GOLDEN DESTINY

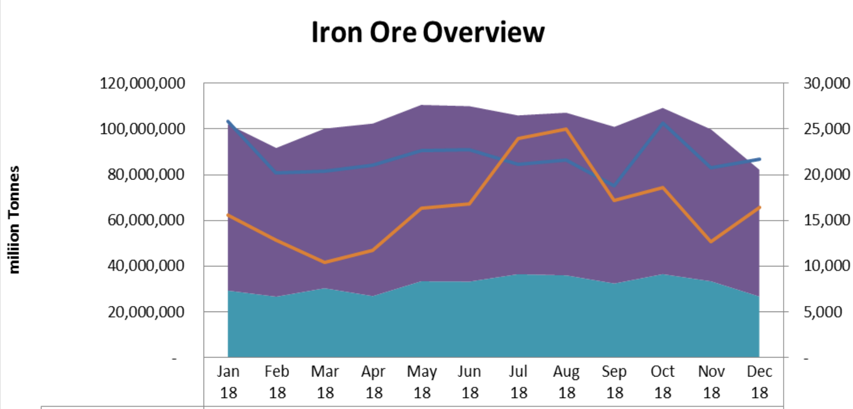
Market Review – Current Status

20/12/2018

Truce in the ongoing US-China trade war, waivers on the imposed sanctions against Iran for a 6 month period, intense tanker freight rates recovery and OPEC's agreement to curb production as well as record US shale production and capesize sector countercyclical downturn have been the most notable events over the last quarter of 2018.

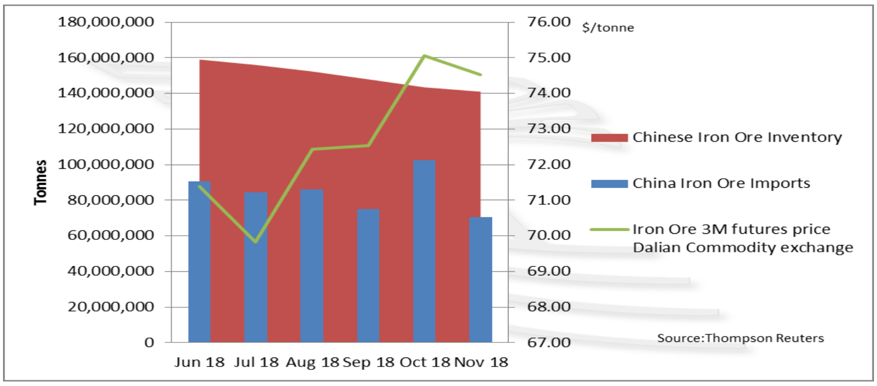
Dry Market/Iron Ore

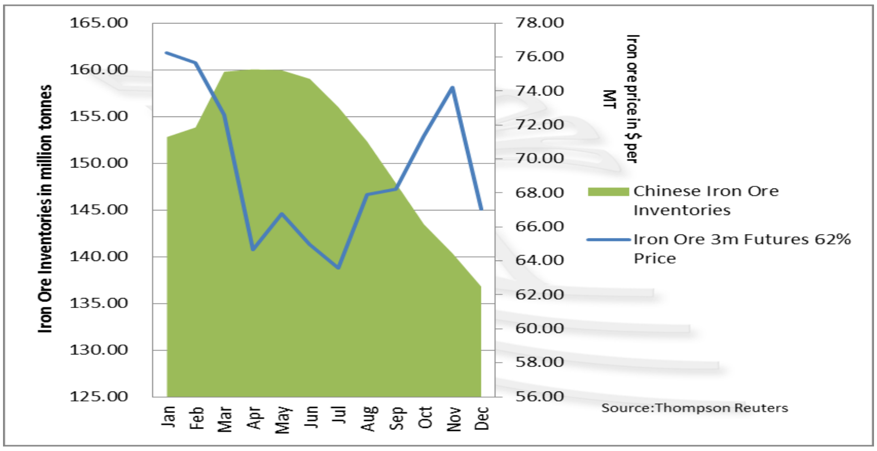
From the 06th of August that BCI stood at 3654 with capesize 5TC earnings standing at $27,283 per day, index has shown a dramatic countercyclical decrease reaching 1153 as of 13th of November with daily earnings at $9,270/day. It is worth mentioning that this drop in BCI is the largest decrease on weekly figures since the beginning of the year. The increase in real estate and infrastructure activity brought down the iron ore inventories by almost 20 million tonnes since the beginning of June. However as shown in the graph above the increase in Chinese iron ore imports observed between the September-October period were covered mainly from Australia keeping the demand for tonnemiles low. At the same period the iron ore futures prices saw a considerable increase, something that affected imports from longer distances. The industry benchmark is ore with an iron content of 62 percent, a



	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18
Australia Exports	72,95	65,15	69,95	75,60	77,29	76,85	69,60	71,28	68,66	72,86	66,57	55,58
Brazil Exports	29,18	26,53	30,22	26,80	33,29	33,15	36,37	35,88	32,29	36,39	33,27	26,60
China Imports	103,3	80,92	81,68	83,97	90,64	90,81	84,34	86,26	75,27	102,5	83,18	86,87
BCI 5 TC Average	15,53	12,84	10,37	11,70	16,29	16,78	23,95	25,03	17,17	18,60	12,65	16,42

Source:Thompson Reutres





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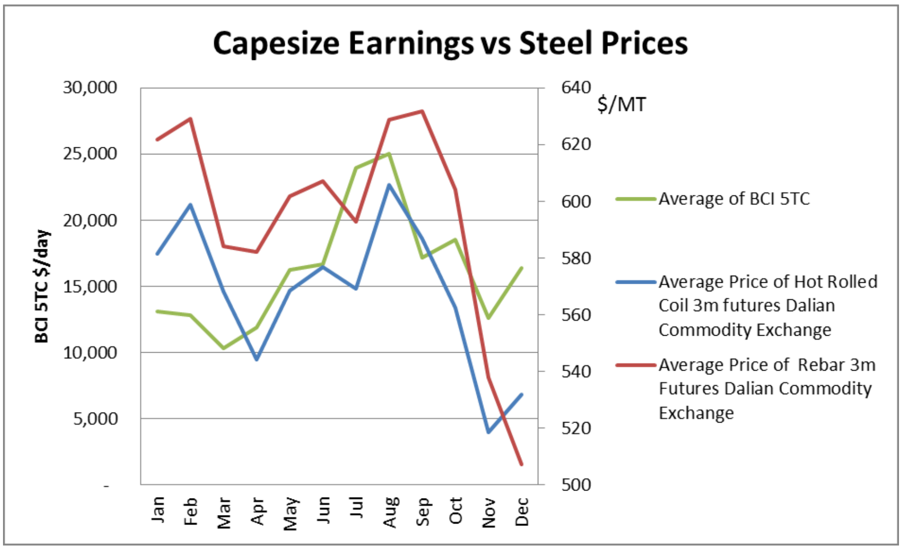
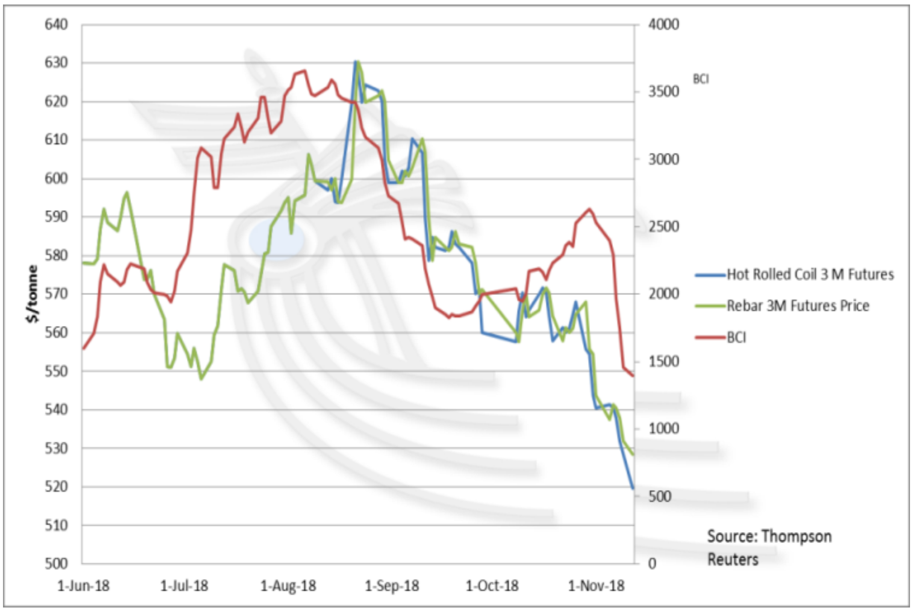
quality level that is met by most Brazilian ore, as well as by top Australian miner Rio Tinto.



China's steel production reached record levels of 82.55 million tones in October, nonetheless steel prices and furnaces' margins have shrunk as China moved on winter output curbs in order to reduce smog from steel industry. Hence, steel demand weakened while steel furnaces started to consume from the existing stock in order to sustain their profit margins.



China's steel industry experienced strong profits since 2016 with a strong infrastructure boosting steel demand, while supply tightened due to government's tough anti-pollution campaign. The capesize market, that normally experiences a traditional boost within the 4th quarter underpinned by intense imports especially from Brazil and also traders appetite to replenish iron ore inventories over winter ahead of a pickup in demand by spring, is underperforming. The driver behind the intense Brazilian imports is the better quality of iron ore that requires less coal addition in the steel production compared to low quality domestic iron ore.

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Rebar and hot rolled coil futures trade near their lowest level in months as of 12th of November, dragged down by concerns over weaker demand in the world's top market for the building material. On top of that, the yuan currency has extended losses against dollar over the last six months period.

Bulk Carriers

Capesize

Prices for 5 year capesizes, however remain at strong levels, showing only some signs of softening over last month. Since the beginning of 2018, prices for 5 year old vessels have increased by almost 10%. More specifically, at the beginning of 2018, a 5 year old capesize was priced at $32.785 million on average as per BSPA figures, while as of now the price has climbed to $35.0mil region, although softened by almost 3% over the last month.

During the June-December period, about 52 capers were reported sold averaging 7.3 years of age, almost 1 year younger compared with the first 5 months of the year, while the average price of vessels sold was increased by 20% compared to the January-May period.

Dry Market/Soybean

The United States,world's leading producer and exporter of soybeans ended the crop season with increased soybean stocks after the trading dispute with China. U.S. soybean exports to top importer China have declined over the recent months after Beijing's decision to raise tariffs on the most valuable U.S. agricultural export amid an ongoing trade war between the world's top economies. The 25% tariff on Chinese imports of US soya beans that was implemented on 6 July 2018, has shown its effects in the start of the fourth quarter. Last year, 55% of US soya bean exports to China occurred between October and December. The U.S.-China meeting at the beginning of December on the G20 summit in Argentina was seen as an approach to de-escalate the trade dispute between the world's largest economies.

Panamax vessels are heavily affected due to their reliance on the high volumes of US soya beans usually being sent to China at this time of year. The drop in this demand has been one of the factors that made panamax earnings fall from 14,385 USD/day on 17 October 2018, to 10,996 USD/day on 23 November 2018.

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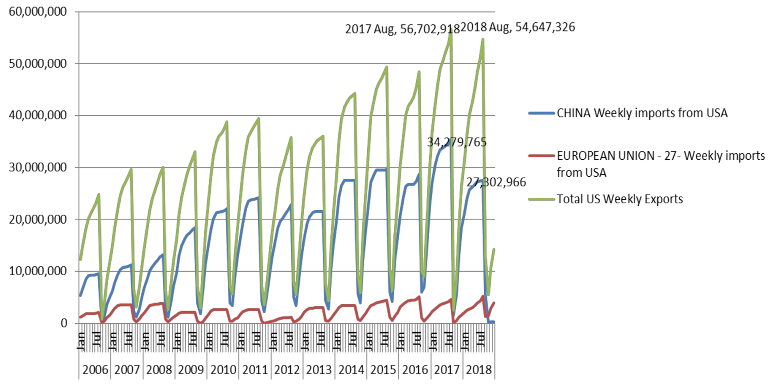
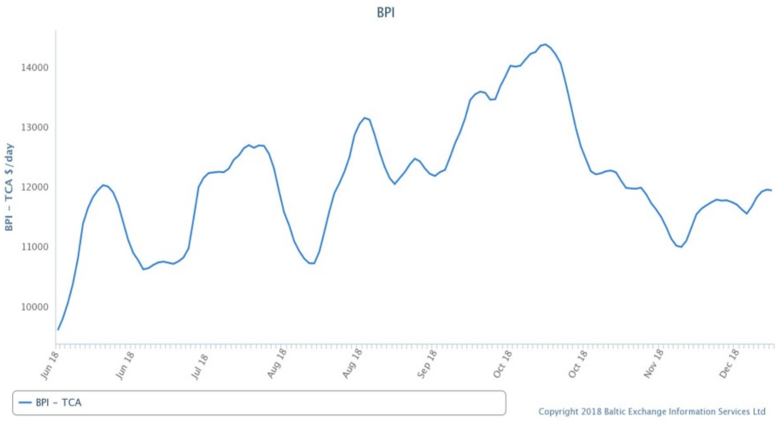
Historically, the US dominates the soya bean export market in the last quarter of the year as shown in the graph, and it is therefore anticipated that total Chinese soya bean imports will be lower than those of last year.



Source: Thompson Reuters

At the wake of G20 summit in Argentina, US government postponed the implementation of further tariffs from the 1st January 2019 for a grace period of 90 days, while China has agreed private sales of 1.13 million tones of U.S soybeans. A good start at least for the next 3 months. But still not large enough to reduce the surplus that has accumulated in the US inventories.



The financial aid of $12.0 billion provided to US farmers last summer, alleviated merely the impact from the escalating trade disputes since a major part of the production remains undistributed, with Brazil and Argentina trying to fill the gap in the Chinese market. China has since mostly scooped up Brazil's soybean crop. Nonetheless the Brazilian soybean is not enough to cover alone the Chinese market. This fact along with the inelastic demand for this commodity leads to the conclusion that ultimately there's going to be a market for U.S. beans to be absorbed; it just has to come at a discount. Indicatively the panamax earnings have demonstrated some resistance as shown in the graph over the $10k/day barrier.

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Panamax

In the panamax sector about 44 vessels were reported sold between July-December period, 11 more compared to those recorded in the 1st semester with almost the same age on average of 14.5 years. This is indicative of the fact that the market is showing some resistance, in terms of earnings and secondhand prices, despite the fact that this size is mainly affected by the tariffs imposition between US and China.

Secondhand prices dropped slightly by 1.0% compared with 1st semester figures. Indicatively, a 5 year old panamax price stood at $21.81 million at June as per BSPA figures, while as of 17/12/18 prices have dropped at $21.573 million marking a 1.0% decrease .

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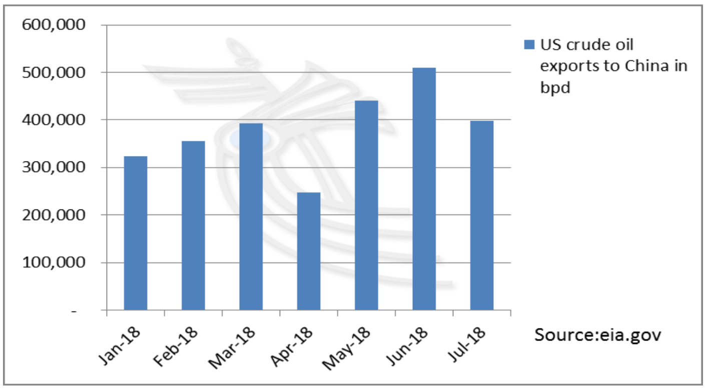
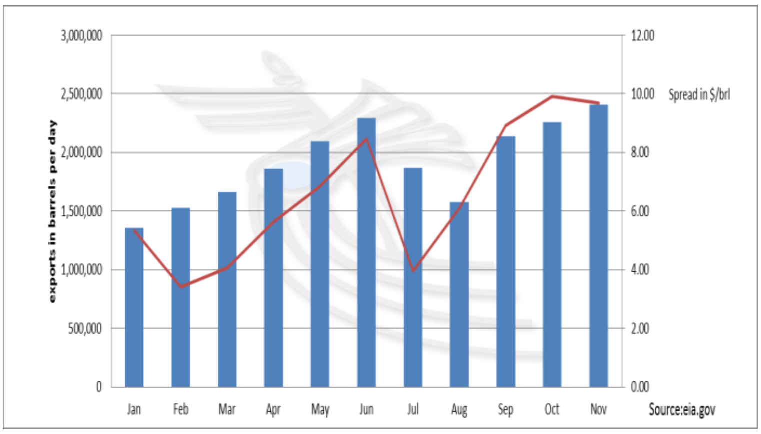
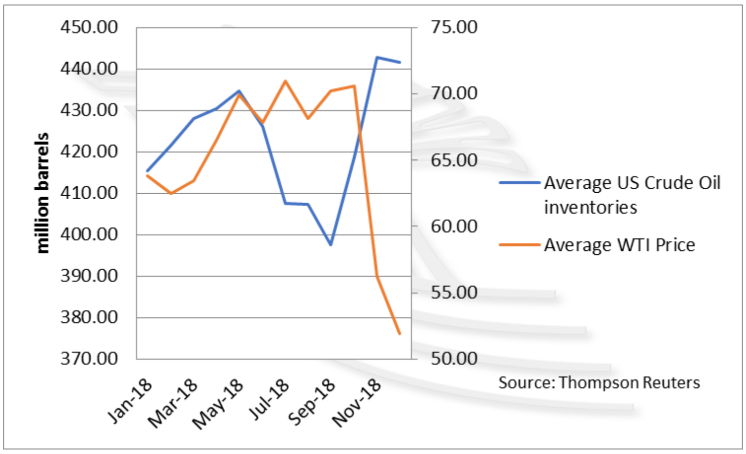
Wet Market



Crude oil prices witnessed a great volatility especially after the U.S. withdrawal from the 2015 international Iran nuclear agreement, signed from the previous US administration. Within the last 3 months it has been observed a strong boost in crude tankers freight rates merely reflecting the effect of seasonal demand as well as the withdrawal of Iranian crude oil output from the market. This fact has effectively increased the tonnemile demand from the Asian markets that seek to cover the gap from US gulf and West Africa. Given that these replacement supplies will not be shipped on Iranian tonnage, the wider tanker market will benefit. South Korea has become the largest long-distance importer of US crude oil at 1.1 million tonnes in September, its highest level ever. Tanker market benefitted from the growing US crude oil exports to China, however the tariff war didn't let that trade to gain support. In 2017, Chinese imports accounted for 23% of total US crude oil exports. In 2018 that number was 22% during the first seven months of the year. Despite the fact that Chinese administration has exempted the US crude oil imports from the latest tariffs list, no US crude oil exports to China for August and September were recorded. However, it remains to be seen if this trend will continue after Unipec's decision to resume U.S crude shipments to China by March 2019 after Xi-Trump deal at the G-20 meeting reduced the risk of tariffs being imposed on these imports.





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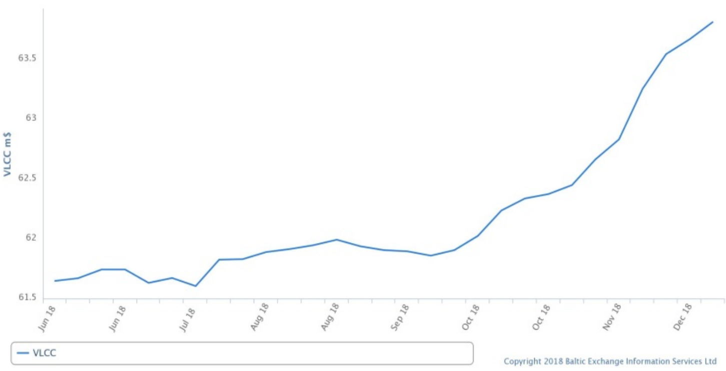
Since the first week of May, when the announcement of sanctions against Iran took place, spread between WTI and Brent saw severe fluctuations with Texas being the main driver of this price divergence. As shown in the graphs, on the declaration that US will exit Iran nuclear deal signed in 2015, and proceed with the imposition of sanctions from November, oil prices were driven up while at the same period US exports climbed above the zone of 2.0 mbpd. US continue to boost their exports by setting the WTI cheaper against Brent, through the built up of crude oil inventories. US crude oil output has reached record levels, while refinery utilization rate has slightly dropped for the last quarter of the year, hence increasing the amount of crude oil stocked and in return decreasing the price of WTI against Brent.

VLCC

Since the beginning of 2018, massive demolition activity of excess capacity in the crude oil tanker sector has resulted in an almost unchanged fleet size.

Fleet	Number of Vessels
VLCC Fleet 2017	734
VLCC Demolition until November 2018	-36
VLCC Deliveries until November 2018	26
VLCC Fleet 2018	724

Despite the fact that VLCC market experienced until recently unfavorable freight rates, asset prices followed a minimum yet positive upward movement since the beginning of the year. However, from the beginning of October strong VLCC earnings caused a steep upward movement in the prices of 5 year old vessels reaching as of 17/12/18 the $63.802 million an increase of 3 % since the beginning of October.

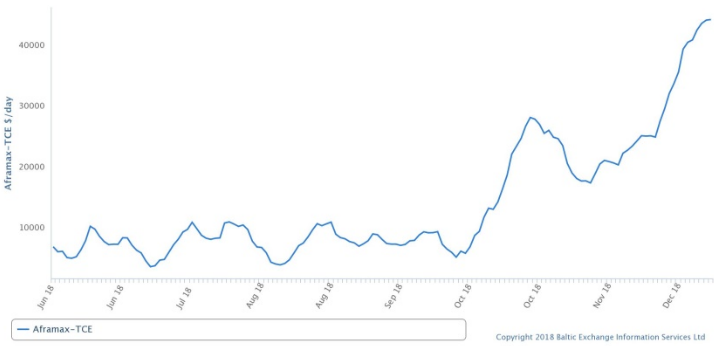


On the demolition front, with the BWTS time frame implementation for vessels built prior 2017 depending on the status of the IOPP (International Oil Pollution Prevention) certificate each vessel holds, a substantial amount of VLCC's is expected to be scrapped, unless market rates increase considerably as of lately. Regardless of whether IOPP renewal is harmonized with other certificates or not; vessels have to comply with the new BWTS guidance within the period 2019-2024, where they have to be fitted with BWTS and optionally with scrubbers with a cost of installation ranging between $3.0- $4.0 mil.

About 60 VLCC will be greater than 20 years old by 2020 where the international sulphur cap in fuel will be implemented, almost 8% of the existing fleet. These vessels will probably head to the subcontintent demolition yards, within the next year, unless they engage in other projects (FSO). However this demolition trend is being endangered at least for now from the severe appreciation of the US dollar against the subcontinent currencies. Despite the fact that up until recently the demolition market has demonstrated some signs of resistance due to high steel demand in the subcontinent market, the appreciated dollar remains a drawback for the cash byers in order to provide some favorable rates.

Aframax

Aframax sector as part of the dirty market is performing very well as of lately. Rising US crude exports have already benefitted Aframaxes, with approximately one fifth of exports serviced by this size category while the advantage of Aframaxes to facilitate shore-to-VLCC lightering, since only one terminal is capable at this moment to host VLCC in the US, has further boosted earnings for this size. Further demand growth is envisioned given further US crude production growth. Earnings have seen an upward movement, especially after the end of July where from $8,237 per day on monthly average, figures have steadily reached as of 19th of December $44,167 per day, reflecting also the seasonality effect of the market as well as the crude oil supply glut that works in favor of the wet earnings.



Five year old prices for Aframax also experienced a steep upward movement over the last two months. Based on the first semester figures the average price for a 5 years old vessel stood at $29.76 mil while as of latest figures the price was at $30.7 mil marking a 3% increase.

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