Pioneer Marine Inc. Announces Third Quarter 2016 Results

MAJURO, MARSHALL ISLANDS - (Marketwired – November 15, 2016) – Pioneer Marine Inc. and its subsidiaries (OSLO-OTC: PNRM) ("Pioneer Marine," or the "Company") a leading shipowner and global drybulk transportation service provider announced its financial and operating results for the third quarter ended September 30, 2016.

Financial Highlights:

For the third quarter of 2016 the Company reported a net loss of $2.8 million, or $0.10 per share basic and diluted.

For the nine-month period ended September 30, 2016, the Company reported a net loss of $23.5 million, or $0.78 per share basic and diluted which includes charges and write off of capitalised expenses amounting to $11.6 million as a result of the termination of seven newbuilding contracts ("newbuilding contract termination agreement"). Excluding these charges, the net loss is $11.8 million or $0.39 per share basic and diluted for the nine-month period ended September 30, 2016.

Recent events- Fleet expansion:

On October 11, 2016, the Company took delivery of M/V Resolute Bay, a 36,767 dwt 2012 built Handysize vessel. The purchase was financed through available cash from the balance sheet.

On October 18, 2016, the Company took delivery of M/V Tenacity Bay, a 56,842 dwt 2008 built Supramax vessel. The purchase was partially financed through a new loan facility.

Following the above deliveries Pioneer fleet consists of 15 Handysize vessels, one Handymax vessel and one Supramax vessel.

Liquidity & Capital Resources:

As of September 30, 2016, the Company had a total liquidity of $90.7 million inclusive of $19.7 million in restricted cash.

On October 17, 2016, the Company entered into a secured loan agreement amounting to $4.75 million to partially finance the acquisition of M/V Tenacity Bay.

Following the delivery of vessels described above, the Company has no capital commitments.

Pankaj Khanna, Chief Executive Officer, commented, " Freight markets continued to recover from the record lows seen in the first quarter this year but 2016 will go down in the record books as the worst year for drybulk in over 30 years. The recovery in the market has been slow and being led by strong demand growth with substantial gains across the board for iron ore, coal and minor bulks including grain. Chinese imports have surprised on the upside with iron ore imports up 9% in the first nine months and coal up 15% compared to the same period last year. The US and European grain season has kicked off and exports from the US, Russia and Ukraine have been strong and are reflected in an improved market for geared vessels.

“On the supply side though there are concerns as scrapping has slowed dramatically compared to the levels seen in the first half of the year. However, with the approval of the Ballast Water Management System regulations by the IMO, older vessels will be forced to either bring forward drydocks or install expensive ballast water treatment plants, either way an expensive option for some companies that may already be running out of cash. There is also the latest IMO regulation on sulphur reduction that will also hasten the scrapping of older, less efficient vessels. This is especially so in the Handysize segment as these vessels do not have enough space to install the required scrubbers to keep using cheaper high sulphur fuels.

“Post the cancellation of our 10 newbuildings the Company is well positioned with a large cash reserve that we are judiciously deploying for attractive deals. We acquired two vessels in the last month that were both from special situations at an attractive price and one with favourable debt terms. We continue to see more of such deals and will move cautiously to take advantage when some of these fit in with our strategy.”

Financial Review: Three months ended September 30, 2016

Time Charter Equivalent ("TCE") revenue amounted to $7.9 million in the third quarter of 2016 compared to $6.9 million for the third quarter of 2015. TCE per day for the third quarter of 2016 amounted to $5,763 as compared to $6,219 for the third quarter of 2015. The decrease of the TCE per day is due to the weaker market prevailing in the third quarter of 2016 as compared to the third quarter of 2015.

Vessel Operating Expenses ("OPEX") amounted to $6.2 million for the third quarter of 2016 as compared to $6.0 million in the third quarter of 2015. OPEX per day for the third quarter of 2016 amounted to $4,500, as compared to $4,843 for the third quarter of 2015. The decrease in daily OPEX rate is due to operating efficiencies achieved from cost reduction measures.

Depreciation expense for the third quarter of 2016 decreased to $2.0 million from $2.8 million in the third quarter of 2015, due to the reduced depreciated vessel values which resulted from the impairment charge taken at December 31, 2015.

General and administration expenses for the third quarter of 2016 decreased to $1.2 million as compared to $1.4 million in the third quarter of 2015. G&A expenses per day for the third quarter in 2016 amounted to $873 per ship as compared to $1,133 per ship for the third quarter of 2015. The decrease of G&A expenses is attributed to cost reduction measures.

Financial Review: Nine months ended September 30, 2016

Time Charter Equivalent ("TCE") revenue amounted to $19.6 million for the nine months ended September 30, 2016 compared to $19.7 million in the same prior year period. TCE per day for the first nine months of 2016 amounted to $4,830, as compared to $5,899 in the same prior year period. The decrease of the TCE per day is due to the weaker market prevailing in the nine months ended September 30, 2016 as compared to same period in 2015.

Vessel Operating Expenses ("OPEX") amounted to $18.4 million for the nine months ended September 30, 2016, compared to $18.2 million into the same prior year. OPEX per day for the first nine months of 2016 amounted to $4,481 as compared to $5,076 for the respective period in 2015. The decrease in daily OPEX is attributable to operating efficiencies achieved from cost reduction measures.

Depreciation expense for the nine-month period ended September 30, 2016 decreased to $5.9 million as compared to $8.2 million during the same period in 2015. The decrease is attributable to the reduced depreciated vessel values, which resulted from the impairment charge taken at December 31, 2015.

General and administration expenses for the nine-month period ended September 30, 2016 decreased to $3.5 million from $4.2 million during the same period in 2015. G&A expenses per day for the first nine months in 2016 amounted to $858 per ship as compared to $1,170 per ship for the same period in 2015. The decrease of G&A expenses is attributable to cost reduction measures.

Write off of capitalised expenses and fees amounting to $11.6 million during the nine months ended September 30, 2016 is due to the newbuilding contract termination agreement. The amount consists of capitalised expenses during the construction period, cancellation costs net of interest for the instalments paid and deferred finance and loan fees attributable to the post-delivery financing of these newbuildings.

Fleet List

Vessel	Yard	DWT	Year Built
Handysize			
Azure Bay	Saiki Heavy Industries	31,700	2005
Fortune Bay	Shin Kochijyuko	28,671	2006
Calm Bay	Saiki Heavy Industries	37,534	2006
Reunion Bay	Kanda Shipbuilding	32,354	2006
Ha Long Bay	Kanda Kawajiri	32,311	2007
Teal Bay	Kanda Kawajiri	32,327	2007
Eden Bay	Shimanami Shipyard	28,342	2008
Emerald Bay	Kanda Shipbuilding	32,258	2008
Mykonos Bay	Jinse Shipbuilding	32,411	2009
Venus Bay	Tsuji Heavy Industries	30,003	2012
Jupiter Bay	Tsuji Heavy Industries	30,153	2012
Orion Bay	Tsuji Heavy Industries	30,009	2012
Resolute Bay*	Hyundai Vinashin	36,767	2012
Falcon Bay	Yangzhou Guoyu Shipbuilding	38,464	2015
Kite Bay	Yangzhou Guoyu Shipbuilding	38,419	2016
Handymax			
Paradise	Oshima Shipbuilding	46,232	2003
Supramax			
Tenacity Bay*	Jiangsu Hantong Ship Heavy Industry	56,842	2008

* Vessels delivered within October 2016

Summary of Operating Data (unaudited)

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

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Revenue, net	9,998	9,851	23,492	28,775
Voyage expenses	(2,153)	(2,952)	(3,885)	(9,072)
Time charter equivalent revenue	7,845	6,899	19,607	19,703
Vessel operating expense	(6,211)	(5,953)	(18,388)	(18,183)
Drydock expense	-	(1,640)	-	(3,388)
Depreciation expense	(1,974)	(2,789)	(5,916)	(8,201)
General and administration expense	(1,206)	(1,392)	(3,520)	(4,192)
Write off of capitalised expenses and fees	33	-	(11,614)	-
Interest expense and finance cost	(1,391)	(580)	(3,697)	(1,892)
Interest income	107	15	203	48
Other expenses and taxes, net	(29)	(6)	(129)	(174)
Net loss	(2,826)	(5,446)	(23,454)	(16,279)
Adjusted net loss(2)	(2,859)	(5,446)	(11,840)	(16,279)
Net loss per share, basic and diluted	(0.10)	(0.20)	(0.78)	(0.66)
Adjusted net loss per share, basic and diluted(2)	(0.10)	(0.20)	(0.39)	(0.66)

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net loss	(2,826)	(5,446)	(23,454)	(16,279)
(Less)/Add: Write off of capitalised expenses and fees	(33)	-	11,614	-
Adjusted net loss(2)	(2,859)	(5,446)	(11,840)	(16,279)
Add: Depreciation expense	1,974	2,789	5,916	8,201
Add: Drydock expense	-	1,640	-	3,388
Add: Interest expense and finance cost	1,391	580	3,697	1,892
Add: Other taxes	23	23	61	56
Less: Interest income	(107)	(15)	(203)	(48)
Adjusted EBITDA(1)	422	(429)	(2,369)	(2,790)

(1) Adjusted EBITDA represents net loss before interest, other taxes, depreciation and amortization, drydock expense, and write off capitalised expenses and fees and is used as a supplemental financial measure by management to assess our financial and operating performance. We believe that Adjusted EBITDA assists our management and investors by increasing the comparability of our performance from period to period. We believe that including Adjusted EBITDA as a financial and operating measure benefits investors in selecting between investing in us and other investment alternatives. Adjusted EBITDA does not represent and should not be considered as an alternative to net income/(loss) or cash flow from operations, as determined by United States generally accepted accounting principles, or U.S. GAAP, and our calculation of Adjusted EBITDA may not be comparable to that reported by other companies.

(2) Adjusted net loss and related per share amounts is not a measure prepared in accordance with U.S. GAAP and should not be used in isolation or substitution of Company's results.

Utilization:	**Three Months Ended September 30, 2016**	**Three Months Ended September 30, 2015**	**Nine Months Ended September 30, 2016**	**Nine Months Ended September 30, 2015**
Ship days (2)	1,380	1,229	4,103	3,582
Less: Off-hire days	19	13	44	53
Less: Off-hire days due to drydock	-	107	-	189
Operating days (3)	1,361	1,109	4,059	3,340
Fleet Utilization (4)	98.6%	90.2%	98.9%	93.2%
TCE per day- $ (1)	5,763	6,219	4,830	5,899
OPEX per day- $ (6)	4,500	4,843	4,481	5,076
G&A expenses per day- $ (7)	873	1,133	858	1,170
Vessels at period end	15	14	15	14
Average number of vessels during the period (5)	15	13.4	15	13.1

(1) Time Charter Equivalent, or TCE revenue, are non-GAAP measures. Our method of computing TCE revenue is determined by voyage revenues less voyage expenses (including bunkers and port charges). Such TCE revenue, divided by the number of our operating days during the period, is TCE per day, which is consistent with industry practice. TCE revenue is included because it is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance irrespective of changes in the mix of charter types (i.e., spot charters and time charters), and it provides useful information to investors and management.

(2) Ship days: We define ship days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ship days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

(3) Operating days: We define operating days as the number of our ship days in a period less days required to prepare vessels acquired for their initial voyage and off-hire days associated with off-hire for undergoing repairs, drydocks or special surveys. The Company uses operating days to measure the number of days in a relevant period during which vessels should be capable of generating revenues.

(4) Fleet utilization is defined as the ratio of operating days to ship days.

(5) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of ship days divided by the number of calendar days in that period.

(6) Opex per day: is calculated by dividing vessel operating expenses by ship days for the relevant time period.

(7) G&A expenses per day: is calculated by dividing general and administrative expenses by ship days for the relevant time period.

Condensed Consolidated Balance Sheets (Unaudited)
(In thousands of U.S. Dollars)

As at	September 30, 2016	December 31, 2015
ASSETS		
Cash & cash equivalents and short term investments	71,009	60,003
Restricted cash (current and noncurrent)	19,673	12,890
Vessels, net	173,981	157,103
Advances for vessel acquisition and vessels under construction	830	69,484
Other assets	5,429	6,466
Total assets	**270,922**	**305,946**
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	3,267	5,216
Deferred revenue	1,094	286
Total debt, net of deferred finance costs	104,497	114,320
Total liabilities	**108,858**	**119,822**
Shareholders' equity	162,064	186,124
Total liabilities and shareholders’ equity	**270,922**	**305,946**

Condensed Consolidated Statement of Cash Flows (Unaudited)
(In thousands of U.S. Dollars)

	Nine Months Ended September 30, 2016	**Nine Months Ended September 30, 2015**
Cash flows from operating activities		
Net Loss	(23,454)	(16,279)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	5,916	8,201
Amortization of deferred finance fees	695	563
Write off of capitalised expenses and fees	11,614	-
Changes in operating assets and liabilities	(800)	2,187
Net cash used in operating activities	**(6,029)**	**(5,328)**
Cash flows from investing activities		
Payments for vessel acquisition and vessels under construction	(12,919)	(32,594)
Instalments receipt from vessel under construction	54,122	-
Purchase of other fixed assets	(48)	(65)
Decrease in restricted cash	(6,783)	(1,466)
Net cash provided by/ (used in) investing activities	**34,372**	**(34,125)**
Cash flows from financing activities		
Loan proceed	-	13,050
Loan repayments	(10,506)	(15,300)
Payment of deferred finance and other fees	(6,225)	(3,385)
Repurchase of common stock	(606)	-
Cash contributions and proceeds from sale of shares	-	24,546
Net cash (used in)/provided by financing activities	**(17,337)**	**18,911**
Net increase/(decrease) in cash and cash equivalents	**11,006**	**(20,542)**
Cash and cash equivalents at the beginning of the period	60,003	98,829
Cash and cash equivalents and short term investment at period end	**71,009**	**78,287**

About Pioneer Marine Inc.

Pioneer Marine is a leading ship owner and global drybulk transportation service provider. Pioneer Marine currently owns fifteen Handysize, one Handymax and one Supramax drybulk carriers.

Forward-Looking Statements

Matters discussed in this press release may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 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. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words "believe," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements.

The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our 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 which 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 important factors, other important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the failure of counterparties to fully perform their contracts with us, the strength of world economies and currencies, general market conditions, including fluctuations in charter rates and vessel values, changes in demand for dry bulk vessel capacity, changes in our operating expenses, including bunker prices, drydock and insurance costs, the market for our vessels, availability of financing and refinancing, charter counterparty performance, ability to obtain financing and comply with covenants in such financing arrangements, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, vessels breakdowns and instances of off-hires and other factors.

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