Unaudited Condensed Consolidated Financial Statements for the three months ended December 31, 2021 and the period from March 17, 2021, to December 31, 2021

Himalaya Shipping Ltd. and subsidiaries

Unaudited Consolidated Statement of Operations

(In millions of US$ except per share data)	3 months to December 31, 2021	March 17, 2021 - December 31, 2021
Operating expenses		
General and administrative expenses	(0.5)	(1.0)
Total operating expenses	(0.5)	(1.0)
Operating profit	(0.5)	(1.0)
Financial expenses, net		
Other financial expense	-	-
Total financial expenses, net	-	-
Net income before income taxes	(0.5)	(1.0)
Income tax	-	-
Net income	**(0.5)**	**(1.0)**
Per share information:		
Basic earnings per share	(0.02)	(0.06)
Diluted earnings per share	(0.02)	(0.06)
Consolidated Statements of Comprehensive Income		
Net income	**(0.5)**	**(1.0)**
Other comprehensive income	**-**	**-**
Total comprehensive income	**(0.5)**	**(1.0)**

See accompanying notes that are an integral part of these Consolidated Financial Statements

Himalaya Shipping Ltd. and subsidiaries

Unaudited Consolidated Balance Sheet

(In millions of US$)	December 31, 2021
ASSETS	
Current assets	
Cash and cash equivalents	11.3
Total current assets	**11.3**
Long term assets	
Newbuildings	83.5
Other long-term assets	0.4
Total long-term assets	**83.9**
Total assets	**95.2**
LIABILITIES AND EQUITY	
Current liabilities	
Accounts payable	0.8
Accrued expenses	-
Total current liabilities	**0.8**
Long term liabilities	
Long-term debt	-
Other long-term liabilities	2.5
Total long-term liabilities	**2.5**
Commitments and contingencies	
Equity	
Common shares of par value US$1.0 per share: authorized 140,010,000 shares	
Issued and outstanding 32,152,857 shares	32.2
Additional paid-in capital	60.7
Accumulated other comprehensive income (loss)	-
Retained earnings (deficit)	(1.0)
Total shareholders' equity	**91.9**
Total liabilities and shareholders' equity	**95.2**

See accompanying notes that are an integral part of these Consolidated Financial Statements

Himalaya Shipping Ltd. and subsidiaries

Unaudited Consolidated Statement of Cash Flows

(In millions of US$)	3 months to December 31, 2021	March 17, 2021 - December 31, 2021
Net loss	**(0.5)**	**(1.0)**
Change in other current items related to operating activities	0.1	0.4
Change in other long-term items related to operating activities	-	0.1
Net cash used in operating activities	**(0.4)**	**(0.5)**
Investing activities		
Additions to newbuildings	(41.3)	(68.8)
Net cash used in investing activities	**(41.3)**	**(68.8)**
Financing activities		
Net proceeds from issuance of common stocks	49.6	80.6
Net cash provided by financing activities	**49.6**	**80.6**
Net increase (decrease) in cash and cash equivalents and restricted cash	7.9	11.3
Cash and cash equivalents and restricted cash at beginning of period	3.4	-
Cash and cash equivalents and restricted cash at end of period	**11.3**	**11.3**

Supplemental disclosure of cash flow information		
Non-cash settlement of debt	-	(13.6)
Non-cash share issuance	-	13.6
Non-cash payment in respect of newbuildings	-	(13.6)
Issuance of debt as non-cash settlement for newbuild delivery instalment	-	13.6
Interest paid, net of capitalised interest	-	-
Income taxes paid	-	-

See accompanying notes that are an integral part of these Consolidated Financial Statements

Himalaya Shipping Ltd. and subsidiaries

Unaudited Consolidated Statement of Changes in Shareholders' Equity

(In millions of US$, except number of shares)	Number of shares	Share capital	Additional paid-in capital	Other compre-hensive income	Retained earnings (deficit)	Total equity
Incorporation March 17, 2021	**10 000**	**-**	**-**	**-**	**-**	**-**
Issue of common shares June 15, 2021	15 000 000	15.0	-	-	-	15.0
Issue of common shares July 12, 2021	10 000 000	10.0	20.0	-	-	30.0
Equity issuance costs	-	-	(1.0)	-	-	(1.0)
Total comprehensive loss for the period	-	-	-	-	(0.5)	(0.5)
Consolidated balance as of September 30, 2021	**25 010 000**	**25.0**	**19.0**	**-**	**(0.5)**	**43.5**
Issue of common shares October 11, 2021	7 142 857	7.2	42.8	-	-	50.0
Equity issuance costs	-	-	(1.1)	-	-	(1.1)
Total comprehensive loss for the period	-	-	-	-	(0.5)	(0.5)
Consolidated balance as of December 31, 2021	**32 152 857**	**32.2**	**60.7**	**-**	**(1.0)**	**91.9**

See accompanying notes that are an integral part of these Consolidated Financial Statements

1. GENERAL INFORMATION

Himalaya Shipping Ltd. (together with its subsidiaries, the “Company” or the “Group” or “Himalaya Shipping”) is a limited liability company incorporated in Bermuda on March 17, 2021. The Company’s shares are traded on the Euronext Growth list under the ticker “HSHIP”. As of December 31, 2021, the Company had placed orders for twelve dual fueled Newcastlemax dry bulk vessels at New Times Shipyard in China. The twelve vessels are expected to be delivered between March 2023 and September 2024. The Group has twelve wholly owned ship owning subsidiaries incorporated in Liberia.

Basis of presentation

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The consolidated financial statements include the assets and liabilities of the parent company and wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation.

2. ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles 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/or equity financing to finance the remaining obligations 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. Given completion of the planned sale-leaseback financing 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 financial statements.

Fair values

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.

Reporting and functional currency

The Company and its subsidiaries use the US$ as their functional currency because the majority of their revenues and expenses are denominated in US$. Accordingly, the Company’s reporting currency is also US$. Foreign currency gains or losses on consolidation are recorded as a separate component of other comprehensive income in shareholders’ equity. Transactions in foreign currencies during the period since incorporation are translated into United States dollars at the rates of exchange in effect at the date of the transaction. Foreign currency monetary assets and liabilities are translated using rates of exchange at the balance sheet date. Foreign currency non-monetary assets and liabilities are translated using historical rates of exchange. Foreign currency transaction gains or losses are included in the consolidated statements of operations.

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. No charge for depreciation is made until the vessel is available for 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, 2021, and accordingly, has not recorded an impairment charge.

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 are expensed when incurred. We recognize the cost of a drydocking at the time the drydocking takes place. The Group capitalises 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 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.

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.

3. 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.

4. 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.

5. EARNINGS PER SHARE

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

(In US$, except share numbers)	3 months to December 31, 2021	March 17, 2021 - December 31, 2021
Basic earnings (loss) per share	(0.02)	(0.06)
Diluted earnings (loss) per share	(0.02)	(0.06)
Issued ordinary shares at the end of the period	32 152 857	32 152 857
Weighted average number of shares outstanding - basic	31 376 460	18 316 970
Weighted average number of shares outstanding - diluted	31 376 460	18 316 970

6. NEWBUILDINGS

(In millions of US$)	Newbuildings	Total
Cost as of incorporation March 17, 2021	-	-
Capital expenditures	82.1	82.1
Other costs including newbuilding supervision	1.4	1.4
Cost as of December 31, 2021	**83.5**	**83.5**
Accumulated depreciation as of incorporation March 17, 2021	-	-
Depreciation	-	-
Accumulated depreciation as of December 31, 2021	-	-
Balance as of incorporation 17, 2021	-	-
Balance as of December 31, 2021	**83.5**	**83.5**

7. RELATED PARTY TRANSACTIONS

In May 2021, Magni Partners (Bermuda) Ltd. ("Magni") paid a total of US$13,583,400 in instalments on the Company's behalf to New Times Shipyard. The loan from Magni was on June 15 settled through issuance of 13,583,400 shares at par value US$1.

In October 2021, the Company signed an agreement with 2020 Bulkers Management AS to purchase certain management services (this agreement replaces the agreement signed in June 2021). 2020 Bulkers Management AS is considered a related party at the time of the transaction. For the period from incorporation March 17, 2021, until December 31, 2021, 2020 Bulkers Management AS has charged Himalaya Shipping Ltd. and its subsidiaries US$0.3 million and US$0.09 million was outstanding as of December 31, 2021.

Corporate support agreement
The Company's incorporator and initial, sole shareholder, Magni Partners (Bermuda) Ltd. ("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 and the Private Placements. The Company has entered into a corporate support agreement with Magni whereby Magni shall be compensated for its services for 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- and post financing of the Company's newbuilding program, in finding employment for the vessels, in recruiting suitable individuals to the Company's organisation and with general high-level administrative support. The parties have agreed a compensation in the amount of US$2,696,000 which shall be paid by the Company in four equal tranches. The tranches shall be split equally on each of the deliveries of the vessels under the 1-4 Building Contracts from New Times, so that US$674,000 shall be 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. This arrangement was described in the offering documents for the private placements completed by the Company in 2021. The net effect of these transactions is that the Company will receive US$8.1 million in address commission, pay US$2.7 million in support fee to Magni, and be left with a net reduction in contractual purchase price for the Vessels of US$5.4 million. Together with certain upward adjustment to purchase prices, demanded by New Times prior to the first public offering, this created the basis for the average pricing of US$71.3 million per vessel to external investors in the July offering.

As of December 31, 2021, the Company have recorded US$2.5 million as other long-term liabilities for services provided since inception of the Company. The fee has been allocated to services provided in relation to the newbuilding contracts, the private placements, the sale and leaseback arrangements and other administration support.

8. FINANCIAL ASSETS AND LIABILITIES

Foreign currency risk
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.

Fair values
The guidance for fair value measurements applies to all assets and liabilities that are being measured and reported on a fair value basis. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The same guidance requires that assets and liabilities carried at fair value should be classified and disclosed in one of the following three categories based on the inputs used to determine its fair value:

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.

The carrying value and estimated fair value of our cash and financial instruments are as follows:

(In millions of US$)	Hierarchy	December 31, 2021	Incorporation March 17, 2021
Assets			
Cash and cash equivalents	1	11.3	-

Financial instruments included in the consolidated financial statements within 'Level 1 and 2' of the fair value hierarchy are valued using quoted market prices, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency.

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

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.

9. COMMITMENTS AND CONTINGENCIES

As of December 31, 2021, the Company had twelve vessels under construction. The outstanding commitments for the twelve newbuildings is as follows:

(In millions of US$)	
2022	88.5
2023	398.8
2024	260.6
TOTAL	747.9

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.

10. SHARE BASED PAYMENT 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 key management resources and directors. The share options will have a five-year term and will vest over a three year period. The exercise price is US$8.0 and will be reduced by any dividends and cash distributions paid. The total estimated cost is approximately US$1.1 million and will be expensed over the requisite service period. US$0.03 million have been expensed for the three months ended December 31, 2021.

11. SUBSEQUENT EVENTS

Sale lease back financing

In February 2022, the Company entered into sale lease back arrangements for the first four newbuildings to be delivered from New Times Shipyard. Pursuant to the lease financing, the Himalaya Shipping shall receive financing for the third and fourth pre-delivery instalments. In addition, upon delivery of the relevant vessels from New Times Shipyard, the vessels will be sold to SPVs owned and designated by the leasing company. The vessels will be chartered back on seven year bareboat charters which include purchase options during the respective charter periods.