scheduled off-hires and net of commissions;
- residual value of vessels;
- commercial and technical management fees;
- an estimated utilization rate; and
- the remaining estimated life of our vessels.

The net operating undiscounted cash flows are then compared with the vessels' net book value plus unamortized dry-docking costs. The difference, if any, between the carrying amount of the vessel plus unamortized dry-docking costs and their fair value is recognized in the Company's accounts as impairment loss.

Although we believe that the assumptions used to evaluate potential impairment, which are largely based on the historical performance of our fleet, are reasonable and appropriate, such assumptions are highly subjective. There can be no assurance as to how charter rates and vessel values will fluctuate in the future. Charter rates may, from time to time throughout our vessels' lives, remain for a considerable period of time at depressed levels which could adversely affect our revenue and profitability, and future assessments of vessel impairment.

Our assumptions, based on historical trends, and our accounting policies are as follows:

- in accordance with the prevailing industry standard, depreciation is calculated using an estimated useful life of 25 years for our vessels, commencing at the date the vessel was originally delivered from the shipyard;
- estimated useful life of vessels takes into account commercial considerations and regulatory restrictions;
- estimated charter rates are based on rates under existing vessel contracts and thereafter at market rates at which we expect we can re-charter our vessels based on market trends. We believe that the ten-year average historical time charter rate is appropriate (or less than ten years if appropriate data is not available) for the following reasons:
  - it reflects more accurately the earnings capacity of the type, specification, deadweight capacity and average age of our vessels;
  - it reflects the type of business conducted by us (period as opposed to spot);
  - it includes at least one market cycle; and
  - respective data series are adequately populated.
- estimates of vessel utilization, including estimated off-hire time are based on the historical experience of our fleet;
- estimates of operating expenses and dry-docking expenditures are based on historical operating and dry-docking costs based on the historical experience of our fleet and our expectations of future operating requirements;
- vessel residual values are a product of a vessel's lightweight tonnage and an estimated scrap rate; and
- the remaining estimated lives of our vessels used in our estimates of future cash flows are consistent with those used in our depreciation calculations.

The impairment test that we conduct is most sensitive to variances in future time charter rates. Based on the sensitivity analysis performed for December 31, 2020, we would begin recording impairment on the first vessel that will incur impairment if time charter declines by 7% from their ten-year historical averages.

Based on the above assumptions we determined that the undiscounted cash flows support the vessels' carrying amounts as of December 31, 2020.

**ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

**A. Directors and Senior Management**

Set forth below are the names, ages and positions of our directors and executive officer. Our Board currently consists of three directors and is elected annually on a staggered basis, and each director elected holds office for a three-year term. The business address of each of our directors and executive officer listed below is Castor Maritime Inc., 223 Christodoulou Chatzizavlou Street, Hawaii Royal Gardens, 3036 Limassol, Cyprus.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Petros Panagiotidis	31	Chairman, Chief Executive Officer, Chief Financial Officer, President, Treasurer and Class C Director
Dionysios Makris	40	Secretary and Class B Director
Georgios Daskalakis	31	Class A Director

Certain biographical information with respect to each director and senior management of the Company listed above is set forth below.

**Petros Panagiotidis, Chairman, Chief Executive Officer, Chief Financial Officer, President, Treasurer and Class C Director**

Petros Panagiotidis, is the founder of Castor Maritime Inc. He has been serving as the Company’s Chairman of the Board, Chief Executive Officer and Chief Financial Officer since our inception in 2017. During his years with Castor Maritime he has been actively engaged in the successful company’s listing on the NASDAQ Capital Market in February 2019. He is responsible for the implementation of our business strategy and the overall management of our affairs. Prior to founding Castor Maritime, he gained extensive experience working in shipping and investment banking positions focused on operations, corporate finance and business management. He holds a bachelor’s degree in International Studies and Mathematics from Fordham University and a Master’s Degree in Management and Systems from the New York University.

**Dionysios Makris, Secretary and Class B Director**

Dionysios Makris has been a non-executive member and Secretary of our Board since our establishment in September 2017. He is a lawyer and has been a member of the Athens Bar Association since September 2005. He is currently based in Piraeus, Greece and is licensed to practice law before the Supreme Court of Greece. He practices mainly shipping and commercial law and is involved in both litigation and transactional practice. He holds a Bachelor of Laws degree from the Law School of the University of Athens, Greece and a Master of Arts degree in International Relations from the University of Warwick, United Kingdom.

**Georgios Daskalakis, Class A Director**

Georgios Daskalakis has been a non-executive member of our Board since our establishment in September 2017. He has invested all of his professional life in the shipping industry and held various positions for different prominent companies. From 2013 to 2015, he was an insurance officer at Minerva Marine Inc. Later on, from 2015 to 2017, he served as an operator of tanker vessels at Trafigura Maritime Logistics PTE Ltd. He is currently employed at M/Maritime Corp., a company he has been with since 2017 and in which he has held several positions. Currently, he serves as a Chief Commercial Officer and Chairman of the Board of Directors. He holds a Bachelor’s degree from Babson College with a concentration on Economics and Finance as well as a Master of Science degree in Shipping, Trade and Finance from the Costas Grammenos Centre for Shipping, Trade and Finance, Cass Business School, City University of London.

## **B. Compensation**

### **Compensation of Directors**

The compensation payable to our Chairman, Chief Executive Officer and Chief Financial Officer for the years ended December 31, 2020, and December 31, 2019, which includes the three-month transition period ended December 31, 2018, amounted to \$0.01 million and \$0.01 million, respectively. Effective October 1, 2020, we terminated the compensation payments towards our Chief Executive Officer and Chief Financial Officer. Subsequent to the termination of our executive compensation payments, the services rendered by our Chairman, Chief Executive Officer and Chief Financial Officer are included in our master agreement with Castor Ships described under "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions", below. For the year ended December 31, 2020, we paid our non-executive directors fees in the aggregate amount of \$20,000 per annum, or \$10,000 per director per annum, plus reimbursement for their out-of-pocket expenses. We did not pay our non-executive directors any compensation since our inception until December 31, 2019. Our Chief Executive Officer and Chief Financial Officer who also serves as our director does not receive additional compensation for his service as director.

## **C. Board Practices**

Our Board currently consists of three directors and is elected annually on a staggered basis. Each director elected holds office for a three-year term or until his successor is duly elected and qualified, except in the event of his death, resignation, removal or the earlier termination of his term of office. At our annual meeting of shareholders held on November 25, 2020, our shareholders re-elected our Class C director to serve until the annual meeting of shareholders to be held in 2023 and approved the granting of discretionary authority to our Board to effect one or more reverse stock splits of our issued common shares, at a ratio of not less than one-for-two and not more than one-for-75 and in the aggregate at a ratio of not more than one-for-75, inclusive, with the exact ratio to be set at a whole number within this range to be determined by the Board, or any duly constituted committee thereof. The term of office of our Class A director expires at the annual meeting of shareholders to be held in 2021, and the term of office our Class B director expires at the annual meeting of shareholders to be held in 2022. Officers are appointed from time to time by our Board and hold office until a successor is appointed. Our directors do not have service contracts and do not receive any benefits upon termination of their directorships.

Our audit committee is comprised of our independent directors, Mr. Dionysios Makris and Mr. Georgios Daskalakis. Our Board has determined that the members of the audit committee meet the applicable independence requirements of the Commission and the Nasdaq Stock Market Rules. Our Board has determined that Mr. Georgios Daskalakis is an "Audit Committee Financial Expert" under the Commission's rules and the corporate governance rules of the Nasdaq Stock Market. The audit committee is responsible for our external financial reporting function as well as for selecting and meeting with our independent registered public accountants regarding, among other matters, audits and the adequacy of our accounting and control systems. Our audit committee is also responsible for reviewing all related party transactions for potential conflicts of interest and all related party transactions are subject to the approval of the audit committee.

## **D. Employees**

As of the date of this annual report, Mr. Petros Panagiotidis, holding the positions of Chairman, Chief Executive Officer and Chief Financial Officer, is our only employee.

## **E. Share Ownership**

With respect to the total amount of common shares owned by all of our officers and directors individually and as a group, please see "Item 7. Major Shareholders and Related Party Transactions". Please also see "Item 10. Additional Information—B. Memorandum and Articles of Association" for a description of the rights of holders of our Series B Preferred Shares relative to the rights of holders of shares of our common stock.

**ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

**A. Major Shareholders**

Based on information available to us, including information contained in public filings, as of March 26, 2021, there were no beneficial owners of 5% or more of our common shares. The following table sets forth certain information regarding the beneficial ownership of common shares and Series B Preferred Shares of all of our directors and officers as of March 26, 2021.

All of our common shareholders are entitled to one vote for each common share held.

The percentage of beneficial ownership is based on 707,157,936 common shares outstanding as of March 26, 2021.

Name of Beneficial Owner	No. of Common Shares	Percentage
All executive officers and directors as a group <sup>(1) (2)</sup>	-	-%

- (1) Neither any member of our Board of Directors or executive officer individually, nor all of them taken as a group, hold more than 1% of our outstanding common shares.
- (2) Petros Panagiotidis owns 1,124,094 common shares and 12,000 Series B Preferred Shares (representing all such Series B Preferred Shares outstanding, each Series B Preferred Share having the voting power of one hundred thousand (100,000) common shares). Please see "Item 10. Additional Information—B. Memorandum and Articles of Association" for a description of the rights of holders of our Series B Preferred Shares relative to the rights of holders of shares of our common stock.

**B. Related Party Transactions**

From time to time, we have entered into agreements and have consummated transactions with certain related parties. We may enter into related party transactions from time to time in the future.

**Management, Commercial and Administrative Services**

Our vessels are technically managed by Pavimar, a company controlled by Ismini Panagiotidis, the sister of our Chairman, Chief Executive Officer and Chief Financial Officer, Petros Panagiotidis. Under the technical management agreements, our ship-owning subsidiaries pay a \$600 daily fee to Pavimar for the provision of a wide range of shipping services such as crew management, technical management, operational employment management, insurance arrangements, provisioning, bunkering, accounting and audit support services, which it may choose to subcontract to other parties at its discretion. Pavimar and one of our wholly-owned subsidiaries have entered into a management agreement with Fleet Ship Management Inc. ("Fleet Ship"), a third-party ship-management company, pursuant to which Fleet Ship provides technical management to the *M/V Magic Nova*. Pavimar pays, at its own expense, Fleet Ship a fee for the services it has subcontracted to it, without burdening the Company with any additional cost. The technical management agreements have a term of five years and such term automatically renews for a successive five-year term on each anniversary of their effective date, unless the agreements are terminated earlier in accordance with the provisions contained therein. In the event that the Pavimar management agreements are terminated by the ship-owning subsidiaries other than by reason of default by Pavimar, a termination fee equal to four times the total amount of the daily management fee calculated on an annual basis shall be payable from the ship-owning subsidiaries to Pavimar. The technical management agreements also provide that the management fees shall be subject to an annual review on their anniversary.

Our vessels are commercially managed by Castor Ships, a company controlled by our Chairman, Chief Executive Officer and Chief Financial Officer. Castor Ships manages our business overall and provides us with commercial, chartering and administrative services, including, but not limited to, securing employment for our Fleet, arranging and supervising the vessels' commercial operations, handling all of the Company's vessel sale and purchase transactions, undertaking related shipping project and management advisory and support services, as well as other associated services requested from time to time by us and our ship-owning subsidiaries. In exchange for these services, we and our subsidiaries pay Castor Ships (i) a flat quarterly management fee in the amount of \$0.3 million for the management and administration of our business, (ii) a daily fee of \$250 per vessel for the provision of commercial services, (iii) a commission rate of 1.25% on all charter agreements and (iv) a commission of 1% on each sale and purchase transaction. The Castor Ships management agreements have a term of five years and such term automatically renews for a successive five-year term on each anniversary of the effective date, unless the agreements are terminated earlier in accordance with the provisions contained therein. In the event that the Castor Ships management agreements are terminated by the Company, or are terminated by Castor Ships due to a material breach of the master management agreement by the Company or a change of control in the Company, Castor Ships shall be entitled to a termination fee equal to four times the total amount of the flat management fee and the per vessel management fees calculated on an annual basis. The commercial ship management agreements with Castor Ships also provide that the management fees shall be subject to an annual review on their anniversary.

#### **Vessel Acquisition**

On October 14, 2019, we entered into, through a separate wholly-owned subsidiary, an agreement to purchase a 2005 Japan built Panamax dry bulk carrier, the *Magic Moon*, for a purchase price of \$10.2 million from a third party in which a family member of our Chairman, Chief Executive Officer and Chief Financial Officer has an interest.

#### **Loans**

##### **\$5.0 Million Term Loan Facility**

On August 30, 2019, we entered into the \$5.0 Million Term Loan Facility with Thalassa, an entity affiliated with Petros Panagiotidis. Please see "Item 5 – Liquidity and Capital Resources – Our Borrowing Activities" for more information about the \$5.0 Million Term Loan Facility.

##### **\$7.5 Million Shareholder Bridge Loan**

On October 20, 2019, we took delivery of the *Magic Moon* that was purchased for \$10.2 million from a third party in which a family member of Petros Panagiotidis has an interest. The purchase of the *Magic Moon* was financed using a combination of cash on hand, the net cash proceeds from sales under our ATM Program received through September 30, 2019 and the proceeds from a \$7.5 million interest free unsecured bridge loan, which was provided to us by an entity controlled by Petros Panagiotidis, or the \$7.5 Million Shareholder Bridge Loan. The \$7.5 Million Shareholder Bridge Loan, originally maturing on December 31, 2019, allowed us to timely partly finance the *Magic Moon* acquisition while in the meantime assessing financing options for our Fleet. Our Board and a special committee consisting of disinterested and independent members of the Board approved the \$7.5 Million Shareholder Bridge Loan. On December 6, 2019, we repaid the \$7.5 Million Shareholder Bridge Loan in full by partially using the net proceeds received under the Alpha Bank Facility, further discussed under "Item 5 – Liquidity and Capital Resources – Our Borrowing Activities".

#### **2019 Commercial Services**

During 2019, we occasionally used the commercial services of Alexandria Enterprises S.A., ("Alexandria") an entity controlled by a family member of the Company's Chairman, Chief Executive Officer and Chief Financial Officer. In exchange for these services, Alexandria charged the Company a commission rate equal to 1.25% of the gross charter hire, freight and the ballast bonus earned under a charter agreement. During the year ended December 31, 2019, commissions charged by Alexandria amounted to \$40,471. We did not incur any charges from Alexandria during the year ended December 31, 2020 and we no longer use the services of Alexandria.



**C. Interests of Experts and Counsel**

Not applicable.

**ITEM 8. FINANCIAL INFORMATION**

**A. Consolidated Statements and other Financial Information**

Please see "Item 18. Financial Statements".

**Legal Proceedings**

To our knowledge, we are not currently a party to any lawsuit that, if adversely determined, would have a material adverse effect on our financial position, results of operations or liquidity. As such, we do not believe that pending legal proceedings, taken as a whole, should have any significant impact on our financial statements. From time to time in the future, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. While we expect that these claims would be covered by our existing insurance policies, those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We have not been involved in any legal proceedings which may have, or have had, a significant effect on our financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our financial position, results of operations or liquidity.

**Dividend Policy**

Under our Bylaws, our Board may declare and pay dividends in cash, stock or other property of the Company. Any dividends declared will be in the sole discretion of the Board and will depend upon earnings, restrictions in any of our agreements, market prospects, current capital expenditure programs and investment opportunities, the provisions of Marshall Islands law affecting the payment of distributions to shareholders and other factors.

Any dividends paid by us may be treated as ordinary income to a U.S. shareholder. Please see the section entitled "Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations—U.S. Federal Income Taxation of U.S. Holders—Distributions" for additional information relating to the U.S. federal income tax treatment of our dividend payments, if any are declared in the future.

In addition, we may incur expenses or liabilities, including extraordinary expenses, decreases in revenues, including as a result of unanticipated off-hire days or loss of a vessel, or increased cash needs that could reduce or eliminate the amount of cash that we have available for distribution as dividends. The dry bulk and tanker charter markets are cyclical and volatile. We cannot predict with accuracy the amount of cash flows our operations will generate in any given period. Factors beyond our control may affect the charter market for our vessels and our charterer's ability to satisfy their contractual obligations to us, and we cannot assure you that dividends will actually be declared or paid in the future. We are a recently formed company and have a limited performance record and operating history. Accordingly, we cannot assure you that we will be able to pay dividends at all, and our ability to pay dividends will be subject to the limitations set forth above and in the section of this annual report titled "Risk Factors".

Dividends on our Series A Preferred Shares accrue and are cumulative starting on January 1, 2022 and are payable on each June 15 and December 15, when, as and if declared by our Board or any authorized committee thereof out of legally available funds for such purpose. The dividend rate for our Series A Preferred Shares is 9.75% per annum per share. Please see the section herein "Item 10. Additional Information —B. Memorandum and Articles of Association —Description of Series A Preferred Shares" for a description of the dividend terms of the Series A Preferred Shares.

Marshall Islands law provides that we may pay dividends on and redeem any shares of capital stock, including the Series A Preferred Shares, only to the extent that assets are legally available for such purposes. Legally available assets generally are limited to our surplus, which essentially represents our retained earnings and the excess of consideration received by us for the sale of shares above the par value of the shares. In addition, under Marshall Islands law, we may not pay dividends on or redeem any shares of capital stock, including the Series A Preferred Shares, if we are insolvent or would be rendered insolvent by the payment of such a dividend or the making of such redemption.

We have not paid any dividends to our shareholders as of the date of this annual report.

**B. Significant Changes**

Not applicable.

**ITEM 9. THE OFFER AND LISTING**

**A. Offer and Listing Details**

Our common shares currently trade on the Norwegian OTC, or the NOTC, under the symbol "CASTOR" and on the Nasdaq Capital Market under the symbol "CTRM".

**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**

**Articles of Association and Bylaws**

The description of our Articles of Incorporation is incorporated by reference from our registration statement on Form F-4 (Registration No. 333-224242), which was filed with the Securities and Exchange Commission on April 11, 2018. Our Articles of Incorporation were filed as Exhibit 3.1 to the F-4 Registration Statement and are hereby incorporated by reference into this annual report.

### **Purpose**

Our purpose is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporations Act, or BCA. Our Articles of Incorporation and Bylaws do not impose any limitations on the ownership rights of our shareholders.

### **Authorized Capitalization**

Under our Articles of Incorporation, our authorized capital stock consists of 1,950,000,000 common shares, par value \$0.001 per share, of which 707,157,936 common shares were issued and outstanding as of March 26, 2021, and 50,000,000 preferred shares, par value \$0.001 per share, of which 480,000 Series A Preferred Shares and 12,000 Series B Preferred Shares are currently issued and outstanding.

### **Description of Common Shares**

Each outstanding common share 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 common shares are entitled to receive ratably all dividends, if any, declared by our Board 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 shares having liquidation preferences, if any, the holders of our common shares are entitled to receive pro rata our remaining assets available for distribution. Holders of common shares do not have conversion, redemption or pre-emptive rights to subscribe to any of our securities. The rights, preferences and privileges of holders of our common shares are subject to the rights of the holders of any preferred shares, which we have issued in the past or which we may issue in the future.

### **Share History**

On September 22, 2017, we entered into an exchange agreement, or the Exchange Agreement, with Spetses Shipping Co., or Spetses, and its shareholders. Under the terms of the Exchange Agreement, we issued 2,400,000 common shares, 480,000 Series A Preferred Shares and 12,000 Series B Preferred Shares of the Company in exchange for all of the issued and outstanding common shares of Spetses.

On November 21, 2017, we declared a dividend of one preferred share purchase right for each outstanding common share and adopted a shareholder rights plan, as set forth in a Stockholders Rights Agreement dated as of November 20, 2017, by and between us and American Stock Transfer & Trust Company, LLC, as rights agent. For more information, please see "Stockholders Rights Agreement" below. In connection with the Stockholders Rights Agreement, we designated 3,000 shares as Series C Participating Preferred Shares, none of which are outstanding as of the date of this annual report.

Please see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Equity Issuances" for a description of the Company's equity issuances.

### **Preferred Shares**

Our Articles of Incorporation authorize our Board to establish one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the preferences and relative, participating, option or other special rights, if any, and any qualifications, limitations or restrictions of such series; and
- the voting rights, if any, of the holders of the series.

### **Description of Series A Preferred Shares**

On September 22, 2017, we issued 480,000 shares of Series A Preferred Shares to the shareholders of Spetses, under the Exchange Agreement. On October 10, 2019, we adopted the Amended and Restated Statement of Designations of the Series A Preferred Shares.

The Series A Preferred Shares entitle the holders thereof to receive cumulative cash dividends when, as and if declared by our Board out of legally available funds for such purpose. Each Series A Preferred Share has a fixed liquidation preference of \$30.00 per share plus an amount equal to accumulated and unpaid dividends thereon to the date fixed for payment, whether or not declared. See "Liquidation Rights " below.

The Series A Preferred Shares represent perpetual equity interests in us and, unlike indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As such, the Series A Preferred Shares would rank junior to all of our indebtedness and other liabilities with respect to assets available to satisfy claims against us.

### **Ranking**

The Series A Preferred Shares rank, with respect to dividend distributions and distributions upon the liquidation, winding-up and dissolution of our affairs, senior to our common shares, our Series B Preferred Shares and to each other class or series of capital stock established after the original issue date of the Series A Preferred Shares as to the payment of dividends and amounts payable upon liquidation, dissolution or winding up, whether voluntary or involuntary ("Junior Stock").

We may issue additional common shares, additional Series A Preferred Shares and Junior Stock. Except as described in the Series A Preferred Shares Statement of Designation, the Board has the authority to determine the preferences, powers, qualifications, limitations, restrictions and special or relative rights or privileges, if any, of any such series of Junior Stock before the issuance of any shares of that series. The Board shall also determine the number of shares constituting each series of securities.

### **Dividends**

#### **General**

Holders of Series A Preferred Shares will be entitled to receive, when, as and if declared by our Board out of legally available funds for such purpose, cumulative cash dividends from January 1, 2022 (or, for any newly issued and outstanding shares, from the Dividend Payment Date immediately preceding the issuance date of such stock or for shares issued on or before June 14, 2022 then January 1, 2022). No dividends shall accrue or accumulate for the period from July 1, 2019 to December 31, 2021.

#### **Dividend Rate**

Dividends on Series A Preferred Shares will be cumulative and payable on each Dividend Payment Date, commencing on June 15, 2022, when, as and if declared by our Board or any authorized committee thereof out of legally available funds for such purpose. Dividends on the Series A Preferred Shares will accrue at a rate of 9.75% per annum per Series A Preferred Share having a value of \$25.00 per share.

In the event that any semi-annual dividend payable on the Series A Preferred Shares is in arrears, the Dividend Rate payable on the Series A Preferred Shares shall be increased a single time to a rate of 1.3 times the Dividend Rate for each Series A Preferred Share having a value of \$25.00 per share until the Dividend Payment Default is cured.

### ***Dividend Payment Dates***

The "Dividend Payment Dates" for the Series A Preferred Shares will be each June 15 and December 15, commencing June 15, 2022. Dividends will accumulate in each dividend period from and including the preceding Dividend Payment Date or the initial issue date, as the case may be, to but excluding the applicable Dividend Payment Date for such dividend period. If any Dividend Payment Date otherwise would fall on a day that is not a Business Day, declared dividends will be paid on the immediately succeeding Business Day without the accumulation of additional dividends. Dividends on the Series A Preferred Shares will be payable based on a 360-day year consisting of twelve 30-day months.

"Business Day" means a day on which Nasdaq is open for trading and which is not a Saturday, a Sunday or other day on which banks in New York City are authorized or required by law to close.

### ***Payment of Dividends***

Not later than 5:00 p.m., New York City time, on each Dividend Payment Date, we will pay those dividends, if any, on the Series A Preferred Shares that have been declared by our Board to the holders of such shares as such holders' names appear on our stock transfer books maintained at the Company or by the Registrar and Transfer Agent on the applicable Record Date. The applicable record date (the "Record Date"), will be the Business Day immediately preceding the applicable Dividend Payment Date, except that in the case of payments of dividends in arrears, the Record Date with respect to a Dividend Payment Date will be such date as may be designated by our Board in accordance with our Bylaws then in effect and the Statement of Designation.

No dividend may be declared or paid or set apart for payment on any Junior Stock (other than a dividend payable solely in shares of Junior Stock) unless full cumulative dividends have been or contemporaneously are being paid or provided for on all outstanding Series A Preferred Shares for all prior and the then-ending dividend periods. In addition, in the event that full cumulative dividends on the Series A Preferred Shares have not been paid or declared and set apart for payment, we may not repurchase, redeem or otherwise acquire, in whole or in part, any Series A Preferred Shares except pursuant to a purchase or exchange offer made on the same terms to all holders of Series A Preferred Shares. Common shares and any other Junior Stock may not be redeemed, repurchased or otherwise acquired unless full cumulative dividends on the Series A Preferred Shares for all prior and the then-ending dividend periods have been paid or declared and set apart for payment.

Accumulated dividends in arrears for any past dividend period may be declared by our Board and paid on any date fixed by our Board, whether or not a Dividend Payment Date, to holders of the Series A Preferred Shares on the record date for such payment, which may not be more than 60 days, nor less than 5 days, before such payment date. Subject to the next succeeding sentence, if all accumulated dividends in arrears on all outstanding Series A Preferred Shares have not been declared and paid, or sufficient funds for the payment thereof have not been set apart, payment of accumulated dividends in arrears will be made in order of their respective Dividend Payment Dates. If less than all dividends payable with respect to all Series A Preferred Shares are paid, any partial payment will be made pro rata with respect to the Series A Preferred Shares entitled to a dividend payment at such time in proportion to the aggregate amounts remaining due in respect of such shares at such time. Holders of the Series A Preferred Shares will not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends. No interest or sum of money in lieu of interest will be payable in respect of any dividend payment which may be in arrears on the Series A Preferred Shares.

### **Liquidation Rights**

The holders of outstanding Series A Preferred Shares will be entitled, in the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, to receive the liquidation preference of \$30.00 per share in cash plus an amount equal to accumulated and unpaid dividends thereon to the date fixed for payment of such amount (whether or not declared), and no more, before any distribution will be made to the holders of our common shares or any other Junior Stock. A consolidation or merger of us with or into any other entity, individually or in a series of transactions, will not be deemed a liquidation, dissolution or winding up of our affairs for this purpose. In the event that our assets available for distribution to holders of the outstanding Series A Preferred Shares are insufficient to permit payment of all required amounts, our assets then remaining will be distributed among the Series A Preferred Shares, as applicable, ratably on the basis of their relative aggregate liquidation preferences. After payment of all required amounts to the holders of the outstanding Series A Preferred Shares, our remaining assets and funds will be distributed among the holders of the common shares and any other Junior Stock then outstanding according to their respective rights.

### **Voting Rights**

The Series A Preferred Shares have no voting rights except as provided by Marshall Islands law. Unless the Company shall have received the affirmative vote or consents of the holders of at least two thirds of the outstanding Series A Preferred Shares, voting as a single class, the Company may not adopt any amendment to its Articles of Incorporation that adversely alters the preferences, powers or rights of the Series A Preferred Shares.

### **Redemption**

#### ***Optional Redemption***

We have the right, at any time, to redeem the Series A Preferred Shares, in whole or from time to time in part, from any funds available for such purpose. Any such redemption shall occur on a date set by the Company, or the Redemption Date.

#### ***Redemption Procedures***

(a) **Redemption Price.** The Company may redeem each share of Series A Preferred Shares with cash, common shares or a Note as shall be determined by the Company at its sole discretion. If the Company redeems Series A Preferred Shares with cash, then each share of Series A Preferred Shares shall have a value of \$30.00 per share, whether or not declared, or the Cash Redemption Price. If paid in common shares or a Note, then each Series A Preferred Share shall have a value of \$25.00 per share, whether or not declared, or the Cashless Redemption Price and together with the cash Redemption Price, the Redemption Price. If paid in common shares, the price of the common shares will be 90% of the lowest daily volume weighted average price on any trading day during the 5-consecutive trading day period ending and including the trading day immediately prior to the date of the applicable Redemption Date.

Notwithstanding any other provisions herein, the holder of Series A Preferred Shares shall not acquire, or be obligated or have the right to acquire, any common share pursuant to an optional redemption which, when aggregated with all other common shares then beneficially owned (as calculated pursuant to Section 13(d) of the Exchange Act and Rule 13d-3 promulgated thereunder) by the Holder and its Affiliates, would result in the beneficial ownership by the holder of Series A Preferred Shares of more than 4.9% of the then issued and outstanding common shares, or the Ownership Limitation. If the Company issues a Redemption Notice that would cause the aggregate number of common shares then beneficially owned (as calculated pursuant to Section 13(d) of the Exchange Act and Rule 13d-3 promulgated thereunder) by the holder of Series A Preferred Shares and its affiliates to exceed the Ownership Limitation, such Redemption Notice shall be void ab initio to the extent of the amount by which the number of common shares otherwise issuable pursuant to such Redemption Notice, together with all common shares then beneficially owned (as calculated pursuant to Section 13(d) of the Exchange Act and Rule 13d-3 promulgated thereunder) by the holder of Series A Preferred Shares and its affiliates, would exceed the Ownership Limitation. Upon the written or oral request of the holder of Series A Preferred Shares, the Company shall promptly confirm orally or in writing to the holder of Series A Preferred Shares the number of common shares then outstanding.

The holder of Series A Preferred Shares and the Company shall each cooperate in good faith in the determinations required hereby and the application hereof. The written certification to the Company by the holder of Series A Preferred Shares of the applicability of the Ownership Limitation, and the resulting effect thereof hereunder at any time, shall be conclusive with respect to the applicability thereof and such result absent manifest error. Upon delivery of a written notice to the Company, the holder of Series A Preferred Shares may from time to time increase (with such increase not effective until the sixty-first (61st) day after delivery of such notice) or decrease the Ownership Limitation to any other amount of common shares not in excess of 9.99% of the then issued and outstanding shares of common shares as specified in such notice, provided that any such increase in the Ownership Limitation will not be effective until the sixty-first (61st) day after such written notice is delivered to the Company.

(b) Redemption Notice. The Company shall give notice of any redemption by mail not less than 30 days and not more than 60 days before the scheduled Redemption Date, to the holder of Series A Preferred Shares of record (as of 4:59 p.m. New York City time on the Business Day next preceding the day on which notice is given) of any Series A Preferred Shares to be redeemed as such holders' names appear on the Company's stock transfer books maintained by the Registrar and Transfer Agent and at the address of such holders shown therein. Such notice, or the Redemption Notice shall state: (1) the Redemption Date, (2) the number of Series A Preferred Shares to be redeemed and, if less than all outstanding Series A Preferred Shares are to be redeemed, the number (and the identification) of shares to be redeemed from such Holder, (3) the Redemption Price, (4) the place where the Series A Preferred Shares is to be redeemed and shall be presented and surrendered for payment of the Redemption Price therefor and (5) that dividends on the stock to be redeemed shall cease to accumulate from and after such Redemption Date.

(c) Effect of Redemption; Partial Redemption. If the Company elects to redeem less than all of the outstanding Series A Preferred Shares, the number of shares to be redeemed shall be determined by the Company, and such shares shall be redeemed pro rata or by lot, with adjustments to avoid redemption of fractional shares. The Company shall give notice, or cause notice to be given, to the holders of the number of shares of Series A Preferred Shares to be redeemed, and the Company shall determine the number of Series A Preferred Shares to be redeemed from the account of each of its participants holding such shares in its participant account. The aggregate Redemption Price for any such partial redemption of the outstanding Series A Preferred Shares shall be allocated correspondingly among the redeemed Series A Preferred Shares. The Series A Preferred Shares not redeemed shall remain outstanding and subject to all the terms provided in this Statement of Designation.

(d) Redemption Funds. If the Company gives or causes to be given a Redemption Notice, the Company shall deposit with the paying agent funds sufficient to redeem the Series A Preferred Shares as to which such Redemption Notice shall have been given, no later than 4:59 p.m. New York City time on the Business Day immediately preceding the Redemption Date, and shall give the paying agent irrevocable instructions and authority to pay the Redemption Price to the holders of the Series A Preferred Shares to be redeemed upon surrender or deemed surrender of the certificates therefor. If the Redemption Notice shall have been given, from and after the Redemption Date, unless the Company defaults in providing funds sufficient for such redemption at the time and place specified for payment pursuant to the Redemption Notice, all dividends on such Series A Preferred Shares to be redeemed shall cease to accumulate and all rights of Holders of such shares as the Company's shareholders shall cease, except the right to receive the Redemption Price, and such shares shall not thereafter be transferred on Company's stock transfer books or be deemed to be outstanding for any purpose whatsoever. The Company shall be entitled to receive from the paying agent the interest income, if any, earned on such funds deposited with the paying agent (to the extent that such interest income is not required to pay the Redemption Price of the Series A Preferred Shares to be redeemed), and the holders of any shares so redeemed shall have no claim to any such interest income. Any funds deposited with the paying agent hereunder by the Company for any reason, including, but not limited to, redemption of Series A Preferred Shares, that remain unclaimed or unpaid after two years after the applicable Redemption Date or other payment date, shall be, to the extent permitted by law, repaid to the Company upon its written request after which repayment the holders of the Series A Preferred Shares entitled to such redemption or other payment shall have recourse only to the Company. Notwithstanding any Redemption Notice, there shall be no redemption of any Series A Preferred Shares called for redemption until funds sufficient to pay the full Redemption Price of such shares shall have been deposited by the Company with the paying agent.

(e) Certificate. If only a portion of the Series A Preferred Shares represented by a certificate shall have been called for redemption, upon surrender of the certificate to the Paying Agent, the Paying Agent shall issue to the Holder of such shares a new certificate (or adjust the applicable book-entry account) representing the number of shares of Series A Preferred Shares represented by the surrendered certificate that have not been called for redemption.

#### **Description of Series B Preferred Shares**

On September 22, 2017, we issued 12,000 shares of Series B Preferred Shares to Thalassa, under the Exchange Agreement. Each Series B Preferred Share has the voting power of one hundred thousand (100,000) common shares.

The Series B Preferred Shares have the following characteristics:

- **Conversion.** The Series B Preferred Shares are not convertible into common shares.
- **Voting.** Each Series B Preferred Share has the voting power of 100,000 common shares and count for 100,000 votes for purposes of determining quorum at a meeting of shareholders.
- **Distributions.** The Series B Preferred Shares have no dividend or distribution rights.
- **Liquidation, Dissolution or Winding Up.** Upon any liquidation, dissolution or winding up of the Company, the Series B Preferred Shares shall have the same liquidation rights as the common shares.

#### **Stockholders Rights Agreement**

On November 21, 2017, our Board declared a dividend of one preferred share purchase right, or a Right, for each outstanding common share and adopted a shareholder rights plan, as set forth in the Stockholders Rights Agreement dated as of November 20, 2017, or the Rights Agreement, by and between the Company and American Stock Transfer & Trust Company, LLC, as rights agent.

The Board adopted the Rights Agreement to protect shareholders from coercive or otherwise unfair takeover tactics. In general terms, it works by imposing a significant penalty upon any person or group that acquires 15% or more of our outstanding common shares without the approval of our Board. If a shareholder's beneficial ownership of our common shares as of the time of the public announcement of the rights plan and associated dividend declaration is at or above the applicable threshold, that shareholder's then-existing ownership percentage would be grandfathered, but the rights would become exercisable if at any time after such announcement, the shareholder increases its ownership percentage by 1% or more. Our Chairman, Chief Executive Officer and Chief Financial Officer, Petros Panagiotidis, is exempt from these provisions.

The Rights may have anti-takeover effects. The Rights will cause substantial dilution to any person or group that attempts to acquire us without the approval of our Board. As a result, the overall effect of the Rights may be to render more difficult or discourage any attempt to acquire us. Because our Board can approve a redemption of the Rights for a permitted offer, the Rights should not interfere with a merger or other business combination approved by our Board.

For those interested in the specific terms of the Rights Agreement, we provide the following summary description. Please note, however, that this description is only a summary, and is not complete, and should be read together with the entire Rights Agreement, which is an exhibit to this annual report. The foregoing description of the Rights Agreement is qualified in its entirety by reference to such exhibit.

*The Rights.* The Rights trade with, and are inseparable from, our common shares. The Rights are evidenced only by certificates that represent our common shares. New Rights will accompany any new common shares of the Company issued after November 21, 2017 until the Distribution Date described below.



*Exercise Price.* Each Right allows its holder to purchase from the Company one one-thousandth of a share of Series C Participating Preferred Shares, or a Series C Preferred Share, for \$15.00, or the Exercise Price, once the Rights become exercisable. This portion of a Series C Preferred Share will give the shareholder approximately the same dividend, voting and liquidation rights as would one common share. Prior to exercise, the Right does not give its holder any dividend, voting, or liquidation rights.

*Exercisability.* The Rights are not exercisable until 10 days after the public announcement that a person or group has become an "Acquiring Person" by obtaining beneficial ownership of 15% or more of our outstanding common shares. Except our Chairman, Chief Executive Officer and Chief Financial Officer, Petros Panagiotidis, is exempt from being the "Acquiring Person".

Certain synthetic interests in securities created by derivative positions — whether or not such interests are considered to be ownership of the underlying common shares or are reportable for purposes of Regulation 13D of the Securities Exchange Act of 1934, as amended— are treated as beneficial ownership of the number of our common shares equivalent to the economic exposure created by the derivative position, to the extent our actual common shares are directly or indirectly held by counterparties to the derivatives contracts. Swaps dealers unassociated with any control intent or intent to evade the purposes of the Rights Agreement are excepted from such imputed beneficial ownership.

For persons who, prior to the time of public announcement of the Rights Agreement, beneficially own 15% or more of our outstanding common shares, the Rights Agreement "grandfathers" their current level of ownership, so long as they do not purchase additional shares in excess of certain limitations.

The date when the Rights become exercisable is the "Distribution Date". Until that date, our common share certificates (or, in the case of uncertificated shares, by notations in the book-entry account system) will also evidence the Rights, and any transfer of our common shares will constitute a transfer of Rights. After that date, the Rights will separate from our common shares and will be evidenced by book-entry credits or by Rights certificates that the Company will mail to all eligible holders of our common shares. Any Rights held by an Acquiring Person are null and void and may not be exercised.

#### Series C Preferred Share Provisions

Each one one-thousandth of a Series C Preferred Share, if issued, will, among other things:

- not be redeemable;
- entitle holders to quarterly dividend payments in an amount per share equal to the aggregate per share amount of all cash dividends, and the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in our common shares or a subdivision of our outstanding common shares (by reclassification or otherwise), declared on our common shares since the immediately preceding quarterly dividend payment date; and
- entitle holders to one vote on all matters submitted to a vote of the shareholders of the Company.

The value of one one-thousandth interest in a Series C Preferred Share should approximate the value of one common share.

**Consequences of a Person or Group Becoming an Acquiring Person.**

*Flip In.* If an Acquiring Person obtains beneficial ownership of 15% or more of our common shares, then each Right will entitle the holder thereof to purchase, for the Exercise Price, a number of our common shares (or, in certain circumstances, cash, property or other securities of the Company) having a then-current market value of twice the Exercise Price. However, the Rights are not exercisable following the occurrence of the foregoing event until such time as the Rights are no longer redeemable by the Company, as further described below.

Following the occurrence of an event set forth in preceding paragraph, all Rights that are or, under certain circumstances specified in the Rights Agreement, were beneficially owned by an Acquiring Person or certain of its transferees will be null and void.

*Flip Over.* If, after an Acquiring Person obtains 15% or more of our common shares, (i) the Company merges into another entity; (ii) an acquiring entity merges into the Company; or (iii) the Company sells or transfers 50% or more of its assets, cash flow or earning power, then each Right (except for Rights that have previously been voided as set forth above) will entitle the holder thereof to purchase, for the Exercise Price, a number of our common shares of the person engaging in the transaction having a then-current market value of twice the Exercise Price.

*Notional Shares.* Shares held by affiliates and associates of an Acquiring Person, including certain entities in which the Acquiring Person beneficially owns a majority of the equity securities, and Notional Common Shares (as defined in the Rights Agreement) held by counterparties to a Derivatives Contract (as defined in the Rights Agreement) with an Acquiring Person, will be deemed to be beneficially owned by the Acquiring Person.

*Redemption.* The Board may redeem the Rights for \$0.01 per Right at any time before any person or group becomes an Acquiring Person. If the Board redeems any Rights, it must redeem all of the Rights. Once the Rights are redeemed, the only right of the holders of the Rights will be to receive the redemption price of \$0.01 per Right. The redemption price will be adjusted if the Company has a stock dividend or a stock split.

*Exchange.* After a person or group becomes an Acquiring Person, but before an Acquiring Person owns 50% or more of our outstanding common shares, the Board may extinguish the Rights by exchanging one common share or an equivalent security for each Right, other than Rights held by the Acquiring Person. In certain circumstances, the Company may elect to exchange the Rights for cash or other securities of the Company having a value approximately equal to one common share.

*Expiration.* The Rights expire on the earliest of (i) November 21, 2027, or (ii) the redemption or exchange of the Rights as described above.

*Anti-Dilution Provisions.* The Board may adjust the purchase price of the Series C Preferred Shares, the number of Series C Preferred Shares issuable and the number of outstanding Rights to prevent dilution that may occur from a stock dividend, a stock split, or a reclassification of the Series C Preferred Shares or our common shares. No adjustments to the Exercise Price of less than 1% will be made.

*Amendments.* The terms of the Rights and the Rights Agreement may be amended in any respect without the consent of the holders of the Rights on or prior to the Distribution Date. Thereafter, the terms of the Rights and the Rights Agreement may be amended without the consent of the holders of Rights, with certain exceptions, in order to (i) cure any ambiguities; (ii) correct or supplement any provision contained in the Rights Agreement that may be defective or inconsistent with any other provision therein; (iii) shorten or lengthen any time period pursuant to the Rights Agreement; or (iv) make changes that do not adversely affect the interests of holders of the Rights (other than an Acquiring Person or an affiliate or associate of an Acquiring Person).

*Taxes.* The distribution of Rights should not be taxable for federal income tax purposes. However, following an event that renders the Rights exercisable or upon redemption of the Rights, shareholders may recognize taxable income.

### Description of the Class A Warrants

The following summary of certain terms and provisions of our Class A Warrants is not complete and is subject to, and qualified in its entirety by the provisions of the form of Class A Warrant, which is filed as an exhibit to our registration statement on Form F-1/A (Registration No. 333-238990), filed with the Commission on June 23, 2020. Prospective investors should carefully review the terms and provisions set forth in the form of Class A Warrant.

*Exercisability.* The Class A Warrants are exercisable at any time after their original issuance up to the date that is five years after their original issuance. Each of the Class A Warrants will be exercisable, at the option of each holder, in whole or in part by delivering to us a duly executed exercise notice and, at any time a registration statement registering the issuance of the common shares underlying the Class A Warrants under the Securities Act is effective and available for the issuance of such shares, or an exemption from registration under the Securities Act is available for the issuance of such shares, by payment in full in immediately available funds for the number of common shares purchased upon such exercise. If a registration statement registering the issuance of the common shares underlying the Class A Warrants under the Securities Act is not effective or available and an exemption from registration under the Securities Act is not available for the issuance of such shares, the holder may, in its sole discretion, elect to exercise the Class A Warrant through a cashless exercise, in which case the holder would receive upon such exercise the net number of common shares determined according to the formula set forth in the Class A Warrant. No fractional common shares will be issued in connection with the exercise of a Class A Warrant. In lieu of fractional shares, we will pay the holder an amount in cash equal to the fractional amount multiplied by the exercise price.

*Exercise Price.* The exercise price per whole common share purchasable upon exercise of the Class A Warrants is \$0.35 per share. The exercise price and number of common shares issuable upon exercise will adjust in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting our common shares. The Class A Warrants will be immediately exercisable and may be exercised at any time until they are exercised in full.

*Transferability.* Subject to applicable laws, the Class A Warrants may be offered for sale, sold, transferred or assigned without our consent.

*Exchange Listing.* We do not intend to apply for the listing of the Class A Warrants on any stock exchange. Without an active trading market, the liquidity of the Class A Warrants will be limited.

*Rights as a Shareholder.* Except as otherwise provided in the Class A Warrants or by virtue of such holder's ownership of our common shares, the holder of a Class 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 Class A Warrant.

*Fundamental Transactions.* In the event of a fundamental transaction, as described in the Class A Warrants and generally including, with certain exceptions, any reorganization, recapitalization or reclassification of our common shares, the sale, transfer or other disposition of all or substantially all of our properties or assets, our consolidation or merger with or into another person, the acquisition of more than 50% of our outstanding common shares, or any person or group becoming the beneficial owner of 50% of the voting power represented by our outstanding common shares, the holders of the Class A Warrants will be entitled to receive upon exercise of the warrants the kind and amount of securities, cash or other property that the holders would have received had they exercised the Class A Warrants immediately prior to such fundamental transaction.

*Governing Law.* The Class A Warrants and warrant agreement are governed by New York law.

#### **Description of the Private Placement Warrants**

Each Private Placement Warrant is exercisable at any time after its original issuance for \$0.35 per common share and has a term of 5 years. If a registration statement registering the resale of the common shares underlying the Private Placement Warrants under the Securities Act is not effective or available at any time after the six month anniversary of the date of issuance of the Private Placement Warrants, the holder may, in its sole discretion, elect to exercise the Private Placement Warrant through a cashless exercise, in which case the holder would receive upon such exercise the net number of common shares determined according to the formula set forth in the Private Placement Warrant. The Private Placement Warrant contains certain damages provisions pursuant to which we have agreed to pay the holder certain damages if we do not issue the shares in a timely fashion. A holder will not have the right to exercise any portion of the Private Placement Warrant if the holder (together with its affiliates) would beneficially own in excess of 4.99% (or, upon election of the holder, 9.99%) of the number of our common shares outstanding immediately after giving effect to the exercise, as such percentage of beneficial ownership is determined in accordance with the terms of the Private Placement Warrants. However, any holder may increase or decrease such percentage, but not in excess of 9.99%, provided that any increase will not be effective until the 61st day after such election. The exercise price of the Private Placement Warrants 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 shares and also upon any distributions of assets, including cash, stock or other property to our shareholders. If a fundamental transaction occurs, then the successor entity will succeed to, and be substituted for us, and may exercise every right and power that we may exercise and will assume all of our obligations under the Private Placement Warrants with the same effect as if such successor entity had been named in the Private Placement Warrant itself. If holders of our common shares are given a choice as to the securities, cash or property to be received in a fundamental transaction, then the holder shall be given the same choice as to the consideration it receives upon any exercise of the Private Placement Warrant following such fundamental transaction. In addition, we or the successor entity, at the request of Private Placement Warrant holders, will be obligated to purchase any unexercised portion of the Private Placement Warrants in accordance with the terms of such Private Placement Warrants. We have also agreed to file a registration statement to register the resale of the common shares underlying the Private Placement Warrants within 30 calendar days from the date of the Securities Purchase Agreement. We have also agreed to use commercially reasonable efforts to cause such registration to become effective and to keep such registration statement effective at all times until no investor owns any Private Placement Warrants or shares issuable upon exercise thereof.

#### **Description of the January 5 and January 12 Warrants**

Each January 5 Warrant and January 12 Warrant was exercisable for \$0.19 per common share and for a term of 5 years. All of the January 5 and January 12 Warrants were exercised in full prior to the date of this annual report, resulting in the issuance of an aggregate of 231,750,000 common shares for an aggregate exercise price of approximately \$44.0 million.

#### **Listing and Markets**

On December 21, 2018, our common shares, par value \$0.001, were registered for trading on the NOTC with ticker symbol "CASTOR". On February 11, 2019, our common shares began trading on the NASDAQ Capital Market under the ticker symbol "CTRM".

#### **Transfer Agent**

The registrar and transfer agent for our common shares is American Stock Transfer & Trust Company, LLC.

**C. Material Contracts**

We refer you to "Item 4. Information on the Company", "Item 5. Operating and Financial Review and Prospects - B. Liquidity and Capital Resources" and "Item 7 Major Shareholders and Related Party Transactions – B. Related Party Transactions" for a discussion of the contracts to which we are a party, that we consider to be both material and not entered into in the ordinary course of business during the two-year period immediately preceding the date of this annual report. Certain of these material agreements that are to be performed in whole or in part at or after the date of this annual report are attached as exhibits to this annual report. Other than these contracts, we have no other material contracts, other than contracts entered into in the ordinary course of business, to which we are a party during the two-year period immediately preceding the date of this annual report.

**D. Exchange Controls**

The Marshall Islands impose no exchange controls on non-resident corporations.

**E. Taxation**

The following is a discussion of the material Marshall Islands and U.S. federal income tax considerations relevant to a U.S. Holder and a Non-U.S. Holder, each as defined below, with respect to the common stock. This discussion does not purport to deal with the tax consequences of owning common stock to all categories of investors, such as dealers in securities or commodities, financial institutions, insurance companies, tax-exempt organizations, U.S. expatriates, persons liable for the alternative minimum tax, persons who hold common shares as part of a straddle, hedge, conversion transaction or integrated investment, U.S. Holders whose functional currency is not the United States dollar, persons required to recognize income no later than when such income is included on an "applicable financial statement," persons subject to the "base erosion and anti-avoidance" tax, and investors that own, actually or under applicable constructive ownership rules, 10% or more of our common shares, may be subject to special rules. This discussion deals only with holders who hold our common shares as a capital asset. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under U.S. federal, state, local or foreign law of the ownership of common stock. The discussion below is based, in part, on the description of our business in this annual report above and assumes that we conduct our business as described in that section. Except as otherwise noted, this discussion is based on the assumption that we will not maintain an office or other fixed place of business within the United States. References in the following discussion to "we" and "us" are to Castor Maritime Inc. and its subsidiaries on a consolidated basis.

**Marshall Islands Tax Consequences**

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

**U.S. Federal Income Taxation of Our Company**

*Taxation of Operating Income: In General*

Unless exempt from U.S. federal income taxation under the rules discussed below, a foreign corporation is subject to U.S. federal income taxation in respect of any income that is derived from the use of vessels, from the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis, from the participation in a pool, partnership, strategic alliance, joint operating agreement, cost sharing arrangements or other joint venture it directly or indirectly owns or participates in that generates such income, or from the performance of services directly related to those uses, which we refer to as "shipping income," to the extent that the shipping income is derived from sources within the United States. For these purposes, 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States constitutes income from sources within the United States, which we refer to as "U.S.-source shipping income".

Shipping income attributable to transportation that both begins and ends in the United States is considered to be 100% from sources within the United States. We are not permitted by law to engage in transportation that produces income which is considered to be 100% from sources within the United States.

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

In the absence of exemption from tax under Section 883 of the Code, our gross U.S.-source shipping income would be subject to a 4% tax imposed without allowance for deductions as described below.

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

Under Section 883 of the Code and the regulations thereunder, we will be exempt from U.S. federal income tax on our U.S.-source shipping income if:

(1) we are organized in a foreign country, or our country of organization, that grants an "equivalent exemption" to corporations organized in the United States; and

(2) either

A. more than 50% of the value of our stock is owned, directly or indirectly, by individuals who are "residents" of our country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States (each such individual a "qualified shareholder" and such individuals collectively, "qualified shareholders"), which we refer to as the "50% Ownership Test," or

B. our stock is "primarily and regularly traded on an established securities market" in our country of organization, in another country that grants an "equivalent exemption" to U.S. corporations, or in the United States, which we refer to as the "Publicly-Traded Test".

The Marshall Islands, the jurisdiction where we and our ship-owning subsidiaries are incorporated, grants an "equivalent exemption" to U.S. corporations. Therefore, we will be exempt from U.S. federal income tax with respect to our U.S.-source shipping income if either the 50% Ownership Test or the Publicly-Traded Test is met.

Due to the wide publicly-held nature of our common stock, we do not expect that we will be able to satisfy the requirements of the 50% Ownership Test. Therefore, we will be exempt from U.S. federal income taxation on our U.S. source shipping income if we are able to satisfy the Publicly-Traded Test.

Treasury Regulations provide, in pertinent part, that stock of a foreign corporation will be considered to be "primarily traded" on an established securities market 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 stock is "primarily traded" on the Nasdaq Capital Market.

Under the Treasury Regulations, our common stock will be considered to be "regularly traded" on an established securities market if one or more classes of our stock representing more than 50% of our outstanding shares, by total combined voting power of all classes of stock entitled to vote and total value, is listed on the market which we refer to as the listing threshold. Although our common stock is listed on the Nasdaq Capital Market, our common stock may not represent more than 50% of the voting power of all classes of stock entities to vote.

Because our common stock may not have represented more than 50% of the voting power of all classes of our stock entitled to vote, notwithstanding that it was traded on the Nasdaq Capital Market in 2020, we intend to take the position on our 2020 U.S. federal income tax returns that we did not satisfy the Publicly-Traded Test. However, we may qualify for the exemption under Section 883 in future taxable years, although no assurance can be given in this regard.

#### **Taxation in the Absence of Exemption under Section 883 of the Code**

Because the benefits of Section 883 of the Code may be unavailable, we intend to take the position that our U.S.-source shipping income, to the extent not considered to be "effectively connected" with the conduct of a U.S. trade or business, as described below, is subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions, which we refer to as the "4% gross basis tax regime," for the 2020 taxable year. Since under the sourcing rules described above, no more than 50% of our shipping income would be treated as being derived from U.S. sources, the maximum effective rate of U.S. federal income tax on our shipping income should never exceed 2% under the 4% gross basis tax regime.

To the extent the benefits of the exemption under Section 883 of the Code are unavailable and our U.S.-source shipping income is considered to be "effectively connected" with the conduct of a U.S. trade or business, as described below, any such "effectively connected" U.S.-source shipping income, net of applicable deductions, would be subject to the U.S. federal corporate income tax imposed at a rate of 21%. In addition, we may be subject to the 30% "branch profits" tax on earnings effectively connected with the conduct of such U.S. trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of such U.S. trade or business.

Our U.S.-source shipping income would be considered "effectively connected" with the conduct of a U.S. trade or business only if:

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

We do not currently have, nor intend to have or permit circumstances that would result in having, any vessel operating to the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, we believe that none of our U.S.-source shipping income will be "effectively connected" with the conduct of a U.S. trade or business.

#### *U.S. Taxation of Gain on Sale of Vessels*

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

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

As used herein, the term "U.S. Holder" means a beneficial owner of our common stock that is a U.S. citizen or resident, U.S. corporation or other U.S. entity taxable as a corporation, an estate the income of which is subject to U.S. federal income taxation regardless of its source, or a trust if (i) a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) it has in place an election to be treated as United States person for U.S. federal income tax purposes.

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

#### *Distributions*

Subject to the discussion of passive foreign investment companies, or PFIC, below, any distributions made by us with respect to our common stock to a U.S. Holder will generally constitute dividends to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of such earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder's tax basis in his common stock on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a U.S. corporation, U.S. Holders that are corporations will generally not be entitled to claim a dividends-received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common stock will generally be treated as "passive category income" for purposes of computing allowable foreign tax credits for U.S. foreign tax credit purposes.

Dividends paid on our common stock to a U.S. Holder who is an individual, trust or estate will generally be treated as ordinary income.

Special rules may apply to any "extraordinary dividend," generally, a dividend paid by us 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. If we pay an "extraordinary dividend" on our common stock that is treated as "qualified dividend income," then any loss derived by a U.S. Non-Corporate Holder from the sale or exchange of such common stock 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 our status as a PFIC below, a U.S. Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our 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 stock. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as U.S.-source income or loss, as applicable, for U.S. foreign tax credit purposes. A U.S. Holder's ability to deduct capital losses is subject to certain limitations.

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

A U.S. Holder that is an individual, estate, or, in certain cases, a trust, will generally be subject to a 3.8% tax on the lesser of (1) the U.S. Holder's net investment income for the taxable year and (2) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between \$125,000 and \$250,000). A U.S. Holder's net investment income will generally include distributions made by us which constitute a dividend for U.S. federal income tax purposes and gain realized from the sale, exchange or other disposition of our common stock. This tax is in addition to any income taxes due on such investment income.

If you are a U.S. Holder that is an individual, estate or trust, you are encouraged to consult your tax advisors regarding the applicability of the 3.8% tax on net investment income to the ownership and disposition of our common stock.



*Passive Foreign Investment Company Status and Significant Tax Consequences*

Special U.S. federal income tax rules apply to a U.S. Holder that holds stock 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 held our common stock, either

at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or

at least 50% of the average value of the assets held by the corporation during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiaries' 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" for these purposes. 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.

In general, income derived from the bareboat charter of a vessel will be treated as "passive income" for purposes of determining whether we are a PFIC and such vessel will be treated as an asset which produces or is held for the production of "passive income". On the other hand, income derived from the time charter of a vessel should not be treated as "passive income" for such purpose, but rather should be treated as services income; likewise, a time chartered vessel should generally not be treated as an asset which produces or is held for the production of "passive income".

Based on our current assets and activities, we do not believe that we will be a PFIC for the current or subsequent taxable years. Although there is no legal authority directly on point, and we are not relying upon an opinion of counsel on this issue, our belief is based principally on the position that, for purposes of determining whether we are a passive foreign investment company, the gross income we derive or are deemed to derive from the time chartering and voyage chartering activities of our wholly-owned subsidiaries should constitute 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, in particular, the vessels, should not constitute passive assets for purposes of determining whether we were a passive foreign investment company. We believe there is substantial legal authority supporting our position consisting of case law and IRS pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, in the absence of any legal authority specifically relating to the statutory provisions governing passive foreign investment companies, 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 passive foreign investment company 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 U.S. federal income taxation rules depending on whether the U.S. Holder makes an election to treat us as a "Qualified Electing Fund," which election is referred to as a "QEF Election". As discussed below, 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 stock, which election is referred to as a "Mark-to-Market Election". A U.S. Holder holding PFIC shares that does not make either a "QEF Election" or "Mark-to-Market Election" will be subject to the Default PFIC Regime, as defined and discussed below in "Taxation—U.S. Federal Income Taxation of U.S. Holders—Taxation of U.S. Holders Not Making a Timely QEF or "Mark-to-Market" Election".

If the Company were to be treated as a PFIC, a U.S. Holder would be required to file IRS Form 8621 to report certain information regarding the Company. If you are a U.S. Holder who held our common shares during any period in which we are a PFIC, you are strongly encouraged to consult your tax advisor.

### *The QEF Election*

If a U.S. Holder makes a timely QEF Election, which U.S. Holder we refer to as an "Electing Holder," the Electing Holder must report each year for United States federal income tax purposes his pro rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were made by us to the Electing Holder. The Electing Holder's adjusted tax basis in the common stock will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common stock and will not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common stock. A U.S. Holder would make a QEF Election with respect to any year that our Company is a PFIC by filing one copy of IRS Form 8621 with his United States federal income tax return and a second copy in accordance with the instructions to such form. It should be noted that if any of our subsidiaries is treated as a corporation for U.S. federal income tax purposes, a U.S. Holder must make a separate QEF Election with respect to each such subsidiary.

### *Taxation of U.S. Holders Making a "Mark-to-Market" Election*

As long as our common stock is traded on an over-the-counter market, as it currently is and as it may continue to be, our common stock may not be considered "marketable stock" for purposes of making the Mark-to-Market Election. U.S. Holders are urged to consult their own tax advisors in this regard.

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

Finally, a U.S. Holder who does not make either a QEF Election or a Mark-to-Market Election with respect to any taxable year in which we are treated as a PFIC, or a U.S. Holder whose QEF Election is invalidated or terminated, or a Non-Electing Holder, would be subject to special rules, or the Default PFIC Regime, with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the common stock in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common stock), and (2) any gain realized on the sale, exchange, redemption or other disposition of the common stock.

#### Under the Default PFIC Regime:

the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common stock;

the amount allocated to the current taxable year and any taxable year before we became a PFIC would be taxed 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, 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.

Any distributions other than "excess distributions" by us to a Non-Electing Holder will be treated as discussed above under "Taxation—U.S. Federal Income Taxation of U.S. Holders—Distributions".

These penalties would not apply to a pension or profit sharing trust or other tax-exempt organization that did not borrow funds or otherwise utilize leverage in connection with its acquisition of the common stock. If a Non-Electing Holder who is an individual dies while owning the common stock, such Non-Electing Holder's successor generally would not receive a step-up in tax basis with respect to the common stock.

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

A beneficial owner of our common stock (other than a partnership) that is not a U.S. Holder is referred to herein as a "Non-U.S. Holder".

##### *Dividends on Common Stock*

Non-U.S. Holders generally will not be subject to U.S. federal income tax or withholding tax on dividends received from us with respect to our common stock, unless that income is effectively connected with a trade or business conducted by the Non-U.S. Holder in the United States. If the Non-U.S. Holder is entitled to the benefits of a 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*

Non-U.S. Holders generally will not be subject to U.S. federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common stock, unless:

the gain is effectively connected with a trade or business conducted by the Non-U.S. Holder in the United States. If the Non-U.S. Holder is entitled to the benefits of a U.S. income tax treaty with respect to that gain, that gain is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or

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 other conditions are met.

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, the income from the common stock, including dividends and the gain from the sale, exchange or other disposition of the stock that is effectively connected with the conduct of that trade or business will generally be subject to 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, the earnings and profits of such Non-U.S. Holder that are attributable to effectively connected income, subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable U.S. income tax treaty.

#### **Backup Withholding and Information Reporting**

In general, dividend payments, or other taxable distributions, made within the United States to you will be subject to information reporting requirements. In addition, such payments will be subject to backup withholding tax if you are a non-corporate U.S. Holder and you:

fail to provide an accurate taxpayer identification number;

are notified by the IRS that you have failed to report all interest or dividends required to be shown on your U.S. federal income tax returns; or

in certain circumstances, fail 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 their status on an applicable IRS Form W-8.

If you sell your common stock 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 you certify that you are a non-U.S. person, under penalties of perjury, or you otherwise establish an exemption. If you sell your common stock through a non-U.S. office of a non-U.S. broker and the sales proceeds are paid to you 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 you outside the United States, if you sell your common stock through a non-U.S. office of a broker that is a U.S. person or has some other contacts with the United States. Backup withholding tax is not an additional tax. Rather, you generally may obtain a refund of any amounts withheld under backup withholding rules that exceed your U.S. federal income tax liability by filing a refund claim with the IRS.

Individuals who are U.S. Holders (and to the extent specified in applicable Treasury Regulations, certain individuals who are Non-U.S. Holders and certain U.S. entities) who hold "specified foreign financial assets" (as defined in Section 6038D of the Code) are required to file IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds \$75,000 at any time during the taxable year or \$50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury Regulations). Specified foreign financial assets would include, among other assets, our common shares, unless the shares are held through 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, an individual Non-U.S. Holder or a U.S. entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. U.S. Holders (including U.S. entities) and Non-U.S. Holders are encouraged to consult their own tax advisors regarding their reporting obligations under this legislation.

#### **Other Tax Considerations**

In addition to the income tax consequences discussed above, the Company may be subject to tax, including tonnage taxes, in one or more other jurisdictions where the Company conducts activities. All our vessel-owning subsidiaries are subject to tonnage taxes. Generally, under a tonnage tax, a company is taxed based on the net tonnage of qualifying vessels such company operates, independent of actual earnings. The amount of any such tax imposed upon our operations may be material.

#### **F. Dividends and Paying Agents**

Not applicable.

#### **G. Statement by Experts**

Not applicable.

#### **H. Documents on Display**

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements we file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, NE, Room 1580, Washington, D.C. 20549. The SEC maintains a website ([www.sec.gov](http://www.sec.gov)) that contains reports, proxy and information statements and other information that we and other registrants have filed electronically with the SEC. Our filings are also available on our website at [www.castormaritime.com](http://www.castormaritime.com). This web address is provided as an inactive textual reference only. Information contained on our website does not constitute part of this annual report.

Shareholders may also request a copy of our filings at no cost, by writing or telephoning us at the following address:

Castor Maritime Inc.  
223 Christodoulou Chatzipavlou Street  
Hawaii Royal Gardens  
3036 Limassol, Cyprus  
Tel: + 357 25 357 767

**I. Subsidiary Information**

Not applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to various market risks, including foreign currency fluctuations, changes in interest rates and credit risk. Our activities expose us primarily to the financial risks of changes in foreign currency exchange rates and interest rates as described below.

*Interest Rate Risk*

The international shipping industry is capital intensive, requiring significant amounts of investment provided in the form of long-term debt. A significant portion of our debt contains floating interest rates that fluctuate with changes in the financial markets and in particular changes in LIBOR. Increasing interest rates could increase our interest expense and adversely impact our future results of operations. As of December 31, 2020, our net effective exposure to floating interest rate fluctuations on our outstanding debt was \$13.5 million. 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 in LIBOR of 1% would have increased our net loss in the year ended December 31, 2020 by approximately \$0.1 million based upon our floating interest-bearing debt level during 2020. We expect our sensitivity to interest rate changes to increase in the future if we enter into additional debt agreements in connection with our previously announced and/or potential acquisitions of vessels from affiliated or unaffiliated third parties. For further information on the risks associated with our business, please see "Item 3. Key Information—D. Risk Factors" for a discussion on the risks associated with LIBOR, among others.

*Foreign Currency Exchange Rate Risk*

We generate all of our revenue in U.S. dollars. The minority of our vessels' operating expenses (approximately 18.0% for the year ended December 31, 2020) and the minority of our general and administrative expenses (approximately 10.2%) are in currencies other than the U.S. dollar, primarily the Euro and Japanese Yen. For accounting purposes, expenses incurred in other currencies are converted into U.S. dollars at the exchange rate prevailing on the date of each transaction. We do not consider the risk from exchange rate fluctuations to be material for our results of operations because as of December 31, 2020, these non-US dollar expenses represented 11.7% of our revenues. However, the portion of our business conducted in other currencies could increase in the future, which could increase our exposure to losses arising from exchange rate fluctuations.

*Inflation Risk*

Inflation has not had a material effect on our expenses given recent economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase our operating costs.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

The accumulated, but not declared, due and overdue dividends on the Series A Preferred Shares as of September 30, 2018 and December 31, 2018, 2019 and 2020, amounted to \$1,646,775, \$2,668,770, \$0 and \$0, respectively.

On October 10, 2019, we reached an agreement with the holders of our Series A Preferred Shares to settle in full all accumulated dividend obligations on the Series A Preferred Shares, or the Series A Dividends Settlement Agreement, and to simultaneously adopt an Amended and Restated Statements of Designations on our Series A Preferred Shares, or the Series A Amended SOD. Pursuant to the Series A Dividends Settlement Agreement, the Series A Preferred holders agreed to waive our obligations related to all due and overdue accumulated dividends on the Series A Preferred Shares during the period from their original issue date up to and including June 30, 2019, amounting to \$4.3 million, and to receive, in settlement thereof, 300,000 newly issued common shares, or the Settlement Shares. The Settlement Shares were issued to the Series A Preferred holders on October 17, 2019. In addition, in accordance with the terms of the Series A Amended SOD, we and the Series A Preferred holders mutually agreed to waive all dividend payment obligations on the Series A Preferred Shares during the period from July 1, 2019 until December 31, 2021, reduce the progressively increasing dividend payment default rate that is 1.30 times the rate payable on the Series A Preferred Shares on the date preceding such payment to a fixed dividend payment default rate that is 1.30 times the base dividend payment rate, increase the redemption price of the Series A Preferred Shares to \$30 from \$25 per share, in case we exercise our current option to redeem the Series A Preferred Shares, in whole or in part, with cash, and increase the liquidation preference from \$25 to \$30 per Series A Preferred Share. As a result of the foregoing, dividends on the Series A Preferred Shares will neither accrue nor accumulate during the period from July 1, 2019 until December 31, 2021, and we will no longer have any restriction declaring dividends to holders of our common shares during this period.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

We have adopted the Stockholders Rights Agreement, pursuant to which each share of our common stock includes one preferred shares purchase right that entitles the holder to purchase from us a unit consisting of one-thousandth of a share of our Series C Participating Preferred Shares if any third party seeks to acquire control of a substantial block of our common stock without the approval of our Board. See "Item 10. Additional Information—B. Memorandum and Articles of Association—Stockholders Rights Agreement" included in this annual report for a description of our Stockholders Rights Agreement.

Please also see "Item 10. Additional Information—B. Memorandum and Articles of Association" for a description of the rights of holders of our Series A cumulative redeemable perpetual preferred shares and Series B Preferred Shares relative to the rights of holders of shares of our common stock.

### ITEM 15. CONTROLS AND PROCEDURES

#### A. Disclosure Controls and Procedures

Management, under the supervision and with the participation of our Chairman, Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15(e) or 15d-15(e) promulgated under the Exchange Act, as of the end of the period covered by this annual report, as of December 31, 2020.

The term disclosure controls and procedures are defined under SEC rules as controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its Chief Executive and Chief Financial Officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based upon that evaluation, our Chairman, Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of December 31, 2020.

#### **B. Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) promulgated under the Securities Exchange Act of 1934.

Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the Company's Chief Executive and Chief Financial Officer, Mr. Petros Panagiotidis, and effected by the Company's Board, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- 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 Company's management and directors; and
- 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. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted the evaluation of the effectiveness of the internal controls over financial reporting using the control criteria framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its report entitled Internal Control-Integrated Framework (2013).

Our management with the participation of our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of the design and operation of the Company's internal controls over financial reporting pursuant to Rule 13a-15 of the Securities Exchange Act of 1934, as of December 31, 2020. Based upon that evaluation, our management with the participation of our Chief Executive Officer and Chief Financial Officer concluded that the Company's internal controls over financial reporting are effective as of December 31, 2020.

**C. Attestation Report of the Registered Public Accounting Firm**

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm, since, as an "emerging growth company", we are exempt from having our independent auditor assess our internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act.

**D. Changes in Internal Control Over Financial Reporting**

There have been no significant changes in internal control over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

**ITEM 16. RESERVED**

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

The Board has determined that Mr. Georgios Daskalakis, who serves as Chairman of the Audit Committee, qualifies as an "audit committee financial expert" under SEC rules, and that Mr. Daskalakis is "independent" under applicable Nasdaq rules and SEC standards.

**ITEM 16B. CODE OF ETHICS**

We adopted a code of ethics that applies to any of our employees, including our principal executive and financial officer. The code of ethics may be downloaded from our website ([www.castormaritime.com](http://www.castormaritime.com)). Additionally, any person, upon request, may receive a hard copy or an electronic file of the code of ethics at no cost. If we make any substantive amendment to the code of ethics or grant any waivers, including any implicit waiver, from a provision of our code of ethics, we will disclose the nature of that amendment or waiver on our website. During the year ended December 31, 2020, no such amendment was made or waiver granted.

**ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

**Audit Fees**

Aggregate fees billed to the Company for the years ended December 31, 2019 and 2020 represent fees billed by our principal accounting firm, Deloitte Certified Public Accountants S.A., an independent registered public accounting firm and member of Deloitte Touche Tohmatsu, Limited. Audit fees represent compensation for professional services rendered for the audit of the consolidated financial statements of the Company and for the review of the quarterly financial information as well as in connection with the review of registration statements and related consents and comfort letters and any other audit services required for SEC or other regulatory filings. No other non-audit, tax or other fees were charged.

<i>In U.S. dollars</i>	<b>For the year ended</b>	
	<b>December 31, 2019</b>	<b>December 31, 2020</b>
Audit Fees	140,385	188,750



**Audit-Related Fees**

Not applicable.

**Tax Fees**

Not applicable.

**All Other Fees**

Not applicable.

**Audit Committee's Pre-Approval Policies and Procedures**

Our audit committee pre-approves all audit, audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees prior to the engagement of the independent auditor with respect to such services.

**ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PERSONS.**

Not applicable.

**ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT.**

Not applicable.

**ITEM 16G. CORPORATE GOVERNANCE**

Pursuant to an exception under the Nasdaq listing standards available to foreign private issuers, we are not required to comply with all of the corporate governance practices followed by U.S. companies under the Nasdaq listing standards, which are available at [www.nasdaq.com](http://www.nasdaq.com), because in certain cases we follow our home country (Marshall Islands) practice. Pursuant to Section 5600 of the Nasdaq Listed Company Manual, we are required to list the significant differences between our corporate governance practices that comply with and follow our home country practices and the Nasdaq standards applicable to listed U.S. companies. Set forth below is a list of those differences:

- *Independence of Directors.* The Nasdaq requires that a U.S. listed company maintain a majority of independent directors. While our Board is currently comprised of three directors a majority of whom are independent, we cannot assure you that in the future we will have a majority of independent directors.
- *Executive Sessions.* The Nasdaq requires that non-management directors meet regularly in executive sessions without management. The Nasdaq also requires that all independent directors meet in an executive session at least once a year. As permitted under Marshall Islands law and our bylaws, our non-management directors do not regularly hold executive sessions without management.
- *Nominating/Corporate Governance Committee.* The Nasdaq requires that a listed U.S. company have a nominating/corporate governance committee of independent directors and a committee charter specifying the purpose, duties and evaluation procedures of the committee. As permitted under Marshall Islands law and our bylaws, we do not currently have a nominating or corporate governance committee.

- *Compensation Committee.* The Nasdaq requires U.S. listed companies to have a compensation committee composed entirely of independent directors and a committee charter addressing the purpose, responsibility, rights and performance evaluation of the committee. As permitted under Marshall Islands law, we do not currently have a compensation committee. To the extent we establish such committee in the future, it may not consist of independent directors, entirely or at all.
- *Audit Committee.* The Nasdaq requires, among other things, that a listed U.S. company have an audit committee with a minimum of three members, all of whom are independent. As permitted by Rule 10A-3 under the Securities Exchange Act of 1934, our audit committee consists of two independent members of our Board, Mr. Georgios Daskalakis and Mr. Dionysios Makris.
- *Shareholder Approval Requirements.* The Nasdaq requires that a listed U.S. company obtain prior shareholder approval for certain issuances of authorized stock or the approval of, and material revisions to, equity compensation plans. As permitted under Marshall Islands law and our bylaws, we do not seek shareholder approval prior to issuances of authorized stock or the approval of and material revisions to equity compensation plans.
- *Corporate Governance Guidelines.* The Nasdaq requires U.S. companies to adopt and disclose corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation of the Board. We are not required to adopt such guidelines under Marshall Islands law and we have not adopted such guidelines.

**ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

**PART III**

**ITEM 17. FINANCIAL STATEMENTS**

See Item 18.

**ITEM 18. FINANCIAL STATEMENTS**

The financial information required by this Item is set forth on pages F-1 to F-31 filed as part of this annual report.

**ITEM 19. EXHIBITS**

- 1.1 [Articles of Incorporation of the Company incorporated by reference to Exhibit 3.1 to the Company's registration statement on Form F-4 filed with the Securities and Exchange Commission on April 11, 2018.](#)
- 1.2 [Bylaws of the Company incorporated by reference to Exhibit 3.2 to the Company's registration statement on Form F-4 filed with the Securities and Exchange Commission on April 11, 2018.](#)
- 2.1 [Form of Common Share Certificate incorporated by reference to Exhibit 4.1 of the Company's registration statement on Form F-4 filed with the Securities and Exchange Commission on April 11, 2018.](#)
- 2.2 [Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934.](#)
- 2.3 [Form of Class A Warrant incorporated by reference to Exhibit 4.2 of the Company's report on Form 6-K furnished to the Securities and Exchange Commission on June 29, 2020.](#)

- 2.4 [Form of Common Share Purchase Warrant incorporated by reference to Exhibit 4.3 of the Company's report on Form 6-K furnished to the Securities and Exchange Commission on July 15, 2020.](#)
- 4.1 [Stockholder Rights Agreement dated as of November 20, 2017 by and between the Company and American Stock Transfer & Trust Company, LLC, as rights agent incorporated by reference to Exhibit 10.2 to the Company's registration statement on Form F-4 filed with the Securities and Exchange Commission on April 11, 2018.](#)
- 4.2 [Statement of Designation of the Rights, Preferences and Privileges of the 9.75% Series A Cumulative Redeemable Perpetual Preferred Shares of the Company, filed with the Registrar of Corporations of the Republic of the Marshall Islands on September 22, 2017 incorporated by reference to Exhibit 3.3 to the Company's registration statement on Form F-4 filed with the Securities and Exchange Commission on April 11, 2018.](#)
- 4.3 [Amended and Restated Statement of Designation of the Rights, Preferences and Privileges of the 9.75% Series A Cumulative Redeemable Perpetual Preferred Shares of the Company, filed with the Registrar of Corporations of the Republic of the Marshall Islands on October 10, 2019 incorporated by reference to Exhibit 99.2 of the Company's report on Form 6-K furnished with the Securities and Exchange Commission on October 11, 2019.](#)
- 4.4 [Statement of Designation of the Rights, Preferences and Privileges of the Rights, Preferences and Privileges of the Series B Preferred Shares of the Company, filed with the Registrar of Corporations of the Republic of the Marshall Islands on September 22, 2017 and incorporated by reference to Exhibit 3.4 to the Company's registration statement on Form F-4 filed with the Securities and Exchange Commission on April 11, 2018.](#)
- 4.5 [Statement of Designation of the Rights, Preferences and Privileges of the Rights, Preferences and Privileges of the Series C Participating Preferred Shares of the Company, filed with the Registrar of Corporations of the Republic of the Marshall Islands on November 29, 2017 and incorporated by reference to Exhibit 3.5 to the Company's registration statement on Form F-4 filed with the Securities and Exchange Commission on April 11, 2018.](#)
- 4.6 [Securities Purchase Agreement by and between the Company and YAII PN, Ltd, dated January 27, 2020 incorporated by reference to Exhibit 10.1 of the Company's report on Form 6-K furnished with the Securities and Exchange Commission on January 31, 2020.](#)
- 4.7 [Registration Rights Agreement by and between the Company and YAII PN, Ltd, dated January 27, 2020 incorporated by reference to Exhibit 10.2 of the Company's report on Form 6-K furnished with the Securities and Exchange Commission on January 31, 2020.](#)
- 4.8 [Form of Convertible Debenture incorporated by reference to Exhibit 10.3 of the Company's report on Form 6-K furnished with the Securities and Exchange Commission on January 31, 2020.](#)
- 4.9 [Exchange Agreement dated September 22, 2017, between the Company, Spetses Shipping Co., and the shareholders of Spetses Shipping Co., incorporated by reference to Exhibit 10.1 of the Company's registration statement on Form F-4 filed with the Securities and Exchange Commission on April 11, 2018.](#)
- 4.10 [Waiver and Consent Agreement entered into by the Company and all holders of the issued and outstanding 9.75% Series A Cumulative Redeemable Perpetual Preferred Shares, dated October 10, 2019 incorporated by reference to Exhibit 99.3 of the Company's report on Form 6-K furnished with the Securities and Exchange Commission on October 11, 2019.](#)
- 4.11 [\\$5.0 Million Term Loan Facility, dated August 30, 2019, between Thalassa Investment Co. S.A., as lender, and the Company, as borrower, incorporated by reference to Exhibit 4.7 of the Company's transition report on Form 20-F filed with the Securities and Exchange Commission on December 16, 2019.](#)
- 4.12 [\\$7.5 Million Bridge Loan, dated October 17, 2019, between Thalassa Investment Co. S.A., as lender, and the Company, as borrower, incorporated by reference to Exhibit 4.8 of the Company's transition report on Form 20-F filed with the Securities and Exchange Commission on December 16, 2019.](#)
- 4.13 [\\$11.0 Million Secured Term Loan Facility, dated November 22, 2019, by and among Alpha Bank A.E., as lender, and Pikachu Shipping Co. and Spetses Shipping Co., as borrowers, incorporated by reference to Exhibit 4.9 of the Company's transition report on Form 20-F filed with the Securities and Exchange Commission on December 16, 2019.](#)

4.14	<a href="#">The \$4.5 Million Secured Loan Agreement, dated January 23, 2020, by and among Chailease International Financial Services Co., Ltd., as lender, Bistro Maritime Co., as borrower, and the Company and Pavimar S.A., as guarantors, incorporated by reference to Exhibit 10.1 of the Company's report on Form 6-K furnished with the Securities and Exchange Commission on February 4, 2020.</a>
4.15	<a href="#">\$15.3 Million Term Loan Facility, dated January 22, 2021, by and among Hamburg Commercial Bank AG and the banks and financial institutions listed in Schedule I thereto, as lenders, and Pocahontas Shipping Co. and Jumaru Shipping Co., as borrowers.</a>
4.16	<a href="#">First Supplemental Agreement to the \$5.0 Million Term Loan Facility, dated August 30, 2019, between Thalassa Investment Co. S.A., as lender, and the Company, as borrower.</a>
4.17	<a href="#">Master Management Agreement, dated September 1, 2020, by and among the Company, its shipowning subsidiaries and Castor Ships S.A., incorporated by reference to Exhibit 99.3 of the Company's report on Form 6-K furnished with the Securities and Exchange Commission on September 11, 2020.</a>
4.18	<a href="#">Securities Purchase Agreement by and between the Company and the purchasers identified on the signature pages thereto, dated July 12, 2020, incorporated by reference to Exhibit 4.2 of the Company's report on Form 6-K furnished with the Securities and Exchange Commission on July 15, 2020.</a>
8.1	<a href="#">List of Subsidiaries</a>
12.1	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer.</a>
12.2	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer.</a>
13.1	<a href="#">Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
13.2	<a href="#">Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
15.1	<a href="#">Consent of Independent Registered Public Accounting Firm</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Schema Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Schema Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Schema Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Schema Presentation Linkbase Document

**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

CASTOR MARITIME INC.

March 30, 2021

/s/ Petros Panagiotidis

Name: Petros Panagiotidis  
Title: Chairman, Chief Executive Officer and  
Chief Financial Officer

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Castor Maritime Inc.,  
Majuro, Republic of the Marshall Islands

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Castor Maritime Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of comprehensive income, shareholders' equity and cash flows, for the year ended September 30, 2018, the three months ended December 31, 2018, the year ended December 31, 2019 and the year ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the year ended September 30, 2018, the three months ended December 31, 2018, the year ended December 31, 2019 and the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

### 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.

/s/ Deloitte Certified Public Accountants S.A.  
Athens, Greece  
March 30, 2021

We have served as the Company's auditor since 2017.

**CASTOR MARITIME INC.**  
**CONSOLIDATED BALANCE SHEETS**

**December 31, 2019 and 2020**

(Expressed in U.S. Dollars – except for share data)

**ASSETS**

	<u>Note</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2020</u>
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents		\$ 4,558,939	\$ 8,926,903
Accounts receivable trade, net		216,485	1,302,218
Due from related party	3	759,386	1,559,132
Inventories		143,534	714,818
Prepaid expenses and other assets		375,255	1,061,083
Deferred charges, net		167,298	—
<b>Total current assets</b>		<b>6,220,897</b>	<b>13,564,154</b>

**NON-CURRENT ASSETS:**

Vessels, net	5	23,700,029	58,045,628
Restricted cash	6	500,000	500,000
Prepaid expenses and other assets, non-current	6	—	200,000
Deferred charges, net	4	—	2,061,573
<b>Total non-current assets</b>		<b>24,200,029</b>	<b>60,807,201</b>

<b>Total assets</b>		<b>\$ 30,420,926</b>	<b>\$ 74,371,355</b>
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**LIABILITIES AND SHAREHOLDERS' EQUITY**

**CURRENT LIABILITIES:**

Current portion of long-term debt, net	6	1,522,895	2,102,037
Current portion of long-term debt, related party	3, 6	—	5,000,000
Accounts payable		410,592	2,078,695
Due to related party, current	3	—	1,941
Deferred revenue, net		493,015	108,125
Accrued liabilities (including \$100,000 and \$405,000 accrued interest to related party for years ended December 31, 2019 and 2020, respectively)	3	556,248	1,613,109
<b>Total current liabilities</b>		<b>2,982,750</b>	<b>10,903,907</b>

Commitments and contingencies	9		
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**NON-CURRENT LIABILITIES:**

Long-term debt, net	6	9,234,165	11,083,829
Long-term debt, related party	3, 6	5,000,000	—
<b>Total non-current liabilities</b>		<b>14,234,165</b>	<b>11,083,829</b>

**SHAREHOLDERS' EQUITY:**

Common shares, \$0.001 par value; 1,950,000,000 shares authorized; 3,318,112 shares issued and outstanding as of December 31, 2019 and 131,212,376 issued and outstanding as of December 31, 2020	7	3,318	131,212
Preferred shares, \$0.001 par value: 50,000,000 shares authorized:	7		
Series A Preferred Shares- 9.75% cumulative redeemable perpetual preferred shares (liquidation preference of \$30 per share), 480,000 shares issued and outstanding as of December 31, 2019 and 2020, respectively	7	480	480
Series B Preferred Shares – 12.000 shares issued and outstanding as of December 31, 2019 and 2020, respectively	7	12	12
Additional paid-in capital		12,763,403	53,568,650
Retained earnings/ (Accumulated deficit)		436,798	(1,316,735)
<b>Total shareholders' equity</b>		<b>13,204,011</b>	<b>52,383,619</b>

<b>Total liabilities and shareholders' equity</b>		<b>\$ 30,420,926</b>	<b>\$ 74,371,355</b>
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The accompanying notes are an integral part of these consolidated financial statements.



**CASTOR MARITIME INC.**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)**

**For the year ended September 30, 2018, the Transition Period ended December 31, 2018 and the years ended December 31, 2019 and 2020**

(Expressed in U.S. Dollars – except for share data)

	Note	Year Ended September 30, 2018	Three Months Ended December 31, 2018	Year Ended December 31, 2019	Year Ended December 31, 2020
<b>REVENUES:</b>					
Vessel revenues (net of commissions to charterers of \$153,406, \$43,125, \$302,556 and \$629,015 respectively)		\$ 3,960,822	\$ 1,111,075	\$ 5,967,772	\$ 12,487,692
<b>Total revenues</b>		<b>3,960,822</b>	<b>1,111,075</b>	<b>5,967,772</b>	<b>12,487,692</b>
<b>EXPENSES:</b>					
Voyage expenses (including \$40,471 and \$29,769 to related parties for the years ended December 31, 2019 and 2020, respectively)	3,12	(37,373)	(19,556)	(261,179)	(584,705)
Vessel operating expenses	12	(1,727,770)	(432,544)	(2,802,991)	(7,447,439)
Management fees to related parties	3	(111,480)	(29,440)	(212,300)	(930,500)
Depreciation and amortization	4,5	(637,611)	(177,378)	(897,171)	(1,904,963)
Provision for doubtful accounts	2	—	—	—	(37,103)
General and administrative expenses	13				
- Company administration expenses (including \$400,000 to related party for the year ended December 31, 2020)		(109,233)	(22,954)	(378,777)	(1,130,953)
- Public registration costs		(350,167)	(161,116)	(132,091)	—
<b>Total expenses</b>		<b>(2,973,634)</b>	<b>(842,988)</b>	<b>(4,684,509)</b>	<b>(12,035,663)</b>
<b>Operating income</b>		<b>987,188</b>	<b>268,087</b>	<b>1,283,263</b>	<b>452,029</b>
<b>OTHER INCOME/ (EXPENSES):</b>					
Interest and finance costs (including \$162,500 and \$305,000 to related party for years ended December 31, 2019 and 2020, respectively)	3,6, 14	(3,393)	(519)	(222,163)	(2,189,577)
Interest income		4,243	7,985	31,589	34,976
Foreign exchange (losses)/ gains		(8,539)	89	(4,540)	(29,321)
Other, net		1,439	800	—	—
<b>Total other income/ (expenses), net</b>		<b>(6,250)</b>	<b>8,355</b>	<b>(195,114)</b>	<b>(2,183,922)</b>
<b>Net income/(loss) and comprehensive income/(loss), before taxes</b>		<b>\$ 980,938</b>	<b>\$ 276,442</b>	<b>\$ 1,088,149</b>	<b>\$ (1,731,893)</b>
US Source Income Taxes	10	—	—	—	(21,640)
<b>Net income/(loss) and comprehensive income/(loss)</b>		<b>\$ 980,938</b>	<b>\$ 276,442</b>	<b>\$ 1,088,149</b>	<b>\$ (1,753,533)</b>
<b>(Loss)/ Earnings per common share, basic and diluted</b>	11	<b>\$ (0.28)</b>	<b>\$ (0.30)</b>	<b>\$ 0.31</b>	<b>\$ (0.03)</b>
<b>Weighted average number of common shares, basic and diluted</b>		<b>2,400,000</b>	<b>2,400,000</b>	<b>2,662,383</b>	<b>67,735,195</b>

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

**CASTOR MARITIME INC.**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the year ended September 30, 2018, the Transition Period ended December 31, 2018 and the years ended December 31, 2019 and 2020**  
(Expressed in U.S. Dollars – except for share data)

	<u>Number of shares issued</u>			Par Value of Shares issued	Additional Paid-in capital	Retained earnings/ (Accumulated deficit)	Total Shareholders' Equity
	Common shares	Preferred A shares	Preferred B shares				
<b>Balance, September 30, 2017</b>	2,400,000	480,000	12,000	\$ 2,892	\$ 7,612,108	\$ 878,644	\$ 8,493,644
- Net income	—	—	—	—	—	980,938	980,938
<b>Balance, September 30, 2018</b>	2,400,000	480,000	12,000	\$ 2,892	\$ 7,612,108	\$ 1,859,582	\$ 9,474,582
- Net income	—	—	—	—	—	276,442	276,442
<b>Balance, December 31, 2018</b>	2,400,000	480,000	12,000	2,892	7,612,108	2,136,024	9,751,024
- Issuance of common stock, net of commissions and issuance costs, pursuant to the ATM Program (Note 7)	618,112	—	—	618	2,319,083	—	2,319,701
- Issuance of common stock related to Series A Preferred Stock dividends (Note 7)	300,000	—	—	300	967,500	(967,800)	—
- Series A Preferred Stock dividend waived accounted as deemed contribution (Note 7)	—	—	—	—	3,379,589	—	3,379,589
- Series A Preferred Stock dividend waived (Note 7)	—	—	—	—	(1,560,014)	(1,819,575)	(3,379,589)
- Gain on extinguishment of preferred stock pursuant to the Series A Preferred Stock Amendment Agreement, net of expenses (Note 7)	—	—	—	—	112,637	—	112,637
- Preferred shareholders' deemed dividend pursuant to the Series A Preferred Stock Amendment Agreement (Note 7)	—	—	—	—	(130,000)	—	(130,000)
- Shareholder's deemed contribution pursuant to the \$7.5 Million Bridge Loan	—	—	—	—	62,500	—	62,500
- Net income	—	—	—	—	—	1,088,149	1,088,149
<b>Balance, December 31, 2019</b>	3,318,112	480,000	12,000	3,810	12,763,403	436,798	13,204,011
- Issuance of common stock pursuant to the \$5.0 Million Convertible Debentures (Notes 6,7)	8,042,078	—	—	8,042	5,049,731	—	5,057,773
- Issuance of common stock pursuant to the June Equity Offering, net of issuance costs (Note 7)	59,082,686	—	—	59,083	18,539,169	—	18,598,252
- Issuance of common stock pursuant to the July Equity Offering, net of issuance costs (Note 7)	57,750,000	—	—	57,750	15,630,104	—	15,687,854
- Issuance of common stock pursuant to the exercise of Class A Warrants (Note 7)	3,019,500	—	—	3,019	1,053,806	—	1,056,825
- Beneficial conversion feature pursuant to the issuance of the \$5.0 Million Convertible Debentures (Note 6)	—	—	—	—	532,437	—	532,437
- Net loss	—	—	—	—	—	(1,753,533)	(1,753,533)
<b>Balance, December 31, 2020</b>	131,212,376	480,000	12,000	131,704	53,568,650	(1,316,735)	52,383,619

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

**CASTOR MARITIME INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**For the year ended September 30, 2018, the Transition Period ended December 31, 2018 and the years ended December 31, 2019 and 2020** (Expressed in U.S. Dollars)

	<u>Note</u>	<u>Year Ended</u> <u>September 30,</u>	<u>Three Months</u> <u>Ended December 31,</u>	<u>Year Ended</u> <u>December 31,</u>	<u>Year Ended</u> <u>December 31,</u>
		<u>2018</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Cash Flows provided by/(used in) Operating Activities:</b>					
Net income/(loss)		\$ 980,938	\$ 276,442	\$ 1,088,149	\$ (1,753,533)
<b>Adjustments to reconcile net income/(loss) to net cash provided by/(used in) Operating activities:</b>					
Depreciation and amortization of deferred dry-docking costs	4,5	637,611	177,378	897,171	1,904,963
Amortization and write-off of deferred finance charges	14	—	—	6,628	599,087
Amortization of other deferred charges		—	—	31,066	112,508
Deferred revenue amortization		—	—	(119,006)	(430,994)
Convertible debentures' interest settled in common stock	6,14	—	—	—	57,773
Amortization and write-off of convertible notes beneficial conversion feature	6,14	—	—	—	532,437
Provision for doubtful accounts	2	—	—	—	37,103
Shareholders' deemed interest contribution		—	—	62,500	—
<b>Changes in operating assets and liabilities:</b>					
Accounts receivable trade		340,152	(668,520)	454,488	(1,122,836)
Inventories		(14,111)	3,167	(86,004)	(571,284)
Due from/to related parties		(166,815)	86,645	(582,952)	(797,805)
Prepaid expenses and other assets		(15,537)	(10,603)	(320,055)	(885,828)
Dry-dock costs paid		(784,474)	—	—	(1,308,419)
Other deferred charges		—	—	(198,364)	26,494
Accounts payable		(71,621)	210,888	129,201	584,527
Accrued liabilities		(3,437)	25,001	384,827	625,894
Deferred revenue		—	47,708	564,313	46,104
<b>Net Cash provided by/(used in) Operating Activities</b>		<b>902,706</b>	<b>148,106</b>	<b>2,311,962</b>	<b>(2,343,809)</b>
<b>Cash flow used in Investing Activities:</b>					
Vessel acquisitions and other vessel improvements	5	—	—	(17,227,436)	(35,472,173)
<b>Net cash used in Investing Activities</b>		<b>—</b>	<b>—</b>	<b>(17,227,436)</b>	<b>(35,472,173)</b>
<b>Cash flows provided by Financing Activities:</b>					
Gross proceeds from issuance of common stock and warrants	7	—	—	2,625,590	39,053,325
Common stock issuance expenses paid		—	—	(305,889)	(3,710,394)
Proceeds from long-term debt and convertible debentures	6	—	—	11,000,000	9,500,000
Repayment of long-term debt	6	—	—	—	(2,050,000)
Proceeds from related party debt	6	—	—	12,500,000	—
Repayment of related party debt	6	—	—	(7,500,000)	—
Payment of deferred financing costs		—	—	(232,568)	(608,985)
<b>Net cash provided by Financing Activities</b>		<b>—</b>	<b>—</b>	<b>18,087,133</b>	<b>42,183,946</b>
<b>Net increase in cash, cash equivalents, and restricted cash</b>		<b>902,706</b>	<b>148,106</b>	<b>3,171,659</b>	<b>4,367,964</b>
<b>Cash, cash equivalents and restricted cash at the beginning of the year/period</b>		<b>836,468</b>	<b>1,739,174</b>	<b>1,887,280</b>	<b>5,058,939</b>
<b>Cash, cash equivalents and restricted cash at the end of the year/period</b>		<b>\$ 1,739,174</b>	<b>\$ 1,887,280</b>	<b>\$ 5,058,939</b>	<b>\$ 9,426,903</b>
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>					
Cash and cash equivalents		\$ 1,739,174	\$ 1,887,280	\$ 4,558,939	\$ 8,926,903
Restricted cash		—	—	500,000	500,000
<b>Cash, cash equivalents, and restricted cash</b>		<b>\$ 1,739,174</b>	<b>\$ 1,887,280</b>	<b>\$ 5,058,939</b>	<b>\$ 9,426,903</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>					
Cash paid for interest		—	—	—	654,555
Shares issued in connection with the settlement of the \$5.0 Million Convertible Debentures		—	—	—	5,057,773
Shares issued in connection with the Series A Preferred Shares Settlement Agreement		—	—	967,800	—
Series A Preferred Stock dividend waived accounted as deemed contribution		—	—	3,379,589	—
Preferred shareholders' deemed contribution pursuant to the Series A Preferred Stock Amendment Agreement, net of expenses		—	—	112,637	—
Shareholder's deemed contribution pursuant to the \$7.5 Million Bridge Loan		—	—	62,500	—
Unpaid vessel acquisition and other vessel improvement costs (included in Accounts payable and Accrued liabilities)		—	—	33,344	657,204
Unpaid deferred financing costs (included in Accounts payable)		—	—	17,000	—
Unpaid deferred dry-dock costs (included in Accounts payable and Accrued liabilities)		—	—	—	907,685

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

**CASTOR MARITIME INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. Dollars – except for share data unless otherwise stated)

**1. Basis of Presentation and General information**

Castor Maritime Inc. (“Castor”) was incorporated in September 2017 under the laws of the Republic of the Marshall Islands. The accompanying consolidated financial statements include the accounts of Castor and its wholly-owned subsidiaries (collectively, the “Company”).

The Company is engaged in the worldwide transportation of ocean-going cargoes through its vessel-owning subsidiaries. On December 21, 2018, Castor’s common shares began trading on the Norwegian OTC and on February 11, 2019, they began trading on the Nasdaq Capital Market, or Nasdaq, under the symbol “CTRM”.

As of December 31, 2020, Castor was controlled by Thalassa Investment Co. S.A. (“Thalassa”) by virtue of the 100% Series B preferred shares owned by it and, as a result, could control the outcome of matters on which shareholders are entitled to vote. Thalassa is controlled by Petros Panagiotidis, the Company’s Chairman, Chief Executive Officer and Chief Financial Officer.

Pavimar S.A., a corporation incorporated under the laws of the Republic of the Marshall Islands (“Pavimar”), a related party controlled by the sister of Petros Panagiotidis, Ismini Panagiotidis, provides technical, crew and operational management services to the Company.

Castor Ships S.A., a corporation incorporated under the laws of the Republic of the Marshall Islands (“Castor Ships”), a related party controlled by the Company’s Chairman, Chief Executive Officer and Chief Financial Officer, manages overall the Company’s business and provides commercial, chartering and administrative services to the Company.

As of December 31, 2020, the Company was the sole owner of all outstanding shares of the following subsidiary companies:

***Vessel owning subsidiaries consolidated owning dry-bulk Panamax vessels***

<b>Company</b>	<b>Country of incorporation</b>	<b>Vessel Name</b>	<b>DWT</b>	<b>Year Built</b>	<b>Delivery date to Castor</b>
Spetses Shipping Co. (“Spetses”)	Marshall Islands	<i>Magic P</i>	76,453	2004	February 2017
Bistro Maritime Co. (“Bistro”)	Marshall Islands	<i>Magic Sun</i>	75,311	2001	September 2019
Pikachu Shipping Co. (“Pikachu”)	Marshall Islands	<i>Magic Moon</i>	76,602	2005	October 2019
Bagheera Shipping Co. (“Bagheera”)	Marshall Islands	<i>Magic Rainbow</i>	73,593	2007	August 2020
Pocahontas Shipping Co. (“Pocahontas”)	Marshall Islands	<i>Magic Horizon</i>	76,619	2010	October 2020
Jumaru Shipping Co. (“Jumaru”)	Marshall Islands	<i>Magic Nova</i>	78,833	2010	October 2020

***Change of fiscal year***

On September 27, 2019, the Company’s Board of Directors authorized a change in Castor’s fiscal year end from September 30 to December 31. This change in the Company’s fiscal year end resulted in a three-month transition period from October 1, 2018 to December 31, 2018 (the “Transition Period”). On December 16, 2019, the Company filed an audited transition report on Form 20-F with the U.S. Securities and Exchange Commission for the Transition Period.

**CASTOR MARITIME INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. Dollars – except for share data unless otherwise stated)

**1. Basis of Presentation and General information (continued):**

*Credit concentration:*

During the year ended September 30, 2018, the Transition Period ended December 31, 2018 and the years ended December 31, 2019 and 2020, charterers that individually accounted for more than 10% of the Company’s revenues (as percentages of total revenues) were as follows:

Charterer	Year Ended September 30, 2018	Three Months Ended December		Year Ended December 31, 2019	Year Ended December 31, 2020
		31, 2018			
A	24%	100%		63%	34%
B	52%	—%		—%	—%
C	17%	—%		—%	—%
D	—%	—%		13%	—%
E	—%	—%		12%	24%
F	—%	—%		12%	—%
<b>Total</b>	<b>93%</b>	<b>100%</b>		<b>100%</b>	<b>58%</b>

*COVID-19 related considerations*

The COVID-19 ongoing pandemic has negatively impacted, and may continue to impact negatively, global economic activity and demand, including the shipping industry into which the Company operates. In case that the ongoing COVID-19 pandemic continues to negatively impact market rates in the long-term, depending on the pervasiveness of such economic recession, there could be a significant negative impact in the Company’s liquidity, vessels’ value and overall financial condition. The COVID-19 pandemic has had a negative impact on certain of the Company’s vessels’ charter rates and, therefore, on the Company’s voyage revenues for the year ended December 31, 2020. Additionally, during 2020, the Company has experienced disruptions and in certain cases, prolonged delays, to the majority of its vessels’ normal operations caused by deviation time associated with quarantine checks, crew changes and positioning its vessels to countries in which it can rotate crew in compliance with such measures. These overall difficulties have caused the Company’s operating costs and, more specifically, crew costs, to increase during the year ended December 31, 2020 while also having elevating its fleet off-hire days.

The Company evaluates on a quarterly basis its ability to continue as a going concern in accordance the provisions of ASU No. 2014-15 for a period of one year after the date that the financial statements are issued. In light of the continuity of the COVID-19 pandemic and the overall uncertainty on its potential future impact, the Company, as at December 31, 2020, performed a sensitivity analysis on key assumptions such as the estimates of future charter rates for non-contracted revenue days in order to identify conditions or events that raise substantial doubt about the Company’s ability to continue as a going concern within one year from the date the financial statements are issued. As per the Company’s evaluation, it was concluded that COVID-19 related considerations did not adversely affect the Company’s ability to continue as a going concern.

**2. Significant Accounting Policies and Recent Accounting Pronouncements:**

*Principles of consolidation*

The accompanying consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America (“U.S. GAAP”). The consolidated financial statements include the accounts of Castor and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Castor, 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 Financial Accounting

**CASTOR MARITIME INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. Dollars – except for share data unless otherwise stated)

**2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):**

Standards Board (“FASB”) Accounting Standard Codification (“ASC”) 810 “Consolidation”, a voting interest entity is an entity in which the total equity investment at risk is deemed sufficient to absorb the expected losses of the entity, the equity holders have all the characteristics of a controlling financial interest and the legal entity is structured with substantive voting rights. The holding company 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, that in general either have equity investors with non-substantive voting rights or that have equity investors that do not provide sufficient financial resources for the entity to support its activities. The holding company has a controlling financial interest in a VIE and is, therefore, the primary beneficiary of a VIE if it has the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance and the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. A VIE should have only one primary beneficiary which is required to consolidate the VIE. A VIE may not have a primary beneficiary if no party meets the criteria described above. The Company evaluates all arrangements that may include a variable interest in an entity to determine if it is the primary beneficiary, and would therefore be required to include assets, liabilities and operations of a VIE in its consolidated financial statements.

***Use of estimates***

The preparation of the 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, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include vessel valuations, the valuation of amounts due from charterers, residual value and the useful life of the vessels. Actual results may differ from these estimates.

***Other comprehensive income***

The Company follows the accounting guidance relating to comprehensive income, which requires separate presentation of certain transactions that are recorded directly as components of shareholders' equity. The Company has no other comprehensive income/ (loss) items and, accordingly, comprehensive income equals net income for the periods presented.

***Foreign currency translation***

The Company's reporting and functional currency is the U.S. Dollar (“USD”). Transactions incurred in other currencies are translated into USD using the exchange rates in effect at the time of the transactions. At the balance sheet date, monetary assets and liabilities that are denominated in other currencies are translated into USD to reflect the end-of-period exchange rates and any gains or losses are included in the consolidated statements of comprehensive income.

***Cash and cash equivalents***

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***

Restricted cash may comprise of (i) minimum liquidity collateral requirements or minimum required cash deposits that are required to be maintained under the Company's financing arrangements, (ii) cash deposits in so-called “retention accounts” which may only be used as per the Company's borrowing arrangements for the purpose of serving the loan installments coming due or, (iii) other cash deposits required to be retained until other specified conditions prescribed in the Company's debt agreements are met. In the event that the obligation to maintain such deposits is expected to elapse within the next operating cycle, these deposits are classified as current assets. Otherwise, they are classified as non-current assets.

**CASTOR MARITIME INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. Dollars – except for share data unless otherwise stated)

**2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):**

***Accounts receivable trade, net***

The amount shown as trade receivables, net, at each balance sheet date, includes receivables from charterers for hire and other potential sources of income (such as ballast bonus compensation or holds cleaning compensation) under the Company's charter contracts, net of any provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. Provision for doubtful accounts recorded as of December 31, 2019 and 2020 amounted to \$0 and \$37,103, respectively.

***Inventories***

Inventories consist of lubricants and provisions on board each vessel. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price less reasonably predictable costs of disposal and transportation. Cost is determined by the first in, first out method. Inventories may also consist of bunkers during periods when vessels are unemployed, undergoing dry-docking or special survey or under voyage charters, in which case, they are also stated at the lower of cost or net realizable value and cost is also determined by the first in, first out method.

***Insurance Claims***

The Company records insurance claim recoveries for insured losses incurred on damage to fixed assets, loss of hire and for insured crew medical expenses. Insurance claim recoveries are recorded, net of any deductible amounts, at the time when (i) the Company's vessels suffer insured damages or at the time when crew medical expenses are incurred, (ii) recovery is probable under the related insurance policies, (iii) the Company can estimate the amount of such recovery following submission of the insurance claim and (iv) provided that the claim is not subject to litigation.

***Vessels, net***

Vessels, net are stated at cost net of accumulated depreciation. The cost of a vessel consists of the contract price plus any direct expenses incurred upon acquisition, including improvements, delivery expenses and other expenditures to prepare the vessel for its intended use which is to provide worldwide integrated transportation services. Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of a vessel; otherwise these amounts are charged to expense as incurred.

***Vessels' depreciation***

Depreciation is computed using the straight line method over the estimated useful life of a vessel, after considering the estimated salvage value. Each vessel's salvage value is equal to the product of its lightweight tonnage and estimated scrap rate. Salvage values are periodically reviewed and revised, if needed, to recognize changes in conditions, new regulations or for other reasons. Revisions of salvage value affect the depreciable amount of the vessels and affect depreciation expense in the period of the revision and future periods. Management estimates the useful life of its vessels to be 25 years from the date of their initial delivery from the shipyard.

***Impairment of long-lived assets***

The Company reviews its vessels for impairment whenever events or changes in circumstances indicate that the carrying amount of a vessel may not be recoverable. When the estimate of future undiscounted cash flows expected to be generated by the use of a vessel is less than its carrying amount, the Company evaluates the vessel for an impairment loss. Measurement of the impairment loss is based on the fair value of the vessel in comparison to its carrying value. In this respect, management regularly reviews the carrying amount of its vessels' in connection with their estimated recoverable amount.

**CASTOR MARITIME INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. Dollars – except for share data unless otherwise stated)

**2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):**

***Dry-docking and special survey costs***

Dry-docking and special survey costs are accounted under the deferral method whereby the actual costs incurred 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 yard and parts used in the dry-docking or special survey. Costs deferred include expenditures incurred relating to shipyard costs, hull preparation and painting, inspection of hull structure and mechanical components, steelworks, machinery works, and electrical works as well as lodging and subsistence of personnel sent to the yard site to supervise. If a dry-dock and/or a special survey is performed prior to its scheduled date, the remaining unamortized balance is immediately expensed. Unamortized balances of vessels that are sold are written-off and included in the calculation of the resulting gain or loss in the period of a vessel's sale. The amortization charge related to dry-docking costs and special survey costs is presented within Depreciation and amortization in the accompanying consolidated statements of comprehensive income.

***Revenue and expenses recognition (including Leases)***

The Company currently generates and has historically generated its revenues only under time charter contracts. A time charter is a type of contract that is entered into for the use of such vessel as well as such vessel's operations for a specific period of time at a specified daily charter hire rate.

**Lease Contracts**

The Company accounts for its time charter contracts as operating leases pursuant to ASC 842 "Leases" which was early adopted by the Company on October 1, 2018. The Company has determined that the non-lease component in its time charter contracts relates to services for the operation of the vessel, which comprise of crew, technical and safety services, among others. The Company further elected to adopt the above discussed optional practical expedient and recognize lease revenue as a combined single lease component for all time charter contracts (operating leases) since it made a determination that the related lease component and non-lease component have the same timing and pattern of transfer and the predominant component is the lease. The Company qualitatively assessed that more value is ascribed to the use of the asset (i.e the vessel) rather than to the services provided under the time charter agreements.

Lease revenues are recognized on a straight line basis over the rental periods of such charter agreements, as rental service is provided, beginning when a vessel is delivered to the charterer until it is redelivered back to the Company, and is recorded as part of vessel revenues in the Company's consolidated statements of comprehensive income/(loss). Revenue generated from variable lease payments is recognized in the period when changes in facts and circumstances on which the variable lease payments are based occur. Deferred revenue includes (i) cash received prior to the balance sheet date for which all criteria to recognize as lease revenue have not yet been met as at the balance sheet date and, accordingly, is related to revenue earned after such date and (ii) deferred contract revenue such as deferred ballast compensation earned as part of a lease contract. Lease revenue is shown net of commissions payable directly to charterers under the relevant time charter agreements. Charterers' commissions represent discount (sales incentive) on services rendered by the Company and no identifiable benefit is received in exchange for the consideration provided to the charterer. Apart from the agreed hire rate, the owner may be entitled to additional income, such as ballast bonus, which is considered as reimbursement of owner's expenses and is recognized together with the lease component over the duration of the charter. The Company made an accounting policy election to recognize the related ballast costs, which mainly consist of bunkers, incurred over the period between the charter party date or the prior redelivery date (whichever is latest) and the delivery date to the charterer, as contract fulfillment costs in accordance with ASC 340-40 and amortize these over the period of the charter.

As of December 31, 2019, deferred ballast costs and related deferred ballast income related to lease contracts amounted to \$112,508 and \$430,994, respectively, and are presented under Deferred charges, net (Current) and Deferred revenue, net (Current) respectively, in the accompanying consolidated balance sheet. Deferred ballast costs and related deferred ballast income were zero as of December 31, 2020. Amortization expenses related to deferred ballast costs for the years ended



**CASTOR MARITIME INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. Dollars – except for share data unless otherwise stated)

**2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):**

December 31, 2019 and 2020 amounted to \$31,066 and \$112,508, respectively, and is included under Voyage expenses in the accompanying consolidated statements of comprehensive income. Amortization of deferred ballast income for the years ended December 31, 2019 and 2020 amounted to \$119,006 and \$430,994, respectively, and is included under Vessel revenues in the accompanying consolidated statement of comprehensive income. There was no unamortized balance of deferred ballast costs and deferred ballast income as of December 31, 2020.

**Voyage Expenses**

Voyage expenses, consist of: (a) port, canal and bunker expenses that are unique to a particular charter, are paid for by the charterer under time charter arrangements or by the Company under voyage charter arrangements, and (b) brokerage commissions, which are always paid for by the Company, regardless of charter type. All voyage expenses are expensed as incurred, except for brokerage commissions. Commissions paid to brokers are deferred and amortized over the related charter period to the extent revenue has been deferred since commissions are earned as the Company's revenues are earned. At the inception of a time charter, the Company records the difference between the cost of bunker fuel delivered by the terminating charterer and the bunker fuel sold to the new charterer as a bunker gain or loss within voyage expenses.

**Accounting for Financial Instruments**

The principal financial assets of the Company consist of cash and cash equivalents, restricted cash, amounts due from related parties and trade receivables, net. The principal financial liabilities of the Company consist of trade and other payables, accrued liabilities, long-term debt and amounts due to related parties. The Company is exposed to changes in the spot market rates associated with the deployment of its vessels and its objective is to manage the impact of such changes in its cash flows. In this respect, from time to time, the Company may engage in certain forward freight agreements. The Company may also enter into interest rate derivatives to economically hedge its exposure to interest rate fluctuations of its debt obligations as well as derivatives relating to the fluctuation of the price of bunker fuel consumed by its vessels.

When such derivatives do not qualify for hedge accounting the Company records these financial instruments in the consolidated balance sheet at their fair value as either a derivative asset or a liability, and recognizes the fair value changes thereto in earnings. When the derivatives do qualify for hedge accounting, depending upon the nature of the hedge, changes in fair value of the derivatives are either offset against the fair value of assets and liabilities through earnings, or recognized in other comprehensive income/(loss) (effective portion) until the hedged item is recognized in earnings. As of December 31, 2019 and 2020, there were no open derivative instruments.

**Convertible debt and associated beneficial conversion features**

Convertible debt is accounted in accordance with ASC 470-20, Debt with Conversion and Other Options. An instrument that is not a derivative itself must be evaluated for embedded features that should be bifurcated and separately accounted for as freestanding derivatives in accordance with ASC 815, Derivatives and Hedging, or separately accounted for under the cash conversion literature of ASC 470-20, Debt with Conversion and Other Options.

The BCF is recognized separately at issuance by allocating a portion of the proceeds equal to the intrinsic value of the BCF to additional paid-in capital, resulting in a discount on the convertible instrument. This discount is accreted from the date on which the BCF is first recognized through the stated maturity date of the convertible instrument using the effective interest method. Upon conversion of an instrument with a BCF, all unamortized discounts at the conversion date are recognized immediately as interest expense.

**CASTOR MARITIME INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. Dollars – except for share data unless otherwise stated)

**2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):**

***Fair value measurements***

The Company follows the provisions of ASC 820, “Fair Value Measurements and Disclosures” which defines, and provides guidance as to the measurement of fair value. ASC 820 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.

***Repairs and Maintenance***

All repair and maintenance expenses including underwater inspection expenses are expensed in the period incurred. Such costs are included in Vessel operating expenses in the accompanying consolidated statements of comprehensive income.

***Financing Costs***

In accordance with ASU 2015-03, “Interest – Imputation of Interest”, costs associated with long-term debt, including but not limited to, fees paid to lenders, fees required to be paid to third parties on the lender’s behalf in connection with debt financing or refinancing, or any unamortized portion thereof, are presented by the Company as a reduction of long-term debt. Such fees are deferred and amortized to interest and finance costs during the life of the related debt instrument using the effective interest method. Unamortized fees relating to loans repaid or refinanced as debt extinguishments and loan commitment fees are expensed as interest and finance costs in the period incurred in the accompanying statements of comprehensive income. Any unamortized balance of costs relating to refinanced long-term debt is deferred and amortized over the term of the credit facility in the period that such refinancing occurs, subject to the provisions of the accounting guidance prescribed under 470-50, Debt—Modifications and Extinguishments.

***Offering costs***

Expenses directly attributable to an equity offering are deferred and set off against the proceeds of the offering within paid-in capital, unless the offering is aborted, in which case they are written-off and charged to earnings.

***Earnings/ (losses) per common share***

Basic earnings/(losses) per common share are computed by dividing net income available to common stockholders after subtracting the dividends accumulated for the period on cumulative preferred stock (whether or not earned), by the weighted average number of common shares outstanding during the period. Diluted earnings per common share, reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised.

***Commitments and contingencies***

Commitments are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle this obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the present value of the expenditure expected to be required to settle the obligation. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

**CASTOR MARITIME INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in U.S. Dollars – except for share data unless otherwise stated)

**2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):**

**Recent Accounting Pronouncements – Adopted**

Fair Value Measurement Disclosures — In August 2018, the FASB issued ASU No. 2018-13, "Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement" ("ASU No. 2018-13"). ASU No. 2018-13, which is part of the FASB's broader disclosure framework project, modifies and supplements the current U.S. GAAP disclosure requirements pertaining to fair value measurements, with an emphasis on Level 3 disclosures of the valuation hierarchy. The Company adopted this ASU for the reporting period commencing on January 1, 2020 and has adjusted its disclosures accordingly.

**Recent Accounting Pronouncements – Not Yet Adopted**

The FASB has issued accounting standards that have not yet become effective and may impact the Company's consolidated financial statements or related disclosures in future periods. These standards and their potential impact are discussed below:

In March 2020, the Financial Standard Board issued Accounting Standards Update ("ASU") No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-

04)". ASU 2020-04 provides temporary optional expedients and exceptions to the guidance in U.S. GAAP on contract modifications and hedge accounting to ease the financial reporting burdens related to expected market transition from LIBOR and other interbank offered rates to alternative reference rates. This ASU is effective for adoption at any time between March 12, 2020 and December 31, 2022. The Company is currently evaluating the impact of this adoption in its consolidated financial statements and related disclosures.

In August 2020, the Financial Standard Board issued Accounting Standards Update ("ASU") No. 2020-06 "Debt - Debt with Conversion and Other Options and Derivative and Hedging - Contracts in Entity's Own Equity", which simplifies the accounting for convertible instruments. This guidance eliminates certain models that require separate accounting for embedded conversion features, in certain cases. Additionally, among other changes, the guidance eliminates certain of the conditions for equity classification for contracts in an entity's own equity. The guidance also requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and include the effect of share settlement for instruments that may be settled in cash or shares, except for certain liability-classified share-based payment awards. This guidance is required to be adopted by us in the first quarter of 2023 and must be applied using either a modified or full retrospective approach. The Company is currently evaluating the impact this guidance will have on its consolidated financial statements.

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(Expressed in U.S. Dollars – except for share data unless otherwise stated)

**3. Transactions with Related Parties:**

During the year ended September 30, 2018, the Transition Period ended December 31, 2018 and the years ended December 31, 2019 and 2020, the Company incurred the following charges in connection with related party transactions, which are included in the accompanying consolidated statements of comprehensive income/ (loss):

	Year ended September 30, 2018	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2020
<b>Management fees-related parties</b>				
Management fees – Pavimar (a)	\$ 111,480	\$ 29,440	\$ 212,300	\$ 768,000
Management fees – Castor Ships (d)	—	—	—	162,500
<b>Included in Voyage expenses</b>				
Charter hire commissions (b),(d)	\$ —	\$ —	\$ 40,471	\$ 29,769
<b>Included in Interest and finance costs</b>				
Interest expenses (c) – Thalassa	\$ —	\$ —	\$ 162,500	\$ 305,000
<b>Included in General and administrative expenses</b>				
Administration fees – Castor Ships (d)	\$ —	\$ —	\$ —	\$ 400,000
<b>Included in Vessels' cost</b>				
Sale & purchase commission – Castor Ships (d)	\$ —	\$ —	\$ —	\$ 138,600

As of December 31, 2019 and 2020, balances with related parties consisted of the following:

	December 31, 2019	December 31, 2020
<b>Assets:</b>		
Working capital advances granted to Pavimar (a)	\$ 759,386	\$ 1,559,132
<b>Liabilities:</b>		
Related party debt (c) – Thalassa	\$ 5,000,000	\$ 5,000,000
Accrued loan interest (c) – Thalassa	100,000	405,000
Voyage Commissions due to Castor Ships (d)	—	1,941

**(a) Pavimar:**

Each of the Company's ship-owning subsidiaries have entered into separate vessel management agreements with Pavimar, a company controlled by Imini Panagiotidis, the sister of Petros Panagiotidis (see Note 1). Pursuant to the terms of the management agreements, Pavimar provides the Company with a wide range of shipping services, including crew management, technical management, operational employment management, insurance arrangements, provisioning, bunkering, vessel accounting and audit support services, in exchange for a daily fee. Since November 13, 2017 and up to December 31, 2019, the daily management fee of the sole vessel in the Company's fleet at that time, the *Magic P*, was set at \$320. The daily management fee on the *Magic Sun* and *Magic Moon* was set at \$500 from their delivery date onwards. On January 1, 2020, the *Magic P* daily management fee was aligned via an amendment to its management agreement with

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**3. Transactions with Related Parties (continued):**

that of the remaining fleet, and, as a result, up to August 31, 2020, all the Company's vessels were charged with a daily management fee of \$500 per day per vessel.

On September 1, 2020, the Company's then shipowning subsidiaries entered into revised shipmanagement agreements with Pavimar which replaced the then existing shipmanagement agreements in their entirety (the "Technical Management Agreements"). Pursuant to the Technical Management Agreements, effective September 1, 2020, Pavimar provides the Company's shipowning subsidiaries with the range of technical, crewing, insurance and operational services stipulated in the previous agreements in exchange for which Pavimar is now paid a daily fee of \$600 per vessel, which shall be also subject to an annual review on their anniversary date. The Technical Management Agreements have a term of five years and such term automatically renews for a successive five-year term on each anniversary of their effective date, unless the agreements are terminated earlier in accordance with the provisions contained therein. In the event that the Technical Management Agreements are terminated by the ship-owning subsidiaries other than by reason of default by Pavimar, a termination fee equal to four times the total amount of the daily management fee calculated on an annual basis shall be payable from the ship-owning subsidiaries to Pavimar.

Pavimar has subcontracted the technical management of the *Magic Nova* to a third-party ship-management company, Fleet Ship Management Inc. ("Fleet Ship"). Fleet Ship provides technical management to the *Magic Nova* for a fixed annual fee which is paid by Pavimar at its own expense. The subcontract services provided by Fleet Ship to Pavimar have a minimum term of six months following delivery of the *Magic Nova* to the Company and may be terminated at any time thereafter.

During the year ended September 30, 2018, the Transition Period ended December 31, 2018 and the years ended December 31, 2019 and 2020, the Company incurred management fees under the Technical Management Agreements amounting to \$111,480, \$29,440, \$212,300 and \$768,000, respectively, which are included in Management fees to related parties in the accompanying consolidated statements of comprehensive income/(loss).

In addition, each month Pavimar makes payments for operating expenses with funds provided in advance by the Company. As of December 31, 2019 and 2020, amounts of \$759,386 and \$1,559,132 respectively, were due from Pavimar in relation to these working capital advances granted to it.

**(b) Alexandria Enterprises S.A:**

During the year ended December 31, 2019, the Company used on a non-recurring basis the commercial services of Alexandria Enterprises S.A., ("Alexandria") an entity controlled by a family member of the Company's Chairman, Chief Executive Officer and Chief Financial Officer. In exchange for these services, Alexandria charged the Company a commission rate equal to 1.25% of the gross charter hire, freight and the ballast bonus earned under a charter agreement.

Commissions charged by Alexandria during the year ended December 31, 2019 amounted to \$40,471 and are included in Voyage expenses in the accompanying consolidated statements of comprehensive income/(loss). The Company has stopped using the commercial services of Alexandria since January 1, 2020, and, accordingly, no relevant charges exist for the year ended December 31, 2020. As of December 31, 2019 and 2020, no amounts were due to Alexandria.

**(c) Thalassa:**

**\$5.0 Million Term Loan Facility**

On August 30, 2019, the Company entered into a \$5.0 million unsecured term loan with Thalassa, the proceeds of which were used to partly finance the acquisition of the *Magic Sun* (the "\$5.0 Million Term Loan Facility") (Note 5). The Company drew down the entire loan amount on September 3, 2019. The \$5.0 Million Term Loan Facility bears a fixed interest rate of 6% per annum and has a bullet repayment on March 3, 2021, a date which is eighteen (18) months after the

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**3. Transactions with Related Parties (continued):**

drawdown date. The \$5.0 Million Term Loan Facility may be prepaid in whole or in part at any time prior to its maturity, at the Company's option.

The \$5.0 Million Term Loan Facility contains event of default provisions and covenants customary for unsecured facilities of this type, including, but not limited to, failure to pay, bankruptcy and insolvency, material litigation, change of business, as further set forth in the provisions of the \$5.0 Million Term Loan Facility. The \$5.0 Million Term Loan Facility does not impose any financial covenant requirements or other minimum liquidity restrictions on the Company. During the years ended December 31, 2019 and 2020, the Company incurred interest costs in connection with the \$5.0 Million Term Loan Facility amounting to \$100,000 and \$305,000, respectively, which are included in Interest and finance costs in the accompanying consolidated statements of comprehensive income/(loss).

As of December 31, 2020, no amounts were prepaid under the \$5.0 Million Term Loan Facility.

**(d) Castor Ships:**

On September 1, 2020, the Company and its shipowning subsidiaries entered into a master management agreement (the "Master Agreement") with Castor Ships. Pursuant to the terms of the Master Agreement each of the Company's shipowning subsidiaries also entered into separate commercial shipmanagement agreements with Castor Ships (the "Commercial Shipmanagement Agreements" and together with the Master Agreement, the "Castor Ships Management Agreements"). Under the terms of the Castor Ships Management Agreements, Castor Ships manages overall the Company's business and provides commercial, chartering and administrative services, including, but not limited to, securing employment for the Company's fleet, arranging and supervising the vessels' commercial operations, handling all the Company's vessel sale and purchase transactions, undertaking related shipping project and management advisory and support services, as well as other associated services requested from time to time by the Company and its shipowning subsidiaries. In exchange for these services, the Company and its subsidiaries pay Castor Ships (i) a flat quarterly management fee in the amount of \$0.3 million for the management and administration of the Company's business, (ii) a daily fee of \$250 per vessel for the provision of the services under the Commercial Shipmanagement Agreements, (iii) a commission rate of 1.25% on all charter agreements arranged by Castor Ships and (iv) a commission of 1% on each vessel sale and purchase transaction.

The Castor Ships Management Agreements have a term of five years and such term automatically renews for a successive five-year term on each anniversary of the effective date, unless the agreements are terminated earlier in accordance with the provisions contained therein. In the event that the Castor Ships Management Agreements are terminated by the Company, or are terminated by Castor Ships due to a material breach of the Master Agreement by the Company or a change of control in the Company, Castor Ships shall be entitled to a termination fee equal to four times the total amount of the flat management fee and the per vessel management fees calculated on an annual basis. The Commercial Shipmanagement Agreements also provide that the management fees shall be subject to an annual review on their anniversary.

During the year ended December 31, 2020, the Company incurred (i) management fees amounting to \$400,000 for the management and administration of the Company's business, which are included in General and administrative expenses in the accompanying consolidated statements of comprehensive income/(loss), (ii) management fees amounting to \$162,500 for the provision of the services under the Commercial Shipmanagement Agreements which are included in Management fees to related parties in the accompanying consolidated statements of comprehensive income/(loss), (iii) charter hire commissions amounting to \$29,769 which are included in Voyage expenses in the accompanying consolidated statements of comprehensive income/(loss) and (iv) sale and purchase commission amounting to \$138,600 which is included in Vessels, net in the accompanying consolidated balance sheet.

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**4. Deferred charges, net:**

The movement in deferred dry-docking costs, net in the accompanying consolidated balance sheets, is as follows:

	<b>Dry-docking costs</b>
<b>Balance September 30, 2018</b>	<b>\$ 443,394</b>
Amortization	(102,324)
<b>Balance December 31, 2018</b>	<b>\$ 341,070</b>
Amortization	(341,070)
<b>Balance December 31, 2019</b>	<b>\$ —</b>
Additions	2,216,102
Amortization	(154,529)
<b>Balance December 31, 2020</b>	<b>\$ 2,061,573</b>

On February 14, 2020, the *Magic P* commenced its scheduled dry-dock which was completed on March 21, 2020 and, on November 20, 2020 the *Magic Sun* commenced its scheduled dry-dock which was completed on December 24, 2020. The *Magic Moon* was undergoing dry-dock as of December 31, 2020. Amortization of deferred dry-docking costs is included in Depreciation and amortization in the accompanying consolidated statements of comprehensive income/(loss).

**5. Vessels, net:**

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	<b>Vessel Cost</b>	<b>Accumulated depreciation</b>	<b>Net Book Value</b>
<b>Balance September 30, 2018</b>	<b>\$ 7,549,281</b>	<b>\$ (478,877)</b>	<b>\$ 7,070,404</b>
—Period depreciation	—	(75,054)	(75,054)
<b>Balance December 31, 2018</b>	<b>\$ 7,549,281</b>	<b>\$ (553,931)</b>	<b>\$ 6,995,350</b>
— Acquisitions	17,260,780	—	17,260,780
—Yearly depreciation	—	(556,101)	(556,101)
<b>Balance December 31, 2019</b>	<b>\$ 24,810,061</b>	<b>\$ (1,110,032)</b>	<b>\$ 23,700,029</b>
— Acquisitions and other improvements to fleet vessels	36,096,033	—	36,096,033
—Yearly depreciation	—	(1,750,434)	(1,750,434)
<b>Balance December 31, 2020</b>	<b>\$ 60,906,094</b>	<b>\$ (2,860,466)</b>	<b>\$ 58,045,628</b>

**Vessel Acquisitions and other Capital Expenditures:**

On August 8, 2020, pursuant to an agreement entered into on June 30, 2020 with an unaffiliated third party, the Company took delivery of its fourth Panamax dry bulk carrier vessel, the *Magic Rainbow*, which it acquired for a cash consideration of \$7.85 million, excluding acquisition costs.

On October 9, 2020, pursuant to an agreement entered into on July 28, 2020 with an unaffiliated third party, the Company took delivery of its fifth Panamax dry bulk carrier vessel, the *Magic Horizon*, which it acquired for a cash consideration of \$12.75 million, excluding acquisition costs.

On October 15, 2020, pursuant to an agreement entered into on September 28, 2020 with an unaffiliated third party, the Company took delivery of its sixth Panamax dry bulk carrier vessel, the *Magic Nova*, which it acquired for a cash consideration of \$13.86 million, excluding acquisition costs.

During the year ended December 31, 2020, the Company completed the partial installation on the *Magic P* and the complete installation on the *Magic Sun* of a ballast water management system (“BWMS”) for which it incurred aggregated capitalized expenditures amounting approximately to \$1.0 million (Note 9(a)).

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**5. Vessels, net (continued):**

As of December 31, 2020, three out of the six vessels in the Company’s fleet having an aggregate carrying value of \$23,393,835 were first priority mortgaged as collateral to their loan facilities (Note 6).

**6. Long-Term Debt:**

The amount of long-term debt (including related party debt discussed under Note 3) shown in the accompanying consolidated balance sheet of December 31, 2020, is analyzed as follows:

	<u>Borrowers- Issuers</u>	<u>Year Ended</u>	
		<u>December 31, 2019</u>	<u>December 31, 2020</u>
<b>Loan facilities</b>			
\$11.0 Million Alpha Bank Facility (a)	Spetses- Pikachu	\$ 11,000,000	\$ 9,400,000
\$4.5 Million Chalease Financial Services Facility (b)	Bistro	—	4,050,000
<b>Total long-term debt</b>		<b>\$ 11,000,000</b>	<b>\$ 13,450,000</b>
Less: Deferred financing costs		(242,940)	(264,134)
<b>Total long-term debt, net of deferred finance costs</b>		<b>\$ 10,757,060</b>	<b>\$ 13,185,866</b>
<b>Presented:</b>			
<b>Current portion of long-term debt</b>		<b>\$ 1,600,000</b>	<b>\$ 2,200,000</b>
Less: Current portion of deferred finance costs		(77,105)	(97,963)
<b>Current portion of long-term debt, net of deferred finance costs</b>		<b>\$ 1,522,895</b>	<b>\$ 2,102,037</b>
<b>Non-Current portion of long-term debt</b>		<b>9,400,000</b>	<b>11,250,000</b>
Less: Non-Current portion of deferred finance costs		(165,835)	(166,171)
<b>Non-Current portion of long-term debt, net of deferred finance costs</b>		<b>\$ 9,234,165</b>	<b>\$ 11,083,829</b>
<b>Debt instruments from related party</b>			
\$5.0 Million Term Loan Facility (Note 3(c))	Castor	5,000,000	5,000,000
<b>Total long-term debt from related party</b>		<b>\$ 5,000,000</b>	<b>\$ 5,000,000</b>

**a. \$11.0 Million Alpha Bank Facility:**

On November 22, 2019, the Company, through two of its wholly-owned subsidiaries owning the *Magic P* and the *Magic Moon* (the “Borrowers”), entered into a \$11.0 million senior secured term loan facility with Alpha Bank A.E., or the \$11.0 Million Alpha Bank Facility. The facility was drawn down on December 2, 2019. The \$11.0 Million Alpha Bank Facility has a term of five years from the drawdown date, bears interest at a margin over LIBOR per annum and is repayable in twenty (20) equal quarterly instalments of \$400,000 each, plus a balloon instalment payable at maturity, on December 2, 2024. The facility is secured by, including but not limited to, a first preferred mortgage and first priority general assignment covering earnings, insurances and requisition compensation over the vessels owned by the Borrowers, an earnings account pledge, shares security deed relating to the shares of the vessels’ owning subsidiaries, manager’s undertakings and is guaranteed by the Company. The \$11.0 Million Alpha Bank Financing net proceeds were partly used by the Company in order to repay the \$7.5 Million Bridge Loan on December 6, 2019, whereas, the remainder of the proceeds was used for general corporate purposes including financing vessel acquisitions.

The \$11.0 Million Alpha Bank Facility contains certain customary minimum liquidity restrictions and financial covenants that require the Borrowers to:



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**6. Long-Term Debt (continued):**

- maintain minimum free liquidity of at least \$250,000 per collateralized vessel (“the Minimum Liquidity Deposit”); and
- meet a specified minimum security requirement ratio, which is the ratio of the aggregate market value of the mortgaged vessels plus the value of any additional security and the value of the Minimum Liquidity Deposit to the aggregate principal amounts due under the \$11.0 Million Alpha Bank Facility;

**b. \$4.5 Million Chailease Financial Services Facility:**

On January 23, 2020, pursuant to the terms of a credit agreement, the Company, through one of its wholly-owned subsidiaries owning the *Magic Sun*, entered into a \$4.5 million senior secured term loan facility with Chailease International Financial Services Co., Ltd., or the Chailease Financial Services Facility. The loan was drawn down on January 31, 2020, is repayable in twenty (20) equal quarterly installments of \$150,000 each, plus a balloon installment payable at maturity and bears interest at a margin over LIBOR per annum. The facility contains a standard security package including a first preferred mortgage on the vessel, pledge of bank account, charter assignment, shares pledge and a general assignment over the vessel's earnings, insurances and any requisition compensation in relation to the vessel owned by the borrower, and is guaranteed by the Company and Pavimar. Pursuant to the terms of the Chailease Financial Services Facility, the Company is also subject to certain minimum liquidity restrictions requiring the borrower to maintain a \$400,000 credit balance with the lender (the “Cash Collateral”) as well as certain customary, for this type of facilities, negative covenants. The Company shall, from the first anniversary of the drawdown date, be entitled to withdraw up to \$200,000 in aggregate from this balance provided no default has occurred. As a result of the above, the \$200,000 of the Cash Collateral was classified in Prepaid expenses and other assets, current in the accompanying consolidated balance sheet with the balance having been classified in Prepaid expenses and other assets, non-current.

The credit agreement governing the Chailease Financial Services Facility also requires maintenance of a maximum value to loan ratio being the aggregate principal amount of (i) fair market value of the collateral vessel and (ii) the value of any additional security (including the Cash Collateral), to the aggregate principal amount of the loan.

**c. \$5.0 Million Convertible Debentures:**

On January 27, 2020, the Company entered into a securities purchase agreement with an institutional investor, YAH PN, LTD, or the Investor, pursuant to which, on January 27, 2020, February 10, 2020 and February 19, 2020, the Company issued and sold to the Investor three unsecured convertible debentures that were convertible into shares of the Company's common stock, in original principal amounts of \$2.0 million, \$1.5 million and \$1.5 million each, respectively (individually, a “Convertible Debenture” and collectively, the “\$5.0 Million Convertible Debentures”). The \$5.0 Million Convertible Debentures originally matured 12 months from their issuance dates, bore fixed interest at 6% per annum, and were convertible at the Investor's option, at any time after issuance, into common shares of the Company at the lower of (i) a price of \$2.25 per common share or (ii) 90% of the lowest daily volume weighted average price of the common stock during the 10 trading days prior to the conversion date. As of June 8, 2020, the Investor had converted the full principal amount and interest owed with respect to the \$5.0 Convertible Debentures aggregating to an amount of \$5,057,773 and the Company issued 8,042,078 common shares in settlement thereof.

The Company accounted for the issuance of the convertible debentures in accordance with the BCF guidance in ASC 470-20 and accordingly recognized the BCFs, amounting to \$532,437, separately at issuance by allocating a portion of the proceeds equal to the intrinsic value of these features to additional paid-in capital. The intrinsic value of each BCF was calculated at the commitment date as the difference between the conversion price and the fair value of the common stock, multiplied by the number of shares into which the security was convertible. Following the conversions by the Investor of the amounts owed under the \$5.0 Million Convertible Debentures, the Company, as of December 31, 2020, recognized all unamortized discounts at the conversion dates as interest expense which are included in Interest and Finance Costs in the accompanying consolidated statements of comprehensive income/(loss).

As of December 31, 2020, the Company was in compliance with all financial covenants prescribed in its debt agreements.

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**6. Long-Term Debt (continued):**

Restricted cash as of December 31, 2019 and 2020, includes \$500,000 of non-legally restricted cash as per the \$11.0 Million Alpha Bank Facility minimum liquidity requirements, or \$250,000 per collateralized vessel.

The annual principal payments for the Company’s outstanding debt arrangements as of December 31, 2020 (including related party debt discussed under Note 3), required to be made after the balance sheet date, are as follows:

Year ending December 31,	<u>Amount</u>
2021	\$ 7,200,000
2022	2,200,000
2023	2,200,000
2024	5,200,000
2025	1,650,000
<b>Total long-term debt (including related party debt)</b>	<b>\$ <u>18,450,000</u></b>

The weighted average interest rate on the Company’s long-term debt for the years ended December 31, 2019 and 2020 was 5.8% and 5.0% respectively.

Total interest incurred on long-term debt for the years ended December 31, 2019 and 2020, amounted to \$210,085 and \$1,030,925 respectively, and is included in Interest and finance costs (Note 14) in the accompanying consolidated statements of comprehensive income/(loss).

**7. Equity Capital Structure:**

Under the Company’s articles of incorporation, the Company’s authorized capital stock consists of 2,000,000,000 shares, par value \$0.001 per share, of which 1,950,000,000 shares are designated as common shares and 50,000,000 shares are designated as preferred shares.

**(a) Common Shares:**

Each outstanding common share 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, common shareholders are entitled to receive ratably all dividends, if any, declared by the Company’s board of directors out of funds legally available for dividends. Upon the Company’s dissolution or liquidation or the sale of all or substantially all of its assets, after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, the common shareholders are entitled to receive pro rata the remaining assets available for distribution. Common shareholders do not have conversion, redemption or preemptive rights to subscribe to any of the Company’s securities. The rights, preferences and privileges of common shareholders are subject to the rights of the holders of any preferred shares, which the Company has or may issue in the future.

***At-the-market common stock offering***

On June 28, 2019, the Company, entered into an equity distribution agreement, or as commonly referred to, an at-the-market offering, with Maxim Group LLC (“Maxim”), under which the Company may sell an aggregate offering price of up to \$10,000,000 of its common stock with Maxim acting as a sales agent over a minimum period of 12 months (the “ATM Program”). No warrants, derivatives, or other share classes were associated with this transaction. As of December 31, 2019, the Company had received \$2,625,590 gross proceeds under the ATM Program by issuing 618,112 common shares, whereas, the net proceeds under the ATM Program, after deducting sales commissions and other transaction fees and expenses, amounted to \$2,319,701. No sales have been effected by the Company in connection with its ATM Program as of December 31, 2020.

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**7. Equity Capital Structure (continued):**

***Issuance of common stock in connection with the \$5.0 Million Convertible Debentures***

During the period from February 20, 2020 to June 8, 2020, the Company issued 8,042,078 common shares upon the conversion of the \$5.0 Million Convertible Debentures in their entirety (see Note 6 for further discussion on this topic).

***Underwritten common stock and Class A Warrants follow-on offering***

On June 23, 2020, the Company entered into an agreement with Maxim Group LLC, or Maxim, which acted as underwriter, pursuant to which it offered and sold 59,110,000 units, each unit consisting of (i) one common share or a pre-funded warrant to purchase one common share at an exercise price equal to \$0.01 per common share (a “Pre-Funded Warrant”), and (ii) one Class A Warrant to purchase one common share (a “Class A Warrant”), for \$0.35 per unit (or \$0.34 per unit including a pre-funded warrant), or the June Equity Offering. The June Equity Offering, which closed on June 26, 2020, resulted in the issuance of 59,082,686 common shares (the “June Equity Offering Shares”) and 59,110,000 Class A Warrants, which also included 7,710,000 over-allotment units pursuant to an over-allotment option that was exercised by Maxim on June 24, 2020. The Company raised gross and net cash proceeds from this transaction of \$20.7 million and \$18.6 million, respectively.

The Class A Warrants issued in the June Equity Offering have a term of five years and are exercisable immediately and throughout their term for \$0.35 per common share (American style option). The exercise price of the Class A Warrants is subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting the Company’s common shares and also upon any distributions of assets, including cash, stock or other property to existing shareholders.

Between their issuance date, being June 26, 2020 and December 31, 2020, there were exercises of 3,019,500 Class A Warrants pursuant to which the Company received proceeds of \$1,056,825, and, as a result, as of December 31, 2020, 56,090,500 Class A Warrants remained unexercised and potentially issuable into common stock of the Company.

The Company accounted for the Class A Warrants as equity in accordance with the accounting guidance under ASC 815-40. The accounting guidance provides a scope exception from classifying and measuring as a financial liability a contract that would otherwise meet the definition of a derivative if the contract is both (i) indexed to the entity’s own stock and (ii) meets the equity classifications conditions. The Company concluded these warrants were equity-classified since they contained no provisions which would require the Company to account for the warrants as a derivative liability, and therefore were initially measured at fair value in permanent equity with subsequent changes in fair value not measured.

On initial recognition the fair value of the Class A Warrants was \$22.4 million and was determined using the Black-Scholes methodology. The fair value was considered by the Company to be classified as Level 3 in the fair value hierarchy since it was derived by unobservable inputs. The major unobservable input in connection with the valuation of the Class A Warrants was the volatility used in the valuation model, which was approximated by using historical observations of the Company’s share price. The annualized historical volatility that has been applied in the Class A Warrants valuation was 153.5%. A 5% increase in the volatility applied would have led to an increase of 1.4% in the fair value of the Class A Warrants.

***First Registered Direct Equity Offering***

On July 12, 2020, the Company entered into agreements with certain unaffiliated institutional investors pursuant to which it offered and sold 57,750,000 common shares in a registered offering or the July Equity Offering. In a concurrent private placement, the Company also issued warrants to purchase up to 57,750,000 common shares (the “Private Placement Warrants”). In connection with the July Equity Offering, which closed on July 15, 2020, the Company received gross and net cash proceeds of approximately \$17.3 million and \$15.7 million, respectively.

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**7. Equity Capital Structure (continued):**

The Private Placement Warrants issued in the July Equity Offering have a term of five years and are exercisable immediately and throughout their term for \$0.35 per common share (American style option). The exercise price of the Private Placement Warrants is subject to appropriate adjustment in the event of certain stock dividends and distributions, stock splits, stock combinations, reclassifications or similar events affecting the Company's common shares and also upon any distributions of assets, including cash, stock or other property to existing shareholders.

Between their issuance date, being July 15, 2020 and December 31, 2020, there were no exercises of Private Placement Warrants and, as a result, as of December 31, 2020, 57,750,000 Private Placement Warrants remained unexercised and potentially issuable into common stock of the Company.

The Company accounted for the Private Placement Warrants as equity in accordance with the accounting guidance under ASC 815-40. The accounting guidance provides a scope exception from classifying and measuring as a financial liability a contract that would otherwise meet the definition of a derivative if the contract is both (i) indexed to the entity's own stock and (ii) meets the equity classifications conditions. The Company concluded these warrants were equity-classified since they contained no provisions which would require the Company to account for the warrants as a derivative liability, and therefore were initially measured at fair value in permanent equity with subsequent changes in fair value not measured.

On initial recognition the fair value of the Private Placement Warrants was \$13.2 million and was determined using the Black-Scholes methodology. The fair value was considered by the Company to be classified as Level 3 in the fair value hierarchy since it was derived by unobservable inputs. The major unobservable input in connection with the valuation of the Private Placement Warrants was the volatility used in the valuation model, which was approximated by using historical observations of the Company's share price. The annualized historical volatility that has been applied in the Private Placement Warrants valuation was 153.2%. A 5% increase in the volatility applied would have led to an increase of 1.9% in the fair value of the Private Placement Warrants.

**Nasdaq Listing Standards Compliance**

On April 14, 2020, the Company received written notification from the Nasdaq Stock Market that it was not in compliance with the minimum \$1.00 per share bid price requirement for continued listing on the Nasdaq Capital Market and was initially provided with 180 calendar days, or until October 12, 2020, to regain compliance with the subject requirement. On April 20, 2020, the Nasdaq Stock Market informed the Company that due to the COVID-19 crisis, temporary relief has been granted related to minimum listing bid price requirements and the Company's compliance period would be suspended until June 30, 2020, thus extending the period to regain compliance to December 28, 2020. On December 30, 2020, the Company announced that it received a notification letter from the Nasdaq Stock Market ("Nasdaq") granting the Company an additional 180-day extension, or until June 28, 2021, to regain compliance with Nasdaq's minimum bid price requirement.

**(b) Preferred Shares:**

The table below presents a summary of all series of preferred shares outstanding as of December 31, 2019 and 2020:

Series	Description	Initial Issuance		Liquidity	Par Value	Dividend Rate	Carrying Value December 31, 2019 and 2020
		Date	Total Shares Outstanding	Preference per Share (in dollars)			
Series A	9.75% Cumulative Perpetual Redeemable	09/22/17	480,000	\$30 <sup>(1)</sup>	\$480	Effective January 1, 2022- 9.75% per annum of a value of \$25 per share	\$2,627,843
Series B	n/a	09/22/17	12,000	-	\$12	n/a	\$12
<b>Total</b>			<b>492,000</b>		<b>\$492</b>		<b>\$2,627,855</b>

<sup>(1)</sup> The Series A Preferred Shares from their original issue date and up to the Series A Amended SOD date had a liquidation preference of \$25 per share. Following the Series A Amended SOD, the liquidation preference on the Series A Preferred Shares increased from \$25 to \$30 per share.

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**7. Equity Capital Structure (continued):**

*Series A Preferred Shares amendment and accumulated dividends settlement:*

On October 10, 2019, the Company reached an agreement with the holders of its Series A Preferred Shares to settle in full all accumulated dividend obligations on the Series A Preferred Shares (the "Series A Dividends Settlement Agreement") and to simultaneously adopt an Amended and Restated Statements of Designations of its Series A Preferred Shares (the "Series A Amended SOD"). Pursuant to the Series A Dividends Settlement Agreement, the Series A Preferred holders agreed to forgive the Company's obligations related to all due and overdue accumulated dividends on the Series A Preferred shares during the period from their original issue date up to and including June 30, 2019, amounting to \$4.3 million, and to receive, in settlement thereof, 300,000 newly issued common shares, the fair value of which as of the settlement date amounted to \$967,800 and was determined through Level 1 input data of the fair value hierarchy, i.e. the common share closing market price at the date of issuance (the "Settlement Shares"). The dividends waived amounted to \$3,379,589 and an amount of \$1,819,575 was charged against retained earnings and an amount of \$1,560,014 in the absence of retained earnings, charged against paid-in-capital. The Settlement Shares were issued to the Series A Preferred holders on October 17, 2019.

In addition, in accordance with the terms of the Series A Amended SOD, the Company and the Series A Preferred holders mutually agreed to:

- i) waive all dividend payment obligations on the Series A Preferred Shares during the period from July 1, 2019 until December 31, 2021;
- ii) reduce the previous progressively increasing dividend payment default rate that was 1.30 times the rate payable on the Series A Preferred Shares on the date preceding such payment to a fixed dividend payment default rate that is 1.30 times the base dividend payment rate;
- iii) increase the redemption price of the Series A Preferred Shares to \$30 from \$25 per share in case that the Company exercises its current option to redeem the Series A Preferred Shares, in whole or in part, with cash; and
- iv) increase the liquidation preference from \$25 to \$30 per Series A Preferred Share.

As a result of the foregoing, dividends on the Series A Preferred Shares neither accrue nor accumulate during the period from July 1, 2019 until December 31, 2021 and the Company does not have any dividend priority restrictions to holders of its common shares during this period.

The Company has accounted for the amendment to the rights, preferences and privileges of the Series A Preferred Shares, in accordance with FASB ASC Topic 260-10-S99-2, as an extinguishment of the original preferred stock and the issuance of new preferred stock due to the significance of the modifications to the substantive contractual terms of the preferred stock and the associated fundamental changes to the nature of the preferred stock, which, as discussed above, included the forfeiture of accrued dividends on the Series A Preferred Shares up to and including June 30, 2019 and the issuance of 300,000 common shares in settlement thereof. Accordingly, upon extinguishment, the Company recorded a net gain of \$112,637 on the Series A Preferred Stock within shareholders' equity equal to the difference between the fair value of the new shares of preferred stock issued and the carrying amount of the old shares of preferred stock extinguished. The Company allocated the entire net gain on extinguishment of the Series A Preferred Shares to Additional paid-in capital. The net gain on extinguishment is reflected in the calculation of net income available to common stockholders in accordance with FASB ASC Topic 260, Earnings per Share. The non-recurring fair value of the new Series A Preferred Shares was based on Level 3 hierarchical data using the income approach, which was based on projected cash flows discounted to their present value using a discount rate that considers the timing and risk of the forecasted cash flows. The discount rate used was 16.6% and was based on the average estimated value of a market participant's cost of capital and debt, derived using customary market metrics and is considered an unobservable significant input.

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**7. Equity Capital Structure (continued):**

As of December 31, 2019 and 2020, there were no accumulated, due or overdue dividends on the Series A Preferred Shares.

*Description of Series A Preferred Shares following the Series A Amended SOD:*

Dividends on Series A Preferred Shares will be cumulative from January 1, 2022 (or, for any newly issued and outstanding shares, from the dividend payment date immediately preceding the issuance date of such stock and, for shares issued on or before June 14, 2022, then January 1, 2022) and payable on each dividend payment date, which will be each June 15 and December 15, commencing on June 15, 2022, when, as and if declared by Company's Board of Directors out of legally available funds for such purpose. Dividends on the Series A Preferred Shares will accrue at a rate of 9.75% per annum per Series A Preferred Share having a value of \$25 per share. In the event that any semi-annual dividend payable on the Series A Preferred Shares is in arrears, the dividend rate payable on the Series A Preferred Shares shall be increased a single time to a rate of 1.30 times of the dividend rate for each Series A Preferred Share having a value of \$25.00 per share until the dividend payment default is cured.

The Series A Preferred Shares rank, with respect to dividend distributions and distributions upon the liquidation, winding-up and dissolution of the Company's affairs, senior to the common shares and the Series B Preferred Shares.

The Series A Preferred Shares do not have a mandatory redemption feature. The Company has the right to redeem the Series A Preferred Shares, in whole or from time to time in part, from any funds available for such purpose, on a date set by the Company. If the Company redeems Series A Preferred Shares with cash then each share of Series A Preferred Shares shall have a value of \$30.00 per share, or the Cash Redemption Price. If paid in common shares or a Note, then each Series A Preferred Share shall have a value of \$25.00 per share, or the Cashless Redemption Price. If paid in common shares, the value of the common shares will be 90% of the lowest daily volume weighted average price on any trading day during the 5-consecutive trading day period ending and including the trading day immediately prior to the date of the applicable Redemption Date.

*Description of Series B Preferred Shares:*

The Series B Preferred Shares have the following characteristics: (i) the Series B Preferred Shares are not convertible into common shares, (ii) each Series B Preferred Share has the voting power of 100,000 common shares and shall count for 100,000 votes for purposes of determining quorum at a meeting of shareholders, (iii) the Series B Preferred Shares have no dividend or distribution rights and (iv) upon any liquidation, dissolution or winding up of the Company, the Series B Preferred Shares shall have the same liquidation rights as the common shares.

**8. Financial Instruments and Fair Value Disclosures:**

The principal financial assets of the Company consist of cash at banks, restricted cash, trade accounts receivable and amounts due from related party. The principal financial liabilities of the Company consist of trade accounts payable and long-term debt (including related party debt).

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- **Cash and cash equivalents, restricted cash, trade accounts receivable, amounts due from related party and trade accounts payable:** The carrying values reported in the accompanying consolidated balance sheets for those financial instruments are reasonable estimates of their fair values due to their short-term maturity nature. Cash and cash equivalents are considered Level 1 items as they represent liquid assets with short term maturities. The carrying value approximates the fair market value for interest bearing cash classified as restricted cash, non-current and is considered Level 1 item of the fair value hierarchy. The carrying value of these instruments is separately reflected in the accompanying consolidated balance sheets.

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**8. Financial Instruments and Fair Value Disclosures (continued):**

- **Long-term debt:** The \$11.0 Million Alpha Bank Facility and the Chalease Financial Services Facility discussed in Note 6, have a recorded value which is a reasonable estimate of their fair value due to their variable interest rate and are thus considered Level 2 items in accordance with the fair value hierarchy as LIBOR rates are observable at commonly quoted intervals for the full terms of the loans. The fair value of the fixed interest bearing \$5.0 Million Term Loan Facility, discussed in Note 3, determined through Level 2 inputs of the fair value hierarchy (quoted prices for identical or similar assets and liabilities in markets that are not active), approximates its recorded value as of December 31, 2020.

**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 high credit qualified financial institutions. The Company performs periodic evaluations of the relative credit standing of the financial institutions in which it places its deposits. The

Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition.

**9. Commitments and contingencies:**

Various claims, lawsuits, and complaints, including those involving government regulations and product 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 or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements.

The Company accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, management is not aware of any such 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 vessels' actions to the maximum limits as provided by Protection and Indemnity (P&I) Clubs, members of the International Group of P&I Clubs.

**(a) Commitments under Contracts for BWMS Installation**

On November 15, 2018, the Company entered into a contract to purchase and install BWMS on its dry bulk carriers, which was further amended on October 20, 2019 and December 8, 2020, to reflect the Company's vessel acquisitions, as applicable in each period. The Company completed the BWMS installation on the *Magic Sun* during the vessel's scheduled dry-docking which took place in the fourth quarter of 2020, whereas, the BWMS system installations on the *Magic P* and the *Magic Moon* were granted extensions from the third quarter of 2020 to the third quarter of 2022. It is estimated that the contractual obligations related to these purchases as well as purchases on the Company's remaining fleet vessels (where not already installed), excluding installation costs, will be approximately €0.7 million (or \$0.8 million on the basis of a Euro/US Dollar exchange rate of €1.0000/\$1.2271 as of December 31, 2020). These costs will be capitalized and depreciated over the remainder of the life of each vessel. As of December 31, 2020, part of the BWMS equipment for the *Magic P* had been delivered to the vessel and has, thus, been included in Vessels, net in the accompanying consolidated balance sheet.

**(b) Commitments under long-term lease contracts**

The Company's future minimum contracted lease payments (gross of charterers' commissions), based on vessels' commitment to non-cancelable time charter contracts (including fixture recaps) as of December 31, 2020, was \$6.8

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**9. Commitments and contingencies (continued):**

million, all due within the next 12 months. This amount does not include any assumed off-hire days.

**10. Income Taxes:**

Castor and its subsidiaries are incorporated under the laws of the Republic of the Marshall Islands and they are not subject to income taxes in the Republic of the Marshall Islands. Castor's ship-owning subsidiaries are subject to registration and tonnage taxes, which have been included in Vessel operating expenses in the accompanying consolidated statements of comprehensive income/(loss).

Pursuant to §883 of the Internal Revenue Code of the United States (the "Code"), U.S. source income from the international operation of ships is generally exempt from U.S. Federal income tax on such income if the company meets the following requirements: (a) the company is organized in a foreign country that grants an equivalent exemption to corporations organized in the U. S. and (b) either (i) more than 50 percent of the value of the company's stock is owned, directly or indirectly, by individuals who are "residents" of the company's country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the U.S. (the "50% Ownership Test") or (ii) the company's stock is "primarily and regularly traded on an established securities market" in its country of organization, in another country that grants an "equivalent exemption" to U.S. corporations, or in the U.S. (the "Publicly-Traded Test"). Marshall Islands, the jurisdiction where the Company and its ship-owning subsidiaries are incorporated, grants an equivalent exemption to United States corporations. Therefore, the Company is exempt from United States federal income taxation with respect to U.S.-source shipping income if either the 50% Ownership Test or the Publicly-Traded Test is met.

For the year ended December 31, 2020, the Company determined that it did not satisfy the Publicly-Traded Test as a result of its shares not meeting the "regularly traded" requirement as set forth under the regulations. In addition, the Company did not satisfy the 50% Ownership Test as it is unable to substantiate certain requirements regarding the identity of its shareholders. As a result, the Company did not qualify for exemption under §883 of the Code from the 4% U.S. Federal income tax on its U.S. source gross transportation income. U.S. source gross transportation income is defined as 50% of shipping income that is attributable to transportation that begins or ends, but does not both begin and end, in the U.S. Gross transportation income from each voyage is equal to the product of (i) the number of days in each voyage and (ii) the daily charter rate paid to the Company by the charterer.

As a result, U.S. source income taxes of approximately \$21,640 were recognized in the accompanying consolidated comprehensive income/(loss) for the year ended December 31, 2020.

**11. Earnings/ (Loss) Per Share:**

The Company calculates earnings/(loss) per share by dividing net income/(loss) available to common stockholders in each period by the weighted-average number of common shares outstanding during that period, after adjusting for the effect of cumulative dividends on the Series A Preferred Shares, whether or not earned, and only at periods when dividends on the Series A Preferred Shares are contractually allowed to accumulate.

Diluted earnings/(loss) per share, if applicable, reflects the potential dilution that could occur if potentially dilutive instruments were exercised, resulting in the issuance of additional shares that would then share in the Company's net income. As of December 31, 2020, securities that could potentially dilute basic loss per share that were excluded from the computation of diluted loss per share, because to do so would have been antidilutive for the period presented, were the incremental shares in connection with the unexercised, as of December 31, 2020, 56,090,500 Class A warrants and the 57,750,000 Private Placement Warrants (Note 7), calculated in accordance with the treasury stock method. The Company had no dilutive instruments in the year ended September 30, 2018, the Transition Period ended December 31, 2018 and the year ended December 31, 2019.

The components of the calculation of basic and diluted net loss per common share in each of the periods comprising the accompanying consolidated statements of comprehensive income/(loss) are as follows:



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**11. Earnings/ (Loss) Per Share (continued):**

	Year ended September 30, 2018	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2020
<b>Net income/(loss) and comprehensive income/(loss)</b>	<b>\$ 980,938</b>	<b>\$ 276,442</b>	<b>\$ 1,088,149</b>	<b>\$ (1,753,533)</b>
Less: Cumulative dividends on Series A Preferred Shares	(1,646,775)	(992,745)	(372,022)	—
Plus: Gain on extinguishment of preferred stock pursuant to the Series A Preferred Stock Amendment Agreement, net of expenses	—	—	112,637	—
<b>Net income/ (loss) and comprehensive income/ (loss) available to common shareholders</b>	<b>(665,837)</b>	<b>(716,303)</b>	<b>828,764</b>	<b>(1,753,533)</b>
Weighted average number of common shares outstanding, basic and diluted	2,400,000	2,400,000	2,662,383	67,735,195
<b>(Loss)/Earnings per common share, basic and diluted</b>	<b>\$ (0.28)</b>	<b>\$ (0.30)</b>	<b>\$ 0.31</b>	<b>\$ (0.03)</b>

**12. Vessel Operating and Voyage Expenses:**

The amounts in the accompanying consolidated statements of comprehensive income/(loss) are analyzed as follows:

	Year ended September 30, 2018	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2020
<b>Vessel Operating Expenses</b>				
Crew & crew related costs	983,985	239,610	1,396,477	3,753,578
Repairs & maintenance, spares, stores, classification, chemicals & gases, paints, victualling	415,306	124,354	868,915	2,314,260
Lubricants	95,835	19,750	153,969	429,967
Insurances	133,090	31,869	189,781	507,885
Tonnage taxes	40,345	8,583	50,553	131,674
Other	59,209	8,378	143,296	310,075
<b>Total Vessel operating expenses</b>	<b>\$ 1,727,770</b>	<b>\$ 432,544</b>	<b>\$ 2,802,991</b>	<b>\$ 7,447,439</b>

	Year ended September 30, 2018	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2020
<b>Voyage expenses</b>				
Brokerage commissions	90,194	14,375	87,179	188,307
Port & other expenses	57,042	5,181	46,100	173,645
(Gain)/loss on bunkers	(109,863)	—	127,900	222,753
<b>Total voyage expenses</b>	<b>\$ 37,373</b>	<b>\$ 19,556</b>	<b>\$ 261,179</b>	<b>\$ 584,705</b>

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**13. General and Administrative Expenses:**

General and administrative expenses include costs in relation to the administration of the Company and its non-recurring public registration costs.

**Company Administration Expenses:** Company administration expenses are analyzed as follows:

	Year ended September 30, 2018	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2020
Audit fees	\$ 91,700	\$ 20,000	\$ 119,535	\$ 129,420
Chief Executive and Chief Financial Officer and directors' compensation	12,000	3,000	12,000	29,000
Other professional fees	5,533	(46)	247,242	572,533
Administration fees-related party	-	-	-	400,000
<b>Total</b>	<b>\$ 109,233</b>	<b>\$ 22,954</b>	<b>\$ 378,777</b>	<b>\$ 1,130,953</b>

The Chief Executive Officer and Chief Financial Officer compensation was terminated on October 1, 2020 and, subsequent to this date, all services rendered by the Company's Chief Executive Officer and Chief Financial Officer are included in its Master Agreement with Castor Ships (see Note 3(d) above).

**Public Registration Costs:** During the year ended September 30, 2018, the Transition Period ended December 31, 2018 and the years ended December 31, 2019 and 2020, the Company incurred public registration costs of \$350,167, \$161,116, \$132,091 and \$0 respectively. Public registration costs relate to the costs incurred by the Company in connection with the Company's registration and listing of its 2,400,000 issued and outstanding common shares on the Norwegian OTC on December 21, 2018 and the NASDAQ Stock Market on February 11, 2019. Apart from registration and listing costs, public registration costs further include legal, consultancy and other costs incurred in connection with the subject listings.

**14. Interest and Finance Costs:**

The amounts in the consolidated balance sheets are analyzed as follows:

	Year ended September 30, 2018	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2020
Interest on long-term debt	\$ -	\$ -	\$ 47,585	\$ 668,152
Interest on long-term debt – related party (Note 3 (c))	-	-	162,500	305,000
Interest on convertible debt – non cash (Note 6)	-	-	-	57,773
Amortization and write-off of deferred finance charges	-	-	6,628	599,087
Amortization and write-off of convertible notes beneficial conversion features	-	-	-	532,437
Other finance charges	3,393	519	5,450	27,128
<b>Total</b>	<b>\$ 3,393</b>	<b>\$ 519</b>	<b>\$ 222,163</b>	<b>\$ 2,189,577</b>

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**15. Subsequent Events:**

**(a) Equity Offerings:**

**Second Registered Direct Equity Offering:** On December 30, 2020, the Company entered into agreements with certain unaffiliated institutional investors pursuant to which it offered and sold 94,750,000 common shares and warrants to purchase 94,750,000 common shares (the “January 5 Warrants”) in a registered direct offering. In connection with this offering, which closed on January 5, 2021, the Company received gross proceeds of approximately \$18.0 million.

**Third Registered Direct Equity Offering:** On January 8, 2021, the Company entered into agreements with certain unaffiliated institutional investors pursuant to which it offered and sold 137,000,000 common shares and warrants to purchase 137,000,000 common shares (the “January 12 Warrants”) in a registered direct offering. In connection with this offering, which closed on January 12, 2021, the Company received gross proceeds of approximately \$26.0 million.

**(b) Vessel Acquisitions:**

On January 20, 2021, the Company entered into an agreement with an unaffiliated third party for the purchase of the *Magic Orion*, a secondhand 2006 Japanese-built Capesize dry bulk carrier for a purchase price of \$17.5 million. The *Magic Orion* was delivered to the Company on March 17, 2021 and was financed in its entirety with cash on hand.

On January 28, 2021, the Company entered into an agreement with an unaffiliated third party for the purchase of the *Magic Venus*, a secondhand 2010 Japanese-built Kamsarmax dry bulk carrier for a purchase price of \$15.85 million. The *Magic Venus* was delivered to the Company on March 2, 2021 and was financed in its entirety with cash on hand.

On February 2, 2021, the Company entered into an agreement with an unaffiliated third party for the purchase of the *Magic Argo*, a secondhand 2009 Japanese-built Kamsarmax dry bulk carrier for a purchase price of \$14.5 million. The *Magic Argo* was delivered to the Company on March 18, 2021 and was financed in its entirety with cash on hand.

On February 5, 2021, the Company entered into agreements to purchase two 2005 Korean-built Aframax LR2 tankers from an unaffiliated third-party seller for an aggregate purchase price of \$27.2 million. Both vessels have attached time charter contracts with a reputable charterer with an estimated remaining term of about one year, each of which shall provide the Company with a minimum gross daily hire of \$15,000 and have a 50% profit sharing arrangement over such level based on a predetermined formula. The charterer has the option to extend the duration of each contract for an additional one-year term. The *M/T Wonder Polaris* and the *M/T Wonder Sirius* were delivered to the Company on March 11, 2021 and March 22, 2021, respectively. Both acquisitions were financed in their entirety with cash on hand.

On February 18, 2021, the Company entered into an agreement with an unaffiliated third party for the purchase of a secondhand 2010 Korean-built Kamsarmax dry bulk carrier for a purchase price of \$14.8 million. The acquisition is expected to be consummated by taking delivery of the vessel sometime in the beginning of the second quarter of 2021 and is expected to be financed in its entirety with cash on hand.

On March 9, 2021, the Company entered into an agreement with an unaffiliated third party for the purchase of a secondhand 2010 Korean-built Kamsarmax dry bulk carrier for a purchase price of \$15.5 million. The acquisition is expected to be consummated by taking delivery of the vessel within the second quarter of 2021 and is expected to be financed in its entirety with cash on hand.

On March 11, 2021, the Company entered into an agreement with an unaffiliated third party for the purchase of a secondhand 2011 Japanese-built Kamsarmax dry bulk carrier for a purchase price of \$16.9 million. The acquisition is expected to be consummated by taking delivery of the vessel sometime between the second and third quarter of 2021 and is expected to be financed in its entirety with cash on hand.

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**15. Subsequent Events (continued):**

(c) **Entry into \$15.3 Million Debt Financing:** On January 22, 2021, the Company, through two of its ship-owning subsidiaries, entered into a \$15.3 million senior secured post-delivery term loan facility with Hamburg Commercial AG (the “\$15.3 Million Hamburg Facility”). The \$15.3 Million Hamburg Facility was drawn in full on January 27, 2021. The facility has a tenor of four years from the drawdown date, bears interest at 3.30% plus LIBOR per annum, and is secured by first mortgages on the *Magic Horizon* and the *Magic Nova*.

(d) **\$5.0 Million Term Loan Facility Extension:** On March 2, 2021, the Company entered into a supplemental agreement pursuant to which it extended its originally maturing on March 3, 2021, \$5.0 Million Term Loan Facility for an additional six-month period on terms similar with those of the initial loan agreement.

(e) **Subsequent Warrant Exercises:** Subsequent to December 31, 2020 and up to March 25, 2021, there have been exercises of 55,374,200 Class A Warrants, 57,071,360 Private Placement Warrants, 94,750,000 January 5 Warrants and 137,000,000 January 12 Warrants which resulted in the issuance of an equivalent number of the Company’s common shares and proceeds to the Company of approximately \$83.4 million.