

Ardmore Shipping Corp  
Form F-1/A  
February 28, 2014  
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As filed with the U.S. Securities and Exchange Commission on February 27, 2014.

Registration No. 333-193918

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**AMENDMENT NO. 1**  
**TO**  
**FORM F-1**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**ARDMORE SHIPPING CORPORATION**

(Exact name of Registrant as specified in its charter)

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**Republic of The Marshall Islands**  
(State or other jurisdiction of  
incorporation or organization)

**Ardmore Shipping Corporation**  
**69 Pitts Bay Road, Hamilton, HM08,**  
**Bermuda**  
**(441) 405-7800**

(Address and telephone number of Registrant's  
principal executive offices)

**4412**  
(Primary Standard Industrial  
Classification Code Number)

**66-0804797**  
(I.R.S. Employer  
Identification No.)  
**Seward & Kissel LLP**

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**Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.**

If any of the securities being registered on this Form are being offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Offering Price Per Security(2)	Offering Price(1)(2)	Amount of Registration Fee
Common Shares, \$0.01 par value per share	6,900,000	\$13.06	\$90,114,000	\$11,607

- (1) Includes common shares that may be sold pursuant to the underwriters' over-allotment option.
- (2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based on an average of the high and low reported sales price of the Registrant's common stock as reported on the New York Stock Exchange on February 26, 2014 of \$13.27 and \$12.85.
- (3) The amount of the registration fee is \$11,607, of which \$9,660 was paid in connection with the initial filing of the registration statement on Form F-1 on February 12, 2014, and the remaining amount of \$1,947 was paid in connection with the filing of this Amendment No. 1 to Form F-1.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

*PROSPECTUS (Subject to completion)*

*Issued February 27, 2014*

*6,000,000 Shares*

***ARDMORE SHIPPING CORPORATION***

*COMMON STOCK*

*Ardmore Shipping Corporation is offering 6,000,000 shares of its common stock. The last reported sale price of our common stock on February 26, 2014 was \$13.05 per share.*

*Our common stock is listed on the New York Stock Exchange under the symbol ASC.*

*We are an emerging growth company as that term is used in the Securities Act of 1933, as amended, and, as such, we may elect to comply with certain reduced public company reporting requirements.*

**Investing in the common stock involves risks. See Risk Factors beginning on page 13.**

PRICE \$ A SHARE

*Underwriting Discounts*

	<i>Price to</i>	<i>and</i>	
	<i>Public</i>	<i>Commissions</i>	<i>Proceeds to Company(1)</i>
<i>Per share</i>	\$	\$	\$
<i>Total</i>	\$	\$	\$

(1) We expect to reimburse the underwriters for certain FINRA-related expenses. See Underwriting.

The Company has granted the underwriters the right to purchase up to an additional 900,000 shares of common stock to cover over-allotments at the initial public offering price less the underwriting discount.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on \_\_\_\_\_, 2014.

MORGAN STANLEY

WELLS FARGO SECURITIES

CLARKSON CAPITAL MARKETS

EVERCORE

PARETO SECURITIES AS

ABN AMRO

, 2014

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We and the underwriters have not authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We and the underwriters take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission (the "SEC") is effective. We and the underwriters are offering to sell, and seeking offers to buy, these securities only in jurisdictions where such offers and sales are permitted. The information in this prospectus or any free writing prospectus is accurate only as of its date, regardless of its time of delivery or of any sale of the securities offered hereby. Our business, financial condition, results of operations and prospects may have changed since that date. We will update this prospectus as required by law.

We have not taken any action to permit a public offering of these securities outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of these securities and the distribution of this prospectus outside the United States.

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**Industry and Market Data**

The market data and certain other statistical information used throughout this prospectus are based on independent industry publications, government publications or other published independent sources. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable and we are not aware of any misstatements regarding our market, industry or similar data presented herein. The Company believes that such third-party information concerning industry and market data is reliable. Such third-party information may be different from other sources and may not reflect all or even a comprehensive set of the actual transactions occurring in the market. In addition, some data is also based on our good faith estimates and our management's understanding of industry conditions. Such data involve risks and uncertainties and is subject to change based on various factors, including those discussed under the headings "Forward-Looking Statements" and "Risk Factors" in this prospectus.

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**PROSPECTUS SUMMARY**

*This section summarizes some of the key information that appears in other sections of this prospectus. It may not contain all of the information that may be important to you. You should review carefully the risk factors and the more detailed information and financial statements included in this prospectus before making an investment decision. Unless the context otherwise requires, when used in this prospectus, the terms*

*Ardmore, Ardmore Shipping, the Company, we, our and us refer to Ardmore Shipping Corporation and our consolidated subsidiaries. The financial information included in this prospectus represents our financial information and the operations of our vessel-owning subsidiaries and wholly-owned management company. Unless otherwise indicated, all references to currency amounts in this prospectus are in U.S. dollars. See the Glossary of Shipping Terms included in this prospectus for definitions of certain terms used in this prospectus that are commonly used in the shipping industry.*

**The Company**

We are Ardmore Shipping Corporation, a company incorporated in the Republic of the Marshall Islands. We provide seaborne transportation of petroleum products and chemicals worldwide to oil majors, national oil companies, oil and chemical traders, and chemical companies, with our modern, fuel-efficient fleet of mid-size product and chemical tankers. Our Current Fleet consists of 21 vessels including 11 in operation (the Operational Vessels ) and ten on order (the Ordered Vessels ) with deliveries expected to begin in November 2014. Following the completion of this offering, we expect to have approximately \$ million of available cash from the net proceeds of this offering, based on an offering price of \$ per share, together with additional credit facilities that we expect will be available to us, to fund acquisitions in line with our growth strategy and provide cash for general corporate purposes.

We commenced business operations in April 2010 with the goal of building an enduring product and chemical tanker company that emphasizes service excellence, innovation, and operational efficiency through our focus on high quality, fuel-efficient vessels. We are led by a team of experienced senior managers who have previously held senior management positions with highly regarded public shipping companies and financial institutions. Our principal executive office is located in Hamilton, Bermuda and our principal operating office is based in Cork, Ireland.

We are strategically focused on modern, fuel-efficient, mid-size product and chemical tankers. According to Drewry Maritime Research, as of February 2014, mid-size tankers comprise 32% of the world's deepsea seaborne transport capacity as measured by number of ships. There is significant overlap between the clean petroleum product ( CPP ) and chemical sectors as 68.7% of mid-range ( MR ) product tankers are classed as IMO 3 or IMO 2, enabling them to carry selective chemicals and vegetable oils, and many mid-size chemical tankers (such as ours) carry CPP cargoes on a routine basis. We actively pursue opportunities to exploit this overlap in order to enhance earnings, and also seek to engage in more complex CPP trades, such as multi-grade and multi-port loading and discharging operations, where our knowledge of chemical operations is beneficial to our CPP customers.

Our fuel-efficient operations are designed to enhance our investment returns and provide value-added service to our customers. We believe we are on the forefront of fuel efficiency and emissions reduction trends and are well-positioned to capitalize on these developments by constructing new economically advanced vessels ( Eco-design ), modifying ships to improve fuel efficiency ( Eco-mod ), and equipping our fleet with engine diagnostic and ship performance management systems to optimize voyage performance. As a result, our Eco-mod vessels achieve lower fuel consumption and, in some cases, achieve performance close to that of new Eco-design vessels. All of our Ordered Vessels are Eco-design and we intend to make Eco-mod improvements to any



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secondhand acquisitions as necessary. Our acquisition strategy is to build our fleet with Eco-design newbuildings and modern secondhand vessels that can be upgraded to Eco-mod.

We have no related-party transactions concerning our vessel operations. Our wholly-owned subsidiary Ardmore Shipping Limited ( ASL ), carries out our management functions. ASL 's office is in Cork, Ireland. We believe this location affords us many advantages, including close proximity to London and other European shipping centers and supportive assistance from Irish government agencies such as the Irish Maritime Development Office ( IMDO ), and the National Maritime College of Ireland ( NMCI ). ASL currently has a staff of 14 employees and provides corporate and accounting services and fleet administration. Technical management of our vessels is performed by a combination of ASL and our third-party technical managers. ASL 's operations team is directly responsible for insurance and for overseeing significant operational functions of the third-party technical managers. ASL 's operations team also supervises the construction of our newbuildings in close coordination with the third-party supervision teams. We have a resolute focus on both high-quality service and efficient operations, and we believe that our corporate overhead and operating expenses are among the lowest of our peers.

We are commercially independent as we have no blanket employment arrangements with third-party or related-party commercial managers. We market our services directly to a broad range of customers, including oil majors, national oil companies, oil and chemical traders, chemical companies, and a range of pooling service providers. We monitor the market to understand and best utilize our vessels and may change our chartering strategy to take advantage of changing market conditions.

We believe that the market for mid-size product and chemical tankers is in the early stages of a recovery from cyclical lows, resulting from strong underlying demand growth driven by both cyclical and secular trends, as well as a reduction in the supply overhang due to reduced ordering activity and an extended period of fleet growth at a rate below that of demand growth. The Company was formed at a historically low point in the shipping cycle which our management believes represented an opportunity to build our fleet and business with a low cost asset base. Shipping is a capital and operationally intensive business and the challenges in the global economy and shipping market continued throughout 2012 and 2013. While this has afforded an extended opportunity to acquire additional vessels, we have incurred accumulated losses of \$12.5 million in the periods ended December 31, 2010 through to December 31, 2013 as a result of company set-up costs, challenging shipping markets and ongoing investments in our fleet. We believe that we are well-positioned to benefit from the market recovery with a modern, fuel-efficient fleet, access to capital for growth, a diverse and high quality customer base, an emphasis on service excellence in an increasingly demanding regulatory environment, and a relative cost advantage in assets, operations and corporate overhead.

**Table of Contents****Current Fleet**

Our Current Fleet consists of 21 vessels and is comprised of 11 Operational Vessels (four Eco-design and seven Eco-mod) and ten Ordered Vessels (all Eco-design) with deliveries expected to begin in November 2014. Please see [Glossary of Shipping Terms](#) on page 143 of this prospectus for definitions of terms used below. The average age of our Operational Vessels, at December 31, 2013, is 5.9 years, and the average age of the Current Fleet following delivery of the Ordered Vessels at December 31, 2015 will be 4.0 years.

Vessel Name	Type	Dwt	IMO	Built Date	Built Country	Flag	Charter		Specification
							Rate \$/day(1)	Charter Expires	
<b>In Operation</b>									
<i>Ardmore Seavalliant (2)</i>	Product/Chemical	49,998	3	Feb-13	Korea	MI	17,149	Feb-15	Eco-design
<i>Ardmore Seaventure (3)</i>	Product/Chemical	49,998	3	Jun-13	Korea	MI	15,873	Jun-14	Eco-design
<i>Ardmore Seavantage (4)</i>	Product/Chemical	49,997	3	Jan-14	Korea	MI	15,600	Jan-15	Eco-design
<i>Ardmore Seavanguard (5)</i>	Product/Chemical	49,998	3	Feb-14	Korea	MI	15,600	Feb-15	Eco-design
<i>Ardmore Seamariner (6)</i>	Product	45,726		Oct-06	Japan	MI	16,099	Apr-14	Eco-mod
<i>Ardmore Seatrader (7)</i>	Product	47,141		Dec-02	Japan	MI	14,299	Aug-14	Eco-mod
<i>Ardmore Seamaster (8)</i>	Product/Chemical	45,840	3	Sep-04	Japan	MI	14,299	Jul-14	Eco-mod
<i>Ardmore Seafarer (9)</i>	Product	45,744		Aug-04	Japan	MI	13,783	Jul-14	Eco-mod
<i>Ardmore Centurion (10)</i>	Product/Chemical	29,006	2	Nov-05	Korea	MI	13,549	Feb-15	Eco-mod
<i>Ardmore Calypso (11)</i>	Product/Chemical	17,589	2	Jan-10	Korea	MI	Pool	N/A	Eco-mod
<i>Ardmore Capella (12)</i>	Product/Chemical	17,567	2	Jan-10	Korea	MI	Pool	N/A	Eco-mod
<b>On Order</b>									
<i>SPP Hull S-1162 (13)</i>	Product/Chemical	50,300	3	1Q15	Korea	MI	Pool		Eco-design
<i>SPP Hull S-1163 (13)</i>	Product/Chemical	50,300	3	2Q15	Korea	MI	Pool		Eco-design
<i>SPP Hull S-1171 (13)</i>	Product/Chemical	50,300	3	2Q15	Korea	MI	Pool		Eco-design
<i>SPP Hull S-1172 (13)</i>	Product/Chemical	50,300	3	3Q15	Korea	MI	Pool		Eco-design
<i>HMD Hull H-2480 (14)</i>	Product/Chemical	37,000	2	1Q15	Korea	MI	TBD		Eco-design
<i>HMD Hull H-2481 (14)</i>	Product/Chemical	37,000	2	1Q15	Korea	MI	TBD		Eco-design
<i>FKA Hull N-2062 (15)</i>	Product/Chemical	25,000	2	4Q14	Japan	MI	TBD		Eco-design
<i>FKA Hull N-2063 (15)</i>	Product/Chemical	25,000	2	1Q15	Japan	MI	TBD		Eco-design
<i>FKA Hull N-2065 (15)</i>	Product/Chemical	25,000	2	3Q15	Japan	MI	TBD		Eco-design
<i>FKA Hull N-2067 (15)</i>	Product/Chemical	25,000	2	4Q15	Japan	MI	TBD		Eco-design
<b>Total</b>	<b>21</b>	<b>823,804</b>							

- (1) This table shows gross charter rates, averaged over the duration, as applicable, plus CVE income (see [Glossary of Shipping Terms](#) for definitions) and does not include commissions payable by us at a rate of 1.25%, where applicable.
- (2) On charter at a rate of \$17,100, expiring in February 2015. CVE income is \$1,500 per month.
- (3) On charter at a rate of \$19,500 per day for the first 60 days plus \$15,100 per day thereafter, expiring in June 2014. CVE income is \$1,500 per month.
- (4) On charter at a rate of \$15,600 per day, expiring in January 2015, with an option to extend at a market based rate for a second and third year.
- (5) On charter at a rate of \$15,600 per day, expiring in February 2015, with an option to extend at a market based rate for a second and third year.
- (6) On charter at a rate of \$16,050, expiring in April 2014, with an option to extend at a market based rate. CVE income is \$1,500 per month.
- (7) On charter at a rate of \$14,250, expiring in August 2014. CVE income is \$1,500 per month.
- (8) On charter at a rate of \$14,250 plus an IMO3 premium of up to \$250 per day, expiring in July 2014. CVE income is \$1,500 per month.
- (9) On charter at a rate of \$13,750 per day plus a performance bonus of up to \$250 per day, expiring in July 2014. CVE income is \$1,000 per month.

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- (10) On charter at a rate of \$13,500, expiring in July 2014 or January 2015, subject to certain conditions. CVE income is \$1,500 per month.
- (11) Employed in a third party commercial pool for chemical tankers.
- (12) Employed in a third party commercial pool for chemical tankers.
- (13) SPP Hull S-1162, Hull S-1163, Hull S-1171 and Hull S-1172 are expected to begin delivering in February 2015 where they will be employed in a third party commercial pool for product tankers.
- (14) HMD Hull H-2480 and Hull H-2481 are expected to begin delivering in February 2015 and it is expected they will be employed on a time charter or spot arrangement.
- (15) FKA Hull N-2062, Hull N-2063, Hull N-2065 and Hull N-2067 are expected to begin delivering in November 2014 and it is expected they will be employed on a time charter or spot arrangement.

Our chartering policy is to maintain a broad range of operating and potential time charter customers and pooling alternatives in order to maximize commercial flexibility and to provide a risk management tool depending on prevailing market conditions and outlook. In particular, we seek customers who place value on our proactive approach to fuel efficiency.

### **Recent Developments**

On February 7, 2014 we obtained a permit from the Ministry of Finance in Bermuda to open an executive office at 69 Pitts Bay Road, Hamilton, HM 08, Bermuda. Our operating office will continue to be located in Ireland through our wholly owned subsidiary, ASL, with offices at City Gate Building 1000, Mahon, Cork, Ireland.

### **Competitive Strengths**

We believe that we possess a number of competitive strengths that will enable us to maximize returns and capitalize on growth opportunities in the product and chemical tanker sectors, including:

**Experienced Management Team with an Established Track Record:** Our Chief Executive Officer, Anthony Gurnee, has 32 years of experience in the maritime industry and was part of the senior management team that guided Teekay Corporation's turnaround in the 1990s and laid the foundation for its future growth with a series of public bond issues and its initial public offering. He also served as President of Nedship International (now part of DVB Bank), and in other key management roles, including as CEO of the container and chemical tanker company Industrial Shipping Enterprises and Chief Operating Officer of the chemical tanker operator MT Maritime Management Company. Our Chairman, Reginald Jones, was formerly the global head of transportation investment banking at Goldman, Sachs & Co. where he led numerous shipping mergers and acquisitions and capital markets transactions, including the initial public offering of Teekay Corporation, the acquisition of tanker company Bona Shipping by Teekay, the sale of SeaLand to AP Moller Maersk, and offerings by OSG, OMI Corp and Knightsbridge Tankers. Our Chief Operating Officer, Mark Cameron, has held a wide range of operational and strategic management positions within Teekay, AP Moller Maersk and Safmarine over a 20 year onshore career. Additionally he served 11 years at sea and achieved the rank of Chief Engineer. Our Chief Financial Officer, Paul Tivnan, was formerly with Ernst & Young, most recently as a Senior Manager in its financial services tax practice specializing in international tax structuring for banking and financial institutions. Our Director, Chartering and Business Development, Gernot Ruppelt joined Ardmore with 12 years of commercial experience in the maritime business. He previously worked as a Tanker Broker at Poten & Partners, New York, and for Maersk Broker and AP Moller Maersk in Copenhagen, Singapore and Germany. Our senior management team has 115 cumulative years of experience in maritime and related activities.

**Attractive, Fuel-Efficient Fleet:** We have assembled a modern, high quality fleet of Eco-design or Eco-mod Japanese and Korean-built tankers. The continued focus on fuel-efficient Eco-design vessels

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as seen from the profile of our Current Fleet represents a direct extension of this strategy. The average age of our Current Fleet is expected to be 4.0 years at the end of 2015, at which point we expect all Ordered Vessels to have been delivered.

**Focus on Service Excellence and Innovation:** Since inception, we have focused on service excellence through high quality operations and innovation relating to fuel efficiency improvements, including the acquisition of Eco-design newbuildings and performing Eco-mod improvements to acquired secondhand vessels. Central to our approach is accurate speed and consumption measurement and continuous operational improvement. We believe that as a result, we have been able to negotiate favorable time charter rates and benefit directly in spot trading and pool arrangements. Furthermore, we apply our operational experience and expertise in chemical tanker operations to complex CPP trades to support our customers' needs.

**Low Cost Operation:** We believe our overhead cost per vessel, and operating expenses per vessel, are among the lowest of our industry peers. We have achieved this by purchasing high quality secondhand vessels, building ships in modern, reputable shipyards and remaining focused on two closely related business sectors. We have further achieved low operating expenses per vessel by using our operations management team to closely supervise and augment our third-party technical managers, who themselves enjoy scale benefits with managed fleets of in excess of 150 vessels each.

**Financial Flexibility:** We have capitalized the business in a financially conservative manner and as a consequence have been able to raise debt capital to fund growth. We have done so during a severe shipping downturn that has led to the reorganization or bankruptcy of many leading shipping companies and prevented many other operators from taking advantage of attractive investment opportunities.

### **Business Strategy**

Our objective is to consolidate our position as a market leader in modern, fuel-efficient mid-size product and chemical tankers by engaging in well-timed growth and utilizing our operational expertise and quality-focused approach to provide value-added services to our customers. The key elements of our business strategy include:

**Focus on Modern, Mid-Size Product and Chemical Tankers:** According to Drewry Maritime Research, the median size of the global fleet for product tankers and chemical tankers is 45,238 dwt and 19,908 dwt, respectively, which is close in size to our Current Fleet, the average size of which is 47,117 dwt and 23,452 dwt for product tankers and chemical tankers, respectively. As such, we have developed our strategic focus around mainstream sizes that are readily employed and actively traded worldwide in broad and deep markets. Additionally, as a result of the overlap we have identified between the product and chemical sectors, we believe that our strategy will enable us to take advantage of opportunities, both operationally and strategically, while also providing investment diversification.

**Well-Timed Growth through the Acquisition of Quality Tonnage:** We have a diligent and patient approach to expanding our fleet and are selective with respect to the quality of ships we seek to acquire. Since we commenced business in 2010 we have only acquired Japanese or Korean-built ships, but may consider others provided they meet the same standard of quality. We believe that our commitment and selectivity has been instrumental in building our reputation for quality and service excellence.

**Optimizing Fuel Efficiency:** The shipping industry is seeing a steady increase in fuel efficiency, and we intend to remain at the forefront of this movement. Our Eco-design vessels incorporate many of the latest technological improvements, such as electronically controlled engines, more efficient hull forms matched with energy efficient propellers, and decreased water resistance. Our Eco-mod vessels have

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improved propulsion efficiency and decreased water resistance. In addition, we are continuing to achieve further improvements through engine diagnostics and operational performance monitoring. We estimate that our Eco-design and Eco-mod MR tankers consume approximately 10-20% less fuel than similar standard MR tankers.

**Commercial Independence, Flexibility and Diversification:** We maintain a broad range of existing and potential time charter customers and pooling alternatives to maximize commercial flexibility and to manage cash flow visibility through charter duration and customer diversification. In particular we seek customers who value our proactive approach to fuel efficiency.

**Low Cost Structure:** We have established a solid foundation for growth while cost-effectively managing our operating expenses and corporate overhead. We intend to grow our staff as needed and to realize further economies of scale as our fleet expands. At the core of our business philosophy is the belief that well-run companies can achieve high quality and efficiency simultaneously, through hands-on management, effective communication with employees, and constant re-evaluation of budgets and operational performance.

### **Product and Chemical Tanker Industry Trends**

Based on information provided by Drewry Maritime Research, we believe that the following product and chemical tanker industry trends create growth opportunities:

The global shipping downturn is in its sixth year but several sectors, including products and chemicals, are showing signs of a recovery.

Newbuilding and secondhand prices remain near historical lows. Extreme economic pressure and lack of financing availability has resulted in financial distress for many companies, forcing sales of vessels and restricting the number of companies able to engage in growth.

The outlook for product tankers is positive, with overall demand growth estimated to be 4.6% for the next five years and supply growth (net of scrapping) estimated to be 3.2% over the same period. The orderbook as a percentage of the global fleet for mid-size product tankers has declined to 17.3% from its peak of nearly 54.3% in 2007. Although the global economy remains weak, demand for product tanker tonnage has been bolstered by secular trends including refinery shut-downs and increasing complexity of trade and regulatory initiatives.

The outlook for chemical tankers is also positive with demand growth estimated to be 4.3% and supply growth (net of scrapping) estimated to be 1.6% in 2014. The orderbook as a percentage of the global fleet for mid-size chemical tankers is 12.4%, a close to historical low. Chemical tanker demand is driven by continued growth in emerging economies and may benefit significantly in the medium-term by an economic recovery in the OECD and shifting trade patterns caused by low-price chemical feedstock resulting from shale gas developments in North America.

Charterers' concerns about environmental and safety standards have shifted their preference towards fuel-efficient modern tankers operated by reputable and financially sound shipping companies.

### **Corporate Structure**

Ardmore Shipping Corporation was incorporated under the laws of the Republic of the Marshall Islands on May 14, 2013. We commenced business operations through our predecessor company, Ardmore Shipping LLC, on April 15, 2010. On August 6, 2013, we completed our initial public offering ( IPO ) of 10,000,000 shares of our common stock, at \$14.00 per share. Prior to our IPO, GA Holdings LLC, who was our sole shareholder,



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exchanged its interest in its wholly owned subsidiary, Ardmore Shipping LLC, for 8,049,500 additional shares of Ardmore Shipping Corporation, and Ardmore Shipping LLC became a wholly owned subsidiary of Ardmore Shipping Corporation. As a result of the completion of the IPO, GA Holdings LLC holds 8,050,000 common shares, or 44.6% of the common stock of the Company, with the remaining 55.4% held by public investors.

We have 31 wholly owned subsidiaries, a list of which is in our consolidated financial statements, which are included elsewhere in this prospectus. See Financial Statements Note 21.

We currently maintain our principal executive offices at Hamilton, Bermuda and our principal operating office at Cork, Ireland. Our telephone at 69 Pitts Bay Road, Hamilton, HM 08, Bermuda is +1 441 405 7800. We operate our business internally through our wholly-owned management company, ASL, which is incorporated in Ireland. ASL's office is located at City Gate Building 1000, Mahon, Cork, Ireland. Our telephone at this address is +353 21 240 9500.

### **Dividend Policy**

We have declared dividends of \$3.0 million from August 1, 2013 to January 15, 2014. We paid our shareholders \$1.2 million on November 20, 2013 and \$1.8 million on February 14, 2014.

While we cannot assure you that we will continue to do so, and subject to the limitations discussed below, we currently intend to pay our stockholders quarterly dividends of \$0.10 per share, or \$0.40 per share per year.

Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors. We cannot assure you that we will be able to pay regular quarterly dividends in the amounts stated above or elsewhere in this prospectus, and our ability to pay dividends will be subject to the restrictions in our credit facilities and the provisions of the laws of the Republic of the Marshall Islands (the Marshall Islands) as well as the other limitations set forth in the sections of this prospectus entitled Dividend Policy and Risk Factors.

### **Credit Facilities**

Ten of our Operational Vessels have senior debt facilities in place, none of which expire until 2018. Of the three debt facilities that we currently have in place, two are with ABN AMRO Bank N.V. based in the Netherlands (the First ABN AMRO Facility and the Second ABN AMRO Facility), and one is with DVB Bank SE based in Germany (the DVB Facility). We also have a capital lease financing facility for two of the vessels with ICON Investments based in New York, USA (the ICON Capital Leases) in an amount of \$31.5 million.

The First ABN AMRO Facility is in the amount of \$40.5 million and bears interest at a rate of 3.25% above LIBOR. We entered into this facility to finance the acquisition of the *Ardmore Seatrader*, the *Ardmore Calypso* and the *Ardmore Capella*. This loan was drawn down in three tranches. The first tranche was drawn down in April 2011 and the second and third tranches were drawn down in June 2011, totaling \$32.0 million. The remaining \$8.5 million is no longer available for borrowing. On March 28, 2013 two of the subsidiaries subject to the First ABN AMRO Facility entered into an agreement for the sale and leaseback (under the ICON Capital Leases) for \$31.5 million. As part of this arrangement, the senior debt outstanding on the *Ardmore Calypso* and *Ardmore Capella* was repaid in full on April 2, 2013. The amount repaid was \$17.9 million. As such, of the First ABN AMRO Facility, one vessel remains with debt outstanding and this fully matures in 2018.

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The Second ABN AMRO Facility is in the amount of \$48.9 million and bears interest at a rate of 3.20% above LIBOR. We entered into this facility to finance the acquisition of the *Ardmore Seavalliant* and the *Ardmore Seaventure* and the full amount, \$48.9 million, of this facility was drawn down in line with its terms.

The DVB Facility is in the amount of \$81.9 million. The first tranche, which was drawn down in October 2012, bears interest at a rate of 3.75% above LIBOR. The second and third tranche were drawn down in January 2014 and February 2014, and bear interest at a rate of 2.45% above LIBOR. We entered into the DVB Facility to finance the *Ardmore Seafarer*, *Ardmore Seamaster*, *Ardmore Centurion*, *Ardmore Seavantage* and *Ardmore Seavanguard*. The amount drawn down under this facility as of December 31, 2013 was \$36.9 million. The remainder of the DVB Facility, \$45.0 million, was drawn down in two equal installments just prior to delivery of the *Ardmore Seavantage* and *Ardmore Seavanguard* in January 2014 and February 2014, respectively.

Ardmore has signed a commitment letter for a senior credit facility with ABN AMRO Bank N.V., Nordea Bank Finland Plc and Skandinaviska Enskilda Banken AB, (the *Joint Facility* ), in the amount of \$172.0 million to finance eight of our Ordered Vessels. Draw downs will be made in line with deliveries of each vessel, commencing in January 2015. Interest is calculated on each tranche at a rate of 3.15% above LIBOR. Draw downs are subject to customary conditions including the absence of any material adverse change. The terms of the *Joint Facility* include an accordion option whereby, subject to lenders approval, we may request to increase the *Joint Facility* to finance the acquisition of additional vessels.

We are also in advanced discussions with our relationship banks and have received non-binding indicative terms for two additional debt facilities (the *Prospective Debt Facilities* ). If obtained, we intend to use these facilities to finance the remaining two of our Ordered Vessels and the *Ardmore Seamariner* which was acquired in October 2013 with cash.

## **Risk Factors**

We face a number of risks associated with our business and industry and must overcome a variety of challenges to utilize our strengths and implement our business strategy. These risks include, among others, the highly cyclical tanker industry; partial dependence on spot charters; fluctuating charter values; changing economic, political and governmental conditions affecting our industry and business; material changes in applicable laws and regulations; full performance by counterparties, particularly charterers; acquisitions and dispositions; increased operating expenses; increased capital expenditures; taxes; maintaining customer relationships; maintaining sufficient liquidity; financing availability and terms; and management turnover.

This is not a comprehensive list of risks to which we are subject, and you should carefully consider all the information in this prospectus prior to investing in our common shares. In particular, we urge you to carefully consider the risk factors set forth in the section of this prospectus entitled *Risk Factors* beginning on page 13.



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**The Offering**

**Common shares to be offered** 6,000,000 common shares

**Over-allotment** We have granted the underwriters a 30-day option to purchase, from time to time, up to an additional 900,000 of our common shares to cover over-allotments, if any.

**Common shares to be outstanding immediately after this offering:**

**assuming no exercise of over-allotment:** 24,050,000 common shares

**assuming full exercise of over-allotment:** 24,950,000 common shares

**Use of proceeds** We estimate that the net proceeds to us from the sale of \_\_\_\_\_ common shares in this offering will be approximately \$ \_\_\_\_\_ million after deducting underwriting discounts and commissions and estimated expenses payable by us. We currently intend to use the net proceeds of this offering to acquire additional vessels in line with our strategy, including resales of Eco-design vessels under construction and high quality modern secondhand vessels, suitable to upgrade to Eco-mod, and to provide cash for general corporate purposes.

We cannot assure you, however, that we will be successful in acquiring vessels at prices comparable to current market prices. In the event that we are not able to acquire Eco-design resales or secondhand vessels, we may use the proceeds to contract orders for newbuildings.

**Listing** Our common stock is listed on the New York Stock Exchange under the symbol ASC.

**Table of Contents****Summary Financial Data**

The following table sets forth our summary consolidated financial data and other operating data. The summary financial data as of December 31, 2013 and 2012 and the years ended December 31, 2013, 2012 and 2011 are derived from our audited consolidated financial statements, included elsewhere in this prospectus. The summary consolidated financial data set forth below as of December 31, 2011 and 2010 and for the period ended December 31, 2010 have been derived from our audited consolidated financial statements, which are not included in this prospectus. The financial statements have been prepared in accordance with U.S. GAAP. The data set forth below should be read in conjunction with the audited consolidated financial statements, related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations and other financial information included elsewhere in this prospectus. Amounts are expressed in U.S. dollars, unless otherwise stated.

INCOME STATEMENT DATA	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
<b>REVENUE</b>				
Revenue	\$ 35,867,356	25,172,654	22,375,414	3,459,153
<b>OPERATING EXPENSES</b>				
Commissions and voyage related costs	2,523,842	789,149	468,067	94,439
Vessel operating expenses	18,215,487	14,598,071	12,186,825	2,079,857
Charter hire costs		1,699,943	1,663,380	
Depreciation	8,388,208	6,195,416	5,343,091	959,903
Amortization of deferred drydock expenditure	1,420,814	441,491		
General and administrative expenses	5,669,935	2,975,139	2,599,031	851,660
<b>Total operating expenses</b>	<b>36,218,286</b>	<b>26,699,209</b>	<b>22,260,394</b>	<b>3,985,859</b>
<b>(Loss) / profit from operations</b>	<b>(350,930)</b>	<b>(1,526,555)</b>	<b>115,020</b>	<b>(526,706)</b>
Interest expense and finance costs	(3,464,006)	(2,966,014)	(3,080,472)	(647,441)
Interest income	6,059	4,713	3,608	2,723
<b>Loss before taxes</b>	<b>(3,808,877)</b>	<b>(4,487,856)</b>	<b>(2,961,844)</b>	<b>(1,171,424)</b>
Income tax	(33,726)	(51,237)	(13,426)	3,424
<b>Net loss</b>	<b>\$ (3,842,603)</b>	<b>(4,539,093)</b>	<b>(2,975,270)</b>	<b>(1,168,000)</b>
Loss per share, basic and diluted	\$ (0.31)	(0.56)	(0.37)	(0.15)
Weighted average number of common shares, basic and diluted	12,241,599	8,049,500	8,049,500	8,049,500

BALANCE SHEET DATA	As at			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Cash and cash equivalents	\$ 56,860,845	15,334,123	5,460,304	5,203,790
Net vessels (including drydock assets)	292,054,606	157,008,968	145,760,106	94,288,390
Total assets	357,965,633	179,960,468	160,631,102	104,051,350
Short-term revolving credit facility			30,265,000	14,770,000
Senior debt and capital leases	119,239,015	67,100,000	65,600,000	38,000,000
Paid in capital	244,883,077	117,073,352	65,747,599	50,790,925
Accumulated deficit	(12,524,966)	(8,682,363)	(4,143,270)	(1,168,000)

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CASHFLOW DATA	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Net cash provided by operating activities	\$ 8,120,173	3,985,253	397,273	(2,259,892)
Net cash used in investing activities	(144,637,558)	(14,941,514)	(56,920,554)	(95,260,596)
Net cash provided by financing activities	178,044,107	20,830,080	56,779,795	102,724,278

TIME CHARTER EQUIVALENT DATA(1)	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
MR Tankers Eco-design	\$ 15,838			
MR Tankers Eco-mod	13,732	13,294	13,097	12,800
Chemical Tankers Eco-mod	\$ 10,483	9,108	8,878	10,459

FLEET OPERATING DATA	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
<b>FLEET TCE</b>				
Fleet weighted average(2)	\$ 12,850	10,911	11,100	12,597
Profit / (loss) on TC-Invest(3)	(27)	(185)	(47)	(361)
Commissions and voyage related costs(4)	(235)	(337)	(234)	(334)
Third party share of profit / (loss) on chartered-in vessels(5)	(4)	(205)	(254)	
<b>Net TCE</b>	<b>\$ 12,584</b>	<b>10,184</b>	<b>10,565</b>	<b>11,902</b>

OPERATING EXPENDITURE				
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Fleet operating costs per day(6)	\$ 6,152	6,103	6,150	6,963
Technical management fees per day(7)	379	344	334	335
<b>Total fleet operating costs per day</b>	<b>\$ 6,531</b>	<b>6,447</b>	<b>6,484</b>	<b>7,298</b>
Expenditures for drydock(8)	242,263	2,959,280		
<b>HIRE</b>				
On-hire utilization(9)	99.54%	99.10%	99.80%	99.20%

- (1) Time Charter Equivalent ( TCE ) daily rate is the gross charter rate or gross pool rate, as appropriate, per revenue day plus CVE income. For vessels employed on voyage charters, TCE is the net rate after deducting voyage costs incurred by commercial managers.
- (2) Fleet weighted average is total gross revenue for the fleet, after deducting voyage expenses incurred by commercial managers, before any profits arising or losses incurred on TC-Invest and share of profit arising or losses incurred on chartered-in vessels, divided by the number of revenue days.
- (3) Profit / (loss) on TC-Invest relate to two separate agreements entered into by the company with two third party charterers which were supplemental to the charters of the *Ardmore Seafarer* and the *Ardmore Seatrader*, respectively, to participate in the profits or losses arising from each vessel's employment in an MR pool managed by affiliates of the charterers, in exchange for an up-front investment to be used for working capital for the pool. The TC-Invest arrangements were for the period of each time charter. The time charter for the *Ardmore Seafarer* expired on July 10, 2012, and the time charter for the *Ardmore Seatrader* expired on February 12, 2013.
- (4) Commissions and voyage related costs relate to commission and administration and fees in relation to employment of the vessel, along with minor voyage expenses incurred directly by Ardmore.
- (5) Third-party share of profit / (loss) on chartered-in vessels relates to an agreement whereby the profit / (loss) arising from chartering-in and employing the *Hellespont Crusader* and the *Hellespont Commander* in a chemical tanker pool was shared 75% / 25% between us and a third-party charterer, respectively.
- (6) Fleet operating costs per day are routine operating expenses and comprise, crewing, repairs and maintenance, insurance, stores, lube oils and communication costs. They do not include additional costs related to upgrading or enhancement of the vessels that are not capitalized.

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- (7) Technical management are fees paid to third-party technical managers.
- (8) Drydock costs, which include costs for in-water surveys, comprise direct costs that are incurred as part of the drydocking to meet regulatory requirements, expenditures that add economic life to the vessel, and expenditures that increase the vessel's earnings capacity or improve the vessel's operating efficiency.
- (9) On-hire utilization is based on revenue days divided by net operating days (i.e. operating days less scheduled offhire days).

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**RISK FACTORS**

*Some of the following risks relate principally to the tanker industry and our business in general. Other risks relate principally to the securities market and ownership of our common stock. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or cash available for dividends or the trading price of our common stock.*

**RISKS RELATED TO OUR INDUSTRY**

**The tanker industry is cyclical and volatile in terms of charter rates and profitability, which may affect our earnings and available cash flow.**

The tanker industry is both cyclical and volatile in terms of charter rates and profitability. The recent prolonged downturn in the tanker industry may continue and adversely affect our ability to recharter our vessels or to sell them on the expiration or termination of their charters. Moreover, the rates payable in respect of our vessels currently operating in a commercial pool, or any renewal or replacement charters that we enter into, may not be sufficient for us to operate our vessels profitably. Fluctuations in charter rates and tanker values result from changes in the supply and demand for tanker capacity and changes in the supply and demand for oil, oil products and chemicals. The factors affecting the supply and demand for tankers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable.

The factors that influence demand for tanker capacity include:

supply of and demand for oil, oil products and chemicals;

regional availability of refining capacity;

global and regional economic and political conditions;

the distance oil, oil products and chemicals are to be moved by sea;

changes in seaborne and other transportation patterns;

environmental and other legal and regulatory developments;

currency exchange rates;

weather;

competition from alternative sources of energy; and

international sanctions, embargoes, import and export restrictions, nationalizations and wars.

The factors that influence the supply of tanker capacity include:

the number of newbuilding deliveries;

the scrapping rate of older vessels;

conversion of tankers to other uses;

the price of steel and other raw materials;

the number of vessels that are out of service; and

environmental concerns and regulations.

Historically, the tanker markets have been volatile as a result of a variety of conditions and factors that can affect the price, supply and demand for tanker capacity. The recent global economic downturn may further reduce demand for transportation of oil products and chemicals over longer distances. As of February 2014, nine of our Operational Vessels operate on time charters, while two vessels operate in a spot market commercial pool.

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We may seek to employ one or more of our vessels directly in the spot market upon re-delivery from the current time charterers. If time charter or spot charter rates decline, we may be unable to achieve a level of charterhire sufficient for us to operate our vessels profitably.

### **We are partially dependent on spot charters and any decrease in spot-charter rates in the future may adversely affect our earnings.**

Two of our Operational Vessels are employed in a spot market-oriented commercial pool. The earnings of these vessels are based on the spot market charter rates of the pool. We may seek to employ other vessels directly in the spot market upon re-delivery from the current charterers. We expect delivery of four of our Ordered Vessels in 2015 and intend to place them in a third-party commercial pool for product tankers, further exposing us to fluctuations in spot-market charter rates.

We may employ additional vessels that we may acquire in the future in the spot-charter market. Where we plan to employ a vessel in the spot-charter market, we intend to generally place such vessel in a commercial pool that pertains to that vessel's size class or alternatively, we may engage a third-party chartering manager to arrange spot chartering of our vessels on our behalf (third-party spot-chartering arrangement). Although spot chartering is common in the tanker industry, the spot-charter market may fluctuate significantly based upon tanker and oil product/chemical supply and demand. The successful operation of our vessels in the competitive spot-charter market, including within commercial pools, depends upon, among other things, spot-charter rates and minimizing, to the extent possible, time spent waiting for charters and time spent travelling unladen to pick up cargo. The spot-market is very volatile; there have been periods when spot rates have declined below the operating cost of vessels. If future spot-charter rates decline, we may be unable to operate our vessels trading in the spot market profitably, meet our obligations, including payments on indebtedness, or pay dividends in the future. Furthermore, as charter rates for spot-charters are fixed for a single voyage that may last up to several weeks, during periods in which spot-charter rates are rising, we will generally experience delays in realizing the benefits from such increases.

Our ability to renew the charters on our vessels on the expiration or termination of our current charters, or enter into charters on vessels that we may acquire in the future, the charter rates payable under any replacement charters and vessel values will depend upon, among other things, economic conditions in the sectors in which our vessels operate at that time, changes in the supply and demand for vessel capacity and changes in the supply and demand for the seaborne transportation of oil and chemical products.

### **Declines in charter rates and other market deterioration could cause us to incur impairment charges.**

We evaluate the carrying amounts of our vessels to determine if events have occurred that would require an impairment of their carrying amounts. The recoverable amount of vessels is reviewed based on events and changes in circumstances that would indicate that the carrying amount of the assets might not be recovered. The review for potential impairment indicators and projection of future cash flows related to the vessels is complex and requires us to make various estimates including future charter rates, operating expenses and drydock costs. All of these items have been historically volatile.

An impairment charge is recognized if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair market value of the asset.

### **An over-supply of tanker capacity may lead to reductions in charter rates, vessel values, and profitability.**

The market supply of tankers is affected by a number of factors such as demand for energy resources, oil, petroleum and chemical products, as well as strong overall global economic growth. If the capacity of new ships delivered exceeds the capacity of tankers being scrapped and lost, tanker capacity will increase. In addition, the

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newbuilding orderbook which extends to 2017 equaled approximately 17.3% of the existing world tanker fleet and the orderbook may increase further in proportion to the existing fleet. If the supply of tanker capacity increases and if the demand for tanker capacity does not increase correspondingly, charter rates and vessel values could materially decline. A reduction in charter rates and the value of our vessels may have a material adverse effect on our results of operations and available cash.

### **Acts of piracy on ocean-going vessels could adversely affect our business.**

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden. Although the frequency of sea piracy worldwide decreased during 2013, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea, with tankers particularly vulnerable to such attacks. If piracy attacks result in regions in which our vessels are deployed being characterized by insurers as war risk zones by insurers or Joint War Committee war and strikes listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including costs which may be incurred to the extent we employ onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, detention or hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability of insurance for our vessels, could have a material adverse impact on our business, results of operations, cash flows and financial condition and may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

### **The current state of the global financial markets and current economic conditions may adversely impact our ability to obtain additional financing on acceptable terms and otherwise negatively impact our business.**

Global financial markets and economic conditions have been, and continue to be, volatile. In recent years, operating businesses in the global economy have faced tightening credit, weakening demand for goods and services, deteriorating international liquidity conditions, and declining markets. There has been a general decline in the willingness of banks and other financial institutions to extend credit, particularly in the shipping industry, due to the historically volatile asset values of vessels. Since 2008, lending by financial institutions worldwide remains at very low levels compared to the period preceding 2008. As the shipping industry is highly dependent on the availability of credit to finance and expand operations, it has been negatively affected by this decline.

Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers. Due to these factors, additional financing may not be available if needed by us and to the extent required, on acceptable terms or at all. If additional financing is not available when needed, or is available only on unfavorable terms, we may be unable to expand or meet our obligations as they come due or we may be unable to enhance our existing business, complete additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

### **If economic conditions throughout the world do not improve, it could impede our operations.**

Negative trends in the global economy that emerged in 2008 continue to adversely affect global economic conditions. In addition, the world economy continues to face a number of new challenges, including uncertainty related to the continuing discussions in the United States regarding the U.S. federal debt ceiling, mandatory reductions in federal spending, along with widespread skepticism about the implementation of any resulting



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agreements, continuing turmoil and hostilities in the Middle East, North Africa and other geographic areas and continuing economic weakness in the European Union. There has historically been a strong link between the development of the world economy and demand for energy, including oil and gas. An extended period of deterioration in the outlook for the world economy could reduce the overall demand for oil and gas and for our services. Such changes could adversely affect our results of operations and cash flows.

The economies of the United States, the European Union and other parts of the world continue to experience relatively slow growth or remain in recession and exhibit weak economic trends. The credit markets in the United States and Europe have experienced significant contraction, de-leveraging and reduced liquidity, and the U.S. federal and state governments and European authorities continue to implement a broad variety of governmental action and/or new regulation of the financial markets. Global financial markets and economic conditions have been, and continue to be, severely disrupted and volatile.

We face risks affected by changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. We cannot predict how long the current market conditions will last. These continuing economic and governmental factors, together with the concurrent decline in charter rates and vessel values, may have a material adverse effect on our results of operations and may cause the price of our common stock to decline.

### **Changes in fuel, or bunkers, prices may adversely affect profits.**

Fuel, or bunkers, is a significant expense in shipping operations for our vessels employed on the spot market and can have a significant impact on pool earnings. With respect to our vessels employed on time charter, the charterer is generally responsible for the cost and supply of fuel, however such cost may affect the charter rates we are able to negotiate for our vessels. Changes in the price of fuel may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

### **We are subject to complex laws and regulations, including environmental laws and regulations, which can adversely affect our business, results of operations, cash flows and financial condition, and our available cash.**

Our operations are subject to numerous laws and regulations in the form of international conventions and treaties, national, state and local laws and national and international regulations in force in the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These requirements include, but are not limited to, the U.S. Oil Pollution Act of 1990 ( OPA ), requirements of the U.S. Coast Guard and the U.S. Environmental Protection Agency ( EPA ), the International Maritime Organization ( IMO ), International Convention on Civil Liability for Oil Pollution Damage of 1969 (as from time to time amended and generally referred to as CLC ), the IMO International Convention on Civil Liability for Bunker Oil Pollution Damages, the IMO International Convention for the Prevention of Pollution from Ships of 1973 (as from time to time amended and generally referred to as MARPOL ), including designation of Emission Control Areas thereunder, the IMO International Convention for the Safety of Life at Sea of 1974 (as from time to time amended and generally referred to as SOLAS ), the IMO International Convention on Load Lines of 1966 (as from time to time amended), the U.S. Maritime Transportation Security Act of 2002 and the International Labour Organization ( ILO ) Maritime Labour Convention ( MLC ). Compliance with such laws and regulations, where applicable, may require installation of costly equipment or operational changes and may affect the resale value or useful lives of our vessels. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions including greenhouse gases, the management of ballast and bilge waters, maintenance

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and inspection, elimination of tin-based paint, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. The 2010 *Deepwater Horizon* oil spill in the Gulf of Mexico may also result in additional regulatory initiatives or statutes or changes to existing laws that may affect our operations or require us to incur additional expenses to comply with such regulatory initiatives, statutes or laws.

These costs could have a material adverse effect on our business, results of operations, cash flows and financial condition and our available cash. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil in U.S. waters, including the 200-nautical mile exclusive economic zone around the United States. An oil spill could also result in significant liability, including fines, penalties, criminal liability and remediation costs for natural resource damages under other international and U.S. federal, state and local laws, as well as third-party damages, and could harm our reputation with current or potential charterers of our tankers. We are required to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Although we have arranged insurance to cover certain environmental risks, there can be no assurance that such insurance will be sufficient to cover all such risks or that any claims will not have a material adverse effect on our business, results of operations, cash flows and financial condition and available cash.

**If we fail to comply with international safety regulations, we may be subject to increased liability, which may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.**

The operation of our vessels is affected by the requirements set forth in the IMO's International Safety Management Code for the Safe Operation of Ships and Pollution Prevention (ISM Code). The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive Safety Management System that includes the adoption of safety and environmental protection policies setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. If we fail to comply with the ISM Code, we may be subject to increased liability or our existing insurance coverage may be invalidated or decreased for our affected vessels. Such failure may also result in a denial of access to, or detention in, certain ports.

**The market values of our vessels may decrease, which could cause us to breach covenants in our credit facilities and adversely affect our operating results.**

The market values of tankers have generally experienced high volatility. The market prices for tankers declined significantly from historically high levels reached in early 2008 and remain at relatively low levels. You should expect the market value of our vessels to fluctuate depending on general economic and market conditions affecting the shipping industry and prevailing charterhire rates, competition from other shipping companies and other modes of transportation, types, sizes and ages of vessels, applicable governmental regulations and the cost of newbuildings. If the market value of our fleet declines, we may not be able to obtain other financing or incur debt on terms that are acceptable to us or at all. A decrease in these values could also cause us to breach certain covenants that are contained in our credit facilities and in future financing agreements that we may enter into from time to time. If the recoverable amounts of our vessels further decline and we do breach such covenants and we are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on vessels in our fleet. If we sell any vessel at any time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel's carrying amount on our financial statements, resulting in a loss and a reduction in earnings. Please see the section of this prospectus entitled "The International Product and Chemical Tanker Industry" for information concerning historical prices of tankers.

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### **If our vessels suffer damage due to the inherent operational risks of the shipping industry, we may experience unexpected drydocking costs and delays or total loss of our vessels, which may adversely affect our business and financial condition.**

The operation of an ocean-going vessel carries inherent risks. Our vessels and their cargoes will be at risk of being damaged or lost because of events such as marine disasters, bad weather, business interruptions caused by mechanical failures, grounding, fire, explosions, collisions, human error, war, terrorism, piracy, cargo loss, latent defects, acts of God and other circumstances or events. Changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These hazards may result in death or injury to persons, loss of revenues or property, environmental damage, higher insurance rates, damage to our customer relationships, market disruptions, delay or rerouting. In addition, the operation of tankers has unique operational risks associated with the transportation of oil and chemical products. An oil or chemical spill may cause significant environmental damage, and the associated costs could exceed the insurance coverage available to us. Compared to other types of vessels, tankers are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision, or other cause, due to the high flammability and high volume of the oil or chemicals transported in tankers.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and may be substantial. We may have to pay drydocking costs that our insurance does not cover in full. The loss of revenues while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, may adversely affect our business and financial condition. In addition, space at drydocking facilities is sometimes limited and not all drydocking facilities are conveniently located. We may be unable to find space at a suitable drydocking facility or our vessels may be forced to travel to a drydocking facility that is not conveniently located to our vessels positions. The loss of earnings while these vessels are forced to wait for space or to travel or be towed to more distant drydocking facilities may adversely affect our business and financial condition. Further, the total loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator. If we are unable to adequately maintain or safeguard our vessels, we may be unable to prevent any such damage, costs, or loss which could negatively impact our business, financial condition, results of operations and available cash.

### **We operate our vessels worldwide and as a result, our vessels are exposed to international risks which may reduce revenue or increase expenses.**

The international shipping industry is an inherently risky business involving global operations. Our vessels are at risk of damage or loss because of events such as marine disasters, bad weather, business interruptions caused by mechanical failures, grounding, fire, explosions, collisions, human error, war, terrorism, piracy, cargo loss, latent defects, acts of God and other circumstances or events. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These sorts of events could interfere with shipping routes and result in market disruptions which may reduce our revenue or increase our expenses.

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination and transshipment points. Inspection procedures can result in the seizure of the cargo and/or our vessels, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us. It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Furthermore, changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

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### **Political instability, terrorist or other attacks, war or international hostilities can affect the tanker industry, which may adversely affect our business.**

We conduct most of our operations outside of the United States, and our business, results of operations, cash flows, financial condition and available cash may be adversely affected by the effects of political instability, terrorist or other attacks, war or international hostilities. Continuing conflicts and recent developments in the Middle East and North Africa, including Libya, and the presence of the United States and other armed forces in those regions may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further world economic instability and uncertainty in global financial markets. As a result of the above, insurers have increased premiums and reduced or restricted coverage for losses caused by terrorist acts generally. Future terrorist attacks could result in increased volatility of the financial markets and negatively impact the U.S. and global economy. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all.

In the past, political instability has also resulted in attacks on vessels, such as the attack on the *MT Limburg* in October 2002, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia. Any of these occurrences could have a material adverse impact on our business, financial condition, results of operations and available cash.

### **If our vessels call on ports located in countries that are subject to restrictions imposed by the U.S. government, our reputation and the market for our common stock could be adversely affected.**

Although no vessels owned or operated by us have called on ports located in countries subject to sanctions and embargoes imposed by the U.S. government and other authorities or countries identified by the U.S. government or other authorities as state sponsors of terrorism, such as Cuba, Iran, Sudan, and Syria, in the future, our vessels may call on ports in these countries from time to time on charterers' instructions in violation of contractual provisions that prohibit them from doing so. Sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time. In 2010, the United States enacted the Comprehensive Iran Sanctions Accountability and Divestment Act ( CISADA ), that expanded the scope of the Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions on companies, such as ours, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products.

On November 24, 2013, the P5+1 (the United States, United Kingdom, Germany, France, Russia and China) entered into an interim agreement with Iran entitled the Joint Plan of Action ( JPOA ). Under the JPOA it was agreed that, in exchange for Iran taking certain voluntary measures to ensure that its nuclear program is used only for peaceful purposes, the United States and European Union would voluntarily suspend certain sanctions for a period of six months.

On January 20, 2014, the United States and European Union indicated that they would begin implementing the temporary relief measures provided for under the JPOA. These measures include, among other things, the suspension of certain sanctions on the Iranian petrochemicals, precious metals, and automotive industries from January 20, 2014 until July 20, 2014.

In 2012, President Barack Obama signed Executive Order 13608, which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. Any persons found to be in violation of Executive Order 13608 will be deemed a foreign sanctions evader and will be banned from all contact with the United States, including conducting business in U.S. dollars. Also in 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012 (the Iran Threat Reduction

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Act ), which created new sanctions and strengthened existing sanctions. Among other things, the Iran Threat Reduction Act intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran's petroleum or petrochemical sector. The Iran Threat Reduction Act also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person's vessels from U.S. ports for up to two years.

Although we believe that we have been in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. In addition, the United States retains the authority to revoke the relief set forth in the JPOA if Iran fails to meet its commitments under the JPOA. Any such violation could result in fines, penalties or other sanctions that could severely impact our ability to access U.S. capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. In addition, our reputation and the market for our securities may be adversely affected if we engage in certain other activities, such as engaging in operations under an otherwise lawful contract or transaction with a third party which separately and subsequently becomes involved in sanctionable conduct. Investor perception of the value of our common stock may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

### **The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.**

We expect that our vessels will call in ports where smugglers may attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims which could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

### **Maritime claimants could arrest our vessels, which would have a negative effect on our cash flows.**

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting or attaching a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our business or require us to pay large sums of money to have the arrest lifted, which would have a negative effect on our cash flows.

In addition, in some jurisdictions, such as South Africa, under the sister ship theory of liability, a claimant may arrest both the vessel that is subject to the claimant's maritime lien and any associated vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert sister ship liability against one vessel in our fleet for claims relating to another of our ships.

### **Governments could requisition our vessels during a period of war or emergency, which may negatively impact our business, financial condition, results of operations and available cash.**

A government could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a vessel and becomes the owner. Also, a government could requisition our vessels for hire.

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Requisition for hire occurs when a government takes control of a vessel and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels may negatively impact our business, financial condition, results of operations and available cash.

### **Technological innovation could reduce our charterhire income and the value of our vessels.**

The charterhire rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new tankers are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically advanced vessels could adversely affect the amount of charterhire payments we receive for our vessels once their initial charters expire and the resale value of our vessels could significantly decrease. As a result, our available cash could be adversely affected.

### **If labor or other interruptions are not resolved in a timely manner, they could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.**

We, indirectly through our technical managers, employ masters, officers and crews to man our vessels. If not resolved in a timely and cost-effective manner, industrial action or other labor unrest or any other interruption arising from incidents of whistleblowing whether proven or not, could prevent or hinder our operations from being carried out as we expect and could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

## **RISKS RELATED TO OUR BUSINESS**

### **We have a limited history of operations on which investors may assess our performance.**

We commenced business operations in April 2010. We have a limited performance record and operating history, and, therefore, limited historical financial information upon which you can evaluate our operating performance, ability to implement and achieve our business strategy or ability to pay dividends in the future. We cannot assure you that we will be successful in implementing our business strategy.

### **We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.**

We are an emerging growth company, as defined in the Securities Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies. We cannot predict if investors will find our common shares less attractive because we may rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our share price may be more volatile.

In addition, Section 107 of the Jumpstart Our Business Act (the JOBS Act) provides that an emerging growth company can take advantage of the extended transition period provided in Section 13(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected not to take advantage of the benefits of this extended transition period and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies. This election is irrevocable.

In addition, because of our emerging growth company status, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to

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Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we are an emerging growth company. For as long as we take advantage of the reduced reporting obligations, the information that we provide shareholders may be different from information provided by other public companies. We may take advantage of these provisions until the end of the fiscal year following the fifth anniversary of our initial public offering or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if, among other things, we have more than \$1.0 billion in total annual gross revenues during the most recently completed fiscal year.

**Because the Public Company Accounting Oversight Board ( PCAOB ) is not currently permitted to inspect our independent accounting firm, you may not benefit from such inspections.**

Auditors of U.S. public companies are required by law to undergo periodic PCAOB inspections to assess their compliance with U.S. law and professional standards in connection with performance of audits of financial statements filed with the SEC. Certain European Union countries, including Ireland, do not currently permit the PCAOB to conduct inspections of accounting firms established and operating in such European Union countries, even if they are part of major international firms. Accordingly, unlike for most U.S. public companies, the PCAOB is prevented from evaluating our auditor's performance of audits and its quality control procedures, and, unlike shareholders of most U.S. public companies, we and our shareholders are deprived of the possible benefits of such inspections.

**If we do not identify suitable vessels for acquisition or successfully integrate any acquired vessels, we may not be able to grow or effectively manage our growth.**

One of our principal strategies is to continue expanding our operations and adding to our fleet. Our future growth will depend upon a number of factors, some of which may not be within our control. These factors include our ability to:

identify suitable tankers and/or shipping companies for acquisitions at attractive prices;

identify businesses engaged in managing, operating or owning tankers for acquisitions or joint ventures;

integrate any acquired tankers or businesses successfully with our existing operations;

hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet;

identify additional new markets;

improve our operating, financial and accounting systems and controls; and

obtain required financing for our existing and new vessels and operations.

Our failure to effectively identify, purchase, develop and integrate any tankers or businesses could adversely affect our business, financial condition and results of operations. The number of employees that perform services for us and our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet, and we may not be able to effectively hire more employees or adequately improve those systems. Finally, acquisitions may require additional equity issuances or debt issuances (with amortization payments). If we are unable to execute the points noted above, our financial condition may be adversely affected.

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty in obtaining additional qualified personnel and managing relationships with customers and suppliers and integrating newly acquired vessels and operations into existing infrastructures. The expansion of our fleet may impose significant additional responsibilities on our management and staff, and the management and staff of our technical managers, and may necessitate that we, and they, increase the number of personnel to support such expansion. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in

connection with such growth plans.



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**Delays in deliveries of our Ordered Vessels or additional vessels, our decision to cancel an order for purchase of a vessel or our inability to otherwise complete the acquisitions of additional vessels for our fleet, could harm our operating results.**

We expect to purchase additional vessels from time to time. The delivery of these vessels, plus our Ordered Vessels, could be delayed, not completed or cancelled, which would delay or eliminate our expected receipt of revenues from the employment of these vessels. The seller could fail to deliver these vessels to us as agreed, or we could cancel a purchase contract because the seller has not met its obligations.

If the delivery of any vessel is materially delayed or cancelled, especially if we have committed the vessel to a charter under which we become responsible for substantial liquidated damages to the customer as a result of the delay or cancellation, our business, financial condition and results of operations could be adversely affected.

The delivery of our Ordered Vessels could be delayed because of, among other things:

work stoppages or other labor disturbances or other events that disrupt the operations of the shipyard building the vessels;

quality or other engineering problems;

changes in governmental regulations or maritime self-regulatory organization standards;

lack of raw materials;

bankruptcy or other financial crisis of the shipyard building the vessels;

our inability to obtain requisite financing or make timely payments;

a backlog of orders at the shipyard building the vessels;

hostilities or political or economic disturbances in the countries where the vessels are being built;

weather interference or catastrophic event, such as a major earthquake or fire;

our requests for changes to the original vessel specifications;

shortages or delays in the receipt of necessary construction materials, such as steel;

our inability to obtain requisite permits or approvals; or

a dispute with the shipyard building the vessels.

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The delivery of the vessels we propose to acquire could be delayed because of, among other things, hostilities or political disturbances, non-performance of the purchase agreement with respect to the vessels by the seller, our inability to obtain requisite permits, approvals or financings or damage to or destruction of vessels while being operated by the seller prior to the delivery date.

**We will be required to make substantial capital expenditures to expand the number of vessels in our fleet and to maintain all our vessels, which will be dependent on additional financing.**

Our business strategy is based in part upon the expansion of our fleet through the purchase of additional vessels. We currently estimate, based upon current and anticipated market conditions, our capital expenditures on our Ordered Vessels plus the potential acquisition of additional vessels in 2014 and 2015 will be between \$300 and \$400 million, which assumes that we successfully complete this offering.

In addition, we will incur significant maintenance costs for our current and any newly-acquired vessels. A newbuilding vessel must be drydocked within five years of its delivery from a shipyard, and vessels are typically drydocked every 30 to 60 months thereafter depending on the vessel, not including any unexpected repairs. We estimate the cost to drydock a vessel is between \$500,000 and \$1,000,000, depending on the size and condition of the vessel and the location of drydocking.

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We have signed a commitment letter for the Joint Facility, in the amount of \$172.0 million to finance eight of the Ordered Vessels in our Current Fleet. The terms of the Joint Facility include an accordion option whereby, subject to lenders' approval, we may request to increase the Joint Facility to finance the acquisition of additional vessels. We are also in advanced discussions with our relationship banks and have received non-binding indicative terms for the Prospective Debt Facilities. We intend to use the Prospective Debt Facilities to finance the remaining two Ordered Vessels in the Current Fleet and the *Ardmore Seamariner* which was acquired in October 2013 with cash.

There can be no assurance we will be successful in completing documentation for the Joint Facility, or that we will be successful in availing ourselves of the accordion option in the Joint Facility, or that we will be successful in agreeing to terms with respect to the Prospective Debt Facilities. To fund any shortfall for purchasing other vessels or for drydocking costs from time to time, we may be required to incur additional borrowings or raise capital through the sale of debt or additional equity securities. Use of cash from operations will reduce available cash. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control.

**If we cannot take delivery of our Ordered Vessels, or complete the purchase of additional vessels that we intend to acquire, we may use a portion of the proceeds from this offering for other corporate purposes with which you may not agree.**

If we cannot take delivery of the Ordered Vessels or complete the purchase of additional vessels that we intend to acquire, if the sellers fail to deliver any vessels to us as agreed, or if we cancel a purchase because a seller has not met its obligations, our management will have the discretion to apply the proceeds of this offering that we would have used to purchase those vessels to acquire other vessels. In particular, certain events may arise that could result in us not taking delivery of a vessel, such as a total loss of a vessel, a constructive total loss of a vessel, or substantial damage to a vessel prior to its delivery. We will not escrow the proceeds from the offering and will not return the proceeds to you if we do not take delivery of one or more vessels. It may take a substantial period of time before we can locate and purchase other suitable vessels. During this period, the portion of the proceeds of the offering originally planned for the acquisition of these vessels will be invested on a short-term basis and therefore will not yield returns at rates comparable to those these vessels might have earned.

**We will not be able to take advantage of favorable opportunities in the current spot market with respect to vessels employed on medium to long-term time charters.**

Nine of our Operational Vessels are employed under fixed rate time charter agreements with an average remaining duration of approximately seven months. When our existing time charter agreements expire and upon delivery of our Ordered Vessels or vessels to be ordered, we may enter into new time charter agreements for periods of one year or longer. Vessels committed to medium- and long-term time charters may not be available for spot charters during periods of increasing charterhire rates, when spot charters might be more profitable.

**If we purchase and operate secondhand vessels, we will be exposed to increased operating costs that could adversely affect our earnings and, as our fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters.**

Our current business strategy includes additional growth through the acquisition of new and secondhand vessels. While we typically inspect secondhand vessels prior to purchase, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Generally, we do not receive the benefit of warranties from the builders of the secondhand vessels that we acquire.

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In general, the costs to maintain a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel-efficient than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers.

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations, or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

### **An increase in operating or voyage costs would decrease earnings and available cash.**

For all Operational Vessels, the charterer is responsible for voyage costs and we are responsible for the vessel operating costs. We may seek to employ one or more of our vessels directly in the spot market upon re-delivery from the current charterers by entering into a third-party spot chartering arrangement. Under a third-party spot chartering arrangement, our third-party chartering manager will contract voyages for the vessel in the spot market and we will be responsible for all cost associated with operating the vessel including operating expenses, voyage costs, bunkers, port and canal costs.

Our vessel operating costs include the costs of crew, provisions, deck and engine stores, insurance and maintenance, repairs and spares, which depend on a variety of factors, many of which are beyond our control. If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydocking repairs are unpredictable and can be substantial. Increases in any of these expenses would decrease earnings and available cash.

### **If we are unable to operate our vessels profitably, we may be unsuccessful in competing in the highly competitive international tanker market, which would negatively affect our financial condition and our ability to expand our business.**

The operation of tanker vessels and transportation of petroleum and chemical products is extremely competitive, in an industry that is capital intensive and highly fragmented. Competition arises primarily from other tanker owners, including major oil companies as well as independent tanker companies, some of which have substantially greater resources than we do. Competition for the transportation of oil products and chemicals can be intense and depends on price, location, size, age, condition and the acceptability of the tanker and its operators to the charterers. We may be unable to compete effectively with other tanker owners, including major oil companies as well as independent tanker companies.

Our market share may decrease in the future. We may not be able to compete profitably as we expand our business into new geographic regions or provide new services. New markets may require different skills, knowledge or strategies than we use in our current markets, and the competitors in those new markets may have greater financial strength and capital resources than we do.

### **The failure of our charterers to meet their obligations under our time charter agreements, on which we depend for a majority of our revenues, could cause us to suffer losses or otherwise adversely affect our business.**

Nine of our Operational Vessels are employed under fixed rate time charter agreements with an average remaining duration of approximately seven months. When our existing time charter agreements expire and upon delivery of our vessels under construction or to be ordered, we may enter into new time charter agreements for periods of one year or longer. The ability and willingness of each of our counterparties to perform its obligations under a time charter agreement with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the tanker shipping industry and the

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overall financial condition of the counterparties. Charterers are sensitive to the commodity markets and may be impacted by market forces affecting commodities. In addition, in depressed market conditions, there have been reports of charterers renegotiating their charters or defaulting on their obligations under charters. Our customers may fail to pay charterhire or attempt to renegotiate charter rates. Should a counterparty fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure in the spot market or on time charters may be at lower rates. Where we plan to employ a vessel in the spot-charter market, we intend to generally place such vessel in a commercial pool managed by a pool manager that pertains to that vessel's size class or alternatively, we may enter into a third-party spot-chartering arrangement. If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends, if any, in the future, and compliance with covenants in our credit facilities.

**Our charterers may terminate or default on their charters, which could adversely affect our results of operations and cash flow.**

Our charters may terminate earlier than the dates indicated in this prospectus. The terms of our charters vary as to which events or occurrences will cause a charter to terminate or give the charterer the option to terminate the charter, but these generally include a total or constructive loss of the relevant vessel, the requisition for hire of the relevant vessel, the drydocking of the relevant vessel for a certain period of time or the failure of the relevant vessel to meet specified performance criteria. In addition, the ability of each of our charterers to perform its obligations under a charter will depend on a number of factors that are beyond our control. These factors may include general economic conditions, the condition of the tanker industry, the charter rates received for specific types of vessels and various operating expenses. The costs and delays associated with the default by a charterer under a charter of a vessel may be considerable and may adversely affect our business, results of operations, cash flows and financial condition and our available cash.

We cannot predict whether our charterers will, upon the expiration of their charters, re-charter our vessels on favorable terms or at all. If our charterers decide not to re-charter our vessels, we may not be able to re-charter them on terms similar to our current charters or at all. In the future, we may also employ our vessels on the spot-charter market, which is subject to greater rate fluctuation than the time charter market. Where we plan to employ a vessel in the spot-charter market, we intend to generally place such vessel in a tanker pool managed by a pool manager that pertains to that vessel's size class.

If we receive lower charter rates under replacement charters or are unable to re-charter all of our vessels, our available cash may be significantly reduced or eliminated.

**Our ability to pay dividends may be limited by the amount of cash we generate from operations following the payment of fees and expenses, by the establishment of any reserves and by additional factors unrelated to our profitability.**

We intend to pay regular quarterly dividends. The amount of dividends we will be able to pay will depend upon the amount of cash we generate from our operations. We may not, however, have sufficient cash available each quarter to pay dividends, as a result of insufficient levels of profit, restrictions on the payment of dividends and the decisions of our management and directors. The amount of cash we will have available for dividends may fluctuate upon, among other things:

the rates we obtain from our charters as well as the rates obtained upon the expiration of our existing charters;

the level of our operating costs;

the number of unscheduled off-hire days and the timing of, and number of days required for, scheduled drydocking of our vessels;

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vessel acquisitions and related financings, such as restrictions in our credit facilities and in any future debt programs;

prevailing global and regional economic and political conditions;

the effect of governmental regulations and maritime self-regulatory organization standards, including with respect to environmental and safety matters, on the conduct of our business; and

changes in the bases of taxation of our activities in various jurisdictions.

The actual amount of cash we will have available for dividends will also depend on many factors, including:

changes in our operating cash flows, capital expenditure requirements, working capital requirements and other cash needs;

our fleet expansion strategy and associated uses of our cash and our financing requirements;

modification or revocation of our dividend policy by our board of directors;

the amount of any cash reserves established by our board of directors; and

restrictions under Marshall Islands law.

The amount of cash we generate from our operations may differ materially from our net income or loss for the period, which may be affected by non-cash items. We may incur other expenses or liabilities that could reduce or eliminate the cash available for distribution as dividends. Our credit facilities also restrict our ability to declare and pay dividends if an event of default has occurred and is continuing or if the payment of the dividend would result in an event of default. In addition, Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings in excess of consideration received for the sale of stock above the par value of the stock), or while a company is insolvent or if it would be rendered insolvent by the payment of such a dividend, and any such dividend may be discontinued at the discretion of our board of directors. As a result of these and other factors mentioned above, we may pay dividends during periods when we record losses and may not pay dividends during periods when we record income.

**Our ability to obtain additional debt financing may be dependent on the performance of our then existing charters and the creditworthiness of our charterers.**

The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional capital resources that we will require to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing at all or at a higher than anticipated cost may materially affect our results of operations and our ability to implement our business strategy.

**Servicing debt, including debt which we may incur in the future, would limit funds available for other purposes and if we cannot service our debt, we may lose our vessels.**

Borrowing under our existing credit facilities and the credit facilities that we expect to enter into following the completion of this offering requires us to dedicate a part of our cash flow from operations to paying interest on our indebtedness. These payments limit funds available for working capital, capital expenditures and other purposes, including further equity or debt financing in the future. Amounts borrowed under our credit facilities bear interest at variable rates. Increases in prevailing rates could increase the amounts that we would have to pay to our lenders, even though the outstanding principal amount remains the same, and our net income and cash flows would decrease. We expect our earnings and cash flow to vary from year to year due to the cyclical nature of the tanker industry. If we do not generate or reserve enough cash flow from

operations to satisfy our debt obligations, we may have to:

seek to raise additional capital;

refinance or restructure our debt;

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sell tankers; or

reduce or delay capital investments.

However, these alternatives, if necessary, may not be sufficient to allow us to meet our debt obligations. If we are unable to meet our debt obligations or if some other default occurs under our credit facilities, the lenders could elect to declare that debt, together with accrued interest and fees, to be immediately due and payable and proceed against the collateral vessels securing that debt even though the majority of the proceeds used to purchase the collateral vessels did not come from our credit facilities.

### **We are a holding company and depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations and to make dividend payments.**

We are a holding company, and our subsidiaries, which are all directly and indirectly wholly owned by us, conduct all of our operations and own all of our operating assets. As a result, our ability to satisfy our financial obligations and to pay dividends to our shareholders depends on the ability of our subsidiaries to generate profits available for distribution to us and, to the extent that they are unable to generate profits, we will be unable to pay dividends to our shareholders.

### **We have limited history operating as a publicly traded entity and may incur increased costs as a result of being a publicly traded corporation.**

As a public company we have significant legal, accounting and other expenses in addition to our initial registration and listing expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002 ( Sarbanes-Oxley ), as well as rules subsequently implemented by the SEC and the New York Stock Exchange, have imposed various requirements on public companies, including changes in corporate governance practices, and these requirements may continue to evolve. We and our management personnel, and other personnel, if any, will need to devote a substantial amount of time to comply with these requirements. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly.

Sarbanes-Oxley requires, among other things, that we maintain and periodically evaluate our internal control over financial reporting and disclosure controls and procedures. Our compliance with Sarbanes-Oxley may require that we incur substantial accounting expenses and expend significant management efforts.

### **Our credit facilities contain restrictive covenants that limit the amount of cash that we may use for other corporate activities, which could negatively affect our growth and cause our financial performance to suffer.**

Our credit facilities impose operating and financial restrictions on us. These restrictions may limit our ability, or the ability of our subsidiaries party thereto to:

pay dividends and make capital expenditures if we do not repay amounts drawn under our credit facilities or if there is another default under our credit facilities;

incur additional indebtedness, including the issuance of guarantees;

create liens on our assets;

change the flag, class or management of our vessels or terminate or materially amend the management agreement relating to each vessel;

sell our vessels;



merge or consolidate with, or transfer all or substantially all our assets to, another person; or

enter into a new line of business.

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Certain of our credit facilities require us to maintain specified financial ratios and satisfy financial covenants. These financial ratios and covenants include requirements that:

we maintain corporate leverage of less than 75%;

we maintain minimum cash and cash equivalents based on the number of vessels owned and chartered-in and debt service requirements. Our required minimum cash balance as of December 31, 2013 was \$4.8 million;

the aggregate fair market value of our vessels plus any additional collateral shall, depending on the facility, be no less than 125% to 150% of the debt outstanding (value maintenance covenant); and

we maintain a corporate net worth of not less than \$45 million.

Therefore, we may need to seek permission from our lenders in order to engage in some corporate actions. Our lenders' interests may be different from ours and we may not be able to obtain our lenders' permission when needed. This may limit our ability to pay dividends to you if we determine to do so in the future, finance our future operations or capital requirements, make acquisitions or pursue business opportunities.

**We cannot assure you that we will complete documentation for the Joint Facility, that we will enter into the Prospective Debt Facilities or that if we do so that we will be able to borrow all or any of the amounts committed thereunder.**

We have signed a commitment letter for the Joint Facility in the amount of \$172.0 million to finance eight of our Ordered Vessels. The terms of the Joint Facility include an accordion option whereby, subject to lenders' approval, we may request to increase the Joint Facility to finance the acquisition of additional vessels. We are also in advanced discussions with our relationship banks and have received non-binding indicative terms for the Prospective Debt Facilities. We intend to use these to finance the remaining two Ordered Vessels and the *Ardmore Seamariner* which was acquired in October 2013 with cash. There can be no assurance we will be successful in completing documentation for the Joint Facility, or that we will be successful in availing ourselves of the accordion option in the Joint Facility, or that we will be successful in agreeing to terms for the Prospective Debt Facilities.

**If interest rates increase, it will affect the interest rate under our credit facilities which could affect our profitability, earnings and cash flow.**

Amounts borrowed under our existing credit facilities bear interest at an annual rate ranging from 2.45% to 3.75% above LIBOR. Interest rates have recently been at historic lows and any normalization in interest rates would lead to an increase in LIBOR, which would affect the amount of interest payable on amounts that we were to drawdown from our credit facilities, which in turn would have an adverse effect on our profitability, earnings and cash flow.

**U.S. tax authorities could treat us as a passive foreign investment company, which could have adverse U.S. federal income tax consequences to U.S. holders.**

A foreign corporation will be treated as a passive foreign investment company (PFIC), for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of passive income or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of passive income. For purposes of these tests, passive income generally includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services generally does not constitute passive income. U.S. shareholders of a PFIC are subject to an adverse U.S. federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

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Based upon our operations as described herein, we do not believe that our income from our time charters should be treated as passive income for purposes of determining whether we are a PFIC, and, consequently, the assets that we own and operate in connection with the production of that income should not constitute passive assets. Accordingly, based on our current operations, we do not believe we will be treated as a PFIC with respect to any taxable year.

There is substantial legal authority supporting this position consisting of case law and U.S. Internal Revenue Service ( IRS ), pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if the nature and extent of our operations change.

If the IRS were successful in asserting that we are or have been a PFIC for any taxable year, U.S. shareholders would face adverse U.S. federal income tax consequences. Under the PFIC rules, unless a shareholder makes an election available under the U.S. Internal Revenue Code of 1986, as amended, ( the Code ), (which election could itself have adverse consequences for such shareholders, as discussed below under Tax Considerations U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of U.S. Holders ), excess distributions and any gain from the disposition of such shareholder's common shares would be allocated ratably over the shareholder's holding period of the common shares and the amounts allocated to the taxable year of the excess distribution or sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed with respect to such tax. See Tax Considerations U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of United States Holders for a more comprehensive discussion of the U.S. federal income tax consequences to United States shareholders if we are treated as a PFIC.

### **We may have to pay tax on U.S. source shipping income, which would reduce our earnings.**

Under the Code, 50% of the gross shipping income of a corporation that owns or charters vessels, as we and our subsidiaries do, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States will be subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the applicable Treasury Regulations promulgated thereunder or that corporation is entitled to an exemption from such tax under an applicable U.S. income tax treaty.

Prior to our IPO, we believe that we had been exempt from this tax because we were entitled to the benefits of the U.S. Irish tax treaty, which generally contains an exemption from this tax for qualified Irish residents. After our IPO, although we no longer qualified for an exemption under the U.S. Irish tax treaty, we and our subsidiaries took the position that we qualify for an exemption under Section 883 of the Code for U.S. federal income tax return reporting purposes. After this offering, we intend to continue to take the position that we qualify for an exemption under Section 883 of the Code for U.S. federal income tax return reporting purposes. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption after the offering and thereby become subject to U.S. federal income tax on our U.S. source shipping income. For example, we would no longer qualify for exemption under Section 883 of the Code for a particular taxable year if certain non-qualified shareholders with a 5% or greater interest in our common shares owned, in the aggregate, 50% or more of our outstanding common shares for more than half the days during the taxable year. Due to the factual nature of the issues involved, there can be no assurances that we or any of our subsidiaries will qualify for exemption under Section 883 of the Code.

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If we or our subsidiaries were not entitled to exemption under Section 883 of the Code for any taxable year, we or our subsidiaries would be subject for such year to an effective 2% U.S. federal income tax on the shipping income we or our subsidiaries derive during the year which is attributable to the transport of cargoes to or from the United States. The imposition of this taxation would have a negative effect on our business and would decrease our earnings available for distribution to our shareholders.

**If our effective tax rate increases, our business and financial results would be adversely impacted.**

We have significant operations and currently generate substantially all of our taxable income in Ireland. In general, tax rates in Ireland on trading income are significantly lower than tax rates in the United States and many other developed jurisdictions. Moreover, our relevant shipping profits are taxed in Ireland under the Tonnage Tax regime. Tonnage Tax provides an alternative to charging corporation tax on certain profits of a qualifying shipping company. Rather than charging corporation tax in the normal way, tax is levied each year by reference to the tonnage of the ships operated by the qualifying company. We have received approval from the Irish Revenue Commissioners to operate a number of our ship-owning subsidiaries as qualifying shipping companies under the Tonnage Tax regime. In order to ensure a compliance with the Tonnage Tax regime, a number of conditions must continue to be satisfied. Importantly we must carry on the strategic and commercial management of our qualifying ships from Ireland. If our operations no longer qualify for the lower and predictable tax rates available under Tonnage Tax or if the tax laws in Ireland were rescinded or changed, our effective tax rate could increase and our business, financial condition and results of operations could be materially adversely affected. In addition, if U.S. or other tax authorities were to challenge successfully the manner in which we recognize profits or, more generally, the jurisdiction in which our income is subject to taxation, our effective tax rate could increase and our cash flow and results of operations could be materially adversely affected.

**If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.**

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of Sarbanes-Oxley, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

We will be required to disclose changes made in our internal controls and procedures and our management will be required to assess the effectiveness of these controls annually. However, for as long as we are an emerging growth company, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404 of Sarbanes-Oxley. We could be an emerging growth company for up to five years. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statements and restatements and require us to incur the expense of remediation.

In the course of auditing our financial statements for the year ended December 31, 2012, our independent registered public accounting firm identified a deficiency relating to the application of U.S. GAAP to deferred finance fees and capitalization of imputed interest on vessels under construction which they considered to be a material weakness. The PCAOB defines a material weakness as a deficiency, or combination of deficiencies, in

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internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. We have implemented steps to remediate this weakness including retaining the services of an independent accounting firm to assist with non-routine complex U.S. GAAP accounting issues during the year ended December 31, 2013, the material weakness has been remediated. However, if additional material weaknesses or significant deficiencies in our internal controls are discovered in the future, we may fail to meet our future reporting obligations, our financial statements may contain material misstatements and our operating results may be adversely affected.

### **We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or negatively impact our results of operations and cash flows.**

We have entered into various contracts, as of February 2014, including charter agreements with our customers, consisting of nine long-term fixed-rate charter agreements, two commercial pool agreements, our credit facilities and our capital lease arrangement. Such agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime and offshore industries, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. For example, the combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us. In addition, in depressed market conditions, our charterers and customers may no longer need a vessel that is currently under charter or contract or may be able to obtain a comparable vessel at lower rates. As a result, charterers and customers may seek to renegotiate the terms of their existing charter agreements or avoid their obligations under those contracts. Should a counterparty fail to honor its obligations under agreements with us, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

### **Our insurance may not be adequate to cover our losses that may result from our operations due to the inherent operational risks of the tanker industry.**

We carry insurance to protect us against most of the accident-related risks involved in the conduct of our business, including marine hull and machinery insurance, protection and indemnity insurance, which includes pollution risks, crew insurance and war risk insurance. However, we may not be adequately insured to cover losses from our operational risks, which could have a material adverse effect on us. Additionally, our insurers may refuse to pay particular claims and our insurance may be voidable by the insurers if we take, or fail to take, certain action, such as failing to maintain certification of our vessels with applicable maritime regulatory organizations. Any significant uninsured or under-insured loss or liability could have a material adverse effect on our business, results of operations, cash flows and financial condition and our available cash. In addition, we may not be able to obtain adequate insurance coverage at reasonable rates in the future during adverse insurance market conditions.

Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain due to increased premiums or reduced or restricted coverage for losses caused by terrorist acts generally.

### **Because we obtain some of our insurance through protection and indemnity associations, which result in significant expenses to us, we may be required to make additional premium payments.**

We may be subject to increased premium payments, or calls, in amounts based on our claim records, the claim records of our managers, as well as the claim records of other members of the protection and indemnity

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associations through which we receive insurance coverage for tort liability, including pollution-related liability. In addition, our protection and indemnity associations may not have enough resources to cover claims made against them. Our payment of these calls could result in significant expense to us, which could have a material adverse effect on our business, results of operations, cash flows, financial condition and available cash.

**We are incorporated in the Marshall Islands, which does not have a well-developed body of case law or bankruptcy law and, as a result, shareholders may have fewer rights and protections under Marshall Islands law than under a typical jurisdiction in the United States.**

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act (the BCA ). The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Shareholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public shareholders may have more difficulty in protecting their interests in the face of actions by management, directors or controlling shareholders than would shareholders of a corporation incorporated in a U.S. jurisdiction. Further, Marshall Islands does not have a well-developed body of bankruptcy law. As such, in the case of a bankruptcy of our Company, there may be a delay of bankruptcy proceedings and the ability of shareholders and creditors to receive recovery after a bankruptcy proceeding. Please see the section of this prospectus titled *Enforceability of Civil Liabilities* beginning on page 142.

**Our business depends upon key members of our senior management team who may not necessarily continue to work for us.**

Our future success depends to a significant extent upon certain members of our senior management team. Our management team have substantial experience in the product tanker and chemical shipping industries and have worked with us since inception. Our management team is crucial to the execution of our business strategies and to the growth and development of our business. If the individuals were no longer to be affiliated with us, we may be unable to recruit other employees with equivalent talent and experience, and our business and financial condition may suffer as a result.

**It may be difficult to serve process on or enforce a U.S. judgment against us, our officers and our directors.**

We are a Marshall Islands corporation and several of our executive offices are located outside of the United States. Some of our directors and officers and certain of the experts named in this prospectus reside outside the United States. In addition, a substantial portion of our assets and the assets of our directors, officers and experts are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in U.S. courts against us or any of these persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws. Furthermore, there is substantial doubt that the courts of the Marshall Islands or of the non-U.S. jurisdictions in which our offices are located would enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws.

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### **RISKS RELATED TO THIS OFFERING AND OUR COMMON SHARES**

#### **The price of our common shares after this offering may be volatile.**

The price of our common shares may fluctuate due to factors such as:

actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;

mergers and strategic alliances in the tanker industry;

market conditions in the tanker industry;

changes in government regulation;

the failure of securities analysts to publish research about us after this offering, or shortfalls in our operating results from levels forecast by securities analysts;

announcements concerning us or our competitors; and

the general state of the securities markets.

The seaborne transportation industry has been highly unpredictable and volatile. The market for our common shares in this industry may be equally volatile. Consequently, you may not be able to sell the common shares at prices equal to or greater than those paid by you in this offering.

#### **GA Holdings LLC ( GA Holdings ) beneficially owns approximately 44.6% of our total outstanding common shares, which may limit your ability to influence our actions.**

Prior to this offering, GA Holdings beneficially owns approximately 44.6% of our outstanding common shares and has the power to exert considerable influence over our actions through their ability to effectively control matters requiring shareholder approval, including the determination to enter into a corporate transaction or to prevent a transaction, regardless of whether our shareholders believe that any such transaction is in their or our best interests. For example, GA Holdings could cause us to consummate a merger or acquisition that increases the amount of our indebtedness or cause us to sell all of our revenue-generating assets. We cannot assure you that the interests of GA Holdings will coincide with the interests of other shareholders. As a result, the market price of our common shares could be adversely affected.

Additionally, GA Holdings may invest in entities that directly or indirectly compete with us, or companies in which GA Holdings currently invests may begin competing with us. GA Holdings may also separately pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. As a result of these relationships, when conflicts arise between the interests of GA Holdings and the interests of our other shareholders, our directors who were nominated by GA Holdings may not be disinterested. GA Holdings will effectively control all of our corporate decisions so long as they continue to own a substantial number of our common shares.

#### **Future sales of our common shares could cause the market price of our common shares to decline.**

The market price for our common shares could decline as a result of sales by existing shareholders, including GA Holdings, of large numbers of our common shares after this offering, or as a result of the perception that such sales may occur. Sales of our common shares by these shareholders also might make it more difficult for us to sell equity or equity-related securities in the future at a time and at the prices that we

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deem appropriate. Of the common shares outstanding after giving effect to this offering:

shares will be freely tradable unless purchased by persons deemed our affiliates, as the term is defined in Rule 144 under the Securities Act; and



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additional shares may be sold after the expiration of 90-day lock-up agreements that will be entered into by our executive officers and directors and our sole shareholder, subject to registration under the Securities Act, compliance with the requirements of Rule 144 or the availability of an exemption from the registration requirements of the Securities Act.

**Anti-takeover provisions in our Amended and Restated Articles of Incorporation could make it difficult for our shareholders to replace or remove our current board of directors or could have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common shares.**

Several provisions of our Amended and Restated Articles of Incorporation and bylaws could make it difficult for our shareholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable.

These provisions include:

authorizing the board of directors to issue blank check preferred stock without shareholder approval;

providing for a classified board of directors with staggered, three year terms;

prohibiting cumulative voting in the election of directors;

authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of two-thirds of the outstanding shares of our common stock entitled to vote for the directors;

limiting the persons who may call special meetings of shareholders; and

establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings.

These anti-takeover provisions could substantially impede the ability of public shareholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

**You will experience immediate and substantial dilution of \$            per common share.**

The public offering price of \$            per common share exceeds the net tangible book value per common share immediately after this offering. Based on a public offering price of \$            per common share, you will incur immediate and substantial dilution of \$            per share. This dilution results primarily because the assets which have been contributed to us, in exchange for all of our common shares, are recorded at their historical cost, and not their fair value, in accordance with U.S. GAAP principles. Please see **Dilution** for a more detailed description of the dilution that you will experience upon the completion of this offering.

**We may issue additional common shares or other equity securities without your approval, which could dilute your ownership interests and may depress the market price of our common shares.**

We may issue additional common shares or other equity securities of equal or senior rank in the future in connection with, among other things, future vessel acquisitions, repayment of outstanding indebtedness or our equity incentive plan, without shareholder approval, in a number of circumstances.

Our issuance of additional common shares or other equity securities of equal or senior rank would have the following effects:

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our existing shareholders' proportionate ownership interest in us will decrease;

the amount of cash available for dividends payable on our common shares may decrease;

the relative voting strength of each previously outstanding common share may be diminished; and

the market price of our common shares may decline.

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**FORWARD-LOOKING STATEMENTS**

Our disclosure and analysis in this prospectus pertaining to our operations, cash flows and financial position, including, in particular, the likelihood of our success in developing and expanding our business, include forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as expects, anticipates, intends, plans, believes, estimates, projects, forecasts, may, should and similar expressions are forward-looking statements.

All statements in this prospectus that are not statements of either historical or current facts are forward-looking statements. Forward-looking statements include, but are not limited to, such matters as:

our future operating or financial results;

global and regional economic and political conditions, including piracy;

our pending vessel acquisitions, our business strategy and expected capital spending or operating expenses, including drydocking and insurance costs;

competition in the tanker industry;

statements about shipping market trends, including charter rates and factors affecting supply and demand;

our financial condition and liquidity, including our ability to obtain financing in the future to fund capital expenditures, acquisitions and other general corporate activities;

our ability to enter into fixed-rate charters after our current charters expire and our ability to earn income in the spot market; and

our expectations of the availability of vessels to purchase, the time it may take to construct new vessels, and vessels' useful lives. Many of these statements are based on our assumptions about factors that are beyond our ability to control or predict and are subject to risks and uncertainties that are described more fully under the Risk Factors section of this prospectus. Any of these factors or a combination of these factors could materially affect our future results of operations and the ultimate accuracy of the forward-looking statements. Factors that might cause future results to differ include, but are not limited to, the following:

changes in governmental rules and regulations or actions taken by regulatory authorities;

changes in economic and competitive conditions affecting our business, including market fluctuations in charter rates and charterers' abilities to perform under existing time charters;

potential liability from future litigation and potential costs due to environmental damage and vessel collisions;

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the length and number of off-hire periods and dependence on third-party managers; and

other factors discussed under the Risk Factors section of this prospectus.

You should not place undue reliance on forward-looking statements contained in this prospectus, because they are statements about events that are not certain to occur as described or at all. All forward-looking statements in this prospectus are qualified in their entirety by the cautionary statements contained in this prospectus. These forward-looking statements are not guarantees of our future performance, and actual results and future developments may vary materially from those projected in the forward-looking statements.

Except to the extent required by applicable law or regulation, we undertake no obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

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**USE OF PROCEEDS**

We estimate that the net proceeds to us from the sale of \_\_\_\_\_ common shares in this offering will be approximately \$ \_\_\_\_\_ million after deducting underwriting discounts and commissions and estimated expenses payable by us. We currently intend to use the net proceeds of this offering to acquire additional vessels in line with our strategy, including resales of Eco-design vessels under construction and high quality modern secondhand vessels, suitable to upgrade to Eco-mod, and to provide cash for general corporate purposes.

We cannot assure you, however, that we will be successful in acquiring vessels at prices comparable to current market prices. In the event that we are not able to acquire Eco-design resales or secondhand vessels, we may use the proceeds to contract orders for newbuildings.

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**OUR DIVIDEND POLICY**

While we cannot assure you that we will continue to do so, and subject to the limitations discussed below, we currently intend to pay our stockholders quarterly dividends of \$0.10 per share, or \$0.40 per share per year.

Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors. We cannot assure you that we will be able to pay regular quarterly dividends in the amounts stated above or elsewhere in this prospectus, and our ability to pay dividends will be subject to the restrictions in our credit facilities and the provisions of the laws of the Marshall Islands as well as the other limitations set forth in the section of this prospectus entitled "Risk Factors."

Any distributions made by us with respect to our common shares to a U.S. Holder (as defined in "Tax Considerations - U.S. Federal Income Tax Considerations - U.S. Federal Income Taxation of U.S. Holders") will generally constitute dividends to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Subject to applicable limitations, including a holding period requirement, dividends paid on our common shares to certain non-corporate U.S. Holders will generally be treated as "qualified dividend income" that is taxable to such U.S. Holders at preferential tax rates provided that (1) the common shares are readily tradable on an established securities market in the United States (such as the New York Stock Exchange, on which our common shares are traded); and (2) we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which, as discussed in "Tax Considerations - U.S. Federal Income Tax Considerations - Passive Foreign Investment Company Status and Significant Tax Consequences," we do not believe that we are or will be for any future taxable years). There is no assurance that any dividends paid on our common shares will be eligible for these preferential rates in the hands of such non-corporate U.S. Holders, although we expect such dividends to be so eligible provided an eligible non-corporate U.S. Holder meets all applicable requirements. Any dividends paid by us which are not eligible for these preferential rates will be taxed as ordinary income to a non-corporate U.S. Holder.

We are a holding company with no material assets other than the equity interests in our wholly-owned subsidiaries. As a result, our ability to pay dividends, if any, in the future, depends on our subsidiaries and their ability to distribute funds to us. Our credit facilities have restrictions on our ability, and the ability of certain of our subsidiaries, to pay dividends in the event of a default or breach of covenants under the credit facility agreements. Under such circumstances, we or our subsidiaries may not be able to pay dividends so long as we are in default or have breached certain covenants of a particular credit facility without lenders' consent or waiver of the default or breach. In addition, Marshall Islands law generally prohibits the payment of dividends (i) other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or (ii) when a company is insolvent or (iii) if the payment of the dividend would render the company insolvent.

In addition, we may incur expenses or liabilities, including extraordinary expenses, decreases in revenues, including as a result of unanticipated off-hire days or loss of a vessel, or increased cash needs that could reduce or eliminate the amount of cash that we have available for distribution as dividends. The tanker shipping charter market is cyclical and volatile. We cannot predict with accuracy the amount of cash flows our operations will generate in any given period. Factors beyond our control may affect the charter market for our vessels and our charterers' ability to satisfy their contractual obligations to us, and we cannot assure you that dividends will actually be declared or paid in the future. We cannot assure you that we will be able to pay regular quarterly dividends, and our ability to pay dividends will be subject to the limitations set forth above and in the section of this prospectus titled "Risk Factors."

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization at December 31, 2013, on a historical basis and as adjusted to give effect to this offering. The adjustments that we have made for this offering include the issuance of 6,000,000 shares of our common stock in this offering at a public offering price of \$            per share. We estimate that the net proceeds to us from the sale will be approximately \$            million after deducting underwriting discounts and commissions and estimated expenses payable by us.

	As of December 31, 2013	
	Actual	As Adjusted
Cash and cash equivalents	\$ 56,860,845	
<i>Current debt:</i>		
Capital leases	1,578,686	
Bank loan	9,100,000	
<i>Non-current debt:</i>		
Capital leases	28,800,329	
Bank loan	79,760,000	
<b>Total debt</b>	<b>119,239,015</b>	
<i>Equity:</i>		
Share capital	180,500	
Additional paid-in capital	244,702,577	
Accumulated Deficit	(12,524,966)	
<b>Total equity</b>	<b>232,358,111</b>	
<b>Total capitalization</b>	<b>\$ 351,597,126</b>	

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**DILUTION**

Dilution is the amount by which the offering price paid by the purchasers of our common shares in this offering will exceed the net tangible book value per common share after the offering. The net tangible book value is equal to the amount of our total tangible assets (total assets less intangible assets) less total liabilities. The historical net tangible book value as of December 31, 2013 was \$232.4 million in total and \$12.87 per share for the number of shares for the existing shareholders at the time of this offering.

The as adjusted net tangible book value as of December 31, 2013 would have been \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per common share after the sale by us of \_\_\_\_\_ common shares at \$ \_\_\_\_\_ per share in this offering, after deducting underwriting discounts and estimated offering expenses. This represents an immediate increase in net tangible book value of \$ \_\_\_\_\_ per share to the existing shareholders and an immediate dilution in net tangible book value of \$ \_\_\_\_\_ per share to new investors.

The following table illustrates the per share dilution and appreciation as of December 31, 2013:

Assumed public offering price per share of common stock	\$
Net tangible book value per share before this offering	
Decrease in net tangible book value attributable to new investors in this offering	
Net tangible book value per share after giving effect to this offering	
Dilution per share for new investors	\$

The following table summarizes, on an as adjusted basis as of December 31, 2013, the differences between the number of common shares acquired from us, the total amount paid and the average price per share paid by the existing shareholders and the number of common shares acquired from us, the total amount paid and average price per share paid by you in this offering, based upon the public offering price of \$ \_\_\_\_\_ per share.

	Pro Forma Shares Outstanding		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing shareholders					
New investors					



**Table of Contents****PRICE RANGE OF OUR COMMON SHARES**

Shares of our common stock trade on the New York Stock Exchange under the symbol ASC. The high and low closing prices of our common shares on the New York Stock Exchange are presented for the periods listed below.

<b>FOR THE QUARTER ENDED</b>	<b>HIGH</b>	<b>LOW</b>
September 30, 2013	\$ 14.00	\$ 12.08
December 31, 2013	\$ 15.56	\$ 11.69

  

<b>FOR THE MONTHS ENDED</b>	<b>HIGH</b>	<b>LOW</b>
August 2013	\$ 14.00	\$ 13.50
September 2013	\$ 13.59	\$ 12.08
October 2013	\$ 13.39	\$ 11.69
November 2013	\$ 13.35	\$ 12.63
December 2013	\$ 15.56	\$ 12.21
January 2014	\$ 15.16	\$ 14.15
February 2014 (through and including February 26, 2014)	\$ 14.68	\$ 13.03

**Table of Contents****SELECTED FINANCIAL AND OTHER DATA**

The following table sets forth our selected consolidated financial data and other operating data. The selected financial data as of December 31, 2013 and 2012 and the years ended December 31, 2013, 2012 and 2011 are derived from our audited consolidated financial statements, included elsewhere in this prospectus. The selected consolidated financial data set forth below as of December 31, 2011 and 2010 and for the period ended December 31, 2010 have been derived from our audited consolidated financial statements, which are not included in this prospectus. The financial statements have been prepared in accordance with U.S. GAAP. The data set forth below should be read in conjunction with the audited consolidated financial statements, related notes, Management's Discussion and Analysis of Financial Condition and Results of Operations and other financial information included elsewhere in this prospectus. Amounts are expressed in U.S. dollars, unless otherwise stated.

INCOME STATEMENT DATA	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
<b>REVENUE</b>				
Revenue	\$ 35,867,356	25,172,654	22,375,414	3,459,153
<b>OPERATING EXPENSES</b>				
Commissions and voyage related costs	2,523,842	789,149	468,067	94,439
Vessel operating expenses	18,215,487	14,598,071	12,186,825	2,079,857
Charter hire costs		1,699,943	1,663,380	
Depreciation	8,388,208	6,195,416	5,343,091	959,903
Amortization of deferred drydock expenditure	1,420,814	441,491		
General and administrative expenses	5,669,935	2,975,139	2,599,031	851,660
<b>Total operating expenses</b>	<b>36,218,286</b>	<b>26,699,209</b>	<b>22,260,394</b>	<b>3,985,859</b>
<b>(Loss)/profit from operations</b>	<b>(350,930)</b>	<b>(1,526,555)</b>	<b>115,020</b>	<b>(526,706)</b>
Interest expense and finance costs	(3,464,006)	(2,966,014)	(3,080,472)	(647,441)
Interest income	6,059	4,713	3,608	2,723
<b>Loss before taxes</b>	<b>(3,808,877)</b>	<b>(4,487,856)</b>	<b>(2,961,844)</b>	<b>(1,171,424)</b>
Income tax	(33,726)	(51,237)	(13,426)	3,424
<b>Net loss</b>	<b>\$ (3,842,603)</b>	<b>(4,539,093)</b>	<b>(2,975,270)</b>	<b>(1,168,000)</b>
Loss per share, basic and diluted	\$ (0.31)	(0.56)	(0.37)	(0.15)
Weighted average number of common shares, basic and diluted	12,241,599	8,049,500	8,049,500	8,049,500

BALANCE SHEET DATA	As at			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Cash and cash equivalents	\$ 56,860,845	15,334,123	5,460,304	5,203,790
Net vessels (including drydock assets)	292,054,606	157,008,968	145,760,106	94,288,390
Total assets	357,965,633	179,960,468	160,631,102	104,051,350
Short-term revolving credit facility			30,265,000	14,770,000
Senior debt and capital leases	119,239,015	67,100,000	65,600,000	38,000,000
Paid in capital	244,883,077	117,073,352	65,747,599	50,790,925
Accumulated deficit	\$ (12,524,966)	(8,682,363)	(4,143,270)	(1,168,000)

CASHFLOW DATA	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Net cash provided by operating activities	\$ 8,120,173	3,985,253	397,273	(2,259,892)

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Net cash used in investing activities	(144,637,558)	(14,941,514)	(56,920,554)	(95,260,596)
Net cash provided by financing activities	178,044,107	20,830,080	56,779,795	102,724,278

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TIME CHARTER EQUIVALENT DATA(1)	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
MR Tankers Eco-design	\$ 15,838			
MR Tankers Eco-mod	13,732	13,294	13,097	12,800
Chemical Tankers Eco-mod	10,483	9,108	8,878	10,459

FLEET OPERATING DATA	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
<b>FLEET TCE</b>				
Fleet weighted average(2)	\$ 12,850	10,911	11,100	12,597
Profit / (loss) on TC-Invest(3)	(27)	(185)	(47)	(361)
Commissions and voyage related costs(4)	(235)	(337)	(234)	(334)
Third party share of profit / (loss) on chartered-in vessels(5)	(4)	(205)	(254)	
<b>Net TCE</b>	<b>\$ 12,584</b>	<b>10,184</b>	<b>10,565</b>	<b>11,902</b>

OPERATING EXPENDITURE				
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
Fleet operating costs per day(6)	\$ 6,152	6,103	6,150	6,963
Technical management fees per day(7)	379	344	334	335
<b>Total fleet operating costs per day</b>	<b>\$ 6,531</b>	<b>6,447</b>	<b>6,484</b>	<b>7,298</b>
Expenditures for drydock(8)	242,263	2,959,280		
<b>HIRE</b>				
On-hire utilization(9)	99.54%	99.10%	99.80%	99.20%

- (1) Time Charter Equivalent ( TCE ) daily rate is the gross charter rate or gross pool rate, as appropriate, per revenue day plus CVE income. For vessels employed on voyage charters, TCE is the net rate after deducting voyage costs incurred by commercial managers.
- (2) Fleet weighted average is total gross revenue for the fleet, after deducting voyage expenses incurred by commercial managers, before any profits arising or losses incurred on TC-Invest and share of profit arising or losses incurred on chartered-in vessels, divided by the number of revenue days.
- (3) Profit / (loss) on TC-Invest relate to two separate agreements entered into by the company with two third party charterers which were supplemental to the charters of the *Ardmore Seafarer* and the *Ardmore Seatrader*, respectively, to participate in the profits or losses arising from each vessel s employment in an MR pool managed by affiliates of the charterers, in exchange for an up-front investment to be used for working capital for the pool. The TC-Invest arrangements were for the period of each time charter. The time charter for the *Ardmore Seafarer* expired on July 10, 2012, and the time charter for the *Ardmore Seatrader* expired on February 12, 2013.
- (4) Commissions and voyage related costs relate to commission and administration and fees in relation to employment of the vessel, along with minor voyage expenses incurred directly by Ardmore.
- (5) Third-party share of profit / (loss) on chartered-in vessels relates to an agreement whereby the profit / (loss) arising from chartering-in and employing the *Hellespont Crusader* and the *Hellespont Commander* in a chemical tanker pool was shared 75% / 25% between us and a third party charterer, respectively.
- (6) Fleet operating costs per day are routine operating expenses and comprise, crewing, repairs and maintenance, insurance, stores, lube oils and communication costs. They do not include additional costs related to upgrading or enhancement of the vessels that are not capitalized.
- (7) Technical management are fees paid to third-party technical managers.
- (8) Drydock costs, which include costs for in-water surveys, comprise direct costs that are incurred as part of the drydocking to meet regulatory requirements, expenditures that add economic life to the vessel, and expenditures that increase the vessel s earnings capacity or improve the vessel s operating efficiency.

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(9) On-hire utilization is based on revenue days divided by net operating days (i.e. operating days less scheduled offhire days).

RECONCILIATION OF NET TCE	For the years ended			
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
<b>Revenue</b>	\$ 35,867,356	25,172,654	22,375,414	3,459,153
Commissions and voyage related costs	(2,523,842)	(789,149)	(468,067)	(94,439)
TCE Earnings	33,343,514	24,383,505	21,907,347	3,364,714
Revenue Days	2,649	2,394	2,074	283
<b>Net TCE (after rounding)</b>	<b>\$ 12,584</b>	<b>10,184</b>	<b>10,565</b>	<b>11,902</b>

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*The following presentation of management's discussion and analysis of financial condition and results of operations should be read in conjunction with our consolidated financial statements, accompanying notes thereto and other financial information, appearing elsewhere in this prospectus. You should also carefully read the following discussion with Risk Factors, The International Product and Chemical Tanker Industry, Forward-Looking Statements and Selected Financial and Other Data. The consolidated financial statements as of and for the years ended December 31, 2013, 2012, 2011 and 2010 have been prepared in accordance with U.S. GAAP. The consolidated financial statements are presented in U.S. Dollars unless otherwise indicated.*

**OVERVIEW**

We are Ardmore Shipping Corporation, a company incorporated in the Marshall Islands. We provide seaborne transportation of petroleum products and chemicals worldwide to oil majors, national oil companies, oil and chemical traders, and chemical companies, with our modern, fuel-efficient fleet of mid-size product and chemical tankers. Our Current Fleet consists of 21 vessels including 11 in operation (the Operational Vessels ) and ten on order (the Ordered Vessels ) with deliveries expected to begin in November 2014. Following the completion of this offering, we expect to have approximately \$ million of available cash from the net proceeds of this offering, based on an offering price of \$ per share, together with additional credit facilities that we expect will be available to us, to fund acquisitions in line with our growth strategy and provide cash for general corporate purposes.

We commenced business operations in April 2010 with the goal of building an enduring product and chemical tanker company that emphasizes service excellence, innovation, and operational efficiency through our focus on high quality, fuel-efficient vessels. We are led by a team of experienced senior managers who have previously held senior management positions with highly regarded public shipping companies and financial institutions. Our principal executive office is located in Hamilton, Bermuda and our principal operating office is based in Cork, Ireland.

We are strategically focused on modern, fuel-efficient, mid-size product and chemical tankers. According to Drewry Maritime Research, as of February 2014, mid-size tankers comprise 32% of the world's deepsea seaborne transport capacity as measured by number of ships. There is significant overlap between the clean petroleum product ( CPP ) and chemical sectors 68.7% of mid-range ( MR ) product tankers are classed as IMO 3 or IMO 2, enabling them to carry selective chemicals and vegetable oils, and many mid-size chemical tankers (such as ours) carry CPP cargoes on a routine basis. We actively pursue opportunities to exploit this overlap in order to enhance earnings, and also seek to engage in more complex CPP trades, such as multi-grade and multi-port loading and discharging operations, where our knowledge of chemical operations is beneficial to our CPP customers.

Our fuel-efficient operations are designed to enhance our investment returns and provide value-added service to our customers. We believe we are on the forefront of fuel efficiency and emissions reduction trends and are well-positioned to capitalize on these developments by constructing new economically advanced vessels ( Eco-design ), modifying ships to improve fuel efficiency ( Eco-mod ), and equipping our fleet with engine diagnostic and ship performance management systems to optimize voyage performance. As a result, our Eco-mod vessels achieve lower fuel consumption and, in some cases, achieve performance close to that of new Eco-design vessels. All of our Ordered Vessels are Eco-design and we intend to make Eco-mod improvements to any secondhand acquisitions as necessary. Our acquisition strategy is to build our fleet with Eco-design newbuildings and modern secondhand vessels that can be upgraded to Eco-mod.

We have no related-party transactions concerning our vessel operations. Our wholly-owned subsidiary Ardmore Shipping Limited ( ASL ), carries out our management functions. ASL's office is in Cork, Ireland. We

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believe this location affords us many advantages, including close proximity to London and other European shipping centers and supportive assistance from Irish government agencies such as the Irish Maritime Development Office ( IMDO ), and the National Maritime College of Ireland ( NMCI ). ASL currently has a staff of 14 employees and provides corporate and accounting services and fleet administration. Technical management of our vessels is performed by a combination of ASL and our third-party technical managers. ASL's operations team is directly responsible for insurance and for overseeing significant operational functions of the third-party technical managers. ASL's operations team also supervises the construction of our newbuildings in close coordination with the third-party supervision teams. We have a resolute focus on both high-quality service and efficient operations, and we believe that our corporate overhead and operating expenses are among the lowest of our peers.

We are commercially independent as we have no blanket employment arrangements with third-party or related-party commercial managers. We market our services directly to a broad range of customers, including oil majors, national oil companies, oil and chemical traders, chemical companies, and a range of pooling service providers. We monitor the market to understand and best utilize our vessels and may change our chartering strategy to take advantage of changing market conditions.

We believe that the market for mid-size product and chemical tankers is in the early stages of a recovery from cyclical lows, resulting from strong underlying demand growth driven by both cyclical and secular trends, as well as a reduction in the supply overhang due to reduced ordering activity and an extended period of fleet growth at a rate below that of demand growth. The Company was formed at a historically low point in the shipping cycle which our management believes represented an opportunity to build our fleet and business with a low cost asset base. Shipping is a capital and operationally intensive business and the challenges in the global economy and shipping market continued throughout 2012 and 2013. While this has afforded an extended opportunity to acquire additional vessels, we have incurred accumulated losses of \$12.5 million in the periods ended December 31, 2010 through to December 31, 2013 as a result of company set-up costs, challenging shipping markets and ongoing investments in our fleet. We believe that we are well-positioned to benefit from the market recovery with a modern, fuel-efficient fleet, access to capital for growth, a diverse and high quality customer base, an emphasis on service excellence in an increasingly demanding regulatory environment, and a relative cost advantage in assets, operations and corporate overhead.

## **OUR CHARTERS**

We generate revenues by charging customers for the transportation of their petroleum or chemical products using our vessels. Historically, these services generally have been provided under the following basic types of contractual relationships:

*Time Charter:* vessels we operate and are responsible for crewing and for paying other operating expenses, such as repairs and maintenance, insurance, stores, lube oils, communication expenses, and technical management fees, are chartered to customers for a fixed period of time at rates that are generally fixed, but may contain a variable component based on inflation, interest rates, or current market rates.

*Commercial Pools:* our vessels are pooled together with a group of other similar vessels for economies of scale and the earnings are pooled and distributed to the vessel owners according to a prearranged agreement.

*Third-Party Spot Chartering Arrangement:* a third-party charterer and freight trader arranges spot employment for our vessels. Our third-party chartering manager contracts voyages for the vessel in the spot market and we will be responsible for all costs associated with operating the vessel including operating expenses, voyage costs, bunkers, port and canal costs, etc.

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The table below illustrates the primary distinctions among these types of charters and contracts.

	Time Charter	Commercial Pool	Third Party Spot Chartering Arrangement
Typical contract length	1 - 5 years	Indefinite	Indefinite
Hire rate basis(1)	Daily	Varies (daily rate reported)	N/A
Voyage expenses(2)	Charterer pays	Pool pays	We pay
Vessel operating costs(3)	We pay	We pay	We pay
Off-hire (4)	We pay	We pay	We pay

- (1) Hire rate refers to the basic payment from the charterer for the use of the vessel.  
 (2) Voyage expenses is defined herein under Glossary of Shipping Terms.  
 (3) Vessel operating costs is defined below under Important Financial and Operational Terms and Concepts.  
 (4) Off-hire refers to the time a vessel is not available for service due primarily to scheduled and unscheduled repairs or drydocking.

**IMPORTANT FINANCIAL AND OPERATIONAL TERMS AND CONCEPTS**

We use a variety of financial and operational terms and concepts. These include the following:

**Vessel revenues.** Vessel revenues primarily include revenues from time charters, pool revenues and income from spot employment where the vessels are employed under a third party spot chartering arrangement. Vessel revenues are affected by hire rates and the number of days a vessel operates. Vessel revenues are also affected by the mix of business between vessels on time charter and vessels in pools. Revenues from vessels in pools or employed in the spot market are more volatile, as they are typically tied to prevailing market rates.

**Voyage expenses.** Voyage expenses are all expenses related to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls and agency fees. These expenses are subtracted from shipping revenues to calculate TCE rates.

**Vessel operating costs.** We are responsible for vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses, and technical management fees. The largest components of our vessel operating costs are generally crews and repairs and maintenance. Expenses for repairs and maintenance tend to fluctuate from period to period because most repairs and maintenance typically occur during periodic drydockings. Please read [Drydocking](#) below. We expect these expenses to increase as our fleet matures and to the extent that it expands.

**Drydocking.** We must periodically drydock each of our vessels for inspection, and any modifications to comply with industry certification or governmental requirements. Generally, each vessel is drydocked every 30 to 60 months.

**Depreciation.** Depreciation expense typically consists of charges related to the depreciation of the historical cost of our fleet (less an estimated residual value) over the estimated useful lives of the vessels and charges relating to the depreciation of upgrades to vessels, which are depreciated over the shorter of the vessel's remaining useful life or the life of the renewal or upgrade.

**Amortization of deferred drydock expenditure.** Amortization of deferred drydock expenditure relates to the amortization of drydocking expenditures over the estimated number of years to the next scheduled drydocking.

**Time Charter Equivalent Rates.** TCE rates are a standard industry measure of the average daily revenue performance of a vessel. The TCE rate achieved on a given voyage is expressed in U.S. dollars per day and is



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generally calculated by subtracting voyage expenses, including bunkers and port charges, from voyage revenue and dividing the net amount (time charter equivalent revenues) by the number of days in the period. In the case of time charters or commercial pool employment the TCE will generally equal the charter rate or daily pool rate.

**Revenue Days.** Revenue days are the total number of calendar days our vessels were in our possession during a period, less the total number of off-hire days during the period generally associated with repairs or drydockings. Consequently, revenue days represent the total number of days available for the vessel to earn revenue. Idle days, which are days when a vessel is available to earn revenue, yet is not employed, are included in revenue days. We use revenue days to show changes in net voyage revenues between periods.

**Operating Days.** Operating days are the number of days our vessels are in operation during the year. Where a vessel is under our ownership for a full year, operating days will generally equal calendar days. Days when a vessel is in drydock are included in the calculation of operating days as we incur operating expenses while in drydock.

**Commercial Pools.** To increase vessel utilization and thereby revenues, we participate in commercial pools with other ship owners of similar modern, well-maintained vessels. By operating a large number of vessels as an integrated transportation system, commercial pools offer customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools employ experienced commercial charterers and operators who have close working relationships with customers and brokers, while technical management is performed by each ship owner. Pools negotiate charters with customers primarily in the spot market. The size and scope of these pools enable them to enhance utilization rates for pool vessels by securing backhaul voyages and Contracts of Affreightment ( COAs ), thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market while providing a higher level of service offerings to customers.

## **FACTORS YOU SHOULD CONSIDER WHEN EVALUATING OUR RESULTS**

We face a number of risks associated with our business and industry and must overcome a variety of challenges to utilize our strengths and implement our business strategy. These risks include, among others, the highly cyclical tanker industry; partial dependence on spot charters; fluctuating charter values; changing economic, political and governmental conditions affecting our industry and business; material changes in applicable laws and regulations; full performance by counterparties, particularly charterers; acquisitions and dispositions; increased operating expenses; increased capital expenditures; taxes; maintaining customer relationships; maintaining sufficient liquidity; financing availability and terms; and management turnover.

## **RESULTS OF OPERATIONS**

Revenues and TCE revenues are generally equivalent because our vessels are primarily employed on time charter contracts or in a commercial pool. When a vessel is on time charter, the customer pays us the contract revenue, and the customer is responsible for all of the voyage expenses. When a vessel is in commercial pool, the customer pays us the vessel's allocated earnings within the commercial pool, which we record as revenue, and the pool is also responsible for the voyage expenses. The vessel's allocated earnings in the pool are reduced to reflect the commercial management fee charged by the commercial pool manager.

Shipowners base economic decisions regarding the deployment of their vessels upon actual and anticipated TCE rates, and industry analysts typically measure rates in terms of TCE rates. This is because under time charters the customer typically pays the voyage expenses, while under voyage charters, also known as spot market charters, the shipowner usually pays the voyage expenses. Accordingly, the discussion of revenue below focuses on TCE rates where applicable.

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The following tables present our operating results for the years ended December 31, 2013 and 2012.

**STATEMENT OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2013 AND DECEMBER 31, 2012**

INCOME STATEMENT DATA	For the years ended		Variance	Variance (%)
	Dec 31, 2013	Dec 31, 2012		
<b>REVENUE</b>				
Revenue	\$ 35,867,356	25,172,654	10,694,702	42.5%
<b>OPERATING EXPENSES</b>				
Commissions and voyage related costs	2,523,842	789,149	(1,734,693)	-219.8%
Vessel operating expenses	18,215,487	14,598,071	(3,617,416)	-24.8%
Charter hire costs		1,699,943	1,699,943	100.0%
Depreciation	8,388,208	6,195,416	(2,192,792)	-35.4%
Amortization of deferred drydock expenditure	1,420,814	441,491	(979,323)	-221.8%
General and administrative expenses	5,669,935	2,975,139	(2,694,796)	-90.6%
<b>Total operating expenses</b>	<b>36,218,286</b>	<b>26,699,209</b>	<b>(9,519,077)</b>	<b>-35.7%</b>
<b>(Loss)/profit from operations</b>	<b>(350,930)</b>	<b>(1,526,555)</b>	<b>1,175,625</b>	<b>77.0%</b>
Interest expense and finance costs	(3,464,006)	(2,966,014)	(497,992)	-16.8%
Interest income	6,059	4,713	1,346	28.6%
<b>Loss before taxes</b>	<b>(3,808,877)</b>	<b>(4,487,856)</b>	<b>678,979</b>	<b>15.1%</b>
Income tax	(33,726)	(51,237)	17,511	34.2%
<b>Net loss</b>	<b>\$ (3,842,603)</b>	<b>(4,539,093)</b>	<b>696,490</b>	<b>15.3%</b>

**Revenue.** Revenue for the year ended December 31, 2013 was \$35.9 million, an increase of \$10.7 million from \$25.2 million for the year ended December 31, 2012. Revenue days on owned vessels increased by 520 days from 2,129 days for the year ended December 31, 2012 to 2,649 days for the year ended December 31, 2013. Revenue on owned vessels for the year ended December 31, 2013 was \$35.9 million, an increase of \$12.3 million from \$23.6 million for the year ended December 31, 2012. The increase primarily relates to the *Ardmore Seavaliant* and *Ardmore Seaventure*, which were delivered on February 27, 2013 and June 7, 2013, respectively. In addition, the *Ardmore Centurion* was employed on a time charter until August 3, 2013 and following re-delivery to us, it was employed under a spot chartering arrangement. Under a time charter, voyage costs are borne by the charterer and thus revenue is recognized net of voyage expenses. Under a spot chartering arrangement, voyage expenses are borne directly by the company and thus revenue is recognized on a gross freight basis. Chartering days for chartered-in vessels decreased from 265 days for the year ended December 31, 2012 to nil for the year ended December 31, 2013. Chartering revenue for the year ended December 31, 2012 was \$1.5 million. This is due to re-delivery of chartered-in vessels (the *Hellespont Crusader* and the *Hellespont Commander*) that were delivered to us on May 12, 2011, and July 17, 2011, respectively. Gross fleet TCE rate increased by \$1,939 per day from \$10,911 for the year ended December 31, 2012 to \$12,850 for the year ended December 31, 2013.

**Commissions and voyage related costs.** Commissions and voyage related costs for the year ended December 31, 2013 were \$2.5 million, an increase of \$1.7 million from \$0.8 million for the year ended December 31, 2012. This increase is due to increases in revenue days and also voyage expenses related to the *Ardmore Centurion*'s employment in a spot chartering arrangement as of August 3, 2013. Under a spot chartering arrangement, all voyage expenses are borne by us, as opposed to the Charterer. Voyage costs also include bunker and other costs associated with drydockings which were not capitalized.

**Vessel operating expenses.** Vessel operating costs were \$18.2 million for the year ended December 31, 2013, an increase of \$3.6 million from \$14.6 million for the year ended December 31, 2012. These costs



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primarily comprise crew, technical, lube oil, and insurance expenses. The operating expenses are based on the number of operating days in the year. Operating days for our owned vessels were 2,703 days for the year ended December 31, 2012 as compared to 2,196 for the year ended December 31, 2012.

**Charter hire costs.** Charter hire costs were \$0 for the year ended December 31, 2013 as compared to \$1.7 million for the year ended December 31, 2012. Ardmore re-delivered two chartered-in vessels in 2012 (the *Hellespont Crusader* and the *Hellespont Commander*). Chartering days for chartered-in vessels were 265 for the year ended December 31, 2012.

**Depreciation.** Depreciation charges were \$8.4 million for the year ended December 31, 2013, an increase of \$2.2 million from \$6.2 million for the year ended December 31, 2012. This increase is a result of deliveries of the *Ardmore Seavalliant* and the *Ardmore Seaventure* which delivered on February 27, 2013 and June 7, 2013 respectively, along with timing of depreciation on upgrades and vessel equipment purchased. Our vessels are depreciated over an estimated useful life of 25 years on a straight line basis to their residual value (scrap value). The rate used to calculate the residual value is \$300 per lightweight ton. Upgrades are depreciated on a straight line basis over the shorter of the life of the upgrade or the remaining life of the vessel.

**Amortization of deferred drydock expenditure.** Amortization of deferred drydock expenditure for the year ended December 31, 2013 was \$1.4 million, an increase of \$1.0 million from \$0.4 million for the year ended December 31, 2012. The capitalized costs of drydocking are depreciated on a straight line basis to the next scheduled drydocking. As such, the movement in amortization of deferred drydock expenditure is in line with timing of vessels undergoing drydock.

**General and administrative expenses.** Total general and administrative expenses were \$5.7 million for the year ended December 31, 2013, as compared to \$3.0 million for the year ended December 31, 2012. \$0.7 million was incurred in relation to our IPO that was expensed as incurred. Non-cash share based compensation expense included in general and administrative expenses for the year ended December 31, 2013 amounted to \$0.6 million as compared to \$0.01 million for the year ended December 31, 2012. The remaining increase is due increased expenses as a consequence of being a public company. A significant portion of our general and administrative costs are incurred in Euros. These expenses are susceptible to foreign currency movements between U.S. dollars and Euros. However, we do not expect the impact of any fluctuations in foreign currency to have a material impact on us.

**Interest expense.** Total interest expense for the year ended December 31, 2013 was \$3.5 million as compared to \$3.0 million for the year ended December 31, 2012. Interest costs on senior debt were \$3.1 million for the year ended December 31, 2013, an increase of \$0.5 million from \$2.6 million for the year ended December 31, 2012. Interest incurred on capital leases was \$1.7 million for the year ended December 31, 2013 as compared to \$0 for the year ended December 31, 2012. Interest costs on our revolving credit facility for the year ended December 31, 2013 were \$0 as compared to \$0.5 million for the year ended December 31, 2012. Amortized deferred finance fees for the year ended December 31, 2013 were \$0.8 million, as compared to \$0.3 million for the year ended December 31, 2012.

We capitalize interest costs that are attributable to amounts advanced for vessels under construction. Where a loan is directly attributable to vessels under construction, we capitalize this interest in full. Where we have not financed the advances for vessels under construction with a loan, we attribute capitalized interest to these amounts based on the weighted average interest rate for the period ( capitalized interest ). Total capitalized interest was \$2.2 million for the year ended December 31, 2013, an increase of \$1.7 million from \$0.5 million for the year ended December 31, 2012.

**Interest income.** Interest income for the year ended December 31, 2013 was \$6,059, an increase of \$1,346 from \$4,713 for the year ended December 31, 2012. This increase is due to increased interest earned on our cash balances for the year ended December 31, 2013.

**Income tax.** Income tax for the year ended December 31, 2013 was \$33,726, a decrease of \$17,511 from \$51,237 for the year ended December 31, 2012. A valuation allowance for deferred tax of \$24,341 was provided

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for in the year ended December 31, 2012. A further decrease in income tax was realized due to timing of our chartered-in activities. This was offset by an increase in tax arising from a larger fleet as a result of deliveries of the *Ardmore Seavalliant* and the *Ardmore Seaventure* which delivered on February 27, 2013 and June 7, 2013 respectively.

**Net loss.** Net loss was \$3.8 million for the year ended December 31, 2013 as compared to a net loss of \$4.5 million for the year ended December 31, 2012.

**STATEMENT OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2012 AND DECEMBER 31, 2011**

INCOME STATEMENT DATA	For the years ended		Variance	Variance (%)
	Dec 31, 2012	Dec 31, 2011		
<b>REVENUE</b>				
Revenue	\$ 25,172,654	22,375,414	2,797,240	12.5%
<b>OPERATING EXPENSES</b>				
Commissions and voyage related costs	789,149	468,067	(321,082)	-68.6%
Vessel operating expenses	14,598,071	12,186,825	(2,411,246)	-19.8%
Charter hire costs	1,699,943	1,663,380	(36,563)	-2.2%
Depreciation	6,195,416	5,343,091	(852,325)	-16.0%
Amortization of deferred drydock expenditure	441,491		(441,491)	-100.0%
General and administrative expenses	2,975,139	2,599,031	(376,108)	-14.5%
<b>Total operating expenses</b>	<b>26,699,209</b>	<b>22,260,394</b>	<b>(4,438,815)</b>	<b>-19.9%</b>
<b>(Loss)/profit from operations</b>	<b>(1,526,555)</b>	<b>115,020</b>	<b>(1,641,575)</b>	<b>-1427.2%</b>
Interest expense and finance costs	(2,966,014)	(3,080,472)	114,458	3.7%
Interest income	4,713	3,608	1,105	30.6%
<b>Loss before taxes</b>	<b>(4,487,856)</b>	<b>(2,961,844)</b>	<b>(1,526,012)</b>	<b>-51.5%</b>
Income tax	(51,237)	(13,426)	(37,811)	-281.6%
<b>Net loss</b>	<b>\$ (4,539,093)</b>	<b>(2,975,270)</b>	<b>(1,563,823)</b>	<b>-52.6%</b>

**Revenue.** Revenue for the year ended December 31, 2012 was \$25.2 million, an increase of \$2.8 million from \$22.4 million for the year ended December 31, 2011. The *Ardmore Calypso* and *Ardmore Capella* were delivered to Ardmore on June 11, 2011 and July 1, 2011, respectively. As these vessels were trading for a full year in 2012, this resulted in an increase in revenue days of 315 days. Chartering days for our chartered-in vessels was 265 for the year ended December 31, 2012, an increase of 5 days from 260 days for the year ended December 31, 2011. Time charter revenue was \$17.7 million for the year ended December 31, 2012, an increase of \$3.2 million from \$14.5 million for the year ended December 31, 2011. Pool revenue was \$7.5 million for the year ended December 31, 2012, a decrease of \$0.4 million as compared to \$7.8 million for the year ended December 31, 2011. This decrease is due to re-delivery of chartered in vessels (the *Hellespont Crusader* and the *Hellespont Commander*) that were delivered to us on May 12, 2011, and July 17, 2011, respectively.

**Commissions and voyage related costs.** Commissions and voyage related costs for the year ended December 31, 2012 were \$0.8 million, an increase of \$0.3 million from \$0.5 million for the year ended December 31, 2011. Revenue days for the year ended December 31, 2012 were 2,394 days as compared to 2,074 days for the year ended December 31, 2011 an increase in hire days of 321 days. Voyage costs include bunker costs associated with drydockings which were not capitalized.

**Vessel operating expenses.** Vessel operating costs were \$14.6 million for the year ended December 31, 2012, an increase of \$2.4 million from \$12.2 million for the year ended December 31, 2011. These costs primarily comprise crew, technical, lube oil, and insurance expenses. The operating expenses are based on the



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number of operating days in the year. Operating days for our owned vessels were 2,196 days for the year ended December 31, 2012 as compared to 1,817 for the year ended December 31, 2011.

**Charterhire costs.** Charterhire costs were \$1.70 million for the year ended December 31, 2012, an increase of \$0.04 million from \$1.66 million for the year ended December 31, 2011. We re-delivered two chartered-in vessels in 2012 (the Hellespont Crusader and the Hellespont Commander). Chartering days were 265 days for the year ended 2012 as compared to 260 for the year ended December 31, 2011.

**Depreciation.** Depreciation charges were \$6.2 million for the year ended December 31, 2012, an increase of \$0.9 million from \$5.3 million for the year ended December 31, 2011. Depreciation for the year ended December 31, 2012, on vessels which were acquired during 2011, was \$1.6 million, an increase of \$0.8 million from \$0.8 million for the year ended December 31, 2011. Upgrades are depreciated on a straight line basis over the shorter of the life of the upgrade or the remaining life of the vessel. Our vessels are depreciated over an estimated useful life of 25 years on a straight line basis to their residual value (scrap value). The rate used to calculate the residual value is \$300 per lightweight ton.

**Amortization of deferred drydock expenditure.** Amortization of deferred drydock expenditure for the year ended December 31, 2013 was \$0.4 million, an increase of \$0.4 million from \$0 for the year ended December 31, 2012. The capitalized costs of drydocking are depreciated on a straight line basis to the next scheduled drydocking. As such, the movement in amortization of deferred drydock expenditure is in line with timing of vessels undergoing drydock.

**General and administrative expenses.** Total general and administrative expenses were \$3.0 million for the year ended December 31, 2012, an increase of \$0.4 million from \$2.6 million for the year ended December 31, 2011. Total personnel costs were \$1.5 million for the year ended December 31, 2012, as compared to \$1.4 million for the year ended December 31, 2011. A significant portion of our general and administrative costs are incurred in Euros. These expenses are susceptible to foreign currency movements between US\$ and Euros. However, we do not expect the impact of any fluctuations in foreign currency to have a material impact on us.

**Interest expense.** Total interest expense for the year ended December 31, 2012 was \$3.0 million as compared to \$3.1 million for the year ended December 31, 2011. Interest costs on senior debt were \$2.6 million for the year ended December 31, 2012, an increase of \$0.5 million from \$2.1 million for the year ended December 31, 2011. Interest costs on our revolving credit facility for the year ended December 31, 2012 were \$0.5 million as compared to \$0.7 million for the year ended December 31, 2011. Amortized deferred finance fees for the year ended December 31, 2012 were \$0.3 million, flat from \$0.3 million for the year ended December 31, 2011. Our weighted average interest rate for the year ended December 31, 2012 on senior debt was 4.1%, an increase of 0.3% as compared to 3.8% for the year ended December 31, 2011.

We capitalize interest costs that are attributable to amounts advanced for vessels under construction. Where a loan is directly attributable to vessels under construction, we capitalize this interest in full. Where we have not financed the advances for vessels under construction with a loan, we attribute capitalized interest to these amounts based on the weighted average interest rate for the period ( imputed capitalized interest ). Total imputed capitalized interest was \$0.5 million for the year ended December 31, 2012, an increase of \$0.5 million from \$0 for the year ended December 31, 2011.

**Interest income.** Interest income for the year ended December 31, 2012 was \$4,713, an increase of \$1,105 from \$3,608 for the year ended December 31, 2011. This increase is due to increased interest earned on our cash balances for the year ended December 31, 2012.

**Income tax.** Income tax for the year ended December 31, 2012 was \$51,237, an increase of \$37,811 from \$13,426 for the year ended December 31, 2011. A valuation allowance for deferred tax of \$24,341 was provided for in the year ended December 31, 2012, a \$40,440 increase from the deferred tax asset of \$16,099 recognized in

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the year ended December 31, 2011. A further decrease in income tax was realized due to timing of our chartered-in activities. This was offset by an increase in tax arising from a larger fleet as a result of deliveries of the *Ardmore Calypso* and the *Ardmore Capella* on June 11, 2011 and July 1, 2011, respectively.

**Net loss.** Net loss was \$4.5 million for the year ended December 31, 2012 as compared to a net loss of \$3.0 million for the year ended December 31, 2011

## **LIQUIDITY AND CAPITAL RESOURCES**

### **Liquidity**

Our primary source of funds for our short-term and long-term liquidity needs is the cash flows generated from our vessel operations. Nine of our Operational Vessels are on time charter arrangements and two are employed in commercial pools. We intend to place our Ordered Vessels on one time charters or in the spot market upon delivery to us, commencing in November 2014. Time charters provide contracted revenue that reduces the volatility (rates can fluctuate within months) and seasonality (rates are generally stronger in first and fourth quarters of the year) from vessels that operate in the spot market. Two of our Operation Vessels are employed in a third-party commercial pool for chemical tankers. The commercial pool reduces volatility because it aggregates the revenues and expenses of all pool participants and distributes net earnings to the participants based on an agreed upon formula.

As of December 31, 2013, our cash balance was \$56.9 million, which is a \$41.6 million increase from our cash balance of \$15.3 million as of December 31, 2012. This is primarily due to net proceeds from our IPO along with proceeds from debt and capital lease drawdowns that were offset by installment payments in respect of our Ordered Vessels.

Our long term liquidity needs are met through our long term debt obligations.

Ten of our Operational Vessels have senior debt facilities in place, none of which expire until 2018. Of the three debt facilities that we currently have in place, two are with ABN AMRO Bank N.V. based in the Netherlands (the First ABN AMRO Facility and the Second ABN AMRO Facility ), and one is with DVB Bank SE based in Germany (the DVB Facility ). We also have a capital lease financing facility for two of the vessels with ICON Investments based in New York, USA (the ICON Capital Leases ) in an amount of \$31.5 million.

The First ABN AMRO Facility is in the amount of \$40.5 million and bears interest at a rate of 3.25% above LIBOR. We entered into this facility to finance the acquisition of the *Ardmore Seatrader*, the *Ardmore Calypso* and the *Ardmore Capella*. This loan was drawn down in three tranches. The first tranche was drawn down in April 2011 and the second and third tranches were drawn down in June 2011, totaling \$32.0 million. The remaining \$8.5 million is no longer available for borrowing. On March 28, 2013 two of the subsidiaries subject to the First ABN AMRO Facility entered into an agreement for the sale and leaseback (under the ICON Capital Leases) for \$31.5 million. As part of this arrangement, the senior debt outstanding on the *Ardmore Calypso* and *Ardmore Capella* was repaid in full on April 2, 2013. The amount repaid was \$17.9 million. As such, of the First ABN AMRO Facility, one vessel remains with debt outstanding and this fully matures in 2018.

The Second ABN AMRO Facility is in the amount of \$48.9 million and bears interest at a rate of 3.20% above LIBOR. We entered into this facility to finance the acquisition of the *Ardmore Seavalliant* and the *Ardmore Seaventure* and the full amount, \$48.9 million, of this facility was drawn down in line with its terms.

The DVB Facility is in the amount of \$81.9 million. The first tranche, which was drawn down in October 2012, bears interest at a rate of 3.75% above LIBOR. The second and third tranche were drawn down in January 2014 and February 2014, and bear interest at a rate of 2.45% above LIBOR. We entered into the DVB Facility to



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finance the *Ardmore Seafarer*, *Ardmore Seamaster*, *Ardmore Centurion*, *Ardmore Seavantage* and *Ardmore Seavanguard*. The amount drawn down under this facility as of December 31, 2013 was \$36.9 million. The remainder of the DVB Facility, \$45.0 million, was drawn down in two equal installments just prior to delivery of the *Ardmore Seavantage* and *Ardmore Seavanguard* in January 2014 and February 2014, respectively.

Ardmore has signed a commitment letter for a senior credit facility with ABN AMRO Bank N.V., Nordea Bank Finland Plc and Skandinaviska Enskilda Banken AB (the Joint Facility), the amount of \$172.0 million to finance eight of our Ordered Vessels. Draw downs will be made in line with deliveries of each vessel, commencing in January 2015. Interest is calculated on each tranche at a rate of 3.15% above LIBOR. Draw downs are subject to customary conditions including the absence of any material adverse change. The terms of the Joint Facility include an accordion option whereby, subject to lenders approval, we may request to increase the Joint Facility to finance the acquisition of additional vessels.

We are also in advanced discussions with our relationship banks and have received non-binding indicative terms for two additional debt facilities (the Prospective Debt Facilities). If obtained, we intend to use these facilities to finance the remaining two of our Ordered Vessels and the *Ardmore Seamariner* which was acquired in October 2013 with cash.

Agreements related to long-term debt obligations stated above include certain covenants. The financial covenants include:

corporate leverage of less than 75%;

minimum cash and cash equivalents based on the number of vessels owned and chartered-in and debt service requirements. Our required minimum cash balance as at December 31, 2013 was \$4,800,000;

the aggregate fair market value of the collateral vessels plus any additional collateral shall, depending on the facility, be no less than 125% to 150% of the debt outstanding (value maintenance covenant); and

net worth of not less than \$45 million.

The long-term debt obligations do not impose a restriction on dividends, distributions, or returns of capital unless an event of default has occurred, is continuing or will result from such payment. We are fully compliant with all of our loan covenants as of December 31, 2013.

**CASHFLOW DATA FOR THE YEARS ENDED DECEMBER 31, 2013, DECEMBER 31, 2012 AND DECEMBER 31, 2011**

CASHFLOW DATA	For the years ended		
	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011
Net cash provided by operating activities	\$ 8,120,173	3,985,253	397,273
Net cash used in investing activities	(144,637,558)	(14,941,514)	(56,920,554)
Net cash provided by financing activities	178,044,107	20,830,080	56,779,795
<i>Cash provided by operating activities</i>			

For the year ended December 31, 2013 cash flow provided by operating activities amounted to \$8.1 million. Net profit (after adding back depreciation, amortization and other non-cash items) was an inflow of \$7.3 million. Changes in operating assets and liabilities amounted to an inflow of \$1.1 million and payments for drydock of \$0.2 million in the year then ended.

For the year ended December 31, 2012, cash flow provided by operating activities amounted to \$4.0 million. The net profit (after adding back depreciation, amortization and other non-cash items) was an inflow of \$2.4 million. Changes in operating assets and liabilities accounted for an inflow of \$4.6 million and drydock payments amounted to \$3.0 million.



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For the year ended December 31, 2011, cash flow provided by operating activities to \$0.4 million. Net profit (after adding back depreciation, amortization and other non-cash items) was an inflow of \$2.7 million. Changes in operating assets and liabilities for the year then ended accounted for a \$2.3 million outflow. There were no payments for drydock for the year ended December 31, 2011.

*Cash used by investing activities*

For the year ended December 31, 2013, net cash used in investing activities was \$144.6 million. Investment in secondhand vessels, the completion of vessels and vessel equipment was \$63.5 million for the year the ended. Payments for vessels still under construction at December 31, 2013 were \$81.1 million, due to new orders placed within the year. In addition to these outflows, \$0.07 million was spent on other assets for the year ended December 31, 2013 which primarily relates to expenditure on IT infrastructure and further office fit out.

For the year ending December 31, 2012, net cash used in investing activities was \$14.9 million. Investment in secondhand vessels, the completion of vessels and vessel equipment was \$1.3 million. Payments for vessels under construction were \$13.6 million and \$0.05 million was spent on other assets for the year ended December 31, 2012.

For the year ended December 31, 2011, the net cash used in investing activities was \$56.9 million. Investment in vessels, vessel equipment and vessels under construction was \$56.8 million and \$0.1 million was spent on other assets for the year then ended.

*Cash provided by financing activities*

For the year ended December 31, 2013, the net cash provided by financing activities was \$178.0 million. Drawdowns of senior debt amounted to \$47.0 million and repayments of senior debt amounted to \$25.3 million. Total proceeds and repayments of a capital lease arrangement amounted to \$31.5 million and \$1.1 million respectively. We also incurred costs of \$1.3 million in relation to deferred finance charges for senior loan facility that had not been drawn down at year end, along with commitment fees payable in respect of other financing committed for vessels under construction. Proceeds from our IPO amounted to \$140.0 million which was offset by \$11.6 million of IPO related expenses. A dividend was also paid on November 20, 2013 amounting to \$1.2 million.

For the year ended December 31, 2012, the net cash provided by financing activities was \$20.8 million. Drawdowns of senior debt amounted to \$38.7 million and a repayments in association with drawn down debt was \$37.2 million. A short term revolving credit facility of \$30.3 million was repaid and we also incurred costs of \$1.7 million in relation to deferred finance charges for senior loan facilities that had not been drawn down at year end. Additional paid in capital received from GA Holdings was \$51.3 million.

For the year ended December 31, 2011, the net cash provided by financing activities was \$56.8 million. Drawdowns in the year then ended amounted to \$32.0 million and repayments of senior debt for the year were \$4.4 million. Draw downs on our short term revolving credit facility were \$15.5 million and additional paid in capital received from GA Holdings was \$14.9 million. Amounts incurred for deferred finance charges amounted to a \$1.3 million outflow.

**CAPITAL EXPENDITURES**

**Drydock**

Three of our vessels completed in-water surveys in 2013. The drydocking schedule for our Operational Vessels that were in operation as of December 31, 2013 is as follows:

	For the years ended December 31				
	2014	2015	2016	2017	2018
Number of vessels in drydock (excl in-water surveys)	2	4	0	3	2

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We will continue to try to ensure dockings are staggered across the fleet. As our fleet matures and expands, our drydock expenses are likely to increase. Ongoing costs for compliance with environmental regulations and society classification survey costs are a component of our vessel operating costs.

**Newbuildings**

We have ten Ordered Vessels in our Current Fleet. We have a commitment letter with three of our relationship banks for a credit facility for eight of these newbuildings and we are in discussions with another relationship bank for a credit facility to finance the remaining two vessels on order.

**Upgrades**

We intend to continue our investment program for vessel upgrades where possible to maintain operational efficiency, optimum commercial performance and preservation of asset value.

**Dividends**

We have declared dividends of \$3.0 million from August 1, 2013 to January 15, 2014. We paid our shareholders \$1.2 million on November 20, 2013 and \$1.8 million on February 14, 2014. While we cannot assure you that we will continue to do so, and subject to the limitations discussed below, we currently intend to pay our stockholders quarterly dividends of \$0.10 per share, or \$0.40 per share per year.

**CONTRACTUAL OBLIGATIONS**

The following table sets forth our total obligations on vessel finance and newbuild commitments as at December 31, 2013.

	<b>FY 2014</b>	<b>FY 2015 - 2017</b>	<b>FY 2018 - 2020</b>	<b>Total</b>
Vessels under construction	\$ 120,592,620	192,069,410		312,662,030
Debt	9,100,000	27,300,000	52,460,000	88,860,000
Vessels (acquired) deliveries	16,480,000			16,480,000
Interest expense(1)	3,184,493	7,473,220	1,253,331	11,911,044
Loan commitment fees	34,313			34,313
Office space	101,607	143,944		245,551
	<b>\$ 149,493,033</b>	<b>226,986,574</b>	<b>53,713,331</b>	<b>430,192,938</b>

(1) The interest expense on our loans is variable and based on LIBOR. The amounts in the above schedule were calculated using an interest swap rate of 0.4% plus a margin of 3.41% which is the weighted average margin on our senior loan facilities.

**OFF-BALANCE SHEET ARRANGEMENTS**

As of December 31, 2013, we have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity or capital resources.

**DISCLOSURES ABOUT MARKET RISKS****Operational risk**

We are exposed to operating costs risk arising from various vessel operations. The key areas of operating risk include drydock, repair costs, insurance and piracy. Our risk management includes various strategies for



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technical management of drydock and repairs coordinated with a focus on measuring cost and quality. Our young fleet helps to minimize the risk. Given the potential for accidents and other incidents that may occur in vessel operations, the fleet is insured against various types of risk. Finally, we have established a set of countermeasures in order to minimize this risk of piracy attacks during voyages, particularly through the Gulf of Aden and off the coast of Africa, to make the navigation safer for sea staff and to protect our assets.

### **Foreign exchange risk**

The majority of our transactions, assets and liabilities are denominated in U.S. dollars. We incur certain general and operating expenses in other currencies (primarily Euro, Singapore Dollar, Pounds Sterling and Hong Kong Dollar) and as a result there is a transactional risk to us where the risk that currency fluctuations will have a negative effect on the value of our cash flows. Such risk may have an adverse effect on our financial condition and results of operations. We believe these adverse effects to be immaterial and have not entered into any derivative contracts for either transaction or translation risk during the year.

### **Interest rate risk**

We are exposed to the impact of interest rate changes primarily through borrowings that require us to make interest payments based on LIBOR. Significant increases in interest rates could adversely affect our margins, results of operations and our ability to repay debt. Lower interest rates lower the returns on cash investments. We regularly monitor interest rate exposure and will enter into swap arrangements to hedge exposure where it is considered economically advantageous to do so.

### **Credit risk**

There is a concentration of credit risk with respect to cash and cash equivalents to the extent that substantially all of the amounts are held across two banks Nordea Bank Finland Plc and Morgan Stanley & Co. LLC. While we believe this risk of loss is low, we keep this under review and will revise our policy for managing cash and cash equivalents if considered advantageous and prudent to do so.

We limit our credit risk with trade accounts receivable by performing ongoing credit evaluations of our customers' financial condition. We generally do not require collateral for trade accounts receivable.

We may have a credit risk in relation to vessel employment and at times may have multiple vessels employed by one charterer. We consider and evaluate concentration of credit risk regularly and perform on-going evaluations of these charterers for credit risk. As of December 31, 2013, eight of our Operational Vessels were employed with five different charterers.

### **Liquidity risk**

The principal objective in relation to liquidity is to ensure that we have access at minimum cost, to sufficient liquidity to enable us to meet our obligations as they come due and to provide adequately for contingencies. Our policy is to manage its liquidity by strict forecasting of cash flows arising from time charter revenue, pool revenue, vessel operating expenses, general and administrative overhead and servicing of debt.

### **Inflation**

We do not expect inflation to be a significant risk to direct expenses in the current and foreseeable economic environment.

## **CRITICAL ACCOUNTING ESTIMATES**

In the application of our accounting policies, which are prepared in conformity with U.S. GAAP, we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities, and

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revenues and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgments and estimates are as follows:

**Revenue recognition.** If a time charter agreement exists, the rate is fixed or determinable, service is provided and collection of the related revenue is reasonably assured, then we recognize revenues over the term of the time charter. We do not recognize revenue during days the vessel is offhire. Where the time charter contains a profit or loss sharing arrangement, the profit or loss is recognized based on amounts earned or incurred as of the reporting date.

Revenues and voyage expenses of our vessels operating in pool arrangements are pooled with the revenues and voyage expenses of other pool participants. The resulting net pool revenues, calculated on the time charter equivalent basis, are allocated to the pool participants according to an agreed formula. The formula used to allocate net pool revenues vary among different pools but generally allocates revenues to pool participants on the basis of the number of days a vessel operates in the pool with weighted adjustments made to reflect the vessel's differing capacities and performance capabilities. We account for our vessels share of net pool revenue on the allocated time charter equivalent on a monthly basis. Net pool revenues due from the pool are included in trade receivables.

**Shares-Based Compensation.** We may grant share-based payment awards, such as restricted stock units, as incentive-based compensation to certain employees. Stock Appreciation Rights (SARs) were granted to certain employees and officers in August 2013. We measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model, including the expected life of the award, volatility and dividend yield, and making certain assumptions about the award.

**Depreciation.** Vessels are depreciated on a straight-line basis over their estimated useful economic life from the date of initial delivery from the shipyard. The useful life of our vessels is estimated at 25 years from the date of initial delivery from the shipyard. Depreciation is based on cost less estimated residual scrap value. Residual scrap value is estimated as the lightweight tonnage of each vessel multiplied by the estimated scrap value per ton. The estimated scrap value is reviewed each year.

**Vessel impairment.** 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. When such indicators are present, a vessel to be held and used is tested for recoverability by comparing the estimate of future undiscounted net operating cash flows expected to be generated by the use of the vessel over its remaining useful life and its eventual disposition to its carrying amount. An impairment charge is recognized if the carrying value is in excess of the estimated future undiscounted net operating cash flows. The impairment loss is measured based on the excess of the carrying amount over the fair market value of the asset.

Net operating cash flows are determined by applying various assumptions regarding future revenues net of commissions, operating expenses, scheduled drydockings, expected offhire and scrap values. These assumptions are based on historical trends as well as future expectations. Specifically, in estimating future charter rates, management takes into consideration rates currently in effect for existing time charters and estimated daily time charter equivalent rates for each vessel class for the unfixed days over the estimated remaining lives of each of the vessels. The estimated daily time charter equivalent rates used for unfixed days are based on a combination of

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internally forecasted rates that are consistent with forecasts provided to senior management and our board of directors, and the trailing 10-year historical average one-year time charter rates, based on average rates published by maritime researchers. Recognizing that rates tend to be cyclical, and subject to significant volatility based on factors beyond our control, management believes the use of estimates based on the combination of internally forecasted rates and 10-year historical average rates calculated as of the reporting date to be reasonable. Estimated outflows for operating expenses and drydocking requirements are based on historical and budgeted costs and are adjusted for assumed inflation. Utilization is based on historical levels achieved and estimates of a residual value are consistent with scrap rates used in management's evaluation of scrap value.

Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate at the time they were made, such assumptions are highly subjective and likely to change, possibly materially, in the future. There can be no assurance as to how long charter rates and vessel values will remain at their current low levels or whether they will improve by a significant degree. If charter rates were to remain at depressed levels, future assessments of vessel impairment would be adversely affected.

In recent years, the market values of vessels have experienced particular volatility, with substantial declines in many of the charter-free market value, or basic market value, of various vessel classes. As a result, our vessels may have declined below those vessels' carrying value, even though we did not impair those vessels' carrying value under our impairment accounting policy. This is due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels' carrying amounts.

Our estimates of basic market value assume that our vessels are all in good and seaworthy condition without need for repair and, if inspected, would be certified in class without notations of any kind. Our estimates are based on the estimated market values for our vessels that we have received from independent ship brokers, reports by industry analysts and data providers that focus on our industry and related dynamics affecting vessel values and news and industry reports of similar vessel sales. Vessel values are highly volatile and as such, our estimates may not be indicative of the current or future basic market value of our vessels or prices that we could achieve if we were to sell them.

The table set forth below indicates the carrying value of each of our owned vessels as of December 31, 2013, at which time we were not holding any of the vessels listed in the table below as held for sale. We believe that the future undiscounted cash flows expected to be earned by those vessels, which have experienced a decline in charter-free market value below such vessels' carrying value, over their operating lives would exceed such vessels' carrying values as of December 31, 2013, and accordingly, have not recorded an impairment charge.

	Built	DWT	Carrying Value as of(1)(2)	
			Dec 31, 2013	Dec 31, 2012
<i>Ardmore Seavalliant</i>	2013	49,998	\$ 38,494,348	\$
<i>Ardmore Seaventure</i>	2013	49,998	39,171,535	
<i>Ardmore Seatrader</i>	2002	47,141	20,466,413	22,075,898
<i>Ardmore Seamaster</i>	2004	45,840	22,102,978	23,676,818
<i>Ardmore Seafarer</i>	2004	45,744	22,219,081	23,815,239
<i>Ardmore Centurion</i>	2005	29,006	18,961,493	19,561,767
<i>Ardmore Calypso</i>	2010	17,589	18,987,607	19,676,603
<i>Ardmore Capella</i>	2010	17,567	18,401,311	19,190,083
<b>Total</b>			<b>\$ 198,804,766</b>	<b>\$ 127,996,408</b>

- (1) Carrying value includes drydock, upgrades, capitalized interest, supervision fees and other newbuilding pre-delivery costs.
- (2) Deposits paid, or costs incurred, in relation to the acquisition of secondhand vessels are not presented in the above table.



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We estimate that the aggregate carrying value of these vessels exceeds their aggregate basic charter-free market value by \$3.8 million as of December 31, 2013 and \$16.5 million as at December 31, 2012. We believe that four of our vessels' carrying value exceeded the basic charter-free market value as of December 31, 2013 and that six of our vessels' carrying value exceeded the basic charter-free market value as of December 31, 2012. We did not impair any vessels due to our impairment accounting policy as future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed these vessels' carrying amounts. In addition to carrying out our impairment analysis, we performed sensitivity analysis for a 10% reduction in forecasted vessel utilization and a 10% reduction in time charter rates and in each scenario the future undiscounted cash flows significantly exceeded the carrying value of our vessels.

**Contingencies.** Claims, suits and complaints arise in the ordinary course of our business. We provide for contingent liabilities when (i) it is probable that a liability has been incurred at the date of the financial statements and (ii) the amount of the loss can be reasonably estimated.

**Financial instruments.** The carrying values of cash and cash equivalents, accounts receivable and accounts payable reported in the consolidated balance sheet for those financial instruments are reasonable estimates of their fair values due to their short-term nature.

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**THE INTERNATIONAL PRODUCT AND CHEMICAL TANKER INDUSTRY**

*The information and data contained in this prospectus relating to the international product and chemical tanker shipping industries has been provided by Drewry Maritime Research ( Drewry ), and is taken from Drewry 's database and other sources. Drewry has advised that: (i) some information in their database is derived from estimates or subjective judgments; (ii) the information in the databases of other maritime data collection agencies may differ from the information in their database. We believe that all third-party data provided in this section, The International Product and Chemical Tanker Industry, is reliable.*

**Summary**

Seaborne trade in refined products and chemicals/oils and fats grew by a compound annual growth rate ( CAGR ) of 4.6% and 4.7%, respectively from 2003 to 2013 and by a CAGR of 3.8% and 2.9%, respectively, from 2008 to 2013. Growth in trade in both sectors has been underpinned by a number of factors, most notably:

demand for oils and chemicals in the developing world;

geographical shifts in the location of refinery capacity, and

the development of shale reserves in the United States which is transforming the U.S. energy economy and turning the country into a major exporter of products.

**Product and Chemical Tanker Shipping Key Features**

Growth in trade and the changes in geographical trade patterns have been beneficial to the requirement for shipping these cargoes. Tonne-mile demand in the product sector increased by a CAGR of 6.0% in the period 2003 to 2013, driven by increasing cargo volumes as well as expanding average voyage lengths.

*Source: Drewry*

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Growth in vessel demand is beginning to counter the significant increases in product and chemical tanker supply that took place between 2007 and 2013. The large orderbooks of up to 50% of the fleet in the product and chemical tanker sectors in the peak years of 2007 and 2008 have been reduced through deliveries exceeding new orders, although ordering in the product sector did increase in 2013. In January 2014 the MR product orderbook was equivalent to 17.3% of supply. In the chemical sector it was close to 12%.

Based on the current orderbook and scheduled deliveries, supply growth will be moderate in both sectors in 2014 and 2015. New orders are expected to continue to be placed, but many product tanker building shipyards are full and financing availability is still constrained.

The improving balance between vessel supply and demand rates in both sectors has led to improvements in charter rates and asset values, although both are still well below their last cyclical peaks.

## **Overview**

The maritime shipping industry is fundamental to international trade as it is the only practicable and cost effective means of transporting large volumes of many essential commodities and finished goods. The products tanker industry plays a vital link in the global energy supply chain while the chemical tanker industry is a central part of the global chemical industry, as it helps to correct imbalances between bulk liquid chemical production and consumption. Tanker markets are highly competitive, with ship charter hire rates sensitive to changes in demand for and supply of capacity, and are consequently cyclical and volatile. Tankers make up approximately one third of the world's merchant fleet by tonnage, including product tankers, which carry refined and unrefined petroleum products and chemical tankers which carry organic and inorganic chemicals plus vegetable oils, animal fats and special products such as molasses.

In broad terms, demand for the commodities traded by sea is principally affected by world and regional economic conditions, as well as other factors such as changes in the regional prices of raw materials and products. Demand for shipping is a product of the physical quantity of the cargo (measured, depending on the cargos in terms of tonnes, barrels, cubic metrics or standard container size) together with the distance the cargo is carried.

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Generally, demand cycles move broadly in line with developments in the global economy, with demand for product and chemical shipping slowing significantly in the period immediately after the onset of the global economic downturn in late 2008. In 2013, a total of 3.25 billion tonnes of crude oil, oil products and chemicals were moved by sea. Over the period from 2003 to 2013, the refined oil products trade has grown at an annual average rate of 4.6%, over five times the growth rate of the crude oil trade at 0.8%, while seaborne trade in chemicals grew at approximately 4.7% annually. Over the period from 2008 to 2013, the annual growth rates have been -0.2% for crude oil, 3.8% for oil products, and 2.9% for chemicals. Over the period from 2003 to 2013, seaborne trade in refined products and chemicals were two of the fastest growing sectors of international shipping. Recent trends in world seaborne tanker trades are summarized in the table below.

**World Seaborne Tanker Trades**

Year	Crude Oil		Oil Products		Chemicals		Total		Global GDP (IMF)
	%		%		%		%		%
	Mill T	y-o-y	Mill T	y-o-y	Mill T	y-o-y	Mill T	y-o-y	y-o-y
2000	1,764		555		111		2,430		4.8%
2001	1,818	3.1%	570	2.7%	114	3.0%	2,502	3.0%	2.3%
2002	1,828	0.5%	567	-0.5%	122	7.0%	2,516	0.6%	2.9%
2003	1,937	6.0%	611	7.7%	129	5.9%	2,677	6.4%	3.7%
2004	2,043	5.5%	637	4.2%	139	8.0%	2,819	5.3%	5.0%
2005	2,076	1.6%	696	9.4%	152	9.4%	2,924	3.7%	4.6%
2006	2,086	0.5%	740	6.3%	161	5.4%	2,987	2.1%	5.3%
2007	2,102	0.8%	738	-0.3%	175	9.0%	3,015	1.0%	5.4%
2008	2,111	0.4%	793	7.5%	177	1.1%	3,081	2.2%	2.6%
2009	2,025	-4.1%	834	5.1%	180	1.7%	3,039	-1.4%	-0.9%
2010	2,066	2.0%	883	5.9%	187	3.9%	3,136	3.2%	5.2%
2011	2,032	-1.6%	912	3.3%	196	4.8%	3,140	0.1%	3.9%
2012	2,075	2.1%	937	2.7%	200	2.0%	3,212	2.3%	3.2%
2013 (1)	2,090	0.7%	956	2.0%	204	2.0%	3,250	1.2%	2.9%
CAGR (2008-2013)	-0.2%		3.8%		2.9%		1.1%		
CAGR (2003-2013)	0.8%		4.6%		4.7%		2.0%		

(1) = provisional estimates

Source: Drewry

Supply is determined by the size of the existing fleet as measured by its deadweight cargo carrying capacity. It is influenced by a variety of factors, primarily the size of the existing fleet by number and ship size, the rate of deliveries of newbuildings, the rate of removals from the fleet (scrapping), and other operating efficiency factors (for example, port congestion and vessels speed) affecting the number of ships available for charter.

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The world tanker fleet is generally divided into four main categories of vessels based on the main type of cargo carried. These categories are crude oil, refined petroleum products (both clean and dirty products), chemicals, oils and fats and specialist products such as bitumen. The main ship types and the cargoes they carry are shown in the table below.

**Principal Tanker Types and Main Cargoes Carried**

Vessel Type	Ship Size-Dwt	Tank Type	IMO Status	Principal Cargo	Other Cargoes
UL/VLCC	200,000+	Uncoated		Crude Oil	
Suezmax	120,000-199,999	Uncoated		Crude Oil	
Aframax	80,000-119,999	Uncoated		Crude Oil	Refined Products-Dirty
Panamax	60,000-79,999	Uncoated		Crude Oil	Refined Products-Dirty
Long Range 2 (LR2)	80,000-119,999	Coated	Non IMO	Refined Products	Crude
Long Range 1 (LR1)	60,000-79,999	Coated	Non IMO	Refined Products	Crude
Medium Range (MR)	25,000-59,999	IMO 2-Coated		Refined Products	Chemicals/Veg Oils
	25,000-59,999	IMO 3-Coated		Refined Products	Chemicals/Veg Oils
	25,000-59,999	Non IMO-Coated		Refined Products	
		Non IMO-Uncoated		Refined Products	
Short Range (SR)	10,000-24,999	Coated	Non-IMO	Refined Products	
	10,000-24,999	Coated	IMO 1/2	Refined Products; Chemicals	
Stainless Steel Tankers	10,000+	Stainless	IMO 2	Chemicals/Veg Oils	Refined Products
Specialist Tankers	10,000+	Uncoated/Coated	Non IMO	Various e.g Bitumen	

Source: Drewry

In the refined product and chemical sectors there are a number of vessels that possess the ability to carry both types of cargo. These vessels do represent a swing element in supply in both of these markets. However, many vessels will tend to trade in either refined products or chemicals/oils and fats. The total tanker fleet and its trading status as of January 31, 2014 are shown in the table below.

**World Tanker Fleet and Trading Status**

Vessel Type	ShipSize-Dwt	IMO Status	Existing Fleet		Trading Status-January 31, 2014							
			No	Mill Dwt	Crude Oil		Refined Products		Chemicals/Veg Oils		Other	
			No	Mill Dwt	No	Mill Dwt	No	Mill Dwt	No	Mill Dwt	No	Mill Dwt
UL/VLCC	200,000+		620	190.2	620	190.2						
Suezmax	120,000-199,999		494	76.4	494	76.4						
Aframax	80,000-119,999		649	69.5	649	69.5						
Panamax	60,000-79,999		89	6.2	89	6.2						
Long Range 2 (LR2) (1)	80,000-119,999	Non IMO	252	27.2	49	5.2	199	21.6	4	0.4		
Long Range 1 (LR1)	60,000-79,999	Non IMO	326	23.8	3	0.2	320	23.4	3	0.2		
Medium Range (MR)												
	25,000-59,999	IMO 2	328	12.7			133	5	195	7.7		
	25,000-59,999	IMO 3	951	43.2			830	37.7	121	5.5		
	25,000-59,999	Non IMO-Coated	541	23.84		0.2	537	23.6				
	25,000-59,999	Non IMO-Uncoated	42	1.7								
Short Range (SR)	10,000-24,999	Non-IMO	52	0.8			50	0.7	2	0.1		
	10,000-24,999	IMO 1/2	842	12.5			392	5.8	450	6.6		
Stainless Steel Tankers	10,000+	IMO 2	562	12.2			10	0.2	552	12		
Specialist Tankers	10,000+	Non IMO	73	1.9					6	0.1	67	1.8
<b>Total Fleet</b>			<b>5,821</b>	<b>502.1</b>	<b>1,908</b>	<b>347.9</b>	<b>2,471</b>	<b>118.0</b>	<b>1,333</b>	<b>32.6</b>	<b>67</b>	<b>1.8</b>

Source: Drewry

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From 1999 to February 2014, the world tanker fleet (of 10,000 dwt and above) expanded from 277.6 million dwt to 502.1 million dwt. Given that some of the ships within the fleet are capable of carrying different cargoes, the number of ships that can theoretically trade in the three main cargo groups – crude oil, refined products and chemicals/oils and fats and specialized cargoes – are as follows:

Crude oil tankers (1,852 vessels),

Oil products tankers (3,334 vessels),

Chemical tankers (considered separately; 2,683 vessels) and

Specialised tankers (73 vessels).

The existing supply and demand balance for vessel capacity is the primary factor in determining charter rates. Product and chemical tanker charter rates have been generally depressed since the financial crisis in 2008, as a result of the global economic slowdown and a high volume of deliveries causing surplus capacity in the market. However, in 2013 there were signs that both markets had started to recover.

Following a very difficult 2009 and 2010, product tanker spot charter rates have improved. In 2013, MR products tanker spot earnings averaged \$10,950 per day, compared with an average of \$9,043 per day in 2009. Time charter rates have been subject to less volatility, remaining in the range \$12,500 to \$15,500 per day since the start of 2010. From a longer-term perspective, the ten year average for MR product spot earnings is \$17,899 per day and for MR one-time charter rates is \$18,909. Spot earnings reached a high of \$42,099 per day and a low of \$5,174 per day over the last ten years.

The chemical tanker market has also experienced significant surplus capacity since the economic downturn in 2008. This over-capacity was partly a result of speculative newbuilding orders during the period 2005 to 2007, sometimes involving owners with relatively little experience in operating chemical tankers. From 2008 to 2010, the fleet grew at historically high levels, and at levels in excess of trade growth and ship demand. High numbers of newbuildings were delivered into the fleet until the end of 2011. Since then there have been marginal improvements in charter rates as seaborne demand has recovered. In 2013 the chemical tanker market remained generally over supplied but with trade growth recovering to historical averages and fleet growth slowing significantly and a small orderbook in place, there is upside to the medium term outlook.

There is also a second hand market for ships, with vessels changing ownership. Although it varies between sectors, the second hand sale and purchase market is relatively liquid for product tankers, with vessels changing hands between owners on a regular basis. Liquidity in the chemical sector is less, as this is a more specialist sector where there are a smaller number of sales. Second hand prices are generally influenced by potential vessel earnings, which in turn are influenced by trends in the supply of and demand for shipping capacity.

Over recent years, firm bunker prices, slow steaming and generally low freight rates have increased interest in eco ship designs. Shipyards are now actively marketing vessel designs that potentially offer significant fuel consumption savings and speed flexibility which has generated interest and new ordering activity. However, the exact commercial advantage of this new generation of vessels is still to be proved. There has also been an increased interest in retro-fit solutions and a growing requirement to address various regulatory issues such as emissions (NO<sub>x</sub>, SO<sub>x</sub> and Carbon) and the introduction of Ballast Water Treatment (BWT) systems.

### **Charter Market**

The charter market is highly competitive. Competition is based primarily on the offered charter rate, the location and technical specification of the vessel and the reputation of the vessel and its manager. Typically, the agreed terms are based on standard industry charter parties prepared to streamline the negotiation and documentation processes. The most common types of employment structures for a tanker are:

## Edgar Filing: Ardmore Shipping Corp - Form F-1/A

*Spot market:* The vessel earns income for each individual voyage and the owner pays for bunkers and port charges. Earnings are dependent on prevailing market conditions, which can be highly volatile. Idle time between voyages is possible depending on the availability of cargo and position of the vessel.

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*Contract of affreightment:* Contracts of affreightment are agreements by vessel owners to carry quantities of a specific cargo on a particular route or routes over a given period of time using ships chosen by the vessel owners within specified restrictions. Contracts of affreightment function as a long-term series of spot charters, except that the owner is not required to use a specific vessel to transport the cargo, but instead may use any vessel in its fleet.

*Time charter:* A time charter is a contract for the hire of a vessel for a certain period of time, with the vessel owner being responsible for providing the crew and paying operating costs, while the charterer is responsible for fuel and other voyage costs. A time charter is comparable to an operating lease. Some time charters also have profit sharing arrangements, the details of which vary from charter to charter.

*Bareboat charter:* The ship owner charters the vessel to another company (the charterer) for a pre-agreed period and daily rate. The charterer is responsible for operating the vessel and for payment of the charter rates, irrespective of the condition of the vessel. A bareboat charter is comparable to a finance lease / capital lease.

*Pool employment:* The vessel is part of a fleet of similar vessels, brought together by their owners in order to exploit efficiencies and benefit from a profit sharing mechanism. The operator of the pool sources different cargo shipment contracts and directs the vessels in an efficient way to service these contractual obligations. Pools can benefit from profit and loss sharing effects and the benefits of potentially less idle time through coordination of vessel movements, but vessels sailing in a pool will also be vulnerable to adverse market conditions. The type of employment arrangement is determined by customer requirements for operational involvement and range of services, along with current market conditions.

## **The Product Tanker Industry**

### ***Introduction***

While crude oil tankers transport crude oil from points of production to points of consumption, typically oil refineries in consuming countries, product tankers can carry both refined and unrefined petroleum products, including some crude oil, as well as fuel oil and vacuum gas oil (often referred to as "dirty products") and gas oil, gasoline, jet fuel, kerosene and naphtha (often referred to as "clean products"). Tankers with IMO 2/3 certification are able to carry both products and chemicals/oils and fats. Product capable tankers make up 57% of the total tanker fleet (above 10,000 dwt) in numbers terms, and are therefore a key part of the global tanker trade.

*Source: Drewry*



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### ***Oil Tanker Demand***

Oil has been the world's primary energy source for a number of decades. In 2013, oil accounted for around one third of world energy consumption. Daily oil demand increased from approximately 74.7 million barrels per day ( bpd ) in 1998 to 86.5 million bpd in 2008. Demand fell to 85.5 million bpd in 2009 following the global economic recession, but grew in subsequent years, reaching 90.9 million bpd in 2013. Global oil demand is projected to increase to 92.0 million bpd in 2014, an increase of 1.2 %.

Proven oil reserves totaled 1,653 billion barrels at the beginning of 2013, approximately 50 times larger than 2013 production levels (according to the *BP Statistical Review of World Energy June 2013*). Proven reserves tend to be located in regions far from major consuming countries, which contribute to demand for shipping. However, one important reversal of this tendency in recent years past has been the development of tight or shale oil reserves in the United States.

Demand for product tankers is dictated by world oil demand and trade, which is influenced by many factors including economic activity, geographic changes in oil production, consumption and refinery capacity, oil prices, the availability of transport alternatives (such as pipelines) and inventory policies of nations and oil trading companies. Tanker demand is a product of (a) the amount of cargo transported in tankers, multiplied by (b) the distance that cargo is transported. The distance is determined by seaborne trading and distribution patterns.

### **World Oil Consumption and Seaborne Oil Trades**

*(Percent change year on year)*

*Source: Drewry*

Oil demand growth and the changing location of oil supply have altered the structure of the tanker market in recent years. Between 2003 and 2008, more than half of new crude oil production was located in the Middle East and Africa. These two regions still produced approximately one third of global supply in 2013. However, in recent years, U.S. and Canadian crude oil production has increased as a result of the development of shale oil deposits. This has reduced U.S. seaborne crude import demand, but is resulting in greater oil product volumes becoming available for export from the U.S. Gulf in particular and thereby providing increased employment opportunities for product tankers

Demand cycles in the oil tanker industry move broadly in line with developments in the global economy. Between 2003 and 2008, seaborne products trade grew strongly. However, following the financial downturn, total oil demand growth slowed markedly, while global seaborne crude oil trade declined, as shown in the graph below. More positively, seaborne oil products trade firmed between 2008 and 2012. Recent trends include the contraction of U.S. seaborne crude imports and continued growth in non-OECD crude imports.

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In 2013 total seaborne trade in products was just less than one billion tonnes. As the chart below indicates, trade has grown quite steadily over the last decade.

**Seaborne Products Trade***(Million Tonnes)**Source: Drewry*

As a result of the growth in trade and the changes in the location of refinery capacity, demand for product tankers expressed in terms of tonne-miles have grown by a CAGR of 6.0% over the past ten years.

**Products Tanker Demand**

Products	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	CAGR % 2003-2013
<b>Seaborne Trade - Million Tonnes</b>	567	611	637	696	740	738	793	834	883	912	937	956	<b>4.4%</b>
<b>Tonne Mile Demand - Billion Tonne Miles</b>	1,371	1,441	1,498	1,713	1,836	1,891	2,092	2,339	2,453	2,498	2,572	2,650	<b>6.0%</b>
<b>Average Voyage Lengths (Miles)</b>	2,418	2,359	2,353	2,460	2,481	2,563	2,638	2,805	2,778	2,740	2,745	2,772	<b>1.5%</b>

*Source: Drewry*

In terms of tonne-mile demand, a notable development in the patterns of world refining over the last five years has been the shift towards crude oil producing regions developing their own refinery capacity, while at the same time, poor refinery margins have led to closures of refineries in the developed world, most notably in Europe and on the U.S. east coast.

In particular, in recent years there has been a trend towards increased oil product imports into South American, African and Asia Pacific countries (excluding China and India, countries whose oil imports growth primarily relates to crude rather than products). Increased exports from the U.S. have also been a significant

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trend, with the largest proportion going to satisfy growing South America demand for oil products. Other U.S. exports have been moving transatlantic into Europe, where local refinery shutdowns have supported import demand.

**Regional Refinery Capacity**

*(changes in capacity y-o-y million bpd)*

*Source: Drewry*

Elsewhere, the large export-oriented refinery at Jamnagar on the west coast of India has already provided additional product shipment volumes of around 0.6m bpd since its start-up in 2009. Several refineries in the Arabian Gulf have either recently come on line or are due online in the coming years, including those at Jubail (at September 2013 with 0.4 million bpd capacity), Yanbu (at September 2013 with 0.4 million bpd capacity) and Jizan (planned for 2016 with 0.4 million bpd capacity) in Saudi Arabia and at Ruwais (planned for 2014 with 0.4 million bpd capacity expansion project) and Fujairah (planned for 2016 with 0.2 million bpd capacity) in the UAE.

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In this context it is already apparent that the closures of refining capacity in the developed world are prompting longer haul imports to cater for product demand, for instance on routes such as West Coast India to the U.S. eastern seaboard. Any concerted global economic recovery in combination with these new start-ups in the Arabian Gulf could prompt further growth in long-haul imports from this region. Furthermore, the Yanbu and Jizan projects in particular are expected to produce significant amounts of low- sulphur fuels, which will become increasingly in demand in the tightening regulatory environment. These developments may benefit a mixture of MR and LR sized vessels.

**Oil Product Imports Major Regions**

*(Million bpd)*

*Source: Drewry*

Refinery closures close to consuming regions elsewhere in the world will also help to support product import demand. For example, in Australia, trade from Singapore is expected to become increasingly important to compensate for the conversion of local producing refineries into storage depots. This would be part of a general increase in intra-Asian trade which is already boosting product tanker demand, something which may be further supported by expected closures in Japan (a result of new government standards).

This type of growth is generally of benefit to MR sized tankers, the workhorses of medium-haul products trades, in addition to mainstay trades such as gasoline movements across the Atlantic from Europe into the United States. MR2 vessels offer the flexibility of being sufficiently small to enable access to a diverse range of ports and are also popular with oil traders given this flexibility and ability to deal with the most common parcel sizes.

Nevertheless, there are some areas of demand which are less positive. Growing U.S. oil production has reduced demand from the Caribbean to the U.S. east coast. As a result, a number of refineries in the Caribbean have been forced to close in light of poor refining margins. However, this is being compensated for by the growth in developing Asian and South American requirements.

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**Oil Product Exports Major Growth Regions**

*(Million bpd)*

*Source: Drewry*

Much of the increase in the South American oil products requirement is being met by growing exports from the United States. The adjacent graph shows how U.S. exports of products have grown in recent years. Moderating domestic oil demand has combined with greater availability of crude feedstock (due to increased U.S. domestic crude oil production from tight oil and offshore) to make larger-scale exports feasible, particularly of middle distillates from the U.S. Gulf. In light of the projected growth in U.S. crude oil production, and strong demand growth in South America combined with increasing long-haul flows to Asia, this trend is likely to continue.

Largely as a result of the growth in trade routes due to refinery developments, product tonne-miles have grown by a CAGR of 6.0% in the period 2003 to 2013. Generally growth in products trades and product tanker demand is more consistent and less volatile than crude oil trade. Continued growth at these historical levels is feasible but will be subject to global economic development and a continuation of the trade and refinery trends of recent years.

***Product Tanker Supply***

In terms of vessel size the following definitions apply:

Short-range tankers ( SR ) are between 10,000 and 24,999 dwt

Medium-range tankers ( MR ) are between 25,000 to 59,999 dwt

Long-range 1 tankers ( LR1 ) are between 60,000 and 79,999 dwt

Long-range 2 tankers ( LR2 ) are between 80,000 and 120,000 dwt.

Within the context of this report the product tanker fleet is classified as any non-specialised tanker between 10,000 dwt and 60,000 dwt, as well as coated and other product-capable vessels over 60,000 dwt. IMO 3 tankers are included in this classification, as are IMO 2 tankers above 30,000 dwt with an average tank size of greater than 3,000 cubic metres. In practice, refined products can be transported in any of the following types of vessel:

LR2 coated tankers

LR1 coated tankers

MR IMO 3 tankers

MR IMO 2 tankers

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MR Non IMO (coated and uncoated) tankers

SR IMO 1/2 tankers

SR Non IMO tankers

The main types of vessel and their principal uses are summarised in the table below.

**Product Tanker Vessel Types and Main Uses**

Class of Tanker	Cargo Capacity (DWT)	Typical Use
<b>Aframax (Coated, LR2)</b>	80,000-119,999	Short- to medium-haul crude oil and refined petroleum products transportations from the North Sea or West Africa to Europe or the East Coast of the United States, from the Middle East Gulf to the Pacific Rim and on regional trade routes in the North Sea, the Caribbean, the Mediterranean and the Indo-Pacific Basin.
<b>Panamax (Coated, LR1)</b>	60,000-79,999	Short- to medium-haul crude oil and refined petroleum products transportations worldwide, mostly on regional trade routes.
<b>MR2</b>	40,000-59,999	Flexible vessels involved in medium-haul petroleum products trades
<b>MR1</b>	25,000-39,999	both in the Atlantic Basin and the growing intra-Asian/Middle East/ISC
<b>SR</b>	10,000-24,999	Short-haul of mostly refined petroleum products worldwide, usually on local or regional trade routes.

*Source: Drewry*

MR tankers carry the majority of the global trade of refined petroleum products transported at sea as their smaller size allows the greatest flexibility in trade routes and port access. The MR fleet can be divided into MR1, typically sized 25,000 dwt to 39,999 dwt (sometimes referred to as Handys ) and MR2 typically sized 40,000 dwt to 59,999 dwt. The main routes where product tankers are deployed are shown in the map below.

*Source: Drewry*