



**ANNUAL REPORT
2015**

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Board of Directors' Report 2015

Introduction

Tanker Investments Ltd. (or the *Company*) and its subsidiaries (together with the Company, the *Group*) is a specialized investment company focused on the oil tanker market. The Company was incorporated under the laws of the Marshall Islands in January 2014 by Teekay Corporation (or *Teekay*) to opportunistically acquire, operate and sell modern second-hand tankers to benefit from the recovery from the cyclical low the tanker market was experiencing at the time.

Teekay, which formed the Group in 2014, is a leading provider of marine services to the global oil and natural gas industries and the world's largest operator of medium-sized oil tankers. The Company believes that the Group benefits from Teekay's expertise, relationships and reputation as the Group operates its fleet and pursues its business strategy.

The Company's principal executive office is at 4th Floor, Belvedere Building, 69 Pitts Bay Road, Hamilton, HM 08, Bermuda. The Company owns a fleet of 18 primarily mid-sized crude-oil tankers, as of January 20, 2016.

The Company's common stock trades on the Oslo Stock Exchange under the symbol "TIL".

Operations and Fleet

As at March 18, 2016, the Company's fleet consisted of 18 vessels as summarized below:

Vessel	Type	Capacity (dwt)	Built	Flag
Tianlong Spirit	Suezmax	159,021	2009	Bahamas
Jiaolong Spirit	Suezmax	159,021	2009	Bahamas
Shenlong Spirit	Suezmax	159,021	2009	Bahamas
Dilong Spirit	Suezmax	159,021	2009	Bahamas
Tarbet Spirit	Aframax	107,529	2009	Bahamas
Emerald Spirit	Aframax	109,060	2009	Bahamas
Whistler Spirit	Aframax	109,060	2010	Bahamas
Hovden Spirit	Coated Aframax	105,276	2012	Marshall Islands
Trysil Spirit	Coated Aframax	105,276	2012	Marshall Islands
Garibaldi Spirit	Aframax	109,060	2009	Bahamas
Blackcomb Spirit	Aframax	109,060	2010	Bahamas
Peak Spirit	Aframax	104,621	2011	Bahamas
Cascade Spirit	Suezmax	156,853	2009	Bahamas
Baker Spirit	Suezmax	156,929	2009	Bahamas
Vail Spirit	Suezmax	157,048	2009	Bahamas
Aspen Spirit	Suezmax	156,813	2009	Bahamas
Copper Spirit	Suezmax	156,827	2010	Bahamas
Tahoe Spirit	Suezmax	156,870	2010	Bahamas

Under the supervision of the Company's Board of Directors (the *Board*) and executive officers, the Group's operations are managed by Teekay Tankers Management Services Ltd. (the *Fleet Manager*), a subsidiary of Teekay. The Company has entered into a long-term agreement with the Fleet Manager (the *Management Agreement*) pursuant to which the Fleet Manager and its affiliates provide to the Group commercial, technical, administrative and corporate services and personnel in exchange for management services fees. The Fleet Manager is highly experienced and since 2003 has managed an average of 15 dry dockings per year and completed more than 100 vessel sale or purchase transactions. As of January 2016, the Fleet Manager had 63 vessels under technical management.

The Group employs its vessels on the spot market and on fixed rate time-charter out contracts through pooling arrangements and revenue sharing arrangements operated by Teekay affiliates individually or with third parties. By employing the vessels in these pooling arrangements and revenue sharing arrangements, as applicable, the Company believes that the Group will benefit from Teekay's expertise in commercial management of tankers and economies of scale of a larger fleet, including higher vessel utilization and daily revenues.

The Company has also entered into a non-competition agreement (the *Non-Competition Agreement*) with Teekay and Teekay Tankers Ltd. (*Teekay Tankers*), in which the Company has agreed that until January 2029, no member of the Group shall (a) own, lease, operate or charter any (i) dynamically-positioned shuttle tanker, (ii) floating storage and offtake unit, (iii) floating production, storage and offloading unit or (iv) liquefied natural gas or liquefied petroleum gas carrier or (b) engage in or acquire or invest in any business (each a *Restricted Business*) that owns, leases, operates or charters any such tanker, unit or carrier; provided, however, that the acquisition of up to a 9.9% equity ownership, voting or profit participation interest in any publicly traded entity that engages in a Restricted Business is permitted. This provision of the Non-

Competition Agreement automatically terminates, expires and has no further force and effect on the date that Teekay and its affiliates, no longer retain beneficial ownership of at least (a) an aggregate of 5,000,000 common shares of the Company, so long as Teekay and Teekay Tankers remain affiliates, or (b) 2,500,000 common shares of the Company, if Teekay and Teekay Tankers no longer are affiliates.

Strategy

The Company's primary business strategies include the following:

1. *Maximize cash flow and profitability by participating in pooling arrangements.* The Company intends that the Group's Suezmax-class tankers will operate in the spot market through the Teekay operated Suezmax revenue sharing arrangement (the *Suezmax RSA*), the Group's Aframax-class tankers operate under the Teekay operated Aframax revenue sharing arrangement (the *Aframax RSA*), except for the Group's two coated Aframax-class tankers which trade in the Taurus RSA pool. The Company believes that the Group will benefit from the reputation and scope of operations of Teekay, Teekay Tankers and their affiliates. The Company also projects that the cash flow the Group may derive over time from operating the vessels in these pooling arrangements or revenue sharing arrangements will exceed the amount the Group would otherwise derive by operating these vessels outside of the pooling and revenue sharing arrangements due to higher vessel utilization and daily revenues.
2. *Opportunistically divest tankers.* The Company believes that the second-hand crude tanker prices have reached levels at which liquidating vessels will benefit shareholders. The Company intends to divest the Group's tankers over time depending on the depth of the tanker sale and purchase market and available prices.

Review of 2015 Including Subsequent Events

In July 2015 and August 2015, the Company took delivery of six Suezmax tankers.

On October 27, 2014, the Company had announced that its Board had authorized the repurchase of up to USD 30.0 million of its Common Stock in the open market. On September 27, 2015 the Company announced the Board had authorized a USD 30.0 million upside to the share repurchase program, increasing the total amount authorized to USD 60.0 million. During January 2016 the Company completed this USD 60.0 million share repurchase program.

On December 28, 2015, the company announced it had agreed to sell its two 2010-built VLCCs, the *Hemsedal Spirit* and *Voss Spirit* for gross proceeds of USD 77.5 million each. Delivery to the buyers occurred in January 2016.

On February 8, 2016, the Company announced the Board had authorized a new share repurchase program to repurchase up to USD 60.0 million of the Company's common stock.

Market

The tanker market in 2015 was the strongest since 2008. The main catalyst for the strong freight market was continued high levels of global oil production, including an extra 1.0 million barrels per day (mb/d) of crude oil supply from OPEC. Global oil demand was also robust in 2015, growing by 1.7 mb/d, the highest level of growth since the post-financial crisis rebound in 2010. Oil prices also fell to the lowest average price in 11 years in 2015, which was positive for the tanker market as it led to higher refinery throughput to take advantage of strong refining margins, increased commercial and strategic stockpiling of oil, and lower bunker fuel costs for ship owners. Finally, tanker fleet growth remained low with just 2 percent growth in the crude tanker fleet.

The fourth quarter of 2015 was particularly strong, led by the large crude tanker sectors. This strength was driven by firm underlying fundamentals coupled with seasonal and one-off factors. The fourth quarter saw the onset of winter weather delays, including an increase in transit time through the Turkish Straits and fog in the U.S. Gulf. Ullage-related delays resulted in increased waiting times at discharge ports due to logistical constraints, which further added to rate volatility during the fourth quarter.

Looking ahead, the Company anticipates that many of the positive fundamentals which existed in 2015 will persist during 2016. Global oil demand is forecast to grow by 1.3 mb/d in 2016 (based on the average of IEA, EIA, and OPEC forecasts). While this is a decrease from 2015 oil demand growth of 1.7 mb/d, it is above the average growth rate of 1.0 mb/d over the last decade. Global oil production is anticipated to remain high with no change to OPEC policy expected in 2016. Furthermore, the return of Iranian production is projected to add up to 0.5 mb/d of additional supply in 2016, further adding to global crude oil exports and keeping oil prices relatively low. Finally, while tanker fleet growth is set to increase in 2016, the tanker fleet growth is relatively modest for the mid-size sectors with anticipated tanker fleet growth of 4.5 percent and 4.0 percent in the Suezmax and Aframax/LR2 fleets, respectively, which compares favorably to the average fleet growth in the last decade of approximately 5.0 percent per annum. Furthermore, the fleet growth is weighted towards the second half of the year and thus, the full impact should be felt more in 2017 than in 2016.

In addition to positive supply and demand fundamentals, changing trade patterns is expected to benefit the mid-size tanker sectors in 2016. Although it is not expected to immediately translate into an influx of U.S. crude oil onto global markets, the relaxation of the U.S. crude oil export ban is already resulting in an increase in European and West African imports to the U.S. Atlantic coast. The spread between the WTI and Brent oil price has narrowed enough to make seaborne transportation more economical than rail or truck from domestic producers. Mid-sized tanker markets could also benefit from the expansion of the Panama Canal in May 2016 as it will facilitate trade movements between the Atlantic and the Pacific, including crude and condensate exports from the U.S. Gulf to Asian markets.

Overall, the Company expects that 2016 will be a strong year for crude tanker rates driven by high levels of global oil supply, rising oil demand, low oil prices, changing trade routes, and a manageable level of fleet growth.

Business Summary

In 2015 the Company took delivery of the six Suezmaxes it agreed to acquire near the end of 2014 which added to the Company's 2015 financial results. Tanker Investments generated record earnings in 2015 due to the fundamental strength in the spot tanker market and increased fleet size.

All of the vessels in the Company's fleet trade in the spot tanker market within Teekay's commercial pools. The spot tanker market experienced the strongest freight rates since 2008 based on strong tanker demand and limited new tanker supply.

In 2015, the Board upsized its share repurchase authorization to repurchase an additional USD 30.0 million of its shares. During the year, the Company repurchased 3.3 million shares, representing approximately 9 percent of its outstanding shares, at an average cost per share of NOK 105.1, for a total investment of USD 40.4 million.

Financial Review

The consolidated financial statements have been prepared in accordance with the United States generally accepted accounting principles (or GAAP). The non-consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (or IFRS). Except where specifically identified, the financial information presented below has been prepared on a consolidated basis.

Income Statement

Net revenues¹ for the year ended December 31, 2015 increased to USD 198.5 million, compared to USD 59.2 million in the period from date of incorporation on January 10, 2014 to December 31, 2014, due primarily to an increase in the average number of vessels in our fleet and higher average TCE rates earned in 2015.

Cash flow from vessel operations² for the year ended December 31, 2015 was USD 133.1 million, which increased from USD 22.3 million in the period from date of incorporation January 10, 2014 to December 31, 2014, due primarily to an increase in the average number of vessels in our fleet and higher TCE rates earned in 2015.

Net income for the year ended December 31, 2015 was USD 75.8 million, or USD 2.07 per share (basic) compared to a net loss of USD 3.1 million or USD 0.09 per share (basic) for the period from date of incorporation January 10, 2014 to December 31, 2014.

Balance Sheet

Total assets as at December 31, 2015, were USD 1.0 billion, compared to USD 0.7 billion at December 31, 2014, increasing primarily due to the acquisition of six Suezmax tankers in 2015.

As at December 31, 2015, the Company had total stockholders' equity of USD 425.4 million, an increase from USD 389.9 million at December 31, 2014, primarily based on the net income in 2015 offset by the share buyback transactions which occurred during 2015.

Cash Flow

Net cash flow provided by operating activities increased to USD 86.2 million in 2015, compared to USD (16.4) million of cash used for operating activities in 2014, primarily as a result of the following:

- A net increase of USD 100.7 million in operating earnings primarily as a result of increase in our average fleet size and higher average TCE rates earned; and
- An increase of USD 9.3 million in operating cash flows relating to lower expenditures on dry-docking activities in 2015. In 2015 we dry docked three vessels, whereas in 2014 we dry docked seven vessels.

Partially offset by

- A net decrease of USD 7.4 million in operating cash flows relating to the timing of the settlement of working capital items related to operating assets and liabilities.

Net cash provided by financing activities decreased to USD 208.2 million, compared to USD 559.3 million in 2014, primarily as a result of:

- Equity offerings conducted in 2014;

¹ Net revenues represents total revenues less voyage expenses, which comprise all expenses relating to certain voyages, including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. Net revenues for the consolidated financial statements is a non-GAAP financial measure used by certain investors to measure the financial performance of shipping companies; however, it is not required by GAAP and should not be considered as an alternative to revenues or any other indicator of the Company's performance required by GAAP.

² Cash flow from vessel operations (CFVO) for the consolidated financial statements, a non-GAAP financial measure, represents income from operations before depreciation and amortization expense. CFVO is included because certain investors use this data to measure a company's financial performance. CFVO is not required by GAAP and should not be considered as an alternative to net income or any other indicator of the Company's performance required by GAAP.

- An increase in repayments and prepayments of long-term debt in 2015 compared to 2014; and
- An increase in the repurchase of common stock in 2015 compared to 2014

Partially offset by

- An increase in 2015 of the issuance of long-term debt.

Net cash used for investing activities decreased to USD 320.5 million in 2015, compared to USD 473.4 million in the prior period, primarily due to the acquisition of 14 vessels in 2014 compared to six vessels acquired in 2015.

Financing

As of December 31, 2015, the Company had two revolving credit facilities available, which, as at such date, provided for borrowings of up to a maximum of \$373.6 million (December 31, 2014 - \$295.6 million). Based on the vessels provided as collateral as at December 31, 2015, which were first-priority mortgages granted on 14 of the Company's vessels, the borrowings available to the Company under its revolving credit facilities was \$373.6 million, of which \$348.6 million was drawn (December 31, 2014 – \$219.6 million, of which \$181.1 million was drawn).

As of December 31, 2015 the Company had a term loan outstanding with an outstanding balance of \$96.5 million, repayable by June 30, 2016. The loan is collateralized by two of the Company's vessels.

As of December 31, 2015, the Company had a term loan outstanding with an outstanding balance of \$141.1 million (December 31, 2014 - \$152.9 million), repayable to 2021. The loan is collateralized by four of the Company's vessels, together with other related security.

The weighted-average effective interest rate on the Company's long-term debt as at December 31, 2015 was 3.42%, compared to 3.44% as at December 31, 2014.

Dividends

The Company has not paid any dividends since its incorporation on January 10, 2014. The Company's Board intends to periodically reassess its dividend policy. The timing and amount of any future dividends would depend on, among other things, the earnings of the Group's fleet, financial and borrowing conditions, capital expenditure and divestments, market prospects and investment opportunities, as well as limitations under Marshall Islands law.

Parent Company

Net income for the year ended December 31, 2015 for the Parent Company was USD 30.3 million, compared to a net loss of USD 26.0 million in the period from date of incorporation on January 10, 2014 to December 31, 2014. Total assets and total stockholders' equity as at December 31, 2015 were USD 0.9 billion and USD 0.4 billion, respectively, compared to USD 0.6 billion and USD 0.4 billion at December 31, 2014. For the year ended December 31, 2015, the parent company generated negative cash flows of USD 26.2 million, compared to positive cash flows of USD 69.6 million from the date of incorporation on January 10, 2014 to December 31, 2014.

Remuneration of Directors

The following remuneration was paid to the Company's directors in 2015: (A) to the Chair of the Board, USD 120,000 in cash, and with respect to each other director, USD 50,000 in cash and USD 50,000 in TIL stock, for their service as members of the board of directors; and (B) to the Chair of the Audit Committee, USD 15,000, and to each other member of the Audit Committee, USD 7,500 for their service as members of the Audit Committee. In addition, each director was reimbursed for out-of-pocket expenses in connection with attending meetings of the Board and committees.

Risk and Risk Management

Market Risk

Foreign Currency Fluctuation Risk

The Company's primary economic environment is the international shipping market. Transactions in this market generally utilize U.S. Dollars. Consequently, virtually all of the Company's revenues and the majority of operating costs are in U.S. Dollars. The Company incurs certain voyage expenses, vessel operating expenses, dry-docking expenditures and general and administrative expenses in foreign currencies, the most significant of which are Euro and British Pound. The Company did not enter into forward contracts as a hedge against changes in certain foreign exchange rates during 2015.

Interest Rate Risk

The Company is exposed to the impact of interest rate changes primarily through floating-rate borrowings that require the Company to make interest payments based on LIBOR. Significant increases in interest rates could adversely affect operating margins, results of operations and the ability to service our debt. The Company may use interest rate swaps to reduce exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with our floating-rate debt. The Company did not enter into any interest rate swaps to reduce exposure to market risk from changes in interest rates during 2015.

Spot Tanker Market Rate Risk

The cyclical nature of the tanker industry causes significant increases or decreases in the revenue that we earn from our vessels, particularly as they trade in the spot tanker market. From time to time we may use freight forward agreements as a hedge to protect against changes in spot tanker market rates. Freight forward agreements involve contracts to provide a fixed number of theoretical voyages along a specified route at a contracted charter rate. Freight forward agreements settle in cash based on the difference between the contracted charter rate and the average rate of an identified index. As at December 31, 2015, the Company had not entered into any freight forward agreements, although we may do so in the future.

Operational Risk

The Company assumes operational risks associated with the loading, off-loading, and transportation of oil cargoes, which can impact the Company's operations. Marine transportation is inherently risky, and an incident involving significant loss of product or environmental contamination by any of our vessels could harm our reputation and business. Vessels and their cargoes are at risk of being damaged or lost because of events such as: marine disasters; bad weather or natural disasters; mechanical or electrical failures; grounding, capsizing, fire, explosions and collisions; piracy or war and terrorism; and human error.

An incident involving any of our vessels could result in any of the following: death or injury to persons, loss of property or damage to the environment and natural resources; delays in the delivery of cargo; loss of revenues from charters; liabilities or costs to recover any spilled oil or other petroleum products and to restore the eco-system affected by the spill; governmental fines, penalties or restrictions on conducting business; higher insurance rates; and, damage to our reputation and customer relationships generally. Any of these events can affect the results of operations and expose the Company to adverse economic consequences.

Our vessels are operated by the Fleet Manager in a manner intended to mitigate these operational risks. The Company and the Fleet Manager actively seek to manage the risks inherent in the Group's business and are committed to eliminating incidents that threaten the safety and integrity of the Company's vessels.

Financial Risk

The Company is exposed to credit risk and liquidity risk. The Company's overall risk management program focuses on the uncertainty of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

The Company's loans contain covenants and other restrictions that the Company believes are typical of debt financing collateralized by vessels, including those that restrict the relevant subsidiaries from: incurring or guaranteeing additional indebtedness; making certain negative pledges or granting certain liens; and selling, transferring, assigning or conveying assets. A breach of these financial covenants would represent a credit risk to the Company.

The Company's primary sources of liquidity are cash and cash equivalents, and cash flows provided by the Group's operations. Volatility in the tanker market may affect the Group's cash flow from operations and in turn its liquidity risk.

Going Concern

The financial statements of Tanker Investments Ltd. and the consolidated Group have been prepared under the going concern assumption, and the Board confirms that it is appropriate to prepare the accounts on a going concern assumption.

Health, Safety and Environment

Safety and environmental compliance are the Group's top operational priorities. The vessels are operated by the Fleet Manager in a manner intended to protect the safety and health of employees, the general public and the environment. The Group and the Fleet Manager actively manage the risks inherent in the Group's business and are committed to eliminating incidents that would threaten safety and the integrity of the vessels, such as groundings, fires, collisions and petroleum spills. The Group is also committed to reducing emissions and waste generation. No accident or personal injury incidents on board the Group's vessels have been reported during 2015, other than one vessel grounding that resulted in no injuries or material loss.

The Fleet Manager is responsible for providing technical management services for all of the Group's vessels. The Fleet Manager provides, through certain of its subsidiaries, expertise in various functions critical to the Group's operations, resulting in a safe, efficient and cost-effective operation. The Fleet Manager uses in the Group's operations Teekay's thorough risk management program that includes, among other things, computer-aided risk analysis tools, maintenance and assessment programs, a seafarers competence training program, seafarers workshops and membership in emergency response organizations.

The Group expects to benefit from Teekay's commitment to safety and environmental protection as the Fleet Manager assists the managing of vessel operations. Teekay has for instance achieved certification under the standards reflected in International Standards Organization's (ISO) 9001 for quality assurance, ISO 14001 for environmental management systems and Occupational Health and Safety Advisory Services 18001.

Corporate Governance


In connection with the Company's listing on the Oslo Stock Exchange, the Company is in compliance with the "comply or explain" principle set forth in the Norwegian Code of Practice for Corporate Governance of 30 October 2014 (the *Code*). For further information on the Company's compliance with the Code, please refer to the section of this Annual Report entitled "*Corporate Governance*".


Strategy and Outlook

Looking out to 2016, the Company expects to continue operating its vessels in the spot tanker market, which is expected to remain firm, however with elevated volatility while it attempts to execute on the second half of its strategy by opportunistically divesting of certain tankers.

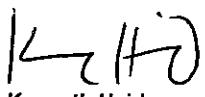
Hamilton, March 18, 2016


William Lawes
Director


Alan Carr
Director


Øivind Solvang
Director


Timothy Gravely
Director


Kenneth Hvid
Director

Directors' Responsibility Statement

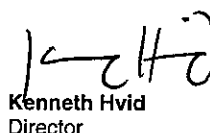
We confirm, to the best of our knowledge, that the financial statements contained within this Annual Report, which consists of the consolidated financial statements for the year ended December 31, 2015 have been prepared in accordance with the United States generally accepted accounting principles, and the financial statements of the Parent Company for the year ended December 31, 2015, have been prepared in accordance with the International Financial Reporting Standards, and the information presented in the consolidated financial statements and non-consolidated financial statements for the Parent Company gives a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the Group.

We also confirm to the best of our knowledge that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties facing the Company and the Group.


Hamilton, March 18, 2016


William Lawes
Director


Øivind Solvang
Director


Kenneth Hvid
Director


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Independent Auditors' Report

The Board of Directors
Tanker Investments Ltd.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Tanker Investments Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income (loss), stockholders' equity, and cash flows for the year ended December 31, 2015 and the period from incorporation on January 10, 2014 to December 31, 2014, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tanker Investments Ltd. and its subsidiaries as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the year ended December 31, 2015 and the period from incorporation on January 10, 2014 to December 31, 2014 in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, Tanker Investments Ltd. and its subsidiaries has retrospectively changed its method of accounting for debt issuance costs effective December 31, 2015 due to the adoption of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs*.

KPMG LLP

Chartered Professional Accountants
Vancouver, Canada
March 18, 2016

Consolidated Financial Statements and Notes

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands of U.S. dollars, except share and per share amounts)

	Year ended December 31, 2015 \$	Date of Incorporation January 10, 2014 to December 31, 2014 \$
Net pool revenues <i>(note 8h)</i>	181,307	49,484
Voyage revenues	29,527	30,607
Total revenues	210,834	80,091
Voyage expenses	(12,346)	(20,893)
Vessel operating expenses <i>(note 8h)</i>	(59,126)	(32,823)
Depreciation and amortization	(32,893)	(16,042)
General and administrative <i>(note 8h)</i>	(6,285)	(4,069)
Income from operations	100,184	6,264
Interest expense <i>(notes 4 and 8e)</i>	(22,308)	(9,175)
Interest income	149	472
Other expenses <i>(note 5)</i>	(2,227)	(681)
Net income (loss) and comprehensive income (loss)	75,798	(3,120)
Per common share of Tanker Investments Ltd. <i>(note 9)</i>		
• Basic earnings (loss) attributable to common stockholders of Tanker Investments Ltd.	2.07	(0.09)
• Diluted income (loss) attributable to common stockholders of Tanker Investments Ltd.	2.03	(0.09)
Weighted average number of common shares outstanding <i>(note 9)</i>		
• Basic	36,697,394	34,279,507
• Diluted	37,261,602	34,279,507
Total number of common shares outstanding at end of period	33,682,881	36,974,851

Related party transactions *(note 8)*

The accompanying notes are an integral part of these consolidated financial statements.

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands of U.S. dollars)

	As at December 31, 2015 \$	As at December 31, 2014 \$
ASSETS		
Current		
Cash and cash equivalents	43,420	69,592
Pool receivables from affiliates, net (note 8h)	31,920	13,690
Accounts receivable	5,574	5,744
Due from affiliates	45	1,041
Prepaid expenses and other current assets	7,767	7,096
Vessels held for sale (note 12)	150,286	-
Total current assets	239,012	97,163
Vessels and equipment		
At cost, less accumulated depreciation of \$39.1 million (December 31, 2014 - \$16.0 million)	763,096	619,159
Due from affiliates (note 8h)	25,268	19,939
Other non-current assets	2	1
Total assets	1,027,378	736,262
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable	3,473	1,734
Accrued liabilities	12,194	11,174
Current portion of long-term debt (note 4)	143,685	27,233
Due to affiliates	2,136	3,275
Total current liabilities	161,488	43,416
Long-term debt (note 4)	437,750	302,291
Other long-term liabilities (note 5)	2,789	626
Total liabilities	602,027	346,333
Commitments and contingencies (note 8j)		
Stockholders' Equity		
Common stock (\$0.001 par value; 400 million shares authorized; 33.7 million shares issued and 38.4 million shares outstanding) (37.0 million shares issued and 38.4 million shares outstanding – December 31, 2014) (note 7)	34	37
Preferred stock (\$0.001 par value; 100 million shares authorized; 2 shares issued and outstanding) (note 7)	1	1
Additional paid-in capital (note 7)	357,831	392,800
Retained earnings (deficit)	67,485	(2,909)
Total stockholders' equity	425,351	389,929
Total liabilities and stockholders' equity	1,027,378	736,262

Subsequent events (note 13)

The accompanying notes are an integral part of these consolidated financial statements.

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

	Year Ended December 31, 2015 \$	Date of Incorporation January 10, 2014 to December 31, 2014 \$
Cash and cash equivalents provided by (used for)		
OPERATING ACTIVITIES		
Net income (loss)	75,798	(3,120)
Non-cash items:		
Depreciation and amortization	32,893	16,042
Other	5,481	723
Change in non-cash working capital items related to operating activities (note 10)	(21,443)	(14,104)
Expenditures for drydocking	(6,573)	(15,911)
Net operating cash flow	86,156	(16,370)
FINANCING ACTIVITIES		
Proceeds from equity offering and initial public offering (note 7)	-	421,966
Issuance costs of equity offering and initial public offering (note 7)	-	(13,859)
Prepayments of long-term debt	(59,675)	-
Repurchase of Common Stock (note 7)	(40,589)	(15,253)
Repayments of long-term debt	(38,652)	(14,599)
Proceeds from issuance of long-term debt, net of issuance costs (note 4)	347,131	181,075
Net financing cash flow	208,215	559,330
INVESTING ACTIVITIES		
Acquisition of Dilong Spirit L.L.C., Shenlong Spirit L.L.C., Tianlong Spirit L.L.C. and Jiaolong Spirit L.L.C.	-	(11,045)
Acquisition of Alpha VLCC L.L.C. and Beta VLCC L.L.C.	-	(155,658)
Expenditures for vessels and equipment	(320,543)	(306,665)
Net investing cash flow	(320,543)	(473,368)
(Decrease) increase in cash and cash equivalents	(26,172)	69,592
Cash and cash equivalents, beginning of the period	69,592	-
Cash and cash equivalents, end of the period	43,420	69,592

Supplemental cash flow information (note 10)

The accompanying notes are an integral part of these consolidated financial statements.

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands of U.S. dollars, except share amounts)

	Thousands of Shares of Common Stock Outstanding #	Common Stock \$	Shares of Preferred Stock Outstanding #	Preferred Stock \$	Additional Paid-In Capital \$	Deficit / Retained Earnings \$	Total Stockholders' Equity \$
Balance as at January 10, 2014	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	(3,120)	(3,120)
Proceeds from equity offering, net of offering costs of 6.4 million (note 7)	25,000	25	2	1	243,579	-	243,605
Proceeds from IPO, net of offering costs of \$7.5 million (note 7)	13,413	13	-	-	164,489	-	164,502
Shares issued as compensation (note 7)	17	-	-	-	195	-	195
Repurchase of Common stock (note 7)	(1,455)	(1)	-	-	(15,463)	211	(15,253)
Balance as at December 31, 2014	36,975	37	2	1	392,800	(2,909)	389,929
Net income	-	-	-	-	-	75,798	75,798
Shares issued as compensation (note 7)	19	-	-	-	213	-	213
Repurchase of Common Stock (note 7)	(3,311)	(3)	-	-	(35,182)	(5,404)	(40,589)
Balance as at December 31, 2015	33,683	34	2	1	357,831	67,485	425,351

The accompanying notes are an integral part of these consolidated financial statements.

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. dollars, except share and per share amounts)

1. Basis of Presentation and Nature of Operations

On January 10, 2014, Teekay Corporation (or *Teekay*) and Teekay Tankers Ltd. (or *Teekay Tankers*) formed Tanker Investments Ltd., under the laws of the Republic of the Marshall Islands. Tanker Investments Ltd. and its subsidiaries (collectively the *Company*) engage in the ownership and operation of crude oil tankers. At December 31, 2015, the Company's fleet included 20 vessels (December 31, 2014 – 14 vessels).

On February 28, 2014, the Company acquired four single-ship wholly-owned subsidiaries (the *L.L.C.s*) from Teekay, each of which owns one 2009-built Suezmax oil tanker and is a borrower to a loan agreement (see note 4), in exchange for \$11.0 million, which consists of \$163.2 million for the vessels, \$10.9 million for working capital less \$163.1 million for the assumption of existing debt. The *L.L.C.s* consist of the Dilong Spirit L.L.C., Shenlong Spirit L.L.C., Tianlong Spirit L.L.C. and the Jiaolong Spirit L.L.C. The Company did not commence operations until the purchase of the *L.L.C.s*. Subsequently, the Company has acquired additional vessels, including from related parties.

The consolidated financial statements have been prepared in conformity with United States generally accepted accounting principles (or *GAAP*). The preparation of financial statements in conformity with *GAAP* requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

These financial statements were authorized for issue by the Company's Board of Directors on March 18, 2016. The Company has evaluated subsequent events through this date.

2. Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (or *FASB*) issued Accounting Standards Update 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (or *ASU 2014-08*) which raises the threshold for disposals to qualify as discontinued operations. A discontinued operation is now defined as: (i) a component of an entity or group of components that has been disposed of or classified as held for sale and represents a strategic shift that has or will have a major effect on an entity's operations and financial results; or (ii) an acquired business that is classified as held for sale on the acquisition date. *ASU 2014-08* also requires additional disclosures regarding discontinued operations, as well as material disposals that do not meet the definition of discontinued operations (see note 12). *ASU 2014-08* was adopted on January 1, 2015. The impact, if any, of adopting *ASU 2014-08* on the Company's consolidated financial statements will depend on the occurrence and nature of disposals that occur after *ASU 2014-08* is adopted.

In May 2014, the *FASB* issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* (or *ASU 2014-09*). *ASU 2014-09* will require an entity to recognize revenue when they transfer promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue as each performance obligation is satisfied. *ASU 2014-09* is effective for interim and annual periods beginning after December 15, 2017 and shall be applied, at the Company's option, retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is evaluating the effect of adopting this new accounting guidance.

In April 2015, the *FASB* issued Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (or *ASU 2015-03*). The Company adopted *ASU 2015-03* effective December 31, 2015. Prior period information has been retrospectively adjusted. Prior to the adoption of *ASU 2015-03*, all debt issuance costs were presented as other non-current assets in the Company's consolidated balance sheets. With the adoption of *ASU 2015-03* the Company presents those debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability in the Company's consolidated balance sheets. Debt issuance costs related to loan facilities without a recognized debt liability will continue to be presented as non-current assets in the Company's consolidated balance sheets. As a result of adopting *ASU 2015-03*, other non-current assets and total assets have decreased by \$4.7 million (December 31, 2015) and \$4.5 million (December 31, 2014), current portion of long-term debt and current liabilities have decreased by \$1.5 million (December 31, 2015) and \$1.0 million (December 31, 2014), long-term debt has decreased by \$3.2 million (December 31, 2015) and \$3.5 million (December 31, 2014) and total liabilities has decreased by \$4.7 million (December 31, 2015) and \$4.5 million (December 31, 2014). Such changes have also impacted the carrying value of long-term debt (see note 4).

In February 2016, the *FASB* issued Accounting Standards Update 2016-02, *Leases* (or *ASU 2016-02*). *ASU 2016-02* establishes a right-of-use model that requires a lessee to record a right of use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. *ASU 2016-02* is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is evaluating the effect of adopting this new accounting guidance.

3. Significant Accounting Policies

Acquisitions

The consolidated financial statements include the operations of an acquired business after the completion of the acquisition. Acquired businesses are accounted for using the acquisition method of accounting, which requires, among other things, that most assets are acquired and liabilities assumed to be recognized at their estimated fair values as of the acquisition date. Transaction costs are expensed as incurred. Any excess of the consideration transferred over the assigned values of the net assets acquired would be recorded as goodwill.

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. dollars, except share and per share amounts)

Cash and cash equivalents

The Company classifies all highly liquid investments with an original maturity date of three months or less as cash and cash equivalents.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance based on historical write-off experience and customer economic data. The Company reviews the allowance for doubtful accounts regularly and past due balances are reviewed for collectability. Account balances are charged off against the allowance when the Company believes that the receivable will not be recovered. There are no significant amounts recorded as allowance for doubtful accounts as at December 31, 2015 (December 31, 2014 – nil).

Vessels and equipment

The acquisition costs incurred to restore used vessels purchased by the Company to the standard required to properly service the Company's customers are capitalized. All other pre-delivery costs required to obtain the expected service potential of the vessel over its estimated useful life are expensed as incurred.

Vessel capital modifications include the addition of new equipment or can encompass various modifications to the vessel which are aimed at improving or increasing the operational efficiency and functionality of the asset. This type of expenditure is capitalized and depreciated over the estimated useful life of the modification. Expenditures covering recurring routine repairs or maintenance are expensed as incurred.

Generally, the Company dry docks each vessel every two and a half to five years. The Company capitalizes a substantial portion of the costs incurred during dry docking and amortizes those costs on a straight-line basis over their estimated useful life, which typically is from the completion of a dry docking or intermediate survey to the estimated completion of the next dry docking. The Company includes in capitalized dry docking those costs incurred as part of the dry dock to meet classification and regulatory requirements. The Company expenses costs related to routine repairs and maintenance performed during dry docking that do not improve or extend the useful lives of the assets. When significant dry docking expenditures occur prior to the expiration of the original amortization period, the remaining unamortized balance of the original dry docking cost is expensed in the month of the subsequent dry docking.

Dry-docking activities for the year ended December 31, 2015 and the period from date of incorporation January 10, 2014 to December 31, 2014 are summarized as follows:

	Year ended December 31, 2015	Date of Incorporation January 10, 2014 to December 31, 2014
	\$	\$
Balance at beginning of the period	14,994	-
Cost incurred for dry docking	6,573	15,911
Dry-docking amortization	(4,046)	(917)
Vessels held for sale	(3,822)	-
Balance at end of the year	<u>13,699</u>	<u>14,994</u>

Depreciation is calculated on a straight-line basis over a vessel's estimated useful life, less an estimated residual value. Depreciation is calculated using an estimated useful life for vessels of 25 years.

Vessels and equipment that are held and used are assessed for impairment when events or circumstances indicate the carrying amount of the asset may not be recoverable. If the asset's net carrying value exceeds the net undiscounted cash flows expected to be generated over its remaining useful life, the carrying amount of the asset is written down to its estimated fair value. Estimated fair value is determined based on discounted cash flows or appraised values. In cases where an active second hand sale and purchase market does not exist, the Company uses a discounted cash flow approach to estimate the fair value of an impaired vessel. In cases where an active second hand sale and purchase market exists, an appraised value is generally the amount the Company would expect to receive if it were to sell the vessel. Such appraisal is normally completed by the Company.

Debt issuance costs

Debt issuance costs related to a recognized debt liability, including fees, commissions and legal expenses, are deferred and presented as a direct deduction from the carrying amount of that debt liability and amortized on an effective interest rate method over the term of the relevant loan. Amortization of debt issuance costs is included in interest expense. If there is no recognized debt liability, the debt issuance costs are deferred and presented as other non-current assets.

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. dollars, except share and per share amounts)

Income taxes

The Company recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the Company's financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Company has incurred no income taxes for the period from date of incorporation January 10, 2014 to December 31, 2015. The Company believes that it and its subsidiaries are not subject to taxation under the laws of the Republic of The Marshall Islands and qualify for the Section 883 exemption for U.S. federal income tax purposes.

Repurchase of common stock

The Company accounts for repurchases of common stock by reducing common stock and additional paid in capital by the carrying value of the stock repurchased and the difference between the repurchase price and the carrying value of the stock repurchased is allocated to retained earnings (deficit).

Stock purchase warrants

The Company has issued warrants to purchase shares of its common stock. Warrants have been accounted for as equity with a nominal value.

Operating revenues and expenses

Revenues and voyage expenses of the vessels operating in a pooling arrangement are pooled and the resulting net pool revenues, calculated on a time charter equivalent basis, are allocated to the pool participants according to an agreed formula. The agreed formula generally allocates revenues to pool participants on the basis of the number of days a vessel operates in the pool with weighting adjustments made to reflect vessels' differing capacities and performance capabilities. The same revenue and expense recognition principles stated above are applied in determining the net pool revenues of the pool. The pools are responsible for paying voyage expenses and distribute net pool revenues to the participants. The Company accounts for the net allocation from the pool as revenues and amounts due from the pool are included in pool receivables from affiliates.

All revenues from voyage charters are recognized on a proportional performance method. The Company uses a discharge-to-discharge basis in determining the proportional performance for all spot voyages. The Company does not begin recognizing revenue until a charter has been agreed to by the customer and the Company, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage. The consolidated balance sheets reflect the deferred portion of revenues and expenses, which will be earned in subsequent periods.

Voyage expenses are all expenses unique to a particular voyage, including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. The Company, as shipowner, pays voyage expenses under voyage charters. Vessel operating expenses include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses. The Company pays vessel operating expenses under voyage charters and for vessels which earn net pool revenue. Voyage expenses and vessel operating expenses are recognized when incurred.

The Company recognizes revenues from time charters daily over the term of the charter as the applicable vessel operates under the charter. The Company does not recognize revenues during days that the vessel is off hire. When the time charter contains a profit-sharing agreement, the Company recognizes the profit-sharing or contingent revenues when the contingency is resolved.

Currency translation

The Company's functional currency is the U.S. dollar. Transactions involving other currencies are converted into U.S. dollars using the exchange rates in effect at the time of the transactions. At the balance sheet date, monetary assets and liabilities that are denominated in currencies other than the U.S. dollar are translated to reflect the period-end exchange rates. Resulting gains or losses are reflected in other expenses in the accompanying consolidated statements of income (loss).

Earnings (loss) per common share

The computation of basic earnings (loss) per share is based on the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the exercise of all dilutive stock purchase warrants using the treasury stock method. The computation of diluted loss per share does not assume warrants are exercised.

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. dollars, except share and per share amounts)

4. Long-Term Debt

	December 31, 2015 \$	December 31, 2014 \$
Revolving Credit Facilities due through 2020	348,608	181,087
Term Loan due through 2021	141,115	152,910
Term Loan due June 30, 2016	96,450	-
Total principal	586,173	333,997
Less unamortized discount and debt issuance costs	(4,738)	(4,473)
Total debt	581,435	329,524
Less current portion	(143,685)	(27,233)
Long-term portion	437,750	302,291

As of December 31, 2015, the Company had two revolving credit facilities available, which, as at such date, provided for borrowings of up to a maximum of \$373.6 million (December 31, 2014 - \$295.6 million). Based on the vessels provided as collateral as at December 31, 2015, which were first-priority mortgages granted on 14 of the Company's vessels, the borrowings available to the Company under its revolving credit facilities was \$373.6 million, of which \$348.6 million was drawn (December 31, 2014 - \$219.6 million, of which \$181.1 million was drawn). Interest payments are based on LIBOR plus margins. At December 31, 2015, the three month LIBOR was 0.61% and the margin was 3.00% (December 31, 2014 - 0.24% and 3.00%, respectively). The margin ranges from 2.75% to 3.50%, depending on the fair market value of the vessels provided as collateral relative to the amount drawn on the credit facilities. At December 31, 2015 the total drawn amount available under the credit facilities reduces by \$36.9 million (2016), \$36.9 million (2017), \$36.9 million (2018), \$143.7 million (2019) and \$94.2 million (2020). The credit facilities contain a covenant that requires the Company to maintain a free liquidity of not less than the lower of (i) \$25.0 million and (ii) \$2.0 million per vessel owned as long as the number of vessels owned by the Company is less than 25. If the Company owns 25 or more vessels, the covenant requires the Company to maintain a free liquidity of the aggregate of (i) \$25.0 million and (ii) \$1.3 million multiplied by the number of vessels owned by the Company in excess of 25. The Company is also required to maintain a minimum capitalization ratio, a minimum level of tangible net worth and from and including the second quarter of 2015, a minimum ratio of net income before interest and certain non-cash items to interest expense. As at December 31, 2015, the Company was in compliance with all its covenants in respect of these credit facilities.

As of December 31, 2015, the Company had one term loan outstanding with an outstanding balance of \$141.1 million (December 31, 2014 - \$152.9 million) (the *Term Loan*), repayable by 2021. Of this amount, \$54.0 million bears interest at LIBOR plus a margin of 0.50% and the remaining \$87.1 million bears interest at a fixed rate of 5.37% (December 31, 2014 - \$55.8 million and \$97.1 million, respectively). The loan is collateralized by four of the Company's vessels, together with other related security. In addition, the loan requires Teekay (the Guarantor) to maintain a minimum liquidity (cash and cash equivalents) of at least \$100.0 million and an aggregate of free cash and undrawn committed revolving credit lines with at least six months to maturity of at least 7.5% of Teekay's total consolidated debt which has recourse to Teekay. As at December 31, 2015, Teekay was in compliance with all their covenants in respect of the Term Loan.

As of December 31, 2015 the Company had a term loan outstanding with an outstanding balance of \$96.5 million, repayable by June 30, 2016. The loan bears interest at LIBOR plus a margin of 2.50%. The loan is collateralized by two of the Company's vessels and was repaid in 2016 out of proceeds from the sale of the vessels.

The weighted-average effective interest rate on the Company's long-term debt as at December 31, 2015 and December 31, 2014 was 3.42% and 3.44%, respectively, excluding the guarantee fee paid to Teekay (see note 8e). The aggregate annual principal repayments required to be made by the Company subsequent to December 31, 2015 are \$145.2 million (2016), \$48.9 million (2017), \$49.0 million (2018), \$155.9 million (2019), \$106.6 million (2020) and \$80.6 million (2021).

5. Other Long-Term Liabilities

The Company recognizes freight tax expenses in other expenses in its consolidated statements of income (loss). The Company does not presently anticipate its uncertain estimated tax positions will significantly increase or decrease in the next 12 months; however, actual developments could differ from those currently expected.

The following is a roll-forward of the Company's freight tax expenses which are recorded in the consolidated balance sheets in other long-term liabilities, January 10, 2014 to December 31, 2015:

	Year ended December 31, 2015 \$	Date of Incorporation January 10, 2014 to December 31, 2014 \$
Balance of unrecognized tax liabilities at beginning of period	626	-
Increases for positions related to the current year	2,163	626
Balance of unrecognized tax liabilities as at December 31	2,789	626

The remainder of the amounts recorded in other expenses in the consolidated statements of income (loss) relate to foreign exchange gains and losses.

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. dollars, except share and per share amounts)

6. Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents – The fair value of the Company's cash and cash equivalents approximates its carrying amounts in the accompanying consolidated balance sheet.

Long-term debt – The fair value of the Company's fixed-rate and variable-rate long-term debt is based on estimates using discounted cash flow analyses, based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the Company.

The Company categorizes its fair value estimates using a fair value hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following table includes the estimated fair value, carrying value and categorization using the fair value hierarchy of those assets and liabilities that are measured at their estimated fair value on a recurring and non-recurring basis, as well as certain financial instruments that are not measured at fair value.

	Fair Value Hierarchy Level	December 31, 2015		December 31, 2014	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		Asset / (Liability) \$	Asset / (Liability) \$	Asset / (Liability) \$	Asset / (Liability) \$
Cash and cash equivalents	Level 1	43,420	43,420	69,592	69,592
Long-term debt, including current portion	Level 2	(581,435)	(582,511)	(329,524)	(331,317)

7. Capital Stock and Warrants

Tanker Investments Ltd. was incorporated on January 10, 2014. The authorized capital stock of Tanker Investments Ltd. is 400,000,000 shares of Common Stock, with a par value of \$0.001 per share and 100,000,000 shares of Preferred Stock, with a par value of \$0.001 per share. Two Series of Preferred Stock have been created, Series A-1 Preferred and Series A-2 Preferred (collectively *Series A Preferred shares*). The authorized number of Series A-1 Preferred shares and Series A-2 Preferred shares is one share for each series. As at December 31, 2015, the Company held 4.8 million shares of Common Stock in treasury (December 31, 2014 – 1.5 million).

As long as Teekay and its affiliates retain a minimum aggregate beneficial ownership of 5.0 million shares of Common Stock, then the holder of the Series A-1 Preferred share and the holder of the Series A-2 Preferred share, each voting as a single class, shall be entitled to each elect one member of the Company's Board of Directors. At every meeting of the shareholders of the Company, each holder of Common Stock shall be entitled to one vote in person or by proxy for each share of Common Stock standing in such holder's name on the transfer books of Tanker Investments Ltd., in connection with the election of directors and all other matters submitted to a vote of shareholders.

Marshall Islands law generally prohibits the payment of a dividend when a company is insolvent or would be rendered insolvent by the payment of such a dividend or when the declaration or payment would be contrary to any restrictions contained in the Company's Articles of Incorporation. Dividends may be declared and paid out of surplus only, but if there is no surplus, dividends may be declared or paid out of the net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. The holders of the Common Stock are entitled to share pro rata in any dividends that the Board of Directors may declare on the Common Stock from time to time out of funds legally available for dividends. In the event a share dividend is paid, dividends may be declared and paid in cash, shares or other property of the Company. The Series A Preferred shares are not entitled to any dividends or distributions.

Upon the occurrence of a liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, the holders of the Series A Preferred shares shall be entitled, with respect to the shares of Series A Preferred, out of the assets of the Company or proceeds thereof available for distribution to shareholders of the Company, after satisfaction of all liabilities, if any, to creditors of the Company, an amount equal to \$0.01 per share. The holders of the Series A Preferred shares shall not be entitled to any other amounts from the Company upon or in respect to the Series A Preferred shares, and the payment in full of such liquidating payment with respect to any share of Series A Preferred shall be a payment in redemption of such share such that, from and after payment of such liquidating payment, any such share of Series A Preferred shall no longer be outstanding. After payment in full of the amounts, if any, required to be paid to the Corporation's creditors and the holders of Preferred Stock, the remaining assets and funds of the Company shall be distributed pro rata to the holders of Common Stock.

During January 2014, the Company issued 25.0 million shares of Common Stock, 1 Series A-1 Preferred share, 1 Series A-2 Preferred share and stock purchase warrants entitling the holders to purchase, in aggregate, up to 1.5 million shares of Common Stock, in exchange for gross proceeds of \$250.0 million (or the *Equity Offering*). The Company incurred approximately \$6.4 million of costs associated with the Equity Offering.

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. dollars, except share and per share amounts)

The stock purchase warrants entitle the holders to purchase, in aggregate, up to 1.5 million shares of Common Stock at a fixed price of \$10.00 per share, which price was equivalent to 61.67 Norwegian Kroner (or *NOK*) on the date the warrants were issued. Alternatively, if the Common Stock trades on a National Stock Exchange or over-the-counter market denominated in Norwegian Kroner, the holders may also exercise the stock purchase warrants at 61.67 *NOK* per share using a cashless exercise procedure. This procedure reduces the amount of shares that would be issued by the Company from a cash exercise of all vested warrants and instead has the Company issue an amount of shares, valued at their prevailing *NOK* market price, that is equal in value to the net gain to the warrant holder that would have resulted from exercising those warrants for 61.67 *NOK* and immediately selling the exercise shares at that prevailing *NOK* market price. The stock purchase warrants expire on January 23, 2019. For purposes of vesting, the stock purchase warrants are divided into four equally sized tranches. If the Common Stock trades on a National Stock Exchange or over-the-counter market denominated in Norwegian Kroner each tranche will vest and become exercisable when and if the fair market value of a share of the Common Stock equals or exceeds 77.08 *NOK*, 92.50 *NOK*, 107.91 *NOK* and 123.33 *NOK* for such tranche for any ten consecutive trading days in which there is a cumulative trading volume of at least *NOK* 12.333 million. The stock purchase warrants will automatically and fully vest and become exercisable immediately prior to (a) certain mergers or consolidations involving the Company, (b) the sale or other disposition of all or substantially all of the Company's assets or (c) the acquisition by a person, entity or affiliated group (other than Teekay, Teekay Tankers or any of their affiliates) of over 50% of the then outstanding shares of Common Stock. At December 31, 2015, the first two tranches of the stock purchase warrants had vested.

On March 21, 2014, the Company issued 13.4 million shares of Common Stock in exchange for gross proceeds of \$172.0 million, in connection with the Company's initial public offering and listing of the Company's shares of Common Stock on the Oslo Stock Exchange (or the *IPO*). The Company incurred approximately \$7.5 million of costs associated with the *IPO*.

In July 2014, a total of 17,172 shares of Common Stock, with an aggregate value of \$0.2 million, were granted to the Company's non-management directors as part of their annual compensation for 2014. These shares were issued from the 400,000,000 shares of Common Stock authorized under Tanker Investments Ltd.'s articles of incorporation.

On October 27, 2014, the Company had announced that its Board of Directors had authorized the repurchase of up to \$30.0 million of its Common Stock in the open market. On September 27, 2015, the Company announced the Board of Directors had authorized a \$30.0 million upside to the share repurchase program, increasing the total amount authorized to \$60.0 million. As at December 31, 2015, the Company had repurchased cumulatively 4.8 million shares of its Common Stock for \$55.8 million.

In March 2015, a total of 19,320 shares of Common Stock, with an aggregate value of \$0.2 million, were granted to the Company's non-management directors as part of their annual compensation for 2015. These shares were issued from the 400,000,000 shares of Common Stock authorized under Tanker Investments Ltd.'s articles of incorporation.

As at December 31, 2015, Teekay owned 2.5 million shares of Common Stock, 1 Series A-1 Preferred share and a stock purchase warrant entitling it to purchase, in aggregate, up to 0.75 million shares of Common Stock. As at December 31, 2015, Teekay Tankers owned 3.4 million shares of Common Stock, 1 Series A-2 Preferred share and a stock purchase warrant entitling it to purchase, in aggregate, up to 0.75 million shares of Common Stock. Teekay Tankers is a controlled subsidiary of Teekay.

8. Related Party Transactions, Commitments and Contingencies

- a) On January 23, 2014, the Company entered into a share purchase agreement with Teekay to acquire four single-ship wholly-owned subsidiaries, each of which owns one 2009-built Suezmax tanker and is a borrower under a term loan. The L.L.C.s consist of the Dilong Spirit L.L.C., Shenlong Spirit L.L.C., Tianlong Spirit L.L.C. and the Jiaolong Spirit L.L.C. (the Suezmax LLCs). The acquisition was completed on February 28, 2014, with a final price of \$11.0 million consisting of \$163.2 million for the vessels, \$10.9 million for working capital less \$163.1 million for the Term Loan. The purchase price of \$11.0 million was paid on April 15, 2014. Prior to the acquisition on February 28, 2014, \$75.0 million of amounts due to Teekay and its subsidiaries from the L.L.C.s were converted to equity of the L.L.C.s. The conversion was a condition under the share purchase agreement as the L.L.C.s were to be debt free except for the Term Loan prior to the transfer.

For accounting purposes the acquisition by the Company of the L.L.C.s represented the acquisition of a business, with assets and liabilities being recorded by the Company on February 28, 2014 based on estimates of fair value. The following table summarizes the final allocation of the purchase price for the fair values of the assets acquired and liabilities assumed at the acquisition date.

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. dollars, except share and per share amounts)

	As at February 28, 2014 \$
Pool receivables from affiliates, net	12,600
Accounts receivable, prepaid expenses and other current assets	1,224
Vessels and equipment	163,200
Other non-current assets	627
Total assets acquired	177,651
Accounts payable and accrued liabilities	3,460
Long-term debt	163,146
Total liabilities assumed	166,606
Net assets acquired	11,045
Cash consideration	11,045

The operating results of the L.L.C.s are reflected in the Company's consolidated financial statements from February 28, 2014, the effective date of acquisition. From date of incorporation January 10, 2014 to December 31, 2014 the Company recognized \$21.1 million of net voyage revenue and \$2.1 million of net loss, resulting from this transaction.

- b) On May 8, 2014, the Company entered into a share purchase agreement with Teekay Tankers Ltd. to acquire two single-ship wholly-owned subsidiaries (the VLCCs) each of which owns one 2009-built Very Large Crude Carrier (or VLCC), in exchange for \$155.7 million, which consists of \$154.0 million for the vessels, and \$1.7 million for working capital. The Company paid \$154.0 million in cash on May 9, 2014 and the remainder of the purchase price was paid to Teekay Tankers on July 25, 2014. The VLCCs consist of the Alpha VLCC L.L.C. and Beta VLCC L.L.C., which own the *Hemsedal Spirit* and *Voss Spirit*, respectively.

For accounting purposes, the acquisition by the Company of the VLCCs represented the acquisition of a business, with assets and liabilities being recorded by the Company on May 9, 2014 based on estimates of fair value. The following table summarizes the final allocation of the purchase price for the fair values of the assets acquired and liabilities assumed at the acquisition date.

	As at May 9, 2014 \$
Accounts receivable, prepaid expenses and other current assets	3,215
Vessels and equipment	154,000
Total assets acquired	157,215
Accounts payable and accrued liabilities	1,557
Total liabilities assumed	1,557
Net assets acquired	155,658
Cash consideration	155,658

The operating results of the VLCCs are reflected in the Company's consolidated financial statements from May 9, 2014, the effective date of acquisition. From date of incorporation January 10, 2014 to December 31, 2014 the Company recognized \$9.6 million of net voyage revenue and \$0.9 million of net income, resulting from this transaction.

- c) Teekay acquired the Suezmax LLCs (note 8(a)) prior to the Company's date of incorporation January 10, 2014. Teekay Tankers acquired the VLCCs (note 8(b)) on March 21, 2014. The following table shows comparative summarized consolidated pro forma financial information for the Company for the period from January 10, 2014 to December 31, 2014, giving effect to the Company's acquisitions of the Suezmax LLCs and VLCCs as if they had taken place on January 10, 2014, and March 21, 2014, respectively.

	Pro Forma January 10, 2014 to December 31, 2014 \$
Net voyage revenues	37,706
Net income	326
Earnings per common share	
- Basic	0.01
- Diluted	0.01

- d) The *Jiaolong Spirit* Suezmax tanker had a damaged auxiliary generator when it was delivered to the Company. Teekay agreed to indemnify the Company for any related lost net profits and repair costs, estimated to be \$0.3 million, pursuant to the share purchase agreement. For the period from date of incorporation January 10, 2014 to December 31, 2014, the Company has recognized \$0.3 million of net pool revenue resulting from this agreement.

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. dollars, except share and per share amounts)

- e) Teekay is a guarantor to the borrowers' obligations under the Term Loan. The Company has agreed to pay to Teekay an annual guarantee fee of 0.25% of the outstanding balance under the Term Loan as consideration for Teekay's continuing guarantee. The Company has also agreed to indemnify Teekay for any losses Teekay suffers for claims made against it pursuant to the guarantee. As a guarantor under the Term Loan, Teekay is required to maintain certain financial covenants. A breach by Teekay of its financial covenants would constitute an event of default under the Term Loan. The guarantee fee was \$0.4 million and \$0.3 million for the year ended December 31, 2015 and the period from date of incorporation January 10, 2014 to December 31, 2014, respectively. The balance of the Term Loan was \$141.1 million and \$152.9 million at December 31, 2015 and December 31, 2014, respectively.
- f) On January 23, 2014, Teekay transferred to the Company binding purchase agreements relating to the acquisition from a third party of four Aframax tankers. The four vessels were delivered between April and June 2014. The purchase price for the four vessels was an aggregate of \$116.0 million. These vessels were delivered free of any charters. The Company had further been granted a right of first refusal to purchase two additional Aframax tankers from the same seller, which expired unexercised in January 2015.
- g) The Company has entered into a non-competition agreement (the "Non-Competition Agreement") with Teekay and Teekay Tankers, in which the Company has agreed that until January 2029, no member of the Company shall (a) own, lease, operate or charter any (i) dynamically-positioned shuttle tanker, (ii) floating storage and offtake unit, (iii) floating production, storage and offloading unit or (iv) liquefied natural gas or liquefied petroleum gas carrier or (b) engage in or acquire or invest in any business (each a "Restricted Business") that owns, leases, operates or charters any such shuttle tanker, unit or carrier; provided, however, that the acquisition of up to a 9.9% equity ownership, voting or profit participation interest in any publicly traded entity that engages in a Restricted Business is permitted. This provision of the Non-Competition Agreement automatically terminates, expires and has no further force and effect on the date that Teekay and its affiliates, no longer retain beneficial ownership of at least (a) an aggregate of 5,000,000 Shares, so long as Teekay and Teekay Tankers remain affiliates, or (b) 2,500,000 Shares, if Teekay and Teekay Tankers no longer are affiliates.
- h) Under the Management Agreement, the Fleet Manager, an affiliate of Teekay and as the exclusive manager, is responsible for providing the Company with commercial management services for vessels not in a pooling arrangement (\$350 per vessel per day plus 1.25% of the gross revenue attributable to the vessel), ship management services (\$21,250 per vessel per month), corporate services (\$816 per vessel per day) and transaction services for buying, constructing or selling vessels (1% of transaction price). Subject to certain termination rights, the initial term of the Management Agreement ends in January 2029. Compensation for certain of the services provided for under the Management Agreement are adjustable in future periods based on changes to inflation indexes and market rates. In addition, the Company and the Fleet Manager intend that all of the Company's Suezmax, Aframax and VLCC tankers participate in commercial pooling arrangements managed by affiliates of Teekay. Pursuant to the pooling agreement in respect of the Suezmax vessels in the Gemini Tankers Suezmax Pool, the Pool Operator provided certain commercial services to the pool participants and administered the pool in exchange for a fee currently equal to 1.25% of the gross revenues attributable to each pool participant's vessels and a fixed amount per vessel per day of \$325. During the fourth quarter of 2015, following a decision by the owners of the Gemini Tankers Suezmax Pool to dissolve this pooling arrangement, the Company's Suezmax vessels that were previously commercially managed under Gemini Tankers Suezmax Pool were transitioned to be commercially managed under a new Teekay Suezmax RSA pooling arrangement. Under the Teekay Suezmax RSA pooling arrangement, the Pool Operator provides commercial services to the pool participants and administers the pool in exchange for a fee currently equal to 1.25% of gross revenues attributable to each pool participant's vessels and a fixed amount of per vessel per day of \$350. According to the pooling agreement in respect of the Aframax RSA, the Pool Operator provides certain commercial services to the pool participants and administers the pool in exchange for a fee currently equal to 1.25% of the gross revenues attributable to each pool participant's vessels and a fixed amount per vessel per day of \$350. According to the pooling agreement in respect of the Taurus RSA Pool, the Pool Operator provides certain commercial services to the pool participants and administers the pool in exchange for a fee currently equal to 1.25% on all gross freights paid to each pool participant's vessels and a fixed amount per vessel per day of \$275. According to the pooling agreement in respect of the VLCC RSA, the Pool Operator provides certain commercial services to the pool participants and administers the pool in exchange for a fee currently equal to 1.25% of the gross revenues attributable to each pool participant's vessels and a fixed amount per vessel per day of \$350. Amounts incurred by the Company for such services for the periods indicated below were as follows:

	Year Ended December 31, 2015 \$	Date of Incorporation January 10, 2014 to December 31, 2014 \$
Voyage expenses – commercial management services	5,607	2,563
Vessel operating expenses - ship management services	4,185	2,464
General and administrative – corporate services	4,885	2,676
Vessels and equipment – transaction services	3,150	4,507

The amounts owing from the Pool Managers, which are reflected in the consolidated balance sheet as pool receivables from affiliates, are without interest and are repayable upon the terms contained within the pool agreement. In addition, the Company had advanced \$25.3 million and \$19.9 million as at December 31, 2015 and December 31, 2014, respectively, to the Pool Managers for working capital purposes. The Company may be required to advance additional working capital funds from time to time. Working capital advances are repayable to the Company when a vessel no longer participates in the pool, less any set-offs for outstanding liabilities or contingencies. These amounts owing, which are reflected in the consolidated balance sheets as due from affiliates, are without interest.

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. dollars, except share and per share amounts)

- i) As at December 31, 2015, and December 31, 2014, \$3.0 million and \$2.4 million, respectively, was payable to a subsidiary of Teekay for reimbursement of crewing and manning costs to operate the Company's vessels and such amounts are included in accrued liabilities on the consolidated balance sheets. As at December 31, 2015, and December 31, 2014, \$2.9 million and \$1.9 million, respectively, was advanced to a subsidiary of Teekay to cover future non-manning vessel operating costs and such amounts are included in prepaid expenses and other current assets on the consolidated balance sheets.
- j) On June 11, 2015, one of Tanker Investments' VLCC vessels, the *Hemsedal Spirit*, was struck by *Tokitsu Maru*, a crude oil tanker owned by a third party, while safely anchored at Fujirah Anchorage. At the time of the incident, the *Hemsedal Spirit* had no cargo on board. There were no injuries to personnel or pollution to sea, however the vessel was damaged as a result of the collision and went off hire. Damages to the vessel were covered by insurance and the Company paid a deductible of \$0.3 million. The vessel has since been repaired and it resumed trading on June 30, 2015. Tanker Investments is seeking damages for vessel repairs and other costs associated with the incident

9. Earnings (Loss) Per Share

	Year Ended December 31, 2015 \$	Date of Incorporation January 10, 2014 to December 31, 2014 \$
Income (loss) attributable to stockholders' of Tanker Investments Ltd.	75,798	(3,120)
Weighted average number of common shares	36,697,394	34,279,507
Dilutive effect of warrants	564,208	-
Common stock and common stock equivalents	37,261,602	34,279,507
Earnings (loss) per common share:		
• Basic	2.07	(0.09)
• Diluted	2.03	(0.09)

For the period from date of incorporation January 10, 2014 to December 31, 2014 outstanding warrants are excluded from the calculation of diluted loss per common share as their effect would be anti-dilutive. For the period from date of incorporation January 10, 2014 to December 31, 2014, the anti-dilutive effect attributable to outstanding warrants was 0.2 million shares.

10. Supplemental Cash Flow Information

- a) The changes in operating assets and liabilities are as follows:

	Year Ended December 31, 2015 \$	Date of Incorporation January 10, 2014 to December 31, 2014 \$
Accounts receivable	171	(5,172)
Due to and from affiliates and pool receivables from affiliates	(23,702)	(18,795)
Prepaid expenses	(671)	1,347
Accounts payable	1,739	1,259
Accrued liabilities	1,020	6,633
Other operating assets and liabilities	-	624
Total	(21,443)	(14,104)

- b) For the year ended December 31, 2015 and the period from date of incorporation January 10, 2014 to December 31, 2015, cash interest paid on long-term debt, totaled \$17.7 million and \$6.9 million, respectively.

11. Business Operations

Significant Customers

The following table presents revenues for customers that accounted for more than 10% of the Company's consolidated revenues for its sole operating segment during the period presented.

	Year Ended December 31, 2015 \$	Date of Incorporation January 10, 2014 to December 31, 2014 \$
Citgo Petroleum Corporation	(1)	10,268

- (1) Less than 10% of the consolidated revenues

TANKER INVESTMENTS LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. dollars, except share and per share amounts)

Concentration of Credit Risk

There is a concentration of credit risk with respect to the total amounts due from affiliates and pool receivables from affiliates with these amounts being due from affiliates of Teekay as at December 31, 2015 (see note 8h). The Company also relies on Teekay Chartering Ltd., a wholly-owned subsidiary of Teekay, to actively manage and administer all voyage-related functions for vessels on time charter contracts, and trading in the Teekay Aframax Pool (a vessel pooling arrangement of Aframax tankers), the Gemini Tankers Suezmax Pool (a vessel pooling arrangement of Suezmax tankers), the Teekay Suezmax RSA pooling arrangement (a vessel pooling arrangement of Suezmax tankers), the Taurus RSA Pool (a vessel pooling arrangement of product tankers), and the Teekay VLCC Pool (a vessel pooling arrangement of VLCC tankers).

12. Vessels Held for Sale

During the year ended December 31, 2015, the Company classified two VLCC vessels, the *Hemsedal Spirit* and *Voss Spirit*, as held for sale on its consolidated balance sheets. As of December 31, 2015, the estimated fair market value of the vessels was in excess of their carrying value. The following table summarizes the pre-tax profit and components thereof for the *Hemsedal Spirit* and *Voss Spirit* for the period presented in the consolidated statements of income (loss):

	Year ended December 31, 2015	Date of Incorporation January 10, 2014 to December 31, 2014
	\$	\$
Revenues	38,828	20,881
Voyage expenses	(7,901)	(10,928)
Vessel operating expenses	(6,667)	(4,267)
Depreciation and amortization	(6,034)	(3,747)
General and administrative	(593)	(378)
Income from vessel operations	17,633	1,561
Interest expense	(4,299)	(897)
Net income before income tax expense	13,334	664

13. Subsequent Events

Subsequent events have been evaluated through March 18, 2016, the date the consolidated financial statements were issued.

- a. On December 28, 2015 the Company announced that it agreed to sell its two, 2010-built VLCCs, the *Hemsedal Spirit* and *Voss Spirit*, for gross proceeds of \$77.5 million each. Delivery to the buyers occurred during January 2016.
- b. During January 2016, the Company repurchased 0.4 million shares and as a result, completed the \$60.0 million share repurchase program.
- c. On February 8, 2016 the Company announced that the Company's Board of Directors has authorized a new share repurchase program to repurchase up to \$60.0 million of the Company's common stock. From February 8, 2016 to March 18, 2016, the Company repurchased approximately 1.9 million shares in respect of this new share repurchase program.

Parent Company Financial Statements

The following supplemental non-consolidated financial statements of Tanker Investments Ltd. (the "Parent Company") have been prepared on a non-consolidated basis in order to comply with the Securities Trading Act of the Oslo Stock Exchange.



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Independent Auditors' Report

The Board of Directors
Tanker Investments Ltd.:

Report on Financial Statements

We have audited the accompanying separate financial statements of Tanker Investments Ltd. (the "Company"), which comprise the separate statements of financial position as at December 31, 2015 and 2014, the separate statements of income (loss), stockholders' equity and cash flows for the year ended December 31, 2015 and the period from incorporation on January 10, 2014 to December 31, 2014, and the related notes to the separate financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board which were prepared solely to comply with the financial reporting requirements of Section 5.5 of the Norwegian Securities Trading Act. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of Tanker Investments Ltd. as at December 31, 2015 and 2014, and the non-consolidated results of operations and cash flows for the year ended December 31, 2015 and the period from incorporation on January 10, 2014 to December 31, 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Other Matters

Tanker Investments Ltd. prepares consolidated financial statements, which are its primary financial statements. The separate financial statements of Tanker Investments Ltd., with investments in subsidiaries accounted for by the cost method, have been prepared solely to comply with the reporting requirements of Section 5.5 of the Norwegian Securities Trading Act. Our opinion is not modified with respect to this matter.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
March 18, 2016

Parent Company Financial Statements and Notes

TANKER INVESTMENTS LTD.
NON-CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(in thousands of U.S. dollars)

	Year Ended December 31, 2015 \$	Date of Incorporation January 10, 2014 to December 31, 2014 \$
Net pool revenues from affiliates <i>(note 10g)</i>	181,307	49,484
Voyage revenues	29,527	30,618
Total revenues	210,834	80,102
Voyage expenses	(12,346)	(20,892)
Bareboat charter expenses <i>(note 10i)</i>	(79,637)	(43,136)
Vessel operating expenses <i>(note 10g)</i>	(59,126)	(32,823)
Amortization of deferred dry-docking and upgrade expenditures	(4,358)	(984)
General and administrative <i>(note 10g)</i>	(6,285)	(4,067)
Income (loss) from operations	49,082	(21,800)
Finance costs <i>(notes 6 and 10d)</i>	(16,710)	(3,983)
Interest income	149	472
Other expenses <i>(note 7)</i>	(2,227)	(678)
Net income (loss) and comprehensive income (loss)	30,294	(25,989)

Related party transactions *(note 10)*

The accompanying notes are an integral part of these non-consolidated financial statements.

TANKER INVESTMENTS LTD.
NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(in thousands of U.S. dollars)

	As at December 31, 2015 \$	As at December 31, 2014 \$
ASSETS		
Current		
Cash and cash equivalents	43,420	69,592
Pool receivables from affiliates, net (note 10g)	31,920	13,690
Accounts receivable (note 4)	5,552	5,686
Prepaid expenses and other current assets	7,767	7,107
Due from affiliates	35	1,060
Total current assets	88,694	97,135
Investment in subsidiaries (note 5)	783,673	464,236
Deferred dry-docking and upgrade expenditures At cost, less accumulated depreciation of \$5.3 million (December 31, 2014 - \$1.0 million)	21,967	18,650
Due from affiliates (note 10g)	25,268	19,939
Total assets	919,602	599,960
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable	3,473	1,734
Accrued liabilities	11,210	10,076
Current portion of long-term debt (note 6)	131,801	16,446
Due to affiliates	104,403	43,317
Total current liabilities	250,887	71,573
Long-term debt (note 6)	308,948	160,701
Other long-term liabilities (note 7)	2,789	626
Total liabilities	562,624	232,900
Commitments and contingencies (notes 10j)		
Stockholders' Equity		
Common stock \$0.001 par value; 400 million shares authorized; 33.7 million shares issued and 38.4 million outstanding) (37.0 million shares issued and 38.4 million shares outstanding – December 31, 2014) (note 9)	34	37
Preferred stock (\$0.001 par value; 100 million shares authorized; 2 shares issued and outstanding) (note 9)	1	1
Additional paid in capital (note 9)	357,831	392,800
Deficit	(888)	(25,778)
Total stockholders' equity	356,978	367,060
Total liabilities and stockholders' equity	919,602	599,960

The accompanying notes are an integral part of these non-consolidated financial statements.

TANKER INVESTMENTS LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of U.S. dollars)

	Year Ended December 31, 2015 \$	Date of Incorporation January 10, 2014 to December 31, 2014 \$
Cash and cash equivalents provided by (used for)		
OPERATING ACTIVITIES		
Net income (loss)	30,294	(25,989)
Non-cash items:		
Amortization of deferred dry-docking and upgrade expenditures	4,358	984
Amortization of deferred debt issuance cost and other	5,376	(239)
Change in non-cash working capital items related to operating activities (note 11)	40,906	9,140
Expenditures for dry docking and upgrades	(7,675)	(19,635)
Net operating cash flow	73,259	(35,739)
FINANCING ACTIVITIES		
Proceeds from Equity Offering and IPO (note 9)	-	421,966
Issuance costs of Equity Offering and IPO (note 9)	-	(13,859)
Prepayments of long-term debt	(59,675)	
Repurchase of Common Stock (note 9)	(40,589)	(15,253)
Repayments of long-term debt	(26,856)	(4,362)
Proceeds from issuance of long-term debt, net of issuance costs (note 6)	347,131	181,075
Net financing cash flow	220,011	569,567
INVESTING ACTIVITIES		
Acquisition of Dilong Spirit L.L.C., Shenlong Spirit L.L.C., Tianlong Spirit L.L.C. and Jiaolong Spirit L.L.C. (note 10a)	-	(11,045)
Acquisition of Alpha VLCC LLC and Beta VLCC LLC (note 10b)	-	(155,658)
Investment in subsidiaries (note 5)	(319,442)	(297,533)
Net investing cash flow	(319,442)	(464,236)
(Decrease) increase in cash and cash equivalents	(26,172)	69,592
Cash and cash equivalents, beginning of the period	69,592	-
Cash and cash equivalents, end of the period	43,420	69,592

Supplemental cash flow information (note 11)

The accompanying notes are an integral part of these non-consolidated financial statements.

TANKER INVESTMENTS LTD.
NON-CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands of U.S. dollars, except share amounts)

	Thousands of Shares of Common Stock Outstanding #	Common Stock \$	Shares of Preferred Stock Outstanding #	Preferred Stock \$	Additional Paid-In Capital \$	Deficit \$	Total Stockholders' Equity \$
Balance as at January 10, 2014	-	-	-	-	-	-	-
Net loss	-	-	-	-	-	(25,989)	(25,989)
Proceeds from Equity Offering, net of offering costs of \$6.4 million (note 9)	25,000	25	2	1	243,579	-	243,605
Proceeds from IPO, net of offering costs of \$7.4 million (note 9)	13,413	13	-	-	164,489	-	164,502
Shares issued as compensation (note 9)	17	-	-	-	195	-	195
Repurchase of Common Stock (note 9)	(1,455)	(1)	-	-	(15,463)	211	(15,253)
Balance as at December 31, 2014	36,975	37	2	1	392,800	(25,778)	367,060
Net income	-	-	-	-	-	30,294	30,294
Shares issued as compensation (note 9)	19	-	-	-	213	-	213
Repurchase of Common Stock (note 9)	(3,311)	(3)	-	-	(35,182)	(5,404)	(40,589)
Balance as at December 31, 2015	33,683	34	2	1	357,831	(888)	356,978

The accompanying notes are an integral part of these non-consolidated financial statements.

TANKER INVESTMENTS LTD.
NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS
(all tabular amounts stated in thousands of U.S. dollars, except share and per share amounts)

1. Basis of Presentation and Nature of Operations

On January 10, 2014, Teekay Corporation (or *Teekay*) formed Tanker Investments Ltd., which is formed under the laws of the Republic of the Marshall Islands. The registered address of the Company is at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH96960 Marshall Islands. Tanker Investments Ltd. (or the *Company*) engages in the operation of crude oil tankers. The Company has adopted a December 31 fiscal year-end.

On February 28, 2014, the Company acquired four single-ship wholly-owned subsidiaries (the *L.L.C.s*) from Teekay, each of which owns one 2009-built Suezmax oil tanker and is a borrower to a loan agreement, in exchange for \$11.0 million, which consists of \$163.2 million for the vessels, \$10.9 million for working capital less \$163.1 million for the assumption of existing debt. The *L.L.C.s* consist of the Dilong Spirit L.L.C., Shenlong Spirit L.L.C., Tianlong Spirit L.L.C. and the Jiaolong Spirit L.L.C. The Company did not commence operations until the purchase of the *L.L.C.s*. Subsequently, the Company has acquired additional vessels, including from related parties.

The non-consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (or *IFRS*) as issued by the International Accounting Standards Board. These financial statements are prepared on a non-consolidated basis in order to comply with the Securities Trading Act of the Oslo Stock Exchange. The Company has also separately prepared and presented consolidated financial statements. The preparation of non-consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements. Actual results could differ from those estimates.

These financial statements were authorized for issue by the Company's Board of Directors on March 18, 2016.

2. Accounting Pronouncement Not Yet Adopted

In May 2014, the International Accounting Standards Board (or *IASB*) issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 will require entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue as each performance obligation is satisfied. IFRS 15 is effective for interim and annual periods beginning on or after January 1, 2018 and shall be applied at the Company's option retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is permitted. The Company is evaluating the effect of adopting this new accounting guidance.

In January 2016, the IASB issued IFRS 16 - Leases which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract and replaces the previous leases standard, IAS 17 - Leases. IFRS 16, which is not applicable to service contracts, but only applicable to leases or lease components of a contract, defines a lease as a contract that conveys to the customer (lessee) the right to use an asset for a period of time in exchange for consideration. IFRS 16 eliminates the classification of leases for the lessee as either operating leases or finance leases as required by IAS 17 and instead, introduces a single lessee accounting model whereby a lessee is required to recognize assets and liabilities for all leases with a term that is greater than 12 months, unless the underlying asset is of low value, and to recognize depreciation of leases assets separately from interest on lease liabilities in the income statement. As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, a lessor will continue to classify its leases as operating leases or finance leases and to account for those two types of leases differently. IFRS 16 is effective from January 1, 2019, with early adoption allowed only if IFRS 15 - Revenue from Contracts with Customers is also adopted. The Company is evaluating the effect of adopting this new accounting guidance.

3. Significant Accounting Policies

Acquisitions

Acquired businesses are accounted for using the acquisition method of accounting, which requires, among other things, that most assets are acquired and liabilities assumed be recognized at their estimated fair values as of the acquisition date. Transaction costs are expensed as incurred. Any excess of the consideration transferred over the assigned values of the net assets acquired would be recorded as goodwill.

Cash and cash equivalents

The Company classifies all highly liquid investments with an original maturity date of three months or less as cash and cash equivalents.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance based on historical write-off experience and customer economic data. The Company reviews the allowance for doubtful accounts regularly and past due balances are reviewed for collectability. Account balances are charged off against the allowance when the Company believes that the receivable will not be recovered. There are no significant amounts recorded as allowance for doubtful accounts as at December 31, 2015 (December 31, 2014 – nil).

Investment in subsidiaries

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In these non-consolidated financial statements, the Company accounts for investments in subsidiaries using the cost method of accounting. No income is recorded related to the investments in subsidiaries except as dividends repaid to the parent company. If there is any indication of impairment, and impairment test is performed. If the carrying amount exceeds the recoverable amount, a write down is made to this lower value.

Debt issuance costs

Debt issuance costs, including fees, commissions and legal expenses, are capitalized and presented as a reduction to long-term debt. Debt issuance costs of revolving credit facilities and term loans are amortized using the effective interest rate method over the term of the relevant loan. Amortization of debt issuance costs is included in finance costs.

Deferred dry-docking expenditures and upgrades

Generally, the Company dry docks each vessel every two and a half to five years. The Company defers a substantial portion of the costs incurred during dry docking and amortizes those costs on a straight-line basis over their estimated useful life, which typically is from the completion of a dry docking or intermediate survey to the estimated completion of the next dry docking. The Company includes in capitalized dry docking those costs incurred as part of the dry dock to meet classification and regulatory requirements. The Company expenses costs related to routine repairs and maintenance performed during dry docking that do not improve or extend the useful lives of the assets. When significant dry-docking expenditures occur prior to the expiration of the original amortization period, the remaining unamortized balance of the original dry-docking cost is expensed in the month of the subsequent dry docking.

Dry-docking activities for the year ended December 31, 2015 and the period from date of incorporation January 10, 2014 to December 31, 2014 are summarized as follows:

	Year ended December 31, 2015 \$	Date of Incorporation January 10, 2014 to December 31, 2014 \$
Balance at beginning of the year	14,994	-
Cost incurred for dry docking	6,573	15,911
Dry-docking amortization	(4,046)	(917)
Vessels held for sale	(3,822)	-
Balance at end of the year	13,699	14,994

Vessel upgrades include the Company paying for the addition of new equipment or for various modifications relating to chartered-in vessels which are aimed at improving or increasing the operational efficiency and functionality of the asset. Such new equipment and various modifications remains the property of the vessel owner. This type of expenditure is deferred and amortized over the shorter of the expected duration of the charter and the estimated useful life of the modification. Expenditures covering recurring routine repairs or maintenance are expensed as incurred and are included in operating expenditures.

Income taxes

The Company recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the Company's non-consolidated financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Company has incurred no income taxes for the period from date of incorporation January 10, 2014 to December 31, 2015. The Company believes that it and its subsidiaries are not subject to taxation under the laws of the Republic of The Marshall Islands and qualify for the Section 883 exemption for U.S. federal income tax purposes.

Repurchase of common stock

The Company accounts for repurchases of common stock by reducing common stock and additional paid in capital by the carrying value of the stock repurchased and the difference between the repurchase price and the carrying value of the stock repurchased is allocated to deficit.

Stock purchase warrants

The Company has issued warrants to purchase shares of its Common Stock. Warrants have been accounted for in additional paid-in capital in equity with a nominal value.

Operating revenues and expenses

Revenues and voyage expenses of the vessels operating in a pooling arrangement are pooled and the resulting net pool revenues, calculated on a time charter equivalent basis, are allocated to the pool participants according to an agreed formula. The agreed formula generally allocates revenues to pool participants on the basis of the number of days a vessel operates in the pool with weighting adjustments

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made to reflect vessels' differing capacities and performance capabilities. The same revenue and expense recognition principles stated above are applied in determining the net pool revenues of the pool. The pools are responsible for paying voyage expenses and distribute net pool revenues to the participants. The Company accounts for the net allocation from the pool as revenues and amounts due from the pool are included in pool receivables from affiliates.

All revenues from voyage charters are recognized on a proportional performance method. The Company uses a discharge-to-discharge basis in determining the proportional performance for all spot voyages. The Company does not begin recognizing revenue until a charter has been agreed to by the customer and the Company, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage. The non-consolidated balance sheets reflect the deferred portion of revenues and expenses, which will be earned in subsequent periods.

Voyage expenses are all expenses unique to a particular voyage, including bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions. The Company, as shipowner, pays voyage expenses under voyage charters, its customers pay voyage expenses under time charters. Vessel operating expenses include crewing, repairs and maintenance, insurance, stores, lube oils and communication expenses. The Company pays vessel operating expenses under both voyage and time charters and for vessels which earn net pool revenue. Voyage expenses and vessel operating expenses are recognized when incurred.

The Company recognizes revenues from time charters daily over the term of the charter as the applicable vessel operates under the charter. The Company does not recognize revenues during days that the vessel is off hire. When the time charter contains a profit-sharing agreement, the Company recognizes the profit-sharing or contingent revenues when the contingency is resolved.

The Company recognizes expenses from bareboat charters daily over the term of the charter.

Use of estimates and assumption uncertainties and judgment

The preparation of non-consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The area of estimation and judgment that management considers to be the most significant is impairment of investment in subsidiaries.

Currency translation

The Company's functional currency is the U.S. dollar. Transactions involving other currencies are converted into U.S. dollars using the exchange rates in effect at the time of the transactions. At the balance sheet date, monetary assets and liabilities that are denominated in currencies other than the U.S. dollar are translated to reflect the period-end exchange rates. Resulting gains or losses are reflected in other expenses in the accompanying statement of loss.

4. Accounts Receivable

	December 31, 2015 \$	December 31, 2014 \$
Trade receivables	3,806	5,464
Other receivables	1,746	222
	5,552	5,686

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5. Investment in Subsidiaries

As at December 31, 2015, the Company has investments in the following subsidiaries.

Company Name	Jurisdiction of Incorporation	Proportion of Ownership Interest	Principal Activity	December 31, 2015 \$
T.I.L. Holdings Limited	Republic of The Marshall Islands	100%	No activity	783,673
Dilong Spirit L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Dilong Spirit</i>	-
Jiaolong Spirit L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Jiaolong Spirit</i>	-
Shenlong Spirit L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Shenlong Spirit</i>	-
Tianlong Spirit L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Tianlong Spirit</i>	-
T.I.L. I L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Whistler Spirit</i>	-
T.I.L. II L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Blackcomb Spirit</i>	-
T.I.L. III L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Emerald Spirit</i>	-
T.I.L. IV L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Garibaldi Spirit</i>	-
T.I.L. V L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Tarbet Spirit</i>	-
T.I.L. VI L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Trysil Spirit</i>	-
T.I.L. VII L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Hovden Spirit</i>	-
T.I.L. VIII L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Peak Spirit</i>	-
T.I.L. IX L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Aspen Spirit</i>	-
T.I.L. X L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Baker Spirit</i>	-
T.I.L. XI L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Cascade Spirit</i>	-
T.I.L. XII L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Copper Spirit</i>	-
T.I.L. XIII L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Tahoe Spirit</i>	-
T.I.L. XIV L.L.C.	Republic of The Marshall Islands	100%	Owner of <i>Vail Spirit</i>	-
Alpha VLCC LLC	Republic of The Marshall Islands	100%	Owner of <i>Hemsedal Spirit</i>	-
Beta VLCC LLC	Republic of The Marshall Islands	100%	Owner of <i>Voss Spirit</i>	-
				783,673

6. Long-Term Debt

	December 31, 2015 \$	December 31, 2014 \$
Revolving Credit Facilities due through 2020	348,608	181,087
Term Loan due June 30, 2016	96,450	-
Total principal	445,058	181,087
Less unamortized discount and debt issuance costs	(4,309)	(3,940)
Total debt	440,749	177,147
Less current portion	(131,801)	(16,446)
Long-term portion	308,948	160,701

As of December 31, 2015, the Company had two revolving credit facilities available, which, as at such date, provided for borrowings of up to a maximum of \$373.6 million (December 31, 2014 - \$295.6 million). Based on the vessels provided as collateral as at December 31, 2015, which were first-priority mortgages granted on 14 of the Company's vessels, the borrowings available to the Company under its revolving credit facilities was \$373.6 million, of which \$348.6 million was drawn (December 31, 2014 - \$219.6 million, of which \$181.1 million was drawn). Interest payments are based on LIBOR plus margins. At December 31, 2015, the three month LIBOR was 0.61% and the margin was 3.00% (December 31, 2014 - 0.24% and 3.00%, respectively). The margin ranges from 2.75% to 3.50%, depending on the fair market value of the vessels provided as collateral relative to the amount drawn on the credit facilities. At December 31, 2015 the total drawn amount available under the credit facilities reduces by \$36.9 million (2016), \$36.9 million (2017), \$36.9 million (2018), \$143.7 million (2019) and \$94.2 million (2020). The credit facilities contain a covenant that requires the Company to maintain a free liquidity of not less than the lower of (i) \$25.0 million and (ii) \$2.0 million per vessel owned as long as the number of vessels owned by the Company is less than 25. If the Company owns 25 or more vessels, the covenant requires the Company to maintain a free liquidity of the aggregate of (i) \$25.0 million and (ii) \$1.3 million multiplied by the number of vessels owned by the Company in excess of 25. The Company is also required to maintain a minimum capitalization ratio, a minimum level of tangible net worth and from and including the second quarter of 2015, a minimum ratio of net income before interest and certain non-cash items to interest expense. As at December 31, 2015, the Company was in compliance with all its covenants in respect of these credit facilities.

As of December 31, 2015 the Company had a term loan outstanding with an outstanding balance of \$96.5 million, repayable by June 30, 2016. The loan bears interest at LIBOR plus a margin of 2.50%. The loan is collateralized by two of the Company's vessels and was repaid in 2016 out of proceeds from the sale of the vessels.

The weighted-average effective interest rate on the Company's long-term debt as at December 31, 2015 was 3.34% (December 31, 2014 - 3.24%), excluding the guarantee fee paid to Teekay (see note 10d). The aggregate annual principal repayments required to be made by the Company subsequent to December 31, 2015 are \$133.4 million (2016), \$36.9 million (2017), \$36.9 million (2018), \$143.7 million (2019) and \$94.2 million (2020).

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7. Other Long-Term Liabilities

The Company recognizes freight tax expenses in other expenses in its non-consolidated statements of income (loss). The Company does not presently anticipate its uncertain estimated tax positions will significantly increase or decrease in the next 12 months; however, actual developments could differ from those currently expected.

The following is a roll-forward of the Company's freight tax expenses which are recorded in the non-consolidated balance sheets in other long-term liabilities, for the following periods:

	Year Ended December 31, 2015 \$	Date of Incorporation January 10, 2014 to December 31, 2014 \$
Balance of unrecognized tax liabilities at beginning of period	626	-
Increases for positions related to the current year	2,163	626
Balance of unrecognized tax liabilities as at December 31	2,789	626

The remainder of the amounts recorded in other expenses in the non-consolidated statements of income (loss) relate to foreign exchange gains and losses.

8. Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents – The fair value of the Company's cash and cash equivalents approximates its carrying amounts in the accompanying non-consolidated balance sheet.

Long-term debt – The fair value of the Company's fixed-rate and variable-rate long-term debt is based on quoted market prices or estimated using discounted cash flow analyses, based on rates currently available for debt with similar terms and remaining maturities and the current credit worthiness of the Company.

The Company categorizes its fair value estimates using a fair value hierarchy based on the inputs used to measure fair value. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value as follows:

- Level 1. Observable inputs such as quoted prices in active markets;
- Level 2. Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The following table includes the estimated fair value, carrying value and categorization using the fair value hierarchy of those assets and liabilities that are measured at their estimated fair value on a recurring and non-recurring basis, as well as certain financial instruments that are not measured at fair value.

	Fair Value Hierarchy Level	December 31, 2015		December 31, 2014	
		Carrying Amount Asset / (Liability) \$	Fair Value Asset / (Liability) \$	Carrying Amount Asset / (Liability) \$	Fair Value Asset / (Liability) \$
Cash and cash equivalents	Level 1	43,420	43,420	69,592	69,592
Investment in subsidiaries	(i)	783,673	(i)	464,236	(i)
Long-term debt, including current portion	Level 2	(440,749)	(445,058)	(177,147)	(182,556)

- (i) The Company accounts for investment in subsidiaries using the cost method of accounting. The fair value of a cost-method investment is not estimated. There have been no identified events or changes in circumstances that may have a significant adverse effect on the fair value of the investment.

9. Capital Stock and Warrants

Tanker Investments Ltd. was incorporated on January 10, 2014. The authorized capital stock of Tanker Investments Ltd. is 400,000,000 shares of Common Stock, with a par value of \$0.001 per share and 100,000,000 shares of Preferred Stock, with a par value of \$0.001 per share. Two Series of Preferred Stock have been created, Series A-1 Preferred and Series A-2 Preferred (collectively *Series A Preferred shares*). The authorized number of Series A-1 Preferred shares and Series A-2 Preferred shares is one share for each series. As at December 31, 2015, the Company held 4.8 million shares of Common Stock in treasury (December 31, 2014 – 1.5 million).

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As long as Teekay and its affiliates retain a minimum aggregate beneficial ownership of 5.0 million shares of Common Stock, then the holder of the Series A-1 Preferred share and the holder of the Series A-2 Preferred share, each voting as a single class, shall be entitled to each elect one member of the Company's Board of Directors. At every meeting of the shareholders of the Company, each holder of Common Stock shall be entitled to one vote in person or by proxy for each share of Common Stock standing in such holder's name on the transfer books of Tanker Investments Ltd., in connection with the election of directors and all other matters submitted to a vote of shareholders.

Marshall Islands law generally prohibits the payment of a dividend when a company is insolvent or would be rendered insolvent by the payment of such a dividend or when the declaration or payment would be contrary to any restrictions contained in the company's Articles of Incorporation. Dividends may be declared and paid out of surplus only, but if there is no surplus, dividends may be declared or paid out of the net profits for the fiscal year in which the dividend is declared and for the preceding fiscal year. The holders of the Common Stock are entitled to share pro rata in any dividends that the Board of Directors may declare on the Common Stock from time to time out of funds legally available for dividends. In the event a share dividend is paid, dividends may be declared and paid in cash, shares or other property of the Company. The Series A Preferred shares are not entitled to any dividends or distributions.

Upon the occurrence of a liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, the holders of the Series A Preferred shares shall be entitled, with respect to the shares of Series A Preferred, out of the assets of the Company or proceeds thereof available for distribution to shareholders of the Company, after satisfaction of all liabilities, if any, to creditors of the Company, an amount equal to \$0.01 per share. The holders of the Series A Preferred shares shall not be entitled to any other amounts from the Company upon or in respect to the Series A Preferred shares, and the payment in full of such liquidating payment with respect to any share of Series A Preferred shall be a payment in redemption of such share such that, from and after payment of such liquidating payment, any such share of Series A Preferred shall no longer be outstanding. After payment in full of the amounts, if any, required to be paid to the Corporation's creditors and the holders of Preferred Stock, the remaining assets and funds of the Company shall be distributed pro rata to the holders of Common Stock.

During January 2014, the Company issued 25.0 million shares of Common Stock, 1 Series A-1 Preferred share, 1 Series A-2 Preferred share and stock purchase warrants entitling the holders to purchase, in aggregate, up to 1.5 million shares of Common Stock, in exchange for gross proceeds of \$250.0 million (or the *Equity Offering*). The Company incurred approximately \$6.4 million of costs associated with the Equity Offering.

The stock purchase warrants entitle the holders to purchase, in aggregate, up to 1.5 million shares of Common Stock at a fixed price of \$10.00 per share, which price was equivalent to 61.67 Norwegian Kroner (or *NOK*) on the date the warrants were issued. Alternatively, if the Common Stock trades on a National Stock Exchange or over-the-counter market denominated in Norwegian Kroner, the holders may also exercise the stock purchase warrants at 61.67 NOK per share using a cashless exercise procedure. This procedure reduces the amount of shares that would be issued by the Company from a cash exercise of all vested warrants and instead has the Company issue an amount of shares, valued at their prevailing NOK market price, that is equal in value to the net gain to the warrant holder that would have resulted from exercising those warrants for 61.67 NOK and immediately selling the exercise shares at that prevailing NOK market price. The stock purchase warrants expire on January 23, 2019. For purposes of vesting, the stock purchase warrants are divided into four equally sized tranches. If the Common Stock trades on a National Stock Exchange or over-the-counter market denominated in Norwegian Kroner each tranche will vest and become exercisable when and if the fair market value of a share of the Common Stock equals or exceeds 77.08 NOK, 92.50 NOK, 107.91 NOK and 123.33 NOK for such tranche for any ten consecutive trading days in which there is a cumulative trading volume of at least NOK 12.333 million. The stock purchase warrants will automatically and fully vest and become exercisable immediately prior to (a) certain mergers or consolidations involving the Company, (b) the sale or other disposition of all or substantially all of the Company's assets or (c) the acquisition by a person, entity or affiliated group (other than Teekay, Teekay Tankers or any of their affiliates) of over 50% of the then outstanding shares of Common Stock. At December 31, 2015, the first two tranches of the stock purchase warrants had vested.

On March 21, 2014, the Company issued 13.4 million shares of Common Stock in exchange for gross proceeds of \$172.0 million, in connection with the Company's initial public offering and listing of the Company's shares of Common Stock on the Oslo Stock Exchange (or the *IPO*). The Company incurred approximately \$7.5 million of costs associated with the IPO.

In July 2014, a total of 17,172 shares of Common Stock, with an aggregate value of \$0.2 million, were granted to the Company's non-management directors as part of their annual compensation for 2014. These shares were issued from the 400,000,000 shares of Common Stock authorized under Tanker Investments Ltd.'s articles of incorporation.

On October 27, 2014, the Company had announced that its Board of Directors had authorized the repurchase of up to \$30.0 million of its Common Stock in the open market. On September 27, 2015 the Company announced the Board of Directors had authorized a \$30.0 million upside to the share repurchase program, increasing the total amount authorized to \$60.0 million. As at December 31, 2015, the Company had repurchased cumulatively 4.8 million shares of its Common Stock for \$55.8 million.

In March 2015, a total of 19,320 shares of Common Stock, with an aggregate value of \$0.2 million, were granted to the Company's non-management directors as part of their annual compensation for 2015. These shares were issued from the 400,000,000 shares of Common Stock authorized under Tanker Investments Ltd.'s articles of incorporation.

As at December 31, 2015, Teekay owned 2.5 million shares of Common Stock, 1 Series A-1 Preferred share and a stock purchase warrant entitling it to purchase, in aggregate, up to 0.75 million shares of Common Stock. As at December 31, 2015, Teekay Tankers owned 3.4 million shares of Common Stock, 1 Series A-2 Preferred share and a stock purchase warrant entitling it to purchase, in aggregate, up to 0.75 million shares of Common Stock. Teekay Tankers is a controlled subsidiary of Teekay

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10. Related Party Transactions and Commitments

- a) On January 23, 2014, the Company entered into a share purchase agreement with Teekay to acquire four single-ship wholly-owned subsidiaries, each of which owns one 2009-built Suezmax tanker and is a borrower under a term loan. The L.L.C.s consist of the Dilong Spirit L.L.C., Shenlong Spirit L.L.C., Tianlong Spirit L.L.C. and the Jiaolong Spirit L.L.C. The acquisition was completed on February 28, 2014, with a final price of \$11.0 million consisting of \$163.2 million for the vessels, \$10.9 million for working capital less \$163.1 million for term loans. The purchase price of \$11.0 million was paid on April 15, 2014. Prior to the acquisition on February 28, 2014, \$75.0 million of amounts due to Teekay and its subsidiaries from the L.L.C.s were converted to equity of the L.L.C.s. The conversion was a condition under the share purchase agreement as the L.L.C.s were to be debt free except for term loans prior to the transfer.
- b) On May 8, 2014, the Company entered into a share purchase agreement with Teekay Tankers Ltd. to acquire two single-ship wholly-owned subsidiaries (the VLCCs) each of which owns one 2009-built Very Large Crude Carrier (or VLCC), in exchange for \$155.7 million, which consists of \$154.0 million for the vessels, and \$1.7 million for working capital. The Company paid \$154.0 million in cash on May 9, 2014 and the remainder of the purchase price was paid to Teekay Tankers on July 25, 2014. The VLCCs consist of the Alpha VLCC LLC and Beta VLCC LLC, which own the *Hemsedal Spirit* and *Voss Spirit*, respectively.
- c) The *Jiaolong Spirit* Suezmax tanker had a damaged auxiliary generator when it was delivered to a subsidiary of the Company. Teekay agreed to indemnify the Company for any related lost net profits and repair costs, estimated to be \$0.3 million, pursuant to the share purchase agreement. From date of incorporation January 10, 2014 to December 31, 2014, the Company has recognized \$0.3 million of net pool revenue resulting from this agreement.
- d) Teekay is a guarantor to the obligations of a subsidiary of the Company under a term loan (or *the Term Loan*). The Company has agreed to pay to Teekay an annual guarantee fee of 0.25% of the outstanding balance under the Term Loan as consideration for Teekay's continuing guarantee. The Company has also agreed to indemnify Teekay for any losses Teekay suffers for claims made against it pursuant to the guarantee. As a guarantor under the Term Loan, Teekay is required to maintain certain financial covenants. A breach by Teekay of its financial covenants would constitute an event of default under the Term Loan. The guarantee fee was \$0.4 million and \$0.3 million for year ended December 31, 2015 and the period from date of incorporation January 10, 2014 to December 31, 2014, respectively. The balance of the term loan was \$141.1 million and \$152.9 million at December 31, 2015 and December 31, 2014, respectively.
- e) On January 23, 2014, Teekay transferred to the Company binding purchase agreements relating to the acquisition from a third party for four Aframax tankers. The four vessels were delivered to subsidiaries of the company between April and June 2014. The purchase price for the four vessels was an aggregate of \$116.0 million. These vessels were delivered free of any charters. The Company has further been granted a right of first refusal to purchase two additional Aframax tankers from the same seller, which expired unexercised in January 2015.
- f) The Company has entered into a non-competition agreement (the "Non-Competition Agreement") with Teekay and Teekay Tankers, in which the Company has agreed that until January 2029, no member of it shall (a) own, lease, operate or charter any (i) dynamically-positioned shuttle tanker, (ii) floating storage and offtake unit, (iii) floating production, storage and offloading unit or (iv) liquefied natural gas or liquefied petroleum gas carrier or (b) engage in or acquire or invest in any business (each a "Restricted Business") that owns, leases, operates or charters any such shuttle tanker, unit or carrier; *provided, however*, that the acquisition of up to a 9.9% equity ownership, voting or profit participation interest in any publicly traded entity that engages in a Restricted Business is permitted. This provision of the Non-Competition Agreement automatically terminates, expires and has no further force and effect on the date that Teekay and its affiliates, no longer retain beneficial ownership of at least (a) an aggregate of 5,000,000 Shares, so long as Teekay and Teekay Tankers remain affiliates, or (b) 2,500,000 Shares, if Teekay and Teekay Tankers no longer are affiliates.
- g) Under the Management Agreement, the Fleet Manager, an affiliate of Teekay and as the exclusive manager, is responsible for providing the Company with commercial management services for vessels not in a pooling arrangement (\$350 per vessel per day plus 1.25% of the gross revenue attributable to the vessel), ship management services (\$21,250 per vessel per month), corporate services (\$816 per vessel per day) and transaction services for buying, constructing or selling vessels (1% of transaction price). Subject to certain termination rights, the initial term of the Management Agreement ends in January 2029. Compensation for certain of the services provided for under the Management Agreement are adjustable in future periods based on changes to inflation indexes and market rates. In addition, the Company and the Fleet Manager intend that all of the Company's Suezmax and Aframax tankers participate in commercial pooling arrangements managed by affiliates of Teekay. Pursuant to the pooling agreement in respect of the Suezmax vessels in the Gemini Tankers Suezmax Pool, the Pool Operator provides certain commercial services to the pool participants and administers the pool in exchange for a fee currently equal to 1.25% of the gross revenues attributable to each pool participant's vessels and a fixed amount per vessel per day of \$325. During the fourth quarter of 2015, following a decision by the owners of the Gemini Tankers Suezmax Pool to dissolve this pooling arrangement, the Company's Suezmax vessels that were commercially managed under Gemini Tankers Suezmax Pool were transitioned to be commercially managed under a new Teekay Suezmax RSA pooling arrangement. Under the Teekay Suezmax RSA pooling arrangement, the Pool Operator provides commercial services to the pool participants and administers the pool in exchange for a fee currently equal to 1.25% of gross revenues attributable to each pool participant's vessels and a fixed amount of per vessel per day of \$350. According to the pooling agreement in respect of the Aframax RSA, the Pool Operator provides certain commercial services to the pool participants and administers the pool in exchange for a fee currently equal to 1.25% of the gross revenues attributable to each pool participant's vessels and a fixed amount per vessel per day of \$350. According to the pooling agreement in respect of the Taurus RSA Pool, the Pool Operator provides certain commercial services to the pool participants and administers the pool in exchange for a fee currently equal to 1.25% on all gross freights paid to each pool participant's vessels and a fixed amount per vessel per day of \$275. According to the pooling agreement in respect of the VLCC RSA, the Pool Operator provides certain commercial services to the pool participants and administers the pool

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in exchange for a fee currently equal to 1.25% of the gross revenues attributable to each pool participant's vessels and a fixed amount per vessel per day of \$350. Amounts incurred by the Company for such services for the periods indicated below were as follows:

	Year Ended December 31, 2015	Date of Incorporation January 10, 2014 to December 31, 2014
	\$	\$
Voyage expenses – commercial management services	5,607	2,563
Vessel operating expenses – ship management services	4,185	2,464
General and administrative – corporate services	4,885	2,676
Vessels and equipment – transaction services	3,150	4,507

The amounts owing from the Pool Managers, which are reflected in the non-consolidated balance sheets as pool receivables from affiliates, are without interest and are repayable upon the terms contained within the pool agreement. In addition, the Company had advanced \$25.3 and \$19.9 million as at December 31, 2015 and December 31, 2014, respectively, to the Pool Managers for working capital purposes. The Company may be required to advance additional working capital funds from time to time. Working capital advances are repayable to the Company when a vessel no longer participates in the pool, less any set-offs for outstanding liabilities or contingencies. These amounts owing, which are reflected in the balance sheet as non-current due from affiliates, are without interest.

- h) As at December 31, 2015 and December 31, 2014, \$3.0 million and \$2.4 million, respectively, was payable to a subsidiary of Teekay for reimbursement of crewing and manning costs to operate the Company's vessels and such amounts are included in accrued liabilities on the balance sheet. As at December 31, 2015 and December 31, 2014, \$2.9 million and \$1.9 million, respectively, was advanced to a subsidiary of Teekay to cover future non-manning vessel operating costs and such amounts are included in prepaid expenses and other current assets on the balance sheet.
- i) During 2015 and 2014, the Company entered into bareboat charter contracts with each of the Company's vessel-owning subsidiaries. The charter period for each bareboat charter contract is five years. The following table summarizes the respective bareboat charter contracts and the bareboat charter expenses recognized by the Company for the year ended December 31, 2015 and from date of incorporation January 10, 2014 to December 31, 2014.

Company Name	Vessel Name	Date of Bareboat Charter Contract	Year Ended December 31, 2015 \$	Date of Incorporation January 10, 2014 to December 31, 2014 \$
Dilong Spirit L.L.C.	Dilong Spirit	February 28, 2014	(4,599)	(3,856)
Jiaolong Spirit L.L.C.	Jiaolong Spirit	February 28, 2014	(4,599)	(3,856)
Shenlong Spirit L.L.C.	Shenlong Spirit	February 28, 2014	(4,599)	(3,856)
Tianlong Spirit L.L.C.	Tianlong Spirit	February 28, 2014	(4,599)	(3,856)
T.I.L. I L.L.C.	Whistler Spirit	May 2, 2014	(3,321)	(2,220)
T.I.L. II L.L.C.	Blackcomb Spirit	June 30, 2014	(3,212)	(1,628)
T.I.L. III L.L.C.	Emerald Spirit	April 10, 2014	(3,212)	(2,341)
T.I.L. IV L.L.C.	Garibaldi Spirit	June 20, 2014	(3,321)	(1,774)
T.I.L. V L.L.C.	Tarbet Spirit	March 20, 2014	(4,161)	(3,260)
T.I.L. VI L.L.C.	Trysil Spirit	June 19, 2014	(5,366)	(2,881)
T.I.L. VII L.L.C.	Hovden Spirit	June 2, 2014	(5,366)	(3,131)
T.I.L. VIII L.L.C.	Peak Spirit	October 24, 2014	(4,271)	(807)
Alpha VLCC LLC	Hemsedel Spirit	May 9, 2014	(7,446)	(4,835)
Beta VLCC LLC	Voss Spirit	May 9, 2014	(7,446)	(4,835)
T.I.L. IX L.L.C.	Aspen Spirit	August 6, 2015	(2,319)	-
T.I.L. X L.L.C.	Baker Spirit	July 16, 2015	(2,648)	-
T.I.L. XI L.L.C.	Cascade Spirit	August 5, 2015	(2,335)	-
T.I.L. XII L.L.C.	Copper Spirit	August 6, 2015	(2,319)	-
T.I.L. XIII L.L.C.	Tahoe Spirit	August 7, 2015	(2,304)	-
T.I.L. XIV L.L.C.	Vail Spirit	August 14, 2015	(2,194)	-
			<u>(79,637)</u>	<u>(43,136)</u>

As at December 31, 2015, the minimum scheduled future payments in the next five years to be paid by the Company for the bareboat charters are approximately \$85.7 million (2016), \$84.7 million (2017), \$84.7 million (2018), \$51.5 million (2019), and \$20.4 million (2020). Minimum scheduled future bareboat hire expenses do not include expenses generated from new contracts entered into after December 31, 2015. Therefore, the minimum scheduled future bareboat hire expenses should not be construed to reflect total bareboat hire expenses for any of the years.

- j) On June 11, 2015, one of the VLCC vessels owned by a subsidiary of the Company, the *Hemsedal Spirit*, was struck by *Tokitsu Maru*, a crude oil tanker owned by a third party, while safely anchored at Fujirah Anchorage. At the time of the incident, the *Hemsedal Spirit* had no cargo on board. There were no injuries to personnel or pollution to sea, however the vessel was damaged as a result of the

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collision and went off hire. Damages to the vessel were covered by insurance and the Company paid a deductible of \$0.3 million. The vessel has since been repaired and it resumed trading on June 30, 2015. Tanker Investments is seeking damages for vessel repairs and other costs associated with the incident.

11. Supplemental Cash Flow Information

a) The changes in operating assets and liabilities are as follows:

	Year Ended December 31, 2015	Date of Incorporation January 10, 2014 to December 31, 2014
	\$	\$
Accounts receivable	132	(5,686)
Due to and from affiliates and pool receivables from affiliates	38,559	8,627
Prepaid expenses	(659)	(7,107)
Accounts payable	1,740	1,734
Accrued liabilities	1,134	10,076
Other operating assets and liabilities	-	1,496
Total	40,906	9,140

b) For the year ended December 31, 2015 and for the period from date of incorporation January 10, 2014 to December 31, 2014, cash interest paid on long-term debt totaled \$12.1 million and \$2.1 million, respectively, and income taxes paid was nil.

12. Business Operations

Significant Customers

The following table presents revenues for customers that accounted for more than 10% of the Company's revenues for its sole operating segment during the period presented.

	Year Ended December 31, 2015	Date of Incorporation January 10, 2014 to December 31, 2014
	\$	\$
Citgo Petroleum Corporation	(1)	10,268

(1) less than 10% of the revenues

Concentration of Credit Risk

There is a concentration of credit risk with respect to the total amounts due from affiliates and pool receivables from affiliates with these amounts being due from affiliates of Teekay as at December 31, 2015 (see note 10g). The Company also relies on Teekay Chartering Ltd., a wholly-owned subsidiary of Teekay, to actively manage and administer all voyage-related functions for vessels on time charter contracts, and trading in the Teekay Aframax Pool (a vessel pooling arrangement of Aframax tankers), the Gemini Tankers Suezmax Pool (a vessel pooling arrangement of Suezmax tankers), the Teekay Suezmax RSA pooling arrangement (a vessel pooling arrangement of Suezmax tankers), the Taurus RSA Pool (a vessel pooling arrangement of product tankers), and the Teekay VLCC Pool (a vessel pooling arrangement of VLCC tankers).

13. Capital Management

The Company's capital is composed of stockholders' equity, long-term debt and cash and cash equivalents. The Company maintains a capital level that enables it to acquire, operate and sell crude oil and product tankers, and meet financial covenants under the secured credit facility.

In order to maintain or adjust its capital structure, the Company may issue new debt, refinance existing debt, acquire or dispose of assets or adjust the amount of cash and cash equivalent balances.

The Company's credit facility has financial covenants with which the Company must comply. Non-compliance with such covenants could result in accelerated repayment of the related credit facility and reclassification of the amounts to current. The Company monitors its covenants on an ongoing basis and reports on its compliance with the covenants to its lender on a quarterly basis.

As at December 31, 2015, the Company was in compliance with all its covenants in respect of this credit facility. The Company is not subject to any externally imposed capital restrictions.

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14. Financial Risk Management

Credit Risk

The Company is exposed to credit risk. The Company's overall risk management program focuses on the uncertainty of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Market Risk

Interest Rate Risk

The Company is exposed to the impact of interest rate changes primarily through floating-rate borrowings that require the Company to make interest payments based on LIBOR. Significant increases in interest rates could adversely affect operating margins, results of operations and the ability to service our debt. The Company may use interest rate swaps to reduce exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with our floating-rate debt. The Company did not enter into any interest rate swaps to reduce exposure to market risk from changes in interest rates during 2015.

For the year ended December 31, 2015 and from date of incorporation on January 10, 2014 to December 31, 2014, a 1% change in LIBOR would impact the Company's net loss and comprehensive loss by \$3.1 million and \$0.7 million, respectively.

Foreign Currency Risk

The Company's functional currency is U.S. Dollars. The Company's primary economic environment is the international shipping market. Transactions in this market generally utilize U.S. Dollars. Consequently, virtually all of the Company's revenues and the majority of operating costs are in U.S. Dollars. The Company incurs certain voyage expenses, vessel operating expenses, dry-docking expenditures and general and administrative expenses in foreign currencies, the most significant of which are Euro and British Pound. The Company did not enter into forward contracts as a hedge against changes in certain foreign exchange rates during 2015 or 2014. As at December 31, 2015 and December 31, 2014, the Company does not have any significant exposure to foreign exchange risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its liabilities. The Company's primary sources of liquidity are cash and cash equivalents, and cash flows provided by the Company's operations. Volatility in the tanker market may affect the Company's cash flow from operations and in turn its liquidity risk. The Company maintains liquidity and makes adjustments to it in light of changes to economic conditions, underlying risks inherent in its operations and capital requirements to maintain operations. With the exception of its long-term debt as at December 31, 2015 and December 31, 2014, all of the Company's financial liabilities as at December 31, 2015 and December 31, 2014 mature within the next twelve months.

The following are the remaining contractual maturities of financial liabilities, including finance costs, at the reporting date:

	Contractual cash flows						
December 31, 2015	Carrying amount	Total	2016	2017	2018	2019	2020
Revolving credit facilities	348,608	387,464	48,615	47,305	45,994	149,609	95,941
Term Loan	96,450	97,903	97,903	-	-	-	-
Accounts payable	3,473	3,473	3,473	-	-	-	-
Accrued liabilities	11,210	11,210	11,210	-	-	-	-
Total	459,741	500,050	161,201	47,305	45,994	149,609	95,941

	Contractual cash flows						
December 31, 2014	Carrying amount	Total	2015	2016	2017	2018	2019
Revolving credit facilities	181,087	202,160	22,047	21,514	20,981	20,448	117,170
Accounts payable	1,734	1,734	1,734	-	-	-	-
Accrued liabilities	10,076	10,076	10,076	-	-	-	-
Total	192,897	213,970	33,857	21,514	20,981	20,448	117,170

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15. Subsequent Events

Subsequent events have been evaluated through March 18, 2016, the date the financial statements were issued.

- a. On December 28, 2015 the Company announced that its subsidiaries agreed to sell their two, 2010-built VLCCs, the *Hemsedal Spirit* and *Voss Spirit*, for gross proceeds of \$77.5 million each. Delivery to the buyers occurred during January 2016.
- b. During January 2016, the Company repurchased 0.4 million shares and as a result, completed the \$60.0 million share repurchase program.
- c. On February 8, 2016 the Company announced that the Company's Board of Directors has authorized a new share repurchase program to repurchase up to \$60.0 million of the Company's common stock. To March 18, 2016, the Company repurchased approximately 1.9 million shares in respect of this new share repurchase program.

Corporate Governance

As responsible business leaders, it is not enough to do things right; it is also important to do them in the right way. Our business decisions and actions must be ethical and in full compliance with legal requirements. The Company has adopted a Standards of Business Conduct Policy which is an extension of the Company's core values and reflects our commitment to manage our business activities with integrity. As a company incorporated under Marshall Islands law, the Company is subject to Marshall Islands law regarding corporate governance. In addition, as a listed company on the Oslo Stock Exchange, the Company is subject to section 7 of the Oslo Stock Exchange's Continuing Obligations of Stock Exchange Listed Companies (the *Continuing Obligations*) and therefore is required to practice corporate governance in accordance with the Code.

The Board has prepared the following report on the Company's compliance with the Code and the Continuing Obligations under section 7.

1. Implementation and Reporting on Corporate Governance

The Company has adopted and implemented a corporate governance regime which focuses on the key aspects of corporate social responsibility: people, society and the environment. This regime complies with the Code, subject to certain exceptions described within the individual categories below. The Code may be found on the website of the Oslo Stock Exchange: www.oslobors.no.

2. Business

The Company deviates from the requirement of the Code to define the Company's business in its articles of incorporation as Marshall Islands law does not require the business activities of the Company to be clearly defined in the Company's Bylaws or the Articles of Incorporation. The Company does, however, have clear objectives and strategies for its business. The Company, together with its subsidiaries, is a specialized investment company focused on the secondhand oil tanker market. The Company's objective is to opportunistically acquire, operate and sell modern second-hand tankers to benefit from the recovery from the cyclical low of the tanker market.

For further information on the Company's objectives and main strategies, please refer to the Board Report enclosed in this Annual Report.

3. Equity and Dividends

The Company seeks to maintain a healthy level of equity appropriate to its objectives, strategy and risk profile at all times. According to Marshall Islands law, the Board is authorized to issue additional shares at any time, up to the limits set by the Company's authorized share capital. As of 31 December 2015, there were 366,317,119 authorized but unissued common shares and 99,999,998 authorized but unissued preferred shares in the Company. This authorization is not limited to specific purposes or limited in time. Issuance by the Company of additional preferred shares requires approval by holders of a majority of the total voting power of the outstanding common shares of the Company at such time. Further, the Articles of Incorporation provide that the shareholders do not have any preemptive rights to subscribe for new shares.

The Company has not paid any dividends since its incorporation on January 10, 2014 and does not currently expect to pay dividends in the near future, and the Board of Directors intends to periodically reassess its expectations as to dividends. The timing and amount of any future dividends would depend on, among other things, the earnings of the Group's fleet, financial and borrowing conditions, capital expenditure and divestments, market prospects and investment opportunities, as well as limitations under Marshall Islands law.

4. Equal Treatment of Shareholders and Transactions with Related Parties

The Company deviates from the requirement of the Code to have only one class of shares outstanding as the Company currently has two classes of shares. These are: (i) the common shares; and (ii) the preferred shares. There are two series of the preferred shares outstanding, including one A-1 series preferred share and one A-2 series preferred share which are held by Teekay and Teekay Tankers, respectively. The preferred shares grant each holder the right to each elect a director to the Board. Apart from this, the preferred shares have no voting rights and are not entitled to any dividends and distributions. The Company created two classes of shares to provide each of Teekay and Teekay Tankers the right to elect a director to the Board pursuant to the rights of the Preferred Shares.

The common stock of the Company rank in parity with one another and carry one vote per share. Only the common stock are admitted to trading on the Oslo Stock Exchange. All information relevant to Company's share price is published and available immediately on the website of the Company and the Oslo Stock Exchange. The Company also publishes all reports, presentations and relevant financial information on its website required to be disclosed pursuant to the rules of the Oslo Stock Exchange.

The Company is not required, pursuant to Marshall Islands law, to grant any preemptive rights to its shareholders. Accordingly, the Company's Articles of Incorporation do not provide any conversion, redemption or preemptive rights to shareholders to subscribe for new common shares, except that the holders of preferred shares may convert their preferred shares into a single common share upon the occurrence of certain events.

In 2014, the Board of Tanker Investments Ltd. authorized the repurchase of up to USD 30.0 million of its shares. On September 27, 2015 the Company announced the Board of Directors had authorized a USD 30.0 million upside to the share repurchase program, increasing the total amount authorized to USD 60.0 million. During January 2016 the Company completed the USD 60.0 million share repurchase program. On February 8, 2016 the Company announced the Board of Directors had authorized a new share repurchase program to repurchase up to USD 60.0 million of the Company's common stock. Any further repurchases by the Company of its common shares will be subject to prior Board's approval and compliance with the requirements of applicable Marshall Islands law. The Company will, if acquiring its own shares, do this through the Oslo Stock exchange at the prevailing stock exchange price. If there is limited liquidity in the Company's stock, the Company will consider other ways to ensure equal treatment of all shareholders.

Pursuant to Marshall Islands law, the Board is not required to obtain independent third party evaluations in the event that the Company enters into transactions with close associates. The Board will consider and determine on a case by case basis whether independent third party evaluations shall be obtained in such an event.

The Company has established guidelines to ensure that members of the Board and executive personnel inform the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

With respect to the equal treatment of shareholders, the Company has entered into a non-competition agreement (the *Non-Competition Agreement*) with Teekay and Teekay Tankers, in which the Company has agreed that until January 2029, no member of the Group shall (a) own, lease, operate or charter any (i) dynamically-positioned shuttle tanker, (ii) floating storage and offtake unit, (iii) floating production, storage and offloading unit or (iv) liquefied natural gas or liquefied petroleum gas carrier or (b) engage in or acquire or invest in any business (each a *Restricted Business*) that owns, leases, operates or charters any such tanker, unit or carrier; provided, however, that the acquisition of up to a 9.9% equity ownership, voting or profit participation interest in any publicly traded entity that engages in a Restricted Business is permitted. This provision of the Non-Competition Agreement automatically terminates, expires and has no further force and effect on the date that Teekay and its affiliates no longer retain beneficial ownership of at least (a) an aggregate of 5,000,000 common shares of the Company, so long as Teekay and Teekay Tankers remain affiliates, or (b) 2,500,000 common shares of the Company, if Teekay and Teekay Tankers no longer are affiliates.

Article VI of the Company's Articles of Incorporation provides that, unless otherwise agreed in writing and to the fullest extent permitted by law, Teekay, Teekay Tankers and certain of their affiliates may engage in the same or similar activities or lines of business as the Group, and no member of the Group shall be deemed to have an interest or expectancy in any business opportunity, transaction or other matter (including, without limitation, any opportunity to charter out, charter in, lease or acquire oil or product tankers or to acquire oil or product tanker businesses) (*a Business Opportunity*) in which any of Teekay, Teekay Tankers and such affiliates engages or seeks to engage merely because any member of the Group engages in the same or similar activities or lines of business as any of those involved in or implicated by such Business Opportunity. In addition, if any of Teekay, Teekay Tankers or certain of their affiliates acquires knowledge of a potential Business Opportunity, it shall have no duty to communicate or offer such Business Opportunity to the Company. This provision effectively limits the fiduciary duties the Company or its shareholders otherwise may be owed regarding these business opportunities by the directors and officers who also serve as directors or officers of Teekay, Teekay Tankers or their other affiliates.

The Company's officers and the officers of the Fleet Manager will also be involved in other business activities of Teekay, Teekay Tankers or their affiliates, and they will therefore not be able to spend all their time and attention to manage the Company's business. Accordingly, although the Company's officers and directors have fiduciary duties to manage the Company's business in a manner beneficial to it and its shareholders, the Company's Chief Executive Officer, Chief Financial Officer, Corporate Secretary and two directors also serve as employees, officers and/or directors of Teekay, Teekay Tankers or their affiliates, and, as a result, have fiduciary duties to manage the business of Teekay, Teekay Tankers and their affiliates, as applicable, in a manner beneficial to such entities and their security holders. Consequently, these officers and directors may encounter situations in which their fiduciary obligations to Teekay, Teekay Tankers, the Fleet Manager, or their affiliates, on the one hand, and the Company, on the other hand, are in conflict. The resolution of these conflicts may not always be in the Company's best interest or that of its shareholders.

In addition, the Group expects that many if not all of its vessels will participate in trading pools or revenue sharing arrangements managed by the Fleet Manager, which is an affiliate of Teekay and Teekay Tankers. When operated in a pool or revenue sharing arrangement, chartering decisions are made by the pool manager and vessel earnings are based on a formula designed to allocate the pool's earnings to vessel owners based on attributes of the vessels they contributed and actual on-hire performance, rather than amounts actually earned by those vessels. If the Fleet Manager terminates the pool or revenue sharing arrangement pursuant to the terms thereof or removes one or more of its vessels from the pool or revenue sharing arrangement to charter it in the time-charter market or if the Group's vessels cease operating in such arrangements for any other reason, the Group's tankers may compete with other vessels owned or operated by the Fleet Manager or owned by Teekay, Teekay Tankers or their affiliates, to provide crude oil and oil product transportation services. In addition, the Group may compete with the Fleet Manager, Teekay, Teekay Tankers or their affiliates in seeking to charter any vessels in the Group's fleet under fixed-rate time charters, whether upon the expiration or early termination of existing time charters or otherwise.

5. Freely Negotiable Shares

The Company complies with the requirements of the Code to have freely negotiable shares as the Company's common stock are listed on Oslo Stock Exchange and are freely negotiable. However, the Company's Bylaws provide that the Board may decline to register the transfer of any interest in any share in the register of stockholders or decline to direct any registrar, appointed by the Company, to register the transfer where such transfer would result in 50% or more of the shares or votes in the Company being held, controlled or owned directly or indirectly by individuals or legal persons resident for tax purposes in Norway or connected to a Norwegian business activity, in order to mitigate the possibility of the Company being deemed a "Controlled Foreign Company" as such term is defined under Norwegian tax rules.

6. General Meetings

The Company complies with the requirements of the Code to ensure that as many of its shareholders as possible may exercise their rights by participating in general meetings of the Company, subject to the rights of the holders of the Company's preferred shares to elect directors. Under the Company's Bylaws, annual general meetings will be held at a time and place selected by the Board. The meetings may be held in or outside of the Marshall Islands. If the Company fails to hold an annual general meeting within 90 days of the designated date, a special general meeting in lieu of an annual general meeting may be called by stockholders holding not less than 10% of the outstanding common stock. Other than such a general meeting in lieu of an annual meeting, general meetings of shareholders may be called only by the chairman of the Board or the Company's Chief Executive Officer, at the direction of the Board, as set forth in a resolution stating the purpose or purposes thereof approved by a majority of the entire Board.

One or more shareholders representing at least one third of the total voting power of all outstanding shares present in person or by proxy at a general meeting shall constitute a quorum for the purposes of the meeting, except that when specified business is to be voted on by a class or series of shares voting as a class, the holders of a at least one third of the then-outstanding shares of such class or series shall constitute a quorum of such class or series for the transaction of such business.

The Company's Bylaws permit annual general meetings to be convened on not less than 15 days' nor more than 60 days' notice. The Board may set a record date between 15 and 60 days before the date of any meeting for determining the shareholders entitled to attend and vote at such general meeting, which date shall not be less than 15 days' nor more than 60 days' before the date of such meeting. The notice of the calling of the meeting as well as reports, presentations and other documents containing information vital to the shareholders' decision-making will be published on the Company's website. Reports, presentations and other documents containing information vital to the shareholders' decision-making will be sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting.

The Board and the chairman of the meeting will make arrangements for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies (as applicable).

At the Company's general meetings, the Chairman of the Board, or in such person's absence, the Chief Executive Officer, or in the absence of both of them, any vice president, shall act as chairman of the meeting. In the absence of the Chairman of the Board, the Chief Executive Officer or a vice president to act as chairman of the meeting, the Board, or if the Board of Directors fails to act, the shareholders may appoint any shareholder, director or officer of the Company to act as chairman of the meeting.

Shareholders who cannot attend the meeting in person are given the opportunity to vote through proxy. The Company will in this respect provide information on the procedure for voting by proxy; nominate a person who will be available to vote on behalf of shareholders as their proxy; and prepare a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

7. Nomination Committee

Although the appointment of a Nomination Committee is not a requirement under Marshall Islands law and it is not provided for in the Company's Bylaws, it has formed a Nomination Committee comprised of two members, currently consisting of Kenneth Hvid and Alan Carr, each of whom are current directors of the Company. Save for the right of each of Teekay and Teekay Tankers pursuant to the preferred shares to each nominate and elect a director, based on recommendations from its Nomination Committee, the Board of Directors will nominate candidates for election as directors of the Board.

The Board will further endeavour to ensure that it is constituted by directors with a varied background and with the necessary expertise and capacity. Nominations of persons for election to the Board at any annual general meeting may be made by any shareholders of the Company who owns beneficially or of record, in the aggregate, not less than 20% of the voting common shares on the date of the giving of the requisite notice and on the record date for determination of shareholders entitled to vote at such meeting, and who otherwise comply with the notice procedures required by the Bylaws.

8. Corporate Assembly and Board of Directors: Composition and Independence

The Company deviates from the requirement of the Code to have a corporate assembly as this is not a requirement under Marshall Islands law.

The Articles of Incorporation provide, however, that the Board must not be comprised of less than three nor more than 12 members (subject to any rights of the holders of preferred shares to each elect additional directors), as determined from time to time by resolution adopted by affirmative vote of a majority of the entire Board. The Bylaws provide that the Board may take all necessary or desirable actions within its control to ensure that the Company is not deemed to be a "Controlled Foreign Company", as such term is defined pursuant to Norwegian tax rules.

Pursuant to the Company's Articles of Incorporation, each of the holders of the preferred shares may elect separate directors. These directors serve until removed by the respective holders of the preferred shares, except in the event of his or her death or resignation. Board nominees presented at the general meeting of the Company are elected pursuant to the Company's Bylaws until the next succeeding annual meeting of shareholders. Members of the Board may be re-elected.

The Board currently has the following five members: Kenneth Hvid; William Lawes; Timothy Gravely; Alan Carr and Øivind Solvang. Other than Kenneth Hvid, who is the Chief Strategy Officer and Executive Vice President of Teekay, and a director of the general partner of Teekay Offshore Partners L.P., William Lawes, who is a director of Teekay Tankers, and Timothy Gravely who is a Managing Director at Tennenbaum Capital Partners, LLC, one of the Company's largest shareholders, the directors are independent of the Company's material business contacts and large shareholders. Management of the Company is provided by the Fleet Manager pursuant to the Management Agreement. The Management Agreement is material to the Company. Accordingly, Teekay, Teekay Tankers and its affiliates are regarded as material business contacts of the Company. None of the Board members serve as executive officers of the Company.

In 2015, the Board had 20 regular board meetings, where all directors were present (save for the absence of Kenneth Hvid at one meeting, William Lawes at two meetings and Oivind Solvang at one meeting). The Audit Committee held six meetings in 2015, where all of the Audit Committee members were present.

Members of the Board are encouraged to own shares in the Company.

9. The Work of the Board of Directors

The Company complies with the requirements of the Code as the Board is ultimately responsible for the management of the Company, although the Company's Chief Executive Officer and Chief Financial Officer are responsible for supervising its day-to-day management pursuant to the Company's formation documents and the Management Agreement. The Board recognizes that its actions set the tone for ethical business conduct by the Company.

At the meetings of the Board that are held throughout the year, the Board reviews and discusses, among other things: management reports on the Company's performance; including the Company's health, safety and environmental performance, plans, objectives and prospects; Board committee or management proposals; and immediate issues facing the Company. The work of the Board is scheduled in advance, with particular emphasis on objectives, strategy and implementation. The Board may also call special meetings to act on important matters as needed. Directors are expected to review in advance all meeting materials and to attend all scheduled Board and committee meetings. In addition to its general oversight of management, the Board or designated Board committees also perform a number of specific functions. Some of these functions include:

- Reviewing and approving policies and overseeing the Company's response to and compliance with health, safety and environmental matters;
- Reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;
- Overseeing the assessment of major risks facing the Company and available options to address those risks;
- Reviewing and approving certain filings;
- Evaluating and overseeing compliance with the Company's corporate governance policies and practices; and
- Ensuring that processes are in place for maintaining the Company's integrity, including oversight of financial statement integrity, compliance with law and ethics, and the integrity of relationships with customers and other stakeholders.

The Company has entered into the Management Agreement pursuant to which the Fleet Manager provides to the Group commercial, technical, administrative and corporate services and personnel in exchange for management services fees. The Fleet Manager will use its reasonable best efforts to provide these services in a commercially reasonable manner and may provide these services directly to the Group or subcontract for certain of these services with affiliates of the Fleet Manager or, upon the prior written consent of the Company (such consent not being unreasonably withheld or delayed), with other entities.

If notice of termination is not provided by the Company in the first quarter of the year immediately preceding the end of the initial term or a renewal term, as applicable, the Management Agreement shall automatically renew for consecutive five-year terms. Subject to the termination rights contained in the Management Agreement, the initial term of the Management Agreement ends in January 2029. If notice of termination is not provided by the Company in the first quarter of the year immediately preceding the end of the initial term or a renewal term, as applicable, the Management Agreement shall automatically renew for consecutive five-year terms.

The Company has established an Audit Committee elected by the Board and is therefore in compliance with the Code in this respect. The Audit Committee members include the following directors: Øivind Solvang, Timothy Gravely and William Lawes. The Audit Committee's primary responsibilities in providing assistance and facilitating the decision making in the Board include:

- Overseeing the external auditor relationship;
- Reviewing the financial statements of the Company and discussing with Management before they are published;
- Discussing with management and the external auditor the quality and adequacy of the Company's internal controls for managing business, financial and regulatory risk;
- Discussing with Management the status of pending litigation, taxation matters and other areas of oversight to the legal and compliance area as may be appropriate related to financial issues;
- Reporting from the Audit Committee activities and actions to the Board through written minutes of meetings and ad hoc presentations at Board meetings; and
- Reviewing and reassessing annually the adequacy of the audit committee's own charter and recommending any proposed changes to the Board for approval.

In discharging its responsibilities, the Audit Committee shall have full access to all books, records and personnel of the Company. The Audit Committee reports and makes recommendations to the Board of Directors, but the Board retains responsibility for implementing such recommendations. The Audit Committee complies with applicable accounting/audit qualifications and independence requirements.

The Company does not comply with the requirements of the Code in respect of appointing a remuneration committee, as no such committee has been appointed. Management of the Company is provided through the Management Agreement pursuant to which the Company pays a management fee for such services.

10. Risk Management and Internal Control

The Company complies with the requirements of the Code as its Board is tasked with the responsibility of ensuring that the Company has sound internal control procedures that are appropriate in relation to the Company's risks and the nature and extent of its activities. On an annual basis, the Board performs a review of the key risks and the internal controls designed to address these risks. Key risks include, but are not limited to, the following:

- Risks related to the industry in which the Company operates;
- Risks related to the Company's operations;
- Risks related to the Company;
- Risks related to the Company's financing and financial position;
- Risks related to the Company's incorporation in the Republic of the Marshall Islands;
- Risk related to taxation; and
- Risks related to its shares.

The Company's Chief Executive Officer reports regularly to the Board on health, safety and environmental issues, quality assurance issues, financials, ongoing business and business developments, ship management and key performance indicators.

The Board is kept updated on management and Company activities through the reporting systems of the Fleet Manager, including quarterly financial statements.

The Company's Audit Committee has the responsibility to oversee and assess the internal control and external audit activities and reports to the Board. In discharging its responsibilities the Audit Committee shall have full access to all books, records and personnel of the Company. Internal controls are also reviewed and assessed on an annual basis by the Audit Committee. Our management, through the Fleet Manager, is responsible for establishing and maintaining for us adequate internal controls over financial reporting. The internal controls were designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation and presentation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States, and the non-consolidated financial statements for external purposes in accordance with the International Financial Reporting Standards as issued by the Accounting Standards Board. Our internal controls over financial reporting include those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made in accordance with authorizations of management and our directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

11. Remuneration of the Board of Directors

The Company is in compliance with the requirements of the Code with respect to the remuneration of its directors. The compensation for the members of the Board and for the members of any committee for attendance at the meetings of the Board or of such committee and for services rendered to the Company is determined by the Board on an occasional basis based on responsibilities, expertise, time commitment and the complexity of the Company's operations, but is subject to shareholder approval. The remuneration of the Board is not linked to the Company's performance and the Company does not grant share options to the members of its Board.

In addition, each director is reimbursed for out-of-pocket expenses in connection with attending meetings of the Board and committees. Each director is fully indemnified by the Company for actions associated with being a director to the extent permitted under Marshall Islands law.

12. Remuneration of Executive Personnel

The Company deviates from the requirements of the Code with respect to the remuneration of its executive personnel as Marshall Islands law does not require the Company to implement guidelines for the remuneration of senior management. In addition, the Company pays a fixed fee for management services under the Management Agreement and as a result deviates from the Code in this respect.

13. Information and Communications

The Company is in compliance with the requirements of the Code with respect to the distribution of information to its shareholders. The Company is committed to providing information in a manner that contributes to establishing and maintaining confidence with shareholders and other interest groups, while taking into account the requirement for equal treatment of all participants in the securities market. The information relevant to the Company's share price is published on the Company's website. Annual and quarterly reports, presentations, dates of major events, financial calendars and other financial information are also published and immediately available on the Company's website. Information to the Company's shareholders is published on the Company's website at the same time that it is sent to stockholders.

Company's disclosure obligations to ensure that it is in compliance with applicable securities laws is prescribed in the Management Agreement.

14. Take-Overs

The Company deviates from the requirements of the Code to not obstruct or hinder take-over bids, as certain provisions of the Company's Articles of Incorporation and Bylaws may have anti-takeover effects. These provisions may assist in avoiding costly takeover battles, lessen the Company's vulnerability to a hostile change of control and enhance the ability of the Board to maximize shareholder value in connection with any unsolicited offer to acquire the Company. However, these anti-takeover provisions could also discourage, delay or prevent (i) the merger or acquisition of the Company by means of a tender offer, a proxy contest or otherwise that a shareholder may consider is in its best interests; or (ii) the removal of incumbent officers and directors.

The Board will deal with any takeovers or possible takeovers in accordance with the Marshall Islands law and its fiduciary duties. In the event of a takeover, the Board will seek to comply with section 14 of the Code. The Board has not yet adopted or published any principles for actions in the event of a takeover bid.

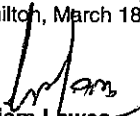
15. Auditor

The Company's independent auditor, appointed by its Audit Committee, is KPMG LLP. The auditor provides a plan for the audit and an audit report to the Board via the Audit Committee on an annual basis in connection with the annual audit. The Auditor participates in meetings of the Audit Committee dealing with the annual accounts and discusses with the Audit Committee the Company's internal control procedures.

Auditor's fees as related to audit tasks and other assignments are communicated by the Board at the annual general meetings. The Board via the Audit Committee has established guidelines in respect of the use of the Auditor by the Company's executive management for services other than the annual audit.

At least once a year, the Board holds a meeting with the independent auditor at which no member of the executive management is present.

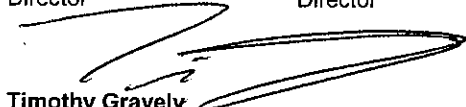
Hamilton, March 18, 2016


William Lawes
Director


Øivind Solvang
Director


Kenneth Hvid
Director


Alan Carr
Director


Timothy Gravely
Director