HIMALAYA SHIPPING LTD.
INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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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, 2023 and December 31, 2022, and the related consolidated statements of operations, of changes in shareholders' equity and of cash flows for each of the years ended December 31, 2023 and 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, 2023 and December 31, 2022, and the results of its operations and its cash flows for each of the years ended December 31, 2023 and 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.

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
March 27, 2024

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

HIMALAYA SHIPPING LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 AND FOR THE PERIOD FROM MARCH 17, 2021 (INCEPTION) TO DECEMBER 31, 2021

(in thousands of $ except per share data)	Notes	Year ended December 31, 2023	Year ended December 31, 2022	Period from March 17 to December 31, 2021
Operating revenues				
Time charter revenues	8	36,736	—	—
Total operating revenues		**36,736**	**—**	**—**
Operating expenses				
Vessel operating expenses		(8,597)	—	—
Voyage expenses and commissions		(549)	—	—
General and administrative expenses		(3,846)	(1,971)	(1,044)
Depreciation and amortization	11	(9,118)	—	—
Total operating expenses		**(22,110)**	**(1,971)**	**(1,044)**
Operating profit (loss)		**14,626**	**(1,971)**	**(1,044)**
Financial income (expenses), net				
Interest income		830	38	—
Interest expense, net of amounts capitalized	7	(13,601)	—	—
Other financial expenses, net		(341)	(20)	—
Total financial income (expenses), net		**(13,112)**	**18**	**—**
Net income (loss) before income tax		**1,514**	**(1,953)**	**(1,044)**
Income tax (expense)/credit	4	—	—	—
Net income (loss) attributable to shareholders of Himalaya Shipping Ltd		**1,514**	**(1,953)**	**(1,044)**
Total comprehensive income (loss) attributable to shareholders of Himalaya Shipping Ltd.		**1,514**	**(1,953)**	**(1,044)**
Basic and diluted earnings (loss) per share		**0.04**	**(0.06)**	**(0.06)**

HIMALAYA SHIPPING LTD.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2023 AND 2022

(in thousands of $)	Notes	December 31, 2023	December 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents		25,553	263
Trade receivables		811	—
Prepaid expenses and other current assets	9	6,443	1,407
Total current assets		**32,807**	**1,670**
Non-current assets			
Newbuildings	10	132,646	176,145
Vessels and equipment, net	11	428,617	—
Other non-current assets	14	5,136	—
Total non-current assets		**566,399**	**176,145**
Total assets		**599,206**	**177,815**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of long-term debt	12	19,795	7,003
Trade payables		1,693	14,892
Accrued expenses		2,531	1,199
Amounts due to related parties	15	—	2,696
Other current liabilities		1,281	261
Total current liabilities		**25,300**	**26,051**
Non-current liabilities			
Long-term debt	12	419,701	60,437
Amounts due to related parties	15	—	1,000
Total non-current liabilities		**419,701**	**61,437**
Total liabilities		**445,001**	**87,488**
Commitment and contingencies	14		
Shareholders' equity			
Common shares of par value $1.00 per share: authorized 140,010,000 (2022: 140,010,000) shares, issued and outstanding 43,900,000 (2022: 32,152,857) shares	17	43,900	32,153
Additional paid-in capital	17	111,788	61,171
Accumulated deficit		(1,483)	(2,997)
Total shareholders' equity		**154,205**	**90,327**
Total liabilities and shareholders' equity		**599,206**	**177,815**

HIMALAYA SHIPPING LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 AND FOR THE PERIOD FROM MARCH 17, 2021 (INCEPTION) TO DECEMBER 31, 2021

(in thousands of $)	Notes	Year ended December 31, 2023	Year ended December 31, 2022	Period from March 17 to December 31, 2021
Cash flows from operating activities				
Net income (loss)		1,514	(1,953)	(1,044)
Adjustments to reconcile net loss to net cash used in operating activities				
Non-cash compensation expense related to stock options		474	401	—
Depreciation of vessels	11	9,118	—	—
Amortization of deferred finance charges		1,378	—	—
Change in assets and liabilities:				
Accounts receivable		(811)	—	—
Amounts due to/from related parties	15	(2,696)	—	—
Accounts payable		485	444	434
Accrued expenses		1,028	(60)	94
Other current and non-current assets		(5,036)	(539)	—
Other current liabilities		1,020	261	—
Net cash provided by (used in) operating activities		**6,474**	**(1,446)**	**(516)**
Cash flows from investing activities				
Additions to newbuildings		(413,055)	(78,198)	(68,800)
Net cash used in investing activities		**(413,055)**	**(78,198)**	**(68,800)**
Cash flows from financing activities				
Proceeds from issuance of common shares, net of paid issuance costs	17	62,193	(513)	80,600
Proceeds from issuance of long-term and short-term debt (net of deferred finance charges paid to lender)	12	391,415	69,826	—
Other deferred finance charges paid		(3,952)	(1,690)	—
Proceeds from issuance of long-term debt from related party	15	1,020	1,000	—
Repayment of long-term debt from related party	15	(2,020)	—	—
Repayment of long-term and short-term debt	12	(16,785)	—	—
Net cash provided by financing activities		**431,871**	**68,623**	**80,600**
Net increase/(decrease) in cash, cash equivalents and restricted cash		**25,290**	**(11,021)**	**11,284**
Cash and cash equivalents at the beginning of the period		263	11,284	—
Cash and cash equivalents at the end of the period		**25,553**	**263**	**11,284**

Supplementary disclosure of cash flow information			
Non-cash settlement of debt	—	—	(13,600)
Non-cash share issuance	—	—	13,600
Non-cash additions in respect of newbuildings	—	(13,683)	(13,600)
Issuance of liabilities for newbuilding installments	—	13,683	13,600
Interest paid, net of capitalized interest	(12,992)	—	—

HIMALAYA SHIPPING LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 AND FOR THE PERIOD FROM MARCH 17, 2021 (INCEPTION) TO DECEMBER 31, 2021

(in thousands of $ except share data)	Number of shares	Share capital	Additional paid-in capital	Accumulated deficit	Total
Incorporation March 17, 2021	10,000	10	—	—	10
Issuance of common shares	32,142,857	32,143	62,857	—	95,000
Equity issuance costs			(2,087)	—	(2,087)
Net loss				(1,044)	(1,044)
Balance as of December 31, 2021	**32,152,857**	**32,153**	**60,770**	**(1,044)**	**91,879**
Share based compensation			401	—	401
Net loss			—	(1,953)	(1,953)
Balance as of December 31, 2022	**32,152,857**	**32,153**	**61,171**	**(2,997)**	**90,327**
Issuance of common shares	11,747,143	11,747	55,894	—	67,641
Equity issuance costs			(5,751)	—	(5,751)
Share based compensation			474	—	474
Net income				1,514	1,514
Balance as of December 31, 2023	**43,900,000**	**43,900**	**111,788**	**(1,483)**	**154,205**

HIMALAYA SHIPPING LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Himalaya Shipping Ltd. was incorporated in Bermuda on March 17, 2021. We are listed on the New York Stock Exchange under the ticker HSHP and on the Euronext Expand, operated by the Oslo Stock Exchange, under the ticker HSHP. Himalaya Shipping Ltd. was founded for the purpose of owning high-quality Newcastlemax dry bulk vessels in the range of 210,000 dead weight tonnes ("dwt") which are or will be equipped with the latest generation dual fuel LNG technology. As of December 31, 2023, we have a total of six vessels in operation and have agreements to acquire six dual fueled Newcastlemax dry bulk vessels, which are under construction. Of the six vessels under construction at December 31, 2023, three were delivered in January 2024 and the remaining are expected to be delivered by the second quarter of 2024. The Company has entered into sale and leaseback financing arrangements for its vessels and newbuildings which are described in Note 12.

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.

Going concern

The financial statements have been prepared on a going concern basis.

The Company previously concluded in its Financial Statements for the year ended December 31, 2022, that a substantial doubt existed over the Company's ability to continue as a going concern due to its dependence on debt and equity financing to finance the scrubber installation under the current newbuilding contracts for the Company's vessels as well as working capital requirements. In April 2023, the Company, in its Initial Public Offering in the U.S. (the "IPO"), issued 8,630,000 common shares of par value $1.00 each (including 910,000 common shares in the subsequent exercise of the over-allotment option) at $5.80 per share which generated net proceeds of $44.9 million. In addition, in December 2023, the Company issued 3,117,143 common shares of par value $1.00 each in a private placement at $5.64 per share which generated net proceeds of $16.9 million. Also, additional financing under the existing sale and leaseback arrangement with AVIC was obtained to finance the scrubber installation on the first four vessels. We expect that the net proceeds from the IPO and the private placement will enable the Company to finance working capital requirements and the scrubber installation on the remaining vessels. We believe the prior conclusion on March 30, 2023 of substantial doubt over going concern has been alleviated.

As of December 31, 2023, the Company has cash and cash equivalents of $25.6 million. In addition, the Company has $10.0 million available to drawdown under the Drew Revolving Credit Facility.

We believe that we will have sufficient resources to satisfy our obligations in the ordinary course of business for the 12-month period from the date these Consolidated Financial Statements were issued. We have performed stress testing with respect to our forecasted cash positions under various scenarios, and accordingly, we believe we will meet our obligations as and when they fall due.

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 thousands of United States Dollar ("US dollar or $"), unless otherwise stated. Consolidated financial statements for the periods ended December 31, 2022 and 2021 were previously presented in millions of US dollars and the comparatives have been updated to present these numbers in thousands of US dollars in the consolidated financial statements as of and for the year ended December 31, 2023.

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.

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 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.

Lease accounting

When a contract contains a lease, which is assessed at inception, we make an assessment of the lease classification in accordance with the criteria under ASC 842 Leases. An agreement will be classified as a sales-type lease for a lessor (or a finance lease for a lessee) if any of the following conditions are met at lease commencement:

- ownership of the asset is transferred at the end of the lease term;
- the contract contains an option to purchase the asset which is reasonably certain to be exercised;
- the lease term is for a major part of the remaining useful life of the contract, although contracts entered into the last 25% of the underlying asset's useful life are not subject to this criterion;
- the present value of the lease payments and any residual value guarantees present represent substantially all of the fair value of the underlying asset; and
- the asset is heavily customized such that it could not be used for another use at the end of the term.

If none of these criteria are met for a lessor, the lease will be classified as a direct financing lease (if the present value of the sum of the lease payments and any residual value guarantee present equals or exceeds substantially all of the fair value of the underlying asset and it is probable that the lessor will collect lease payments and any residual value guarantee), or an operating lease. If none of these criteria are met for a lessee, the lease will be classified as an operating lease.

The lease term is assessed at lease commencement. The existence of any purchase options, extension options, termination options and residual value guarantees, if any are disclosed. Agreements which include extension options are included in the lease term if we believe they are reasonably certain to be exercised by the lessee. Agreements which contain purchase options and termination options are included in the lease term if we believe they are reasonably certain to not be exercised by the lessee. An extension option or a termination option is included in the lease term if the exercise of the option is controlled by the lessor. The determination of whether options are reasonably certain considers whether the option creates an economic incentive.

Lessor accounting

Generally, lease accounting commences when the asset is made available to the counterparty, however, where a contract contains specific acceptance testing conditions, lease accounting will not commence until the asset has successfully passed the acceptance tests. We assess a lease under the modification guidance when there is a change to the terms and conditions of the contract that results in a change in the scope or the consideration of the lease.

For operating leases, costs directly associated with the execution of the lease or costs incurred after lease inception (the execution of the contract) but prior to the commencement of the lease that directly relates to preparing the asset for the contract (for example bunker costs), are capitalized and amortized to the consolidated statement of income over the lease term.

Revenue recognition

Time charter agreements

The performance obligations in a time charter agreement will be satisfied over the term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to us. The time charter agreements are considered operating leases and therefore do 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 charterers have the right to control the use of the vessel during the term of the contract as they have full discretion over the ports visited, shipping routes and vessel speed, and derive the economic benefits from such use. Our operating revenues are primarily generated from time charters. Time charter agreements are accounted for as operating leases in accordance with ASC 842 Leases and related interpretations.

Revenues include minimum lease payments under time charters. Revenues generated from time charters, which we generally classify as operating leases, are recorded over the term of the charter as the service is provided. Fixed revenue from operating leases is accounted for on a straight-line basis over the term of the charter. When a time charter agreement is linked to an index, we recognize revenue for the applicable period based on the actual index for that period.

We defer upfront net revenue payments (for example positioning fees) for operating leases to the consolidated balance sheet and amortize to the consolidated statement of income over the lease term.

During the year ended December 31, 2023, we had revenues from fixed and index linked time charter agreements.

For our operating leases, we 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.

Under time charters, voyage expenses such as bunker expenses, port charges and canal tolls are generally paid by our customers. Voyage related expenses, principally fuel, may also be incurred when positioning or repositioning the vessel before or after the period of time charter and during periods when the vessel is not under charter or is off-hire, for example when the vessel is undergoing repairs. These expenses are recognized as incurred.

In a time charter contract, we are responsible for all the costs incurred for running the vessels. Vessel operating expenses, which are recognized when incurred, include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses and third-party management fees.

Share-based compensation

Our share-based compensation includes share options. 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 share options is estimated using the Black-Scholes Option pricing method. 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 the share options vest. We amortize share-based compensation awards on a straight-line basis over the period during which the individuals are required to provide service in exchange for the reward - the requisite service (vesting) period. No compensation costs are recognized for share-based compensation for which the individuals do not render the requisite service. We account for forfeitures as they occur.

Vessels and equipment

Vessels and equipment are stated at cost less accumulated depreciation. The cost of vessels and equipment, less the estimated residual values, is depreciated on a straight-line basis over the assets' remaining useful economic lives. Management estimates the residual values of our vessels based on historical 10-year scrap steel index prices multiplied by the weight of the ship noted in lightweight ton. Residual values are periodically reviewed and revised to recognize changes in conditions, new regulations or other reasons. The vessel's useful life applied for depreciation is 25 years.

Refurbishment costs incurred during the period are capitalized as part of vessels and equipment and depreciated over the vessels' remaining useful economic lives. Refurbishment costs are costs that increase the capacity or improve the efficiency or safety of vessels and equipment.

Cost of new equipment or expenditures for modifications to the vessel which enhance or increase the operational efficiency and functionality of the vessel are capitalized and depreciated over the remaining useful life of the vessel. Expenditures of a routine repairs and maintenance nature that do not improve the operating efficiency or extend the useful lives of the vessels are expensed as incurred.

Newbuildings

The carrying value of the vessels under construction ("Newbuildings") represents the accumulated costs as of 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.

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 have been and continue to be built to the classification requirements of ABS and the Liberian Ship Register. Normal vessel repair and maintenance costs are 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 amortize 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.

Impairment of assets

We continually monitor events and changes in circumstances that could indicate that the carrying amounts of our long-lived assets may not be recoverable. At least annually, and if such events or changes in circumstances are present, we assess the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through future undiscounted expected cash flows.

The carrying values of the Company's vessels and 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 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 vessel's or newbuilding's 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, 2023, plus estimated costs to complete the vessels (in the case of Newbuildings) 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 and leaseback 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 finance charges

Costs associated with long-term financing, including debt arrangement fees, are deferred and amortized over the term of the relevant loan using the effective interest method. Amortization of loan costs is included in “Interest expenses” in the Consolidated Statements of Operations. If a loan is repaid early, any unamortized portion of the related deferred charge is charged against “Interest expenses” in the period in which the loan is repaid. If a loan is extinguished other than by repayment, any unamortized portion of the related deferred charge is recognized as a loss on extinguishment. Deferred charges are presented as a deduction from the corresponding liability in the Consolidated Balance Sheet.

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. Such potentially dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share.

Cash and cash equivalents

Cash comprises cash on hand and cash in the Company’s bank accounts. 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.

Trade Receivables

Trade receivables are presented net of allowances for expected credit losses. At each balance sheet date, all potentially uncollectible accounts are assessed individually for the purpose of determining the appropriate allowance for expected credit loss. Our trade receivables have short maturities so we have considered that forecasted changes to economic conditions will have an insignificant effect on the estimate of the allowance, except in extraordinary circumstances.

Inventories

Inventories, which are comprised principally of fuel and lubricants, are stated at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

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.

Income taxes

Income taxes are based on a separate return basis. We provide for income taxes based on our income and statutory tax rates in effect in the jurisdictions in which we operate.

Deferred tax assets and liabilities are based on temporary differences that arise between carrying values used for financial reporting purposes and amounts used for taxation purposes of assets and liabilities and the future tax benefits of tax loss carry forwards.

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires that management make estimates and assumptions affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

In determining whether any indicators of impairment on the vessels exist, we consider estimates in respect of residual value, charter rates, vessel operating expenses and drydocking requirements.

A significant input used in determining the fair value of debt is an appropriate discount rate.

3. Recently issued accounting standards

Adoption of new accounting standards

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, 2024. The Company agreed to use SOFR as an alternative reference rate with its counterparties from July 1, 2023. We have taken advantage of the expedients and exceptions for applying GAAP provided by the updates to the extent reference rates were replaced with alternative reference rates The reference rate reforms had no impact on the Company as there was no outstanding amount under the revolving credit facility as of June 30, 2023. The revolving credit facility was amended effective December 18, 2023 which aligned the interest rate with the Term Secured Overnight Financing Rate ("SOFR"). There are no amounts outstanding under the revolving credit facility as of December 31, 2023.

Accounting pronouncements that have been issued but not yet adopted

The following table provides a brief description of other recent accounting standards that have been issued but not yet adopted as of December 31, 2023:

Standard	Description	Date of adoption	Expected Effect on our Consolidated Financial Statements or Other Significant Matters
ASU 2023-6 *Disclosure Improvements - Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative*	The amendments represent changes to clarify or improve disclosure and presentation requirements of a variety of Topics. Amendments allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the SEC's requirements. Also, the amendments align the requirements in the Codification with the SEC's regulations.	The date on which SEC removes related disclosure or two years later	Under evaluation

ASU 2023-7 *Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures*	The amendments improve financial reporting by requiring disclosure of incremental segment information for all public entities to enable investors to develop more decision-useful financial analyses, such as: 1. on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM); 2. on an annual and interim basis, other segment items by reportable segment with a description of its composition; 3. all annual disclosures about a reportable segment's profit or loss and assets required by Topic 280 in interim periods; 4. one or more additional measures of segment profit if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and making decisions on how to allocate resources. However, the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements should be at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed); 5. the title and position of the CODM and how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and making decisions about how to allocate resources; 6. for an entity with a single reportable segment, all the disclosures required by the amendments and all existing segment disclosures under Topic 280.	January 1, 2024	Under evaluation
ASU 2023-9 *Income Taxes (Topic 740) - Improvements to Income Tax Disclosures*	The amendments improve the transparency of income tax disclosures by requiring annual disclosure of (1) specific categories in the rate reconciliation; and (2) additional information for reconciling items if the effect of those reconciling items is equal to or greater than 5% .of the resulting amount by multiplying pretax income (or loss) by the applicable statutory income tax rate. An entity is also required to provide the nature, effect and underlying causes of the reconciling items, and the judgment used in categorizing them, if not otherwise evident. The amendments also improve the comparability and effectiveness of disclosures by (1) adding disclosures of pretax income (or loss) and income tax expense (or benefit) to be consistent with U.S. Securities and Exchange Commission (SEC) Regulation S-X 210.4-08(h), Rules of General Application—General Notes to Financial Statements: Income Tax Expense, and (2) removing disclosures that are no longer considered relevant or cost beneficial.	January 1, 2025	Under evaluation

The FASB have issued further updates not included above as we do not believe that these are applicable to the Company.

4. Income taxes

Bermuda

The Company is incorporated in Bermuda. Under current Bermuda law, we are not required to pay taxes in Bermuda on ordinary income or capital gains. We have 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.

While we have such tax assurance under the Exempted Undertakings Tax Protection Act 1966 (the "EUTP Act"), Bermuda specifically provided that the CIT Act applies notwithstanding any assurance given pursuant to the EUTP Act. Based on a number of operational, economic and regulatory assumptions, we do not expect to have consolidated revenue sufficient for us to fall within scope of the CIT Act in the near future. We will monitor the developments on the Bermuda internal regulations with regards to the CIT Act implementation. To the extent our consolidated revenue is sufficient for us to be within the CIT Act thresholds, we may be subject to taxation in Bermuda.

Liberia

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

United Kingdom

Taxable income in the United Kingdom is generated by our UK subsidiary. The statutory tax rate in the United Kingdom as of December 31, 2023 was 25%.

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. As a result, we only have one reportable segment.

Revenues from each of the following customers accounted for over 10% of our consolidated revenues:

(in thousands of $)	Year ended December 31, 2023		Year ended December 31, 2022		Period from March 17 to December 31, 2021	
Major commodity trading company	14,941	41 %	—	— %	—	— %
Commodity and energy transition company	13,078	35 %	—	— %	—	— %
Multi-modal transport company	8,717	24 %	—	— %	—	— %

Our vessels operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not possible to allocate the assets of these operations to specific geographical locations.

6. Earnings (Loss) per share

The computation of basic earnings (loss) per share ("EPS") is based on the weighted average number of shares outstanding during the period. The assumed conversion of potentially dilutive instruments which are 620,000 share options outstanding as at December 31, 2023 does not have an impact on our weighted average number of shares outstanding used in calculating diluted EPS. During the year ended December 31, 2022 and period ended December 31, 2021, diluted loss per share excludes the potential effect of conversion of the 620,000 share options and 500,000 share options, respectively, outstanding as the share options were anti-dilutive.

(in thousands of $ except share and per share data)	Year ended December 31, 2023	Year ended December 31, 2022	Period from March 17 to December 31, 2021
Basic earnings (loss) per share	$ 0.04	$ (0.06)	$ (0.06)
Diluted earnings (loss) per share	$ 0.04	$ (0.06)	$ (0.06)
Net income (loss)	1,514	(1,953)	(1,044)
Issued common shares at end of the period	43,900,000	32,152,857	32,152,857
Weighted average number of shares outstanding for the period, basic	38,644,250	32,152,857	18,316,970
Weighted average number of shares outstanding for the period, diluted	38,644,250	32,152,857	18,316,970

7. Interest expense

(in thousands of $)	Year ended December 31, 2023	Year ended December 31, 2022	Period from March 17 to December 31, 2021
Interest expense, gross	(21,406)	(1,787)	—
Capitalized interest on newbuildings	7,805	1,787	—
Interest expense, net	(13,601)	—	—

8. Time charter revenues

Lessor

Our six delivered vessels are operating on time charter contracts, one on a fixed rate contract, while the remaining five are on variable rate contracts, with remaining charter periods ranging from 14 to 36 months as of December 31, 2023. Under the variable rate contracts, the Company earns revenues based on the Capesize Index published by the Baltic Exchange plus a premium which varies depending on contract terms. In addition, the Company earns 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 components of operating lease income are as follows:

(in thousands of $)	Year ended December 31, 2023	Year ended December 31, 2022	Period from March 17 to December 31, 2021
Time charter revenues	36,736	—	—

Time charter revenues on our variable rate contracts amounted to $22.6 million, $nil and $nil in the years ended December 31, 2023, 2022 and 2021, respectively.

The future undiscounted minimum lease payments to be received under our fixed rate contracts as of December 31, 2023 are as follows:

(in thousands of $)	
2024[1]	19,614
2025	1,920
Total	21,534

(1) This includes index linked charters that were converted to fixed rate time charters for varying periods from December 1, 2023 to March 31, 2024. Subsequent to the year-end, index linked charters for three vessels were converted to fixed rate time charters for varying periods from February 1, 2024 to December 31, 2024, the impact of which has been excluded from this table.

9. Prepaid expenses and other current assets

Prepaid expenses and other current assets comprise of:

(in thousands of $)	**December 31, 2023**	**December 31, 2022**
Prepaid interest [(1)]	2,410	426
Other prepaid expenses [(2)]	997	123
Inventory	634	—
Other current assets [(3)]	2,402	—
Prepaid listing costs [(4)]	—	858
	6,443	1,407

(1) Prepaid interest pertains to interest paid in advance for "Mount Norefjell," "Mount Ita," "Mount Etna" and "Mount Blanc." These vessels were delivered during the year ended December 31, 2023 and bareboat payments on the lease were paid in advance.

(2) Other prepaid expenses are comprised primarily of prepaid insurance on the six delivered vessels "Mount Norefjell," "Mount Ita," "Mount Etna," "Mount Blanc," "Mount Matterhorn" and "Mount Neblina" and Directors and Officers Liability insurance.

(3) Other current assets primarily relates to funding advanced to vessel managers.

(4) Equity issuance costs as of December 31, 2022 were recognized as "Prepaid expenses and other current assets" in the Consolidated Balance Sheets. Upon completion of the IPO in 2023, these costs were netted off against the proceeds from the offering and recognized under additional paid-in capital.

10. Newbuildings

The table below sets forth the carrying value of our newbuildings:

(in thousands of $)	**2023**	**2022**
As of January 1	176,145	83,479
Installment payments[(1)]	378,305	88,542
Capitalized interest	7,805	1,780
Other capitalized costs[(2)]	8,126	2,344
Reclassification to Vessels and equipment[(3)]	(437,735)	—
As of December 31	132,646	176,145

(1) Installment payments in the year ended December 31, 2023 include $75.7 million for the third and /or fourth installments to New Times Shipyard for newbuildings "Mount Neblina," "Mount Bandeira," "Mount Hua," "Mount Elbrus," "Mount Denali," "Mount Aconcagua" and "Mount Emai", and $302.6 million for the fifth and sixth installments net of address commissions to New Times Shipyard for newbuildings "Mount Norefjell," "Mount Ita," "Mount Etna," "Mount Blanc," "Mount Matterhorn" and "Mount Neblina."

Installment payments in the year ended December 31, 2022 include $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 installment for newbuilding “Mount Neblina”. In December 2022, the Company agreed with New Times Shipyard to defer payments of the third installment on newbuildings “Mount Hua” and “Mount Bandeira” of $13.7 million from December 2022 to March 2023. These deferred amounts were paid in March 2023 following the novation of the sale and leaseback agreements relating to “Mount Bandeira” and “Mount Hua” from CCBFL to Jiangsu and subsequent drawdown on the pre-delivery financing.

The Company has drawn $388.0 million (including the $13.7 million drawn down from Jiangsu described above) and $74.9 million in the years ended December 31, 2023 and 2022, respectively, on the sale leaseback financing to fund these installments and the installment payments were made by AVIC, CCBFL and Jiangsu (as these terms are defined in Note 12) on behalf of the Company.

(2) Other capitalized costs primarily includes direct costs associated with the supervision of our newbuilding program.

(3) "Mount Norefjell,” “Mount Ita,” “Mount Etna,” “Mount Blanc,” “Mount Matterhorn” and “Mount Neblina” were delivered in the year ended December 31, 2023 and their corresponding costs were reclassified to Vessels and equipment.

The remaining contracted installments as of December 31, 2023, payable on delivery to New Times Shipyard, are approximately $306.0 million (see Note 14).

There were no indicators of impairment of newbuildings as of December 31, 2023 and 2022.

11. Vessels and equipment, net

(in thousands of $)	**Vessels and equipment**
Cost	
As of January 1, 2022 and 2023	—
Additions	437,735
As of December 31, 2023	**437,735**
Depreciation and amortization	
As of January 1, 2022 and 2023	—
Charge for the period	(9,118)
As of December 31, 2023	**(9,118)**
Net book value as of December 31, 2023	**428,617**

The table below shows the dates the vessels were delivered to the Company:

Vessel	Delivery date
Mount Norefjell	March 2, 2023
Mount Ita	March 9, 2023
Mount Etna	April 13, 2023
Mount Blanc	May 31, 2023
Mount Matterhorn	July 13, 2023
Mount Neblina	August 29, 2023

During the year ended December 31, 2023, we considered whether indicators of impairment existed that could indicate that the carrying amounts of our vessels may not be recoverable as of December 31, 2023 and concluded that no such events have occurred.

12. Debt

(in thousands of $)	December 31, 2023	December 31, 2022
Total debt, net of deferred finance charges	439,496	67,440
Less: Current portion of long-term debt, net of deferred finance charges	(19,795)	(7,003)
Long-term debt, net of deferred finance charges	**419,701**	**60,437**

(in thousands of $)	December 31, 2023	December 31, 2022	Maturity dates
Vessel financing (Mount Norefjell)	61,297	13,583	March 2030
Vessel financing (Mount Ita)	61,302	13,583	March 2030
Vessel financing (Mount Etna)	61,812	13,583	April 2030
Vessel financing (Mount Blanc)	61,681	13,583	May 2030
Vessel financing (Mount Matterhorn)	62,509	13,684	July 2030
Vessel financing (Mount Neblina)	62,509	6,843	August 2030
Vessel financing (Mount Hua)	13,683	—	January 2031
Vessel financing (Mount Bandeira)	13,683	—	January 2031
Vessel financing (Mount Elbrus)	13,783	—	January 2031
Vessel financing (Mount Denali)(1)	13,783	—	April 2031
Vessel financing (Mount Aconcagua)(1)	13,783	—	June 2031
Vessel financing (Mount Emai)(1)	13,783	—	June 2031
Total long-term debt, gross	**453,608**	**74,859**	
Less: Deferred finance charges	(14,112)	(7,419)	
Total debt, net of deferred finance charges	**439,496**	**67,440**	

(1) Maturity dates based on expected delivery dates.

The outstanding debt as of December 31, 2023, is repayable as follows:

Year ending December 31	
(in thousands of $)	
2024	21,234
2025	26,913
2026	26,064
2027	27,538
2028	29,563
Thereafter	322,296
Total	**453,608**
Deferred finance charges	(14,112)
Total debt, net of deferred finance charges	**439,496**

AVIC International Leasing Co., Ltd. (“AVIC”) – Sale and leaseback financing arrangements

The Company has entered into sale and leaseback transactions accounted for as financing transactions. In February 2022, the Company entered into sale and leaseback arrangements with AVIC for the first four newbuildings “Mount Norefjell,” “Mount Ita,” “Mount Etna” and “Mount Blanc” which were delivered from New Times Shipyard. Pursuant to the lease financing, Himalaya Shipping received pre-delivery financing at a fixed interest rate of 5% per annum for the third and fourth pre-delivery installments ($6.8 million paid for each of the third and fourth installments). As security for the pre-delivery financing, the Company entered into an agreement to assign in favor of AVIC the first four newbuilding contracts and the related refund guarantees, as well as a parent company guarantee from the Company, share pledges over the related subsidiaries, and account pledges over the related subsidiaries’ bank accounts. Upon delivery of the relevant vessels from New Times Shipyard, the vessels were sold to companies owned and designated by AVIC. The vessels were delivered in the year ended December 31, 2023 and 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 at a price of $56.9 million and then declining to $47.2 million after year 7.

In February 2023, the sale leaseback agreements for the first four newbuildings were amended whereby AVIC agreed to finance 90% of the sixth installments on the newbuilding contracts or $2.2 million for each vessel relating to the cost of installing scrubbers on each vessel. This is repayable in advance in 12 quarterly installments of $180,000 for each vessel, together with interest calculated as: a) LIBOR plus a margin of 4.5% for the period until June 30, 2023; and b) Overnight SOFR plus a margin of 4.5% and credit adjustment spread of 0.26161% from July 1, 2023.

Under the relevant financing agreements, payment of dividends or other distributions from each relevant 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) $3.6 million and (b) the aggregate of the bareboat rate under the facility and the operating expenses for the vessel that are payable within the next six months.

The fixed price purchase options in addition to the cash penalty of $25.0 million per vessel for not exercising any of the purchase options under the sale and leaseback transaction results in a failed sale and leaseback and therefore, the transaction is accounted for as a financing transaction.

In the year ended December 31, 2023, the Company drew $200.0 million (in 2022: $54.3 million) on the financing to pay scheduled delivery installments for the first four newbuildings. The carrying value of vessels and equipment financed by AVIC was $282.1 million as of December 31, 2023. The balance under the facility was $246.1 million and $54.3 million as of December 31, 2023 and 2022, respectively.

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

In April 2022, the Company entered into sale and leaseback 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, CCBFL is to provide pre-delivery financing at a fixed interest rate of 5% per annum for the third and fourth pre-delivery installments ($6.8 million and $6.9 million) to be paid for each of the third and fourth installment 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 and the related refund guarantees, as well as a parent company guarantee from the Company, share pledges over the related subsidiaries, and account pledges over the related subsidiaries’ bank accounts. Upon delivery of the relevant vessels from New Times Shipyard, the vessels were or will be sold to companies owned and designated by CCBFL. The financing amount for each of the vessels, including those to be delivered, is the lower of 90% of the newbuilding contract price and $63.0 million. The vessels were or 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 $56.0 million declining to $46.0 million after year 7.

The fixed price purchase options under the sale and leaseback transaction results in a failed sale and leaseback and therefore, the transaction is accounted for as a financing transaction.

During the year ended December 31, 2023, the Company drew $160.6 million (2022: $20.5 million) on the financing to pay scheduled pre-delivery and delivery installments. The amount outstanding under the facility was $180.2 million and $20.5 million as of December 31, 2023 and 2022, respectively. The carrying value of newbuildings financed by CCBFL is $87.7 million and $91.3 million as of December 31, 2023 and 2022, respectively. The carrying value of vessels and equipment financed by CCBFL was $146.5 million as of December 31, 2023.

After 180 days of the delivery of each newbuilding, each subsidiary under the CCBFL sale leaseback arrangement is required to maintain a minimum cash balance equivalent to the bareboat hire payable within the next three months which amounts to approximately $1.5 million per vessel.

Jiangsu Financial Leasing Co. Ltd (“Jiangsu”) – Sale and leaseback financing arrangements

In December 2022, the Company, CCBFL and Jiangsu entered into novation and assignment agreements to transfer and assign all of CCBFL’s rights and obligations to Jiangsu under the corresponding sale leaseback arrangements for newbuildings “Mount Bandeira” and “Mount Hua.” The novation was accounted for as a debt extinguishment. The transfer was effective in March 2023. The terms under the sale leaseback arrangements remain unchanged. 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 $56.0 million declining to $46.0 million after year 7.

The fixed price purchase options under the sale and leaseback transaction results in a failed sale and leaseback and therefore, the transaction is accounted for as a financing transaction.

Following the novations, the Company drew down $27.4 million from Jiangsu for installment payments on the “Mount Hua” and “Mount Bandeira” in the year ended December 31, 2023. The amount outstanding under the facility was $27.4 million and $nil as of December 31, 2023 and 2022, respectively.

The bareboat rate per day under the sale and leaseback arrangements is fixed for the bareboat period and the average bareboat rate per day for the sale leaseback arrangements with AVIC, CCBFL and Jiangsu is $16,567. Bareboat payments are paid quarterly in advance under the arrangement with AVIC and quarterly in arrears under the arrangements with CCBFL and Jiangsu. The Company has classified the estimated amortization of the bareboat payments due within twelve months from December 31, 2023 as “Current portion of long-term debt” in the Consolidated Balance Sheets.

Under the sale and leaseback financing arrangements, we are required to pay loan fees to AVIC, CCBFL and Compass Advisory Services Pte. Ltd. from the date we entered into the Sale and Leaseback Agreements up to the delivery date of the vessels which we net off against “Current portion of long-term debt” and “Long-term debt” in the Consolidated Balance Sheets. In the year ended, December 31, 2023, loan fees of $4.7 million were paid upon the payment of the third installments on “Mount Bandeira,” “Mount Hua,” “Mount Elbrus,” “Mount Denali,” “Mount Aconcagua” and “Mount Emai.” In addition, loan fees of $2.7 million were paid upon the delivery of the first six vessels in the year ended December 31, 2023.

Drew Holdings Limited. ("Drew") – Revolving Credit Facility

In December 2022, the Company entered into a $15.0 million Revolving Credit Facility agreement with Drew, who is a significant shareholder in the Company. The facility was available to the Company until December 31, 2023 and was repayable on December 31, 2024 at the latest. In December 2022, the Company drew $1.0 million on the Revolving Credit Facility with Drew. This amount was fully repaid in the year ended December 31, 2023.

Effective December 18, 2023, an addendum to the Drew facility was executed, decreasing the maximum amount available under the facility from $15.0 million to $10.0 million, and extending the maturity of the facility from December 31, 2024 to December 31, 2025. In addition, the addendum extended the drawdown window to December 31, 2024 and aligned the interest rate with the Term Secured Overnight Financing Rate ("SOFR"). The amended facility bears interest for the applicable interest periods under the facility, at a rate of SOFR plus a margin of 8% p.a.

The amount is recorded as "Amounts due to related parties" in the Consolidated Balance Sheets (see Note 15). As of December 31, 2023, the Company has $10.0 million available to drawdown from this facility.

DNB Bridge Facility

In March 2023, the Company entered into an unsecured Bridge Facility with DNB Markets as arranger and DNB Bank ASA as lender and agent for a maximum amount of $15.0 million for general corporate purposes with a maturity date of September 1, 2023. Amounts outstanding under the Bridge Facility bear interest at SOFR plus a margin of 6% per annum. The Company drew down $7.5 million in March 2023 which it fully repaid in April 2023 from the proceeds of the IPO. Subsequently, the Bridge Facility was terminated in April 2023.

As of December 31, 2023 and 2022, we were in compliance with all of our covenants in each of our financing arrangements to the extent applicable.

13. Financial instruments

Foreign exchange risk management

The majority of our transactions, assets and liabilities are denominated in United States dollar. However, we incur expenditures in currencies other than United States dollar, mainly in Norwegian Kroner and British Pounds. 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.

Guarantees

The Bank of China Limited, Jiangsu Branch, has given letters of guarantee to two, and the Agricultural Bank of China, Jiangsu Branch to 10, of the 12 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 installments 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

(in thousands of $)		December 31, 2023		December 31, 2022	
	Hierarchy	**Fair value**	**Carrying value**	**Fair value**	**Carrying value**
Assets					
Cash and cash equivalents[1]	Level 1	25,553	25,553	263	263
Liabilities					
Current portion of long-term debt[2][3]	Level 2	21,234	21,234	7,003	7,003
Related party liabilities - current[4]	Level 1	—	—	2,696	2,696
Long-term debt[2][3]	Level 2	429,037	432,374	66,902	60,437
Related party liabilities - non-current[5]	Level 1	—	—	1,000	1,000

(1) 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. Thus, the carrying value is a reasonable estimate of the fair value.
(2) The fair value of the current portion of long-term debt and long-term debt have been corroborated using discounted cash flow models and market interest rates as of December 31, 2023 and 2022.
(3) Our debt obligations are recorded at amortized cost in the Consolidated Balance Sheets. The amounts presented in the table are gross of deferred financing charges amounting to $14.1 million and $7.4 million at December 31, 2023 and 2022, respectively.
(4) The carrying value approximates the fair value due to their near term expected payment of cash (see description of Corporate Support Agreement in Note 15).
(5) The carrying value approximates the fair value due to their near term expected payment of cash (see description of Revolving Credit Facility in Note 15).

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 Bank ASA (“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. Nine out the twelve vessels ordered have been succesfully delivered.

A concentration of customer risk exists with three charterers accounting for all of our revenues during the year ended December 31, 2023. We consider the credit risk of these charterers is mitigated by the charter hires being payable 15 days in advance. Further, we believe the risk is remote, as all charterers are established companies. Details of revenues derived from each charterer are found in Note 5.

There is a concentration of market risk as five out of six of our time charters are variable rate contracts, whereby the Company earns revenues based on the Baltic Capesize Index. The Company manages this risk by converting the index linked charters to fixed rate time charters from time to time, during periods of increasing charter hire rates, to cover periods of decreasing charter hire rates.

14. Commitments and contingencies

Assets pledged

(in thousands of $)	December 31, 2023	December 31, 2022
Book value of vessels secured against long-term debt	428,617	—
Book value of newbuildings secured against long-term debt	132,646	176,145
Total	561,263	176,145

As of December 31, 2023, the Company had six vessels under construction. In August 2022, the Company entered into agreements with New Times Shipyard to install exhaust gas cleaning systems or "scrubbers" on the vessels under construction.

Scrubber installation costs for two vessels totaling $4.8 million were paid in December 2023 in advance of their deliveries in January 2024 and are presented as "Other non-current assets" on the Consolidated Balance Sheets. As of December 31, 2023, the total cost of scrubbers payable at delivery of the remaining four vessels under construction is $9.6 million.

As of December 31, 2023, the outstanding commitments under the six newbuilding contracts, including the installation of the scrubbers are as follows:

(in thousands of $)	
2024	306,000
Total	306,000

Of the above amount, $295.5 million in total will be funded by CCBFL and Jiangsu under the sale leaseback arrangements.

15. Related party transactions

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 as a result of being an affiliate of Drew. As of December 31, 2023, Drew holds 31.5% of the Company's outstanding common shares.

In March 2022, the Company entered into a $15.0 million revolving credit facility agreement with Magni. The facility was unsecured and 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 was available to the Company until December 31, 2023 and was to 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 the same terms. $1.0 million was drawn on December 19, 2022 and remained outstanding as of December 31, 2022. In the year ended December 31, 2023, the Company drew down an additional $1.0 million and subsequently repaid the full outstanding amount of $2.0 million.

Effective December 18, 2023, an addendum to the Drew facility was executed, decreasing the maximum amount available under the facility from $15.0 million to $10.0 million, and extending the maturity of the facility from December 31, 2024 to December 31, 2025. In addition, the addendum extended the drawdown window to December 31, 2024 and aligned the interest rate with the Term Secured Overnight Financing Rate ("SOFR"). The amended facility bears interest for the applicable interest periods under the facility, at a rate of SOFR plus a margin of 8% p.a.

As of December 31, 2023, the Company has $10.0 million available to drawdown from this facility.

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). From the year ended 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 obtaining the financing for the installments 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 in the Company at the time the Corporate Support Agreement was entered into, the Company treated the Corporate Support Agreement as a related party transaction. Pursuant to the Corporate Support Agreement, Magni continued 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 that compensation in the amount of $2.7 million was to be paid by the Company to Magni in four equal tranches.

The tranches were split equally on each of the first four newbuildings delivered from New Times Shipyard in 2023, so that $0.7 million was payable on each such delivery. Such amount equals the address commission received on the first four vessels, which was agreed with the yard before the project opened to external investors.

As of December 31, 2022, the balance of related party liabilities for services provided was $2.7 million. Following the delivery of the first four vessels in the year ended December 31, 2023, the total fee of $2.7 million was paid.

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

As of December 31, 2022, Affinity was considered a related party due to being a principal shareholder. As of December 31, 2023, Affinity holds 7.7% of the Company's outstanding common shares and is no longer considered a related party due to Affinity's reduced ownership in the Company.

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 is the broker on the fixed time charter agreement the Company has entered into. Affinity receives 1.25% of the charter hire of $30,000 per day. Amounts paid to Affinity during the year ended December 31, 2023 for the commission on the charter hire was $0.1 million.

16. Share based compensation

In September 2021, the Board of Directors established a long-term incentive plan allocating 800,000 of the Company's authorized but unissued share capital. 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 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 per share and will be reduced by any dividends and cash distributions paid. Stock compensation expense of $0.5 million, $0.4 million and $0.03 million was expensed in the years ended December 31, 2023, 2022 and 2021, respectively, and 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, 2022 and 2023, respectively:

	Outstanding share options	Weighted average remaining life	Weighted average exercise price (in $)	Weighted average grant date fair value (in $)
Outstanding as of March 17, 2021	—	0.0	—	—
Granted	500,000	4.0	8.00	2.20
Vested	—	0.0	—	—
Forfeited	—	0.0	—	—
Outstanding as of December 31, 2021, unvested	**500,000**	**4.0**	**8.00**	**2.20**
Outstanding as of December 31, 2021, exercisable	**—**	**0.0**	**—**	**—**
Granted	120,000	4.0	8.00	1.95
Vested	—	0.0	—	—
Forfeited	—	0.0	—	—
Outstanding as of December 31, 2022, unvested	**620,000**	**3.0**	**8.00**	**2.15**
Outstanding as of December 31, 2022, exercisable	**—**	**0.0**	**—**	**—**
Granted	—	0.0	—	—
Vested	—	0.0	—	—
Forfeited	—	0.0	—	—
Outstanding as of December 31, 2023, unvested	**620,000**	**3.0**	**8.00**	**2.15**
Outstanding as of December 31, 2023, exercisable	**—**	**0.0**	**—**	**—**

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	2.00 %	1.52 %
Expected life	4.0 years	4.0 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, 2023, 2022 and 2021, there was no intrinsic value for unvested outstanding awards.

As of December 31, 2023, the total unrecognized compensation cost amounting to $0.4 million relating to options outstanding is expected to be recognized over a weighted average period of 1.0 year.

17. Shareholders' equity

The authorized share capital of the Company as of December 31, 2023 and 2022 was $140,010,000 represented by 140,010,000 authorized common shares of par value $1.00 each.

In April 2023, the Company completed its IPO in the U.S, whereby the Company issued 7,720,000 common shares of par value $1.00 each at an offering price of $5.80 per common share and subsequently issued an additional 910,000 common shares of par value $1.00 each in a partial exercise of the over-allotment option in May 2023. Net proceeds from the offering amounted to $44.9 million which were used for funding acquisitions of newbuildings on order, repayment of indebtedness, funding our working capital needs and general corporate purposes.

In December 2023, the Company issued 3,117,143 common shares of par value $1.00 each in a private placement at a price of $5.64 per share. Net proceeds amounted to $16.9 million which are being used for funding acquisitions of newbuildings on order, repayment of indebtedness, funding our working capital needs and general corporate purposes.

18. Subsequent events

In January 2024, the Company took delivery of three newbuilding vessels, “Mount Bandeira,” “Mount Hua” and “Mount Elbrus,” from New Times Shipyard, resulting in a total delivered fleet of nine vessels, with three additional vessels to be delivered in 2024. The time charters with the respective charterers commenced shortly thereafter.

In January 2024, an addendum was entered into with Drew in relation to the revolving credit facility, effective December 18, 2023, to: (i) reduce the amount available under the facility from January 1, 2024 to $10.0 million, (ii) extend the timeframe to drawdown from the facility to December 31, 2024 and the latest repayment date to December 31, 2025, and (iii) change interest to Term Secured Overnight Financing Rate (“SOFR”) plus a margin of 8% per annum. As of December 31, 2023, the revolving credit facility remains undrawn.

In February 2024, the Board approved a cash distribution of $0.01 for January 2024 which was paid in March 2024. The distribution was made from the Company's Contributed Surplus account. In January 2024, the shareholders, at a Special General Meeting, approved the transfer of $97.9 million to the Company’s Contributed Surplus Account from the Company's Share Premium account (Additional paid-in capital in the Company’s Consolidated Statement of Changes in Shareholder’s Equity).

In February 2024, the Board approved a grant of 115,000 share options to key human resources and one director. The share options granted have a five-year term and cliff vest three years from the grant date. The exercise price is $8.00 per share and will be reduced by any dividends and cash distributions paid.

In March 2024, the Board approved a cash distribution of $0.03 per share for February 2024 which will be paid in April 2024. The distribution will be made from the Company's Contributed Surplus account.