INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements - Himalaya Shipping Ltd.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Himalaya Shipping Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Himalaya Shipping Ltd. and its subsidiaries (the ''Company'') as of December 31, 2022 and December 31, 2021, and the related consolidated statements of operations, of changes in shareholders' equity and of cash flows for the year ended December 31, 2022 and the period from March 17, 2021 to December 31, 2021, including the related notes (collectively referred to as the ''consolidated financial statements''). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2022 and the period from March 17, 2021 to December 31, 2021 in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company is dependent on debt financing and equity financing to finance the scrubber installation under the current newbuilding contracts for the vessels and working capital requirements that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated 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 of these consolidated financial statements 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 consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers AS

Oslo, Norway
January 27, 2023

We have served as the Company's auditor since 2021.

Himalaya Shipping Ltd.

Consolidated Statements of Operations
For the year ended December 31, 2022 and for the period from March 17, 2021 (inception) to December 31, 2021
(In $ millions, except share and per share data)

	Year ended December 31, 2022	Period from March 17 to December 31, 2021
Operating expenses		
General and administrative expenses	(2.0)	(1.0)
Total operating expenses	(2.0)	(1.0)
Operating loss	**(2.0)**	**(1.0)**
Interest expense, net of capitalized interest	—	—
Net loss attributable to shareholders' of Himalaya Shipping Ltd.	**(2.0)**	**(1.0)**
Loss per share:		
Basic and diluted loss per share	(0.06)	(0.06)
Weighted average shares outstanding	32,152,857	18,316,970

The accompanying notes are an integral part of these Consolidated Financial Statements.

Himalaya Shipping Ltd.

Consolidated Balance Sheets
As of December 31, 2022 and 2021 (In $ millions, except share data)

	December 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	0.3	11.3
Other current assets	1.4	—
Total current assets	**1.7**	**11.3**
Non-current assets		
Newbuildings	176.1	83.5
Other non-current assets	—	0.4
Total non-current assets	**176.1**	**83.9**
Total assets	**177.8**	**95.2**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Current portion of long-term debt	7.0	—
Accounts payable	14.9	0.8
Amounts due to related parties	2.7	—
Accrued expenses	1.1	—
Other current liabilities	0.3	—
Total current liabilities	**26.0**	**0.8**
Non-current liabilities		
Long-term debt	60.5	—
Amounts due to related parties	1.0	2.5
Total non-current liabilities	**61.5**	**2.5**
Total liabilities	**87.5**	**3.3**
Commitments and contingencies		
Shareholders' equity		
Common shares of par value $1.0 per share: authorized at December 31, 2022 and 2021: 140,010,000 shares, issued and outstanding at December 31, 2022 and 2021: 32,152,857 shares	32.2	32.2
Additional paid-in capital	61.1	60.7
Retained loss	(3.0)	(1.0)
Total shareholders' equity	**90.3**	**91.9**
Total liabilities and shareholders' equity	**177.8**	**95.2**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Himalaya Shipping Ltd.

Consolidated Statements of Cash Flows
For the year ended December 31, 2022 and for the period from March 17, 2021 (inception) to December 31, 2021 (In $ millions)

	Year ended December 31, 2022	Period from March 17 to December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss for the period	(2.0)	(1.0)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share based compensation	0.4	—
Changes in assets and liabilities:		
Other current assets	(0.5)	—
Accounts payable	0.4	0.4
Other current liabilities	0.3	0.1
Net cash used in operating activities	**(1.4)**	**(0.5)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to newbuildings	(78.3)	(68.8)
Net cash used in investing activities	**(78.3)**	**(68.8)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds, net of deferred loan costs paid to lender, from issuance of long-term debt	69.6	—
Other deferred loan costs paid	(1.4)	—
Proceeds from issuance of long-term debt from related parties	1.0	—
Proceeds from the issuance of common shares, net of paid issuance costs	(0.5)	80.6
Net cash provided by financing activities	**68.7**	**80.6**
Net increase in cash and cash equivalents and restricted cash	**(11.0)**	**11.3**
Cash and cash equivalents and restricted cash at the beginning of the period	11.3	—
Cash and cash equivalents and restricted cash at the end of the period	**0.3**	**11.3**
Supplemental disclosure of cash flow information		
Non-cash settlement of debt	—	(13.6)
Non-cash share issuance	—	13.6
Non-cash additions in respect of newbuildings	(13.7)	(13.6)
Issuance of liabilities for newbuilding instalments	13.7	13.6
Interest paid, net of capitalized interest	(0.4)	—

The accompanying notes are an integral part of these Consolidated Financial Statements.

Himalaya Shipping Ltd.

Consolidated Statements of Changes in Shareholders' Equity
For the year ended December 31, 2022 and for the period from March 17, 2021 (inception) to December 31, 2021
(In $ millions, except share data)

	Number of shares	Share capital	Additional paid-in capital	Retained earnings (deficit)	Total
Incorporation March 17, 2021	**10,000**	**—**	**—**		
Issue of common shares	32,142,857	32.2	62.8	—	95.0
Equity issuance costs	—	—	(2.1)	—	(2.1)
Total loss for the period	—	—	—	(1.0)	(1.0)
Balance as of December 31, 2021	**32,152,857**	**32.2**	**60.7**	**(1.0)**	**91.9**
Share based compensation	—	—	0.4	—	0.4
Total loss for the period	—	—	—	(2.0)	(2.0)
Balance as of December 31, 2022	**32,152,857**	**32.2**	**61.1**	**(3.0)**	**90.3**

The accompanying notes are an integral part of these Consolidated Financial Statements.

Himalaya Shipping Ltd.

Notes to Consolidated Financial Statements

1. General Information

Himalaya Shipping Ltd. was incorporated in Bermuda on March 17, 2021. The Company has been listed on the Euronext Expand since April 2022 under the ticker ''HSHIP''. The Company was founded for the purpose of owning high-quality dry bulk vessels in the range of 210,000 dead weight tonnes (''dwt'') and has agreements to acquire twelve dual fueled Newcastlemax dry bulk vessels, which are currently under construction. The twelve vessels are expected to be delivered between March 2023 and August 2024. The Company has entered into sale leaseback financing arrangements for its newbuildings as described in Note 10.

As used herein, and unless otherwise required by the context, the term ''Himalaya Shipping'' refers to Himalaya Shipping Ltd. and the terms ''Company'', ''we'', ''Group'', ''our'' and words of similar import refer to Himalaya Shipping and its consolidated companies. The use herein of such terms as ''group'', ''organization'', ''we'', ''us'', ''our'' and ''its'' or references to specific entities, is not intended to be a precise description of corporate relationships.

2. Basis of Preparation and Significant Accounting Policies

Basis of Preparation

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Amounts are presented in United States Dollar (''US dollar or $'') rounded to the nearest million, unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods in these consolidated financial statements.

The principal accounting policies are set out below.

Principle of Consolidation

The consolidated financial statements include the assets and liabilities of us and our wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Actual results could differ from those estimates.

Going concern

The financial statements have been prepared on a going concern basis. The Group is dependent on debt financing and equity financing to finance the scrubber installation under the current newbuilding contracts for the vessels and working capital requirements which raises substantial doubt about the Company's ability to continue as a going concern. As of December 31, 2022, the Company has not commenced operations, has cash and cash equivalents of US$0.3 million and a working capital deficit of US$24.3 million. The Consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

The Company is planning to raise financing through a public offering of the Company's shares. Given management expects completion of the planned debt financing for scrubber installation and our track record in terms of raising equity, we believe we will be able to meet our anticipated liquidity requirements for our business for at least the next twelve months as of the date of these consolidated financial statements. There is no assurance that the Himalaya Shipping group will be able to execute this financing.

Fair value measurement

We have determined the estimated fair value amounts presented in these consolidated financial statements using available market information and appropriate methodologies. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. The estimates presented in these consolidated financial statements are not necessarily indicative of the amounts that we could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

We account for fair value measurement in accordance with the accounting standards guidance using fair value to measure assets and liabilities. The guidance provides a single definition for fair value, together with a framework for measuring it, and requires additional disclosure about the use of fair value to measure assets and liabilities.

Reporting and functional currency

The Company and its subsidiaries use the U.S dollar as their functional currency as the majority of their expenses and financing are denominated in U.S. dollars. Accordingly, the Company's reporting currency is also U.S. dollars. Transactions in foreign currencies are translated into U.S dollars at the rates of exchange in effect at the date of transaction. Gains and losses on foreign currency transactions are included in ''Other financial expenses'' in the Consolidated Statements of Operations.

Revenue recognition

Our shipping revenues will primarily be generated from time charters. In a time charter voyage, the vessel is hired by the charterer for a specified period of time in exchange for consideration which is based on a daily hire rate. The charterer has the full discretion over the ports visited, shipping routes and vessel speed. In a time charter contract, we are responsible for all the costs incurred for running the vessel such as crew costs, vessel insurance, repairs and maintenance and lubes. Costs incurred by the Company in connection with time charters are recognized on an accruals basis. The charterer bears the voyage related costs such as bunker expenses, port charges and canal tolls during the hire period. The performance obligations in a time charter contract will be satisfied over the term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to the Group. The time charter contracts will be considered operating leases and therefore will not fall under the scope of ASC 606 Revenue from Contracts with Customers because (i) the vessel is an identifiable asset (ii) we do not have substantive substitution rights and (iii) the charterer has the right to control the use of the vessel during the term of the contract and derives the economic benefits from such use. Time charter contracts will be accounted for as operating leases in accordance with ASC 842 Leases and related interpretations. For arrangements where the Company is the lessor, we intend to elect the practical expedient which allows the Company to treat the lease and non-lease components as a single lease component for the leases where the timing and pattern of transfer for the non-lease component and the associated lease component to the lessees are the same and the lease component, if accounted for separately, would be classified as an operating lease.

Income from time charter voyages will be recognized on a straight-line basis over the period of the time charter contract (or lease contract) and at the prevailing rate for the relevant assessment period for variable or index-linked time charter contracts.

As of December 31, 2022 Himalaya Shipping has entered into six index-linked time charters and one fixed time charter for the first seven newbuildings to be delivered from New Times Shipyard.

Share-based compensation

The cost of equity settled transactions is measured by reference to the fair value at the date on which the share options are granted. The fair value of the share options issued under the Company's employee share option plans is determined at the grant date taking into account the terms and conditions upon which the options are granted, and using a valuation technique that is consistent with generally accepted valuation methodologies for pricing financial instruments, and that incorporates all factors and assumptions that knowledgeable, willing market participants would consider in determining fair value. The fair value of the share options is recognized in General and administrative expense in the Consolidated Statements of Operations, with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the options. Compensation cost is initially recognized based upon options expected to vest, excluding forfeitures, with appropriate adjustments to reflect actual forfeitures.

Newbuildings

The carrying value of the vessels under construction (''Newbuildings'') represents the accumulated costs to the balance sheet date which we have had to pay by way of purchase installments and other capital expenditures plus capitalized interest. Capitalization ceases and depreciation commences once the asset is completed and available for its intended use.

Impairment of newbuildings

The carrying values of the Company's newbuildings may not represent their fair market value at any point in time since the market prices of second-hand vessels and the cost of newbuildings tend to fluctuate with changes in charter rates. Historically, both charter rates and vessel values tend to be cyclical. The carrying amounts of newbuildings under construction are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular vessel or newbuilding may not be fully recoverable. Such indicators may include depressed spot rates and depressed second-hand vessel values. The Company assesses recoverability of the carrying value of each asset or newbuilding on an individual basis by estimating the future undiscounted cash flows expected to result from the asset, including any remaining construction costs for newbuildings and disposal. If the future net undiscounted cash flows are less than the carrying value of the asset, or the current carrying value plus future newbuilding commitments, an impairment loss is recorded equal to the difference between the asset's or newbuildings carrying value and fair value. The Company believes that the estimated future undiscounted cash flows expected to be earned by each of its vessels over their remaining estimated useful life will exceed the vessels' carrying value as of December 31, 2022, plus estimated costs to complete the vessels and accordingly, has not recorded an impairment charge.

Interest cost capitalized

Interest costs are capitalized on all qualifying assets that require a period of time to get them ready for their intended use. Qualifying assets consist of Newcastlemax dry bulk vessels under construction. The interest capitalized is calculated using our weighted average cost of borrowings, from commencement of the asset development until substantially all the activities necessary to prepare the asset for its intended use are complete. The Company does not capitalize amounts beyond the actual interest expense incurred in the period.

Sale lease-back transactions

When a sale and leaseback transaction does not qualify for sale accounting, the transaction is accounted for as a financing transaction by the seller-lessee. To account for a failed sale and leaseback transaction as a financing arrangement, the seller-lessee does not derecognize the underlying asset; the seller-lessee continues depreciating the asset as if it was the legal owner. The sales proceeds received from the buyer-lessor are recognized as a financial liability. A seller-lessee will make rental payments under the leaseback. These payments are allocated between interest expense and principal repayment of the financial liability. The amount allocated to interest expense is determined by the incremental borrowing rate or imputed interest rate.

Deferred charges

Costs associated with long-term financing, including debt arrangement fees, are deferred and amortized over the term of the relevant loan using the straight-line method as this approximates the effective interest method. Amortization of loan costs will be included in "Other financial expenses" in the Consolidated Statements of Operations. If a loan is repaid early, any unamortized portion of the related deferred charge is charged against "Other financial expenses" in the period in which the loan is repaid. Deferred charges are presented as either a gross asset or as a deduction from the corresponding liability in the Consolidated Balance Sheet.

Drydocking

Maintenance of class certification requires expenditure and can require taking a vessel out of service from time to time for survey, repairs or modifications to meet class requirements. When delivered, the Group's vessels can generally be expected to have to undergo a class survey once every five years. The Group's vessels are being built to the classification requirements of ABS and the Liberian Ship Register. Normal vessel repair and maintenance costs will be expensed when incurred. We will recognize the cost of a drydocking at the time the drydocking takes place. The Group will capitalize a substantial portion of the costs incurred during drydocking, including the survey costs and depreciates those costs on a straight-line basis from the time of completion of a drydocking or intermediate survey until the next scheduled drydocking or intermediate survey.

Earnings per share

Basic earnings per share ("EPS") is computed based on the income available to common stockholders and the weighted average number of shares outstanding. Diluted earnings per share includes the effect of the assumed conversion of potentially dilutive instruments, which for the Company includes share options. The determination of dilutive EPS may require us to make adjustments to net loss and the weighted average shares outstanding used to compute basic EPS unless anti-dilutive.

Cash and cash equivalents

All demand and time deposits and highly liquid, low risk investments with original maturities of three months or less at the date of purchase are considered equivalent to cash.

Current and long-term classification

Assets and liabilities are classified as current assets and liabilities respectively, if their maturity is within one year of the balance sheet date. Otherwise, they are classified as non-current assets and liabilities.

Related parties

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence.

Equity issuance costs

Equity issuance costs are recorded as a reduction of additional paid-in-capital when the equity offering is effective. Prior to the effective date of an equity offering, specific incremental costs directly attributable to a proposed or actual offering of securities are deferred and recorded as ‘‘Other current assets’’ in the Consolidated balance sheets. Should the Company cancel the planned equity offering, these costs will be charged to the Consolidated statements of operations as an expense. US$0.9 million has been deferred as of December 31, 2022 to the proposed equity offering.

3. Recently issued accounting standards

Adoption of new accounting standards

In May 2021, the FASB issued ASU 2021-04 Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40).

The amendments clarify the issuer’s recognition and measurement considerations resulting from exchanges or modifications to freestanding instruments (written call options) classified in equity. Such exchanges or modifications are treated as adjustments to the cost to raise debt, to the cost to raise equity or as share based payments (ASC 718) when issued to compensate for goods or services. If not treated as costs of debt funding, equity funding or share-based payments, it results in an adjustment to EPS/net income (loss). These amendments are effective from January 1, 2022. The amendments did not have a material impact on the consolidated financial statements.

ASU 2020-04 (ASC 848 Reference Rate Reform)

In March 2020, the FASB issued ASU 2020-04 (ASC 848 Reference Rate Reform), which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In January 2021, the FASB issued ASU 2021-01, which clarified the scope of Topic 848 in relation to derivative instruments and contract modifications. The amendments in these updates are elective and apply to all entities, subject to meeting certain criteria, that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The amendments in these updates are effective for all entities as of March 12, 2020 through December 31, 2022. The Company has determined that reference rate reforms will potentially impact any outstanding amount under the revolving credit facility to which it is a party. Based on the latest guidance from the applicable LIBOR administrator, the reference rates currently in use are expected to be available until June 30, 2023. The Company expects to agree alternative reference rates with its counterparties before the applicable discontinuation date. We expect to take advantage of the expedients and exceptions for applying GAAP provided by the updates to the extent reference rates currently in use are replaced with alternative reference rates before December 31, 2022. In December 2022, the FASB issued ASU 2022-06 Reference Rate Reform (Topic 848) which defer the sunset date of Topic 848 from December 31 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief of Topic 848.

4. Income taxes

Bermuda

Himalaya Shipping Ltd. is incorporated in Bermuda. Under current Bermuda law, the Company is not required to pay taxes in Bermuda on either income or capital gains. Himalaya Shipping Ltd. has received written assurance from the Minister of Finance in Bermuda that, in the event of any such taxes being imposed, the Company will be exempted from taxation until March 31, 2035.

Liberia

The vessel owning companies are not subject to tax on international shipping income.

5. Segment information

Our chief operating decision maker, or the CODM, being our Board of Directors, measures performance based on our overall return to shareholders based on consolidated net income. The CODM does not review a measure of operating result at a lower level than the consolidated group and we only have one reportable segment. Himalaya Shipping currently has twelve newbuildings under construction at New Times Shipyard in China.

6. Loss Per Share

The computation of basic loss per share is based on the weighted average number of shares outstanding during the period.

	Year ended December 31, 2022	Period from March 17 to December 31, 2021
Net loss available to common shareholders	(2.0)	(1.0)
Weighted average number of shares, basic and diluted	32,152,857	18,316,970
Loss per share in U.S. Dollars, basic and diluted	(0.06)	(0.06)

Diluted loss per share excludes the potential effect of conversion of 620,000 of share options outstanding issued to management resources and directors as the share options are anti-dilutive.

7. Interest expense

	Year ended December 31, 2022	Period from March 17 to December 31, 2021
Interest expense, gross	(1.8)	—
Capitalized interest on newbuildings	1.8	—
Interest expense, net	—	—

8. Leases

Lessor

The Company has entered into time charter contracts for seven of its vessels that will commence upon their respective deliveries to the Company under the sale and leaseback arrangements. One of the charters is a fixed rate contract, while the remaining six are variable rates as set out in the following table of operating lease contracts:

Ship name	Targeted delivery	Rate US$[3]	Charter period
Mount Norefjell	Mar. 2023	30,000	24 months
Mount Ita	Mar. 2023	BCI 5TC plus premium, scrubber benefit	32-38 months[1]
Mount Etna	Apr. 2023	BCI 5TC plus premium, scrubber benefit	32-38 months[2]
Mount Blanc	June 2023	BCI 5TC plus premium, scrubber benefit	24 months
Mount Matterhorn	July 2023	BCI 5TC plus premium, scrubber benefit	24 months
Mount Neblina	Sep. 2023	BCI 5TC plus premium, scrubber benefit	24 months
Mount Bandeira	Jan. 2024	BCI 5TC plus premium, scrubber benefit	24 months

(1) Option for 11-13 months

(2) Option for 11-13 months

(3) The Company will earn revenues based on the Capesize Index published by the Baltic Exchange plus a premium which will vary depending on contract terms. In addition, the Company will earn a scrubber benefit based on the spread between high sulphur fuel oil and very low sulphur fuel oil or the spread between liquified natural gas and very low sulphur fuel oil.

The minimum future undiscounted minimum lease payments to be received under our fixed rate contract as of December 31, 2022 are as follows:

2023	8.7
2024	10.6
2025	1.8
Total	21.1

9. Newbuildings

Movements in the period ended December 31, 2021 and year ended December 31, 2022 are summarized below:

Balance at March 17, 2021	—
Installment payments	82.1
Other capitalized costs including newbuilding supervision costs	1.4
Balance at December 31, 2021	**83.5**
Installment payments	88.6
Capitalized interest	1.8
Other capitalized costs including newbuilding supervision costs	2.2
Balance at December 31, 2022	**176.1**

2021

Installment payments in the period ended December 31, 2021 include expenditures associated with the first and second installment payments to New Times Shipyard for the 12 dual fueled Newcastlemax dry bulk carriers including the non-cash payment of US$13.6 million paid by Magni on behalf of the Company, see note 13.

Other capitalized costs in the period ended December 31, 2021 include US$1.1 million in fees to Magni under the Corporate support agreement which was not paid as of December 31, 2022 and 2021 (see note 13) and expenditures associated with supervision of the newbuilding program.

2022

Installment payments in the year ended December 31, 2022 include US$74.9 million of non-cash payments associated with the third and fourth installment payments to New Times Shipyard for newbuildings "Mount Norefjell", "Mount Ita", "Mount Etna", "Mount Blanc" and "Mount Matterhorn" and the third instalment for newbuilding "Mount Neblina". The Company has drawn US$74.9 million on the sale leaseback financing to fund these instalments and the instalment payments were executed by AVIC and CCBFL on behalf of the Company during 2022. In December 2022, the Company agreed with New Times Shipyard to defer payments of the third instalment on newbuildings "Mount Hua" and "Mount Bandeira" of US$13.7 million from December 2022 until March 31, 2023. This amount has been capitalized as "Installment payments" as progress was made as agreed under the newbuilding contracts and recorded as "Accounts payable" in the "Consolidated balance sheets".

Other capitalized costs in the year ended December 31, 2022 include US$0.8 million in pre-delivery cost of which US$0.5 million was not paid as of December 31, 2022, and US$1.4 million in expenditures associated with supervision of the newbuilding program of which US$0.1 million was not paid as of December 31, 2022.

There were no indications of impairment of newbuildings as of December 31, 2022 and 2021.

10. Long-Term Debt

	December 31, 2022	December 31, 2021
Other long-term debt		
Vessel financing (Mount Norefjell)	13.6	—
Vessel financing (Mount Ita)	13.6	—
Vessel financing (Mount Etna)	13.6	—
Vessel financing (Mount Blanc)	13.6	—
Vessel financing (Mount Matterhorn)	13.7	—
Vessel financing (Mount Neblina)	6.8	—
Total long-term debt, gross	**74.9**	**—**
Less current portion	(7.0)	—
Less deferred loan costs	(7.4)	—
Total long-term debt	**60.5**	**—**

The outstanding debt as of December 31, 2022, is repayable as follows:

2023	7.0
2024	11.0
2025	11.7
2026	12.4
2027	13.4
Thereafter	19.4
Total	**74.9**

Avic International Leasing Co., Ltd. ("AVIC") – Sale leaseback financing

The Company has entered into sale lease back transactions accounted for as financing transactions. In February 2022, the Company entered into sale lease back arrangements with AVIC for the first four newbuildings "Mount Norefjell", "Mount Ita", "Mount Etna", "Mount Blanc" to be delivered from New Times Shipyard. Pursuant to the lease financing, Himalaya Shipping shall receive pre-delivery financing at a fixed interest rate of 5% per annum for the third and fourth pre-delivery instalments ($6,791,700 to be paid for each of the third and fourth instalment). As security for the pre-delivery financing, the Company has entered into an agreement to assign in favor of AVIC the first four newbuilding contracts (Carrying value of Newbuildings financed by AVIC is US$84.8 million as of December 31, 2022) and the related refund Guarantees, as well as a parent company guarantee from the Company, share pledges over the related Subsidiaries, account pledges over the related subsidiaries' bank accounts and a share pledge over the shares in each related Subsidiary. In addition, upon delivery of the relevant vessels from New Times Shipyard, the vessels will be sold to companies owned and designated by AVIC. The financing amount is the lower of 90% of the newbuilding contract price and US$63.0 million. The vessels will be chartered back on seven-year bareboat charters which include purchase options each year from year 3 until the end of the bareboat period. The first purchase option in year 3 is US$56,934,360 and then declining to US$47,166,840 after year 7.

Payment of dividends or making of other distributions from each subsidiary to the Company will only be allowed if immediately following such payment or distribution there will be maintained in the bank account an amount no less than the higher of (a) US$3.6 million and (b) the aggregate of the hire and the operating expenses for the vessel that are payable within the next six months.

During 2022, the Company has drawn US$54.4 million on the financing to pay scheduled pre-delivery instalments for the first four newbuildings. The fixed price purchase options and a cash penalty of US$25 million per vessel for not exercising any of the purchase options under the sale leaseback transaction results in a failed sale leaseback and the transaction is accounted for as a financing transaction.

CCB Financial Leasing Co., Ltd. (“CCBFL”) – Sale leaseback financing

In April 2022, the Company entered into sale lease back arrangements with CCBFL for newbuildings “Mount Matterhorn”, “Mount Neblina”, “Mount Bandeira”, “Mount Hua”, “Mount Elbrus”, “Mount Denali”, “Mount Aconcagua” and “Mount Emai” to be delivered from New Times Shipyard. Pursuant to the lease financing, Himalaya Shipping shall receive pre-delivery financing at a fixed interest rate of 5% per annum for the third and fourth pre-delivery instalments (US$6,841,700 and US$6,891,700 to be paid for each of the third and fourth instalment for newbuildings “Mount Matterhorn”, “Mount Neblina”, “Mount Bandeira”, “Mount Hua” and “Mount Elbrus”, “Mount Denali”, “Mount Aconcagua” and “Mount Emai”, respectively. As security for the pre-delivery financing, the Company has entered into an agreement to assign in favor of CCBFL the first four newbuilding contracts (Carrying value of Newbuildings financed by CCBFL is US$91.3 million as of December 31, 2022) and the related refund guarantees, as well as a parent company guarantee from the Company, share pledges over the related subsidiaries, account pledges over the related subsidiaries’ bank accounts and a share pledge over the shares in each related subsidiary. In addition, upon delivery of the relevant vessels from New Times Shipyard, the vessels will be sold to companies owned and designated by CCBFL. The financing amount is the lower of 90% of the newbuilding contract price and US$63.0 million. The vessels will be chartered back on seven-year bareboat charters which include purchase options each year from year 3 until the end of the bareboat period. The first purchase option in year 3 is US$56.0 million declining to US$46.0 million after year 7.

During 2022, the Company has drawn US$20.5 million on the financing to pay scheduled pre-delivery instalments. The fixed price purchase options under the sale leaseback transaction results in a failed sale leaseback and the transaction is accounted for as a financing transaction.

Each subsidiary under the CCFL sale leaseback arrangement shall procure that at any time during the period from the date falling 180 days from the delivery of each newbuilding, there is maintained in the bank account an amount not less than the bareboat hire that will accrue within the next three months which amounts to approximately US$1.5 million.

The bareboat rate per day under both sale leaseback arrangements is fixed for the bareboat period and the average bareboat rate per day for the sale leaseback arrangements with AVIC and CCBFL is US$16,567. The Company has classified the estimated amortization of the bareboat payments due in 2023 as “Current portion of long-term debt” on the “Consolidated Balance sheet”.

In December 2022, the Company signed an agreement to transfer the sale leaseback arrangement for newbuildings “Mount Bandeira” and “Mount Hua” from CCBFL to Jiangsu Financial Leasing. The transfer will be effective in March, 2023. The terms under the sale leaseback arrangement remain unchanged.

Drew Holdings Ltd. (“Drew”) – Revolving Credit facility

In December 2022, the Company drew US$1.0 million on the Revolving Credit Facility with Drew. The amount is recorded as “Amounts due to related parties” in the consolidated balance sheets, see note 13.

11. Financial Instruments

Foreign exchange risk management

The majority of our transactions, assets and liabilities are denominated in United States dollars. However, we incur expenditure in currencies other than United States dollars, mainly in Norwegian Kroner. There is a risk that currency fluctuations in transactions incurred in currencies other than the functional currency will have a negative effect on the value of our cash flows. We are then exposed to currency fluctuations and we may enter into foreign currency swaps to mitigate such risk exposures. The company has not entered into derivative agreements to mitigate the risk of these fluctuations.

Concentrations of risk

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that all of the amounts are carried with DNB. However, we believe this risk is remote, as DNB is an established financial institution.

There is a concentration of supplier risk with respect to our newbuilding as all newbuildings are being built by New Times Shipyard. However, we believe the risk is remote, as New Times Shipyard is an established shipyard.

Guarantees

The Bank of China Limited, Jiangsu Branch, has given letters of guarantee to two, and the Agricultural Bank of China, Jiangsu Branch to ten, of the twelve Liberian subsidiaries of the group for all installment payments made prior to delivery of the vessels under each of their respective newbuilding contracts.

The Company has issued guarantees to New Times Shipyard for payment of instalments on all the newbuilding contracts.

Fair values

The carrying value and estimated fair value of the Company's financial instruments were as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data

		December 31, 2022		December 31, 2021	
	Hierarchy	Fair value	Carrying value	Fair value	Carrying value
Assets					
Cash and cash equivalents	1	0.3	0.3	11.3	11.3
Liabilities					
Current portion of long-term debt(1)	2	7.0	7.0	—	—
Related party liabilities - current(2)	1	2.7	2.7	—	—
Long term debt(1)	2	66.9	60.5	—	—
Related party liabilities – non-current(3)	1	1.0	1.0	2.5	2.5

(1) Fair value of long-term debt is estimated at US$66.9 million and have been corroborated using discounted cash flow model and market interest rate as of December 31, 2022.

(2) The carrying value approximates the fair value due to their near term expected payment of cash, see description of Corporate Support Agreement in note 12.

(3) The carrying value approximates the fair value due to their near term expected payment of cash, see description of Revolving Credit Facility in note 12.

There have been no transfers between different levels in the fair value hierarchy during the periods presented.

12. Commitments and Contingencies

As of December 31, 2022, the Company had twelve vessels under construction. In addition, in August 2022, the Company entered into agreements with New Times Shipyard to install exhaust gas cleaning systems on the twelve vessels under construction for a total cost of $28.8 million payable at delivery of the vessels. As of December 31, 2022, the outstanding commitments under the twelve newbuilding contracts, including the installation of the exhaust gas cleaning systems, are as follows:

2023	377.8
2024	324.1
Total	701.9

To the best of our knowledge, there are no legal or arbitration proceedings existing or pending which have had or may have significant effects on our financial position or profitability and no such proceedings are pending or known to be contemplated.

13. Related Party Transactions

Drew Holdings Ltd ("Drew") and Magni Partners (Bermuda) Ltd.("Magni")

Drew is considered a related party due to its significant ownership in the Company and Magni is considered a related party since it is an affiliate of Drew.

In May 2021, Magni paid a total of US$13,583,400 in instalment payments to New Times Shipyard, on the Company's behalf, which was structured as a loan. The loan was interest free. On June 15, 2021, the loan from Magni was converted and a payment of US$1,416,600 was made for issuance of 15,000,000 shares at par value US$1 to Magni.

In March 2022, the Company entered into a US$15.0 million revolving credit facility agreement with Magni. The facility is an unsecured revolving credit facility, which is interest-bearing at a rate of LIBOR for the applicable interest periods under the facility, plus a margin of 8% p.a. The Magni Facility is available to the Company until December 31, 2023 and must be repaid latest on December 31, 2024. In December 2022 the revolving credit facility was cancelled and a new revolving credit facility with Drew was entered into on same terms. US$1.0 million was drawn on December 19, 2022 and US$1.0 million was outstanding as of December 31, 2022.

Drew subscribed for 1,000,000 shares and 714,285 shares at a price of US$3 per share and US$7 per share in the private placements in July 2021 and October 2021, respectively. Both subscriptions were paid in cash.

Management agreement

In October 2021, the Company signed an agreement with 2020 Bulkers Management AS to purchase certain management services (this agreement replaced the agreement signed in June 2021). The contracted management of Himalaya Shipping are all employees of 2020 Bulkers Management AS. 2020 Bulkers Management AS was considered a related party at the time of the transaction. For the period from incorporation on March 17, 2021, until December 31, 2021, 2020 Bulkers Management AS charged Himalaya Shipping Ltd. and its subsidiaries US$0.3 million (US$0.1 million was recorded as general and administrative expenses in the Consolidated statements of operations and US$0.2 million was capitalized to "Newbuildings" on the Consolidated balance sheets) and US$0.09 million (included in Trade payables in the Consolidated balance sheet) was outstanding as of December 31, 2021. As of December 31, 2022, 2020 Bulkers Management AS is no longer considered a related party due to Drew's reduced ownership in 2020 Bulkers Ltd.

Corporate support agreement

The Company's incorporator and initial, sole shareholder, Magni has been the key initiator of the Himalaya project and has provided corporate and financial assistance throughout the process, including extensive assistance in connection with the financing of the instalments to date as well as the private placements. The Company has entered into a corporate support agreement with Magni whereby Magni is compensated for its services to the Group since the inception of the Company, and for its key role in identifying and pursuing business opportunities for the Group (the "Corporate Support Agreement"). As Magni indirectly held a controlling interest at the time the Corporate Support Agreement was entered into, the Company has treated the Corporate Support Agreement as a related party agreement. Pursuant to the Corporate Support Agreement, Magni shall continue to support the Company's business development through assisting with the pre-financing and post-financing of the Company's newbuilding program, in finding employment for the vessels, in recruiting suitable individuals to the Company's organization and with general high-level administrative support. The parties agreed in 2021 a compensation in the amount of US$2.7 million which shall be paid by the Company in four equal tranches.

The tranches will be split equally on each of the first four newbuildings to be delivered from New Times Shipyard in 2023, so that US$0.674 million is payable on each such delivery. Such amount equals the address commission to be received on the first 4 vessels, which was agreed with the yard before the project opened to external investors.

As of December 31, 2022, the Company has recorded the total fee of US$2.7 million (US$2.5 million as of December 31, 2021) as related party liabilities for services provided since inception of the Company. The fee has been allocated to services provided in relation to the newbuilding contracts: US$1.1 million (2021:US$1.1 million) capitalized to "Newbuildings" in the consolidated balance sheets, the private placements: US$0.9 million (2021: US$0.9 million) recorded as a reduction in Additional paid-in capital in the Consolidated Statements of Changes in Shareholders' Equity), the sale and leaseback arrangements: US$0.6 million (2021: US$0.4 million recorded as "Other non-current assets" which was transferred to deferred loan cost under "Long term debt" in 2022 when the Company drew on the sale leaseback financing) recorded as deferred loan cost to "Long term debt" in the Consolidated balance sheets) and other administration support: US$0.1 million (2021: US$0.1 million) recorded as "General and administrative expenses in the Consolidated Statements of Operations.

Affinity Shipholdings I LLP and affiliated companies ("Affinity")

Affinity is considered a related party due to being a principal shareholder.

Affinity is the broker between New Times Shipyard and Himalaya Shipping for the twelve newbuilding contracts. No consideration has or will be paid from Himalaya Shipping to Affinity.

Affinity subscribed for 166,667 shares and 71,429 shares at a price of US$3 per share and US$7 per share in the private placements in July 2021 and October 2021, respectively. Both subscriptions were paid in cash.

Affinity is the broker on the fixed time charter agreement the Company has entered into. Affinity will receive 1.25% of the charter hire of US$30,000 per day.

14. Share based compensation

In September 2021, the Board of Directors established a long-term incentive plan and 800,000 of the Company's authorized but unissued share capital was allocated for this purpose. In December 2021, the Board approved a grant of 500,000 share options to management resources (employees from 2020 Bulkers Management AS providing management services) and directors. In March 2022 the Board approved a further grant of 120,000 share options to management resources with the same terms. The share options granted to date have a five-year term and cliff vest three years from the date of grant. The exercise price is US$8.0 and will be reduced by any dividends and cash distributions paid. Stock compensation expense of US$0.4 million was expensed in 2022 (2021: US$0.03 million). and is recognized in "General and administrative expenses" in the Consolidated Statements of Operations.

The table below sets forth the number of share options, weighted average remaining life, weighted average exercise price and weighted average grant date fair value price for the years ended December 31, 2021 and 2022, respectively:

	Outstanding share options	Weighted Average remaining life	Weighted Average exercise price (in US$)	Weighted Average grant date fair value (in US$)
Outstanding at March 17, 2021	—	—	—	—
Granted	500,000	4.0	8.0	2.2
Exercisable	—	—	—	—
Forfeited	—	—	—	—
Outstanding at December 31, 2021 – unvested	**500,000**	**4.0**	**8.0**	**2.2**
Outstanding at December 31, 2021 – exercisable	**—**	**—**	**—**	**—**
Granted	120,000	4.0	8.0	1.95
Exercisable	—	—	—	—
Forfeited	—	—	—	—
Outstanding at December 31, 2022 – unvested	**620,000**	**3.0**	**8.0**	**2.15**
Outstanding at December 31, 2022 – exercisable	**—**	**—**	**—**	**—**

The fair value of the share options granted in March 2022 and December 2021 was calculated using the Black-Scholes option pricing model using the following inputs:

	2022	2021
Grant date	March 10	December 8
Risk-free rate	2%	1.52%
Expected life	4 years	4 years
Expected future volatility	56%	57%

In 2022 and 2021 the expected future volatility was based on peer group volatility due to the short lifetime of the Company. As of December 31, 2022 and 2021, there was no intrinsic value for both vested and unvested outstanding awards.

15. Share Capital

The authorized share capital of the Company as of December 31, 2022 and 2021 is $140,010,000 represented by 140,010,000 authorized common shares of par value $1.00 each.

The Company's issued and outstanding share capital is as follows:

(number of shares of US$1.00 each)	2022	2021
Balance at the start of the year/period	**32,152,857**	**—**
Shares issued		
March 17, 2021	—	10,000
June 15, 2021	—	15,000,000
July 16, 2021	—	10,000,000
October 11, 2021	—	7,142,857
Balance at the end of the year/period	**32,152,857**	**32,152,857**

Changes in the Company's issued and outstanding share capital are described below:

- Issuance of 10,000 common shares at inception at a purchase price of US$1.00 per common share;
- Issuance of 15,000,000 common shares at US$1.00 per share on June 15, 2021 in a conversion of debt of US$13,583,400 and payment cash of US$1,416,600;

- Issuance of 10,000,000 common shares at US$3.00 per share on July 16, 2021 in a private placement, for gross proceeds of US$30.0 million before issuance costs of US$0.8 million. US$0.4 million of the issuance costs relate to the Corporate support agreement and was not paid as of December 31, 2021 and 2022, respectively, see note 13.
- Issuance of 7,142,857 common shares at US$7.00 per share on October 11, 2021 in a private placement, for gross proceeds of US$50.0 million before issuance costs of US$1.3 million. US$0.5 million of the issuance costs was paid in 2022. US$0.5 million of the issuance costs relating to the Corporate support agreement (see note 13) was not paid as of December 31, 2021 and 2022, respectively.

16. Subsequent Events

Subsequent events have been evaluated through January 27, 2023, the date these consolidated financial statements were available to be issued.