

SUSTAINABILITY REPORT

The Company recognizes that irresponsible shipping operations will inevitably lead to catastrophic environmental impact, particularly in terms of air and/or water pollution. Therefore, The Company is firmly committed to the protection and conservation of the environment, and ranks environmental considerations equally with commercial and operational factors.

However, over years of operation the Company's senior management has realized that simply complying with regulations is not enough, but what is needed is to go above and beyond the mandatory regulations by developing internal emergency response plans and quality control systems, constantly searching for new technologies to employ to help reduce our environmental impact, and also a firm commitment to reducing CO₂ emissions and waste generation.

The following is an explanation of the most significant maritime regulations and what the Company is doing to remain compliant. After which the Company's internal emergency and quality control systems will be outlined, followed by CO₂ reduction efforts. This report concludes with a statement of goals and objectives set by the Company for the coming year.

Compliance with Regulations & Conventions

In order to have the Company's ships sailing in international waters, the Company is legally required to be fully compliant with the following regulations imposed by the International Maritime Organization (IMO) and other regulatory bodies:

- » International Convention for the Control and Management of Ships' Ballast Water and Sediments 2004.
- » International Convention on the Control of Harmful Anti-Fouling Systems 2001.
- » International Convention on Civil Liability for Bunker Oil Pollution Damage 2001.
- » International Maritime Dangerous Goods Code.
- » National Regional and Local regulations more stringent than the international requirements like US environment protection acts, European Union air pollution directives etcetera.

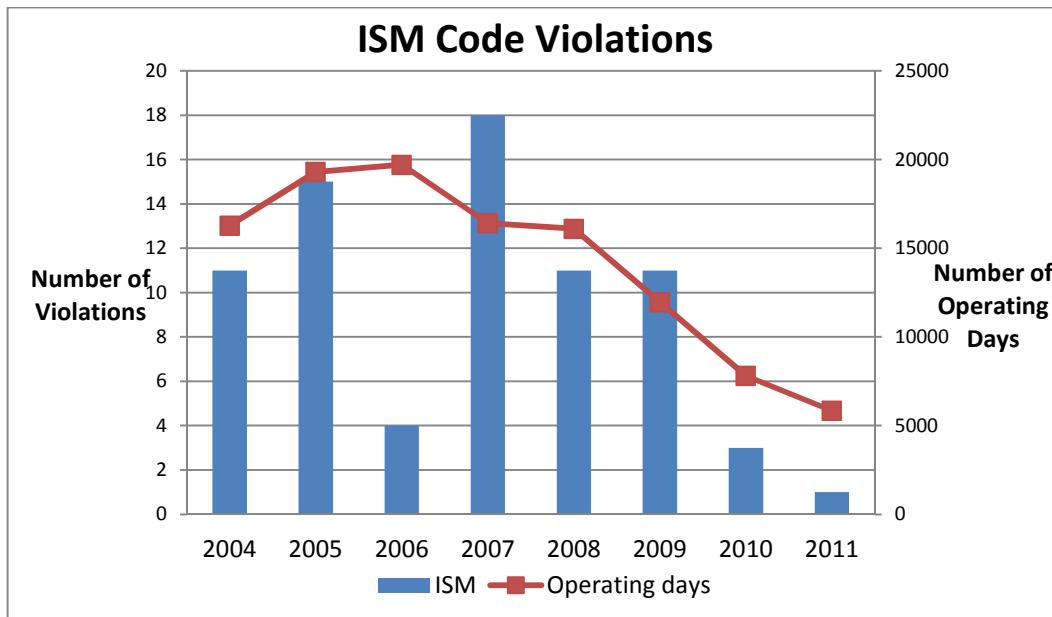
In addition to the above, the most significant regulations are outlined below, and the Company's efforts to remain compliant.

International Safety Management Code (ISM Code): Learning from various marine casualties over the years, "International Safety Management Code" (ISM Code) was introduced by the International Maritime Organization, to enhance the safe operation of ships and pollution prevention. The ISM Code became mandatory on 1st July 1998 for passenger ships including passenger high-speed crafts, oil tankers, chemical tankers, gas carriers, bulk carriers and cargo high-speed crafts of 500 gt and upwards, but the Company implemented this in 1995 itself after obtaining due certification.

The Code is implemented on board the vessels and offices ashore in order to provide an international standard for the following objectives:

1. Ensure safety at sea
2. Prevent human injury or loss of life
3. Avoid damage to the environment

Below is a graphical account of the Company's ISM Code violations viewed against Operating days from 2004-2011. For the purpose of this analysis, violations are considered as any incident that results in a fire, explosion, injury or death to crew members, collisions, and groundings. Operating days hit a peak with 19,710 days in 2006, while ISM code violations peaked in 2007 with 18 violations. However, between 2007 and 2011 a definitive trend appears with code violations declining by 94%. On violations per operating day basis, 2006 and 2011 were The Company's best years with the violation at the lowest at 0.02%, while even at worst, in 2007, the violations were a negligible fraction, at only 0.11%. Across the period, the average violation for the whole fleet was only 0.06%.



As per the ISM code requirements, annual internal audits are conducted on board by a dedicated team of qualified and experienced ship auditors reporting directly to the Managing Director. All incidents of non-compliances, accidents and near misses are thoroughly investigated and analyzed, after which procedures are reviewed immediately. Furthermore, all lessons learned from various accidents and near miss incidents are shared with organizations like Marine Accident Reporting Scheme (MARS) for the mutual benefit of the industry and to enhance maritime safety in general. The Nautical Institute, London, which publishes the MARS reports every month, has appreciated the Company's participation in MARS and for promotion and sharing "lessons to learn" incidents and case studies from own fleet for the benefit of the industry. This is in compliance with our highest ideals of quality management and social responsibility.

In addition to the above, the Company is undertaking following initiatives to limit ISM Code violations through preventative action:

- » **Enhanced staff training:** An increasing trend in the industry is that Port State Control inspectors are getting more stringent in their enforcement of the ISM Code. As such our ship staff are given regular checks on their ISM knowledge, sharing of experiences from across the fleet.
- » **Enhanced maintenance of vessels:** The head office has stressed that all machinery checks and inspections be carried out with greater frequency, and any difference observed by ship staff are immediately reported. Also the Company's management has stressed that internal auditors enforce the code more stringently than ordinary inspectors to achieve a higher level of compliance

and safety for our ships, cargoes and crew.

- » **Timely warnings and reminders to vessels:** Vessel's entering North American and Australian waters often require additional certificates for compliance with local regulations. As a preventative measure the head office gives instructions to the crew well in advance of the vessel's arrival in such waters to ensure that all documents are in order and the vessel is in full compliance.

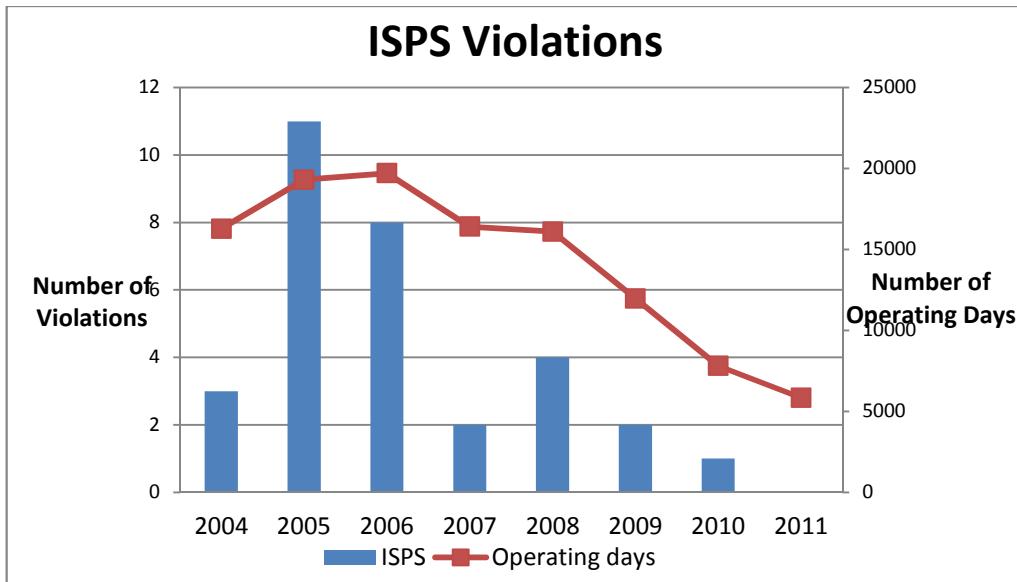
Keeping in line with the declining trend observed in the previous graph, the Company has set an internal target of zero ISM Code violations resulting in injury or death, fire, collisions or groundings or any vessel detentions resulting from an ISM Code violation.

International Ship and Port Safety (ISPS) Code: In light of changing security circumstances across the globe, the International Ship and Port Safety Code was adopted in 2004. The code is an amendment to the Safety of Life At Sea (SOLAS) Convention that encompasses a greater level of security arrangements for ships and ports. The code assigns responsibilities to governments, shipping companies, shipboard personnel, and port/facility personnel to "detect security threats and take preventative measures against security incidents affecting ships or port facilities used in international trade" (ISPS Code Part A 1.2.1).

In implementing the ISPS Code the Company has developed standard operating procedures for vessels entering ports prone to drug smuggling, and stowaways. This includes employing sniffer dogs and armed guards where appropriate. Furthermore, standard policies are employed whenever vessels call European, British, American, Australian or Canadian ports, and to date the Company has had only 1 detention from an ISPS violation.

Annual internal reviews are conducted on preventative measures including the performance of the companies providing the sniffer dogs and guards. Like the ISM audits mentioned above, these are carried out by a dedicated team of qualified and experienced ship auditors reporting directly to the Managing Director. All incidents of non-compliance, accidents and near misses are thoroughly investigated and analyzed. In the event of any failures of the standard operating procedures, reviews are immediately conducted.

Below is a graph displaying the number of ISPS Code Violations (left-hand axis) against the number of Operating days (right-hand axis) from 2004-2011. ISPS violations peaked in 2005 with 11 violations occurring that year, while operating days peaked in 2006 with 19,710 days. Both operating and ISPS violations reached their lowest levels in 2011 with 0 code violations during 5,842 operating days. From 2005-2011 ISPS code violations dropped by 100%.



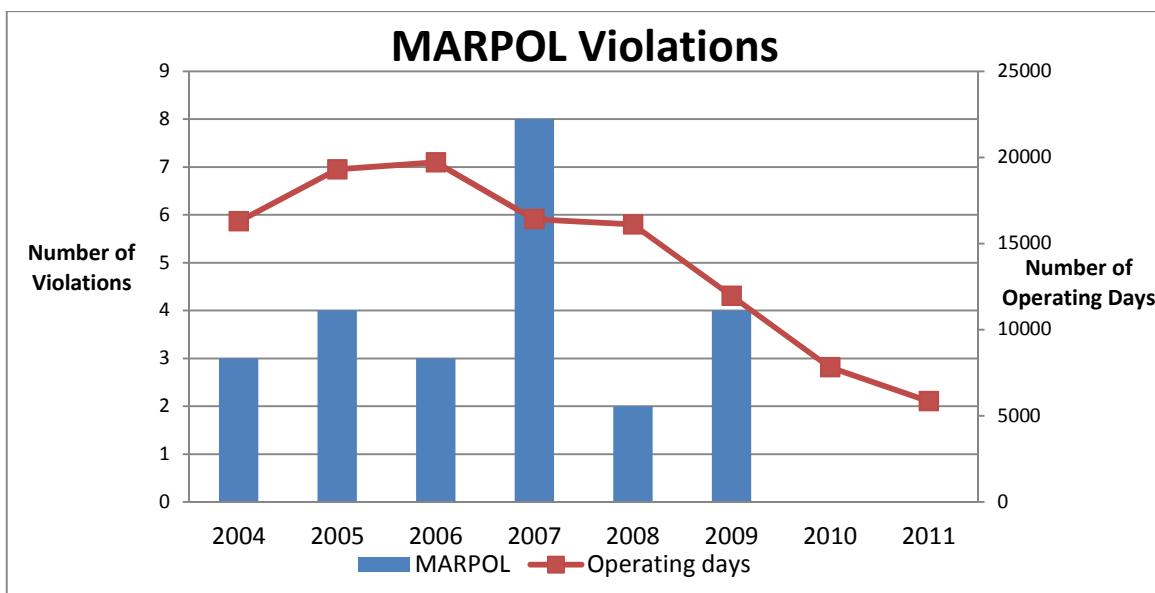
The Company has set an internal target of zero violations for the coming year.

MARPOL: Is one of the most important environmental regulations in the maritime industry and aims “to preserve the marine environment through the complete elimination of pollution by oil and other harmful substances and the minimization of accidental discharge of such substances.” This convention is divided into 6 distinct sub-areas (IMO, 2011) :

1. Regulations for the Prevention of Pollution by Oil.
2. Regulations for the Control of Pollution by Noxious liquid substances in bulk.
3. Regulations for the Prevention of Pollution by harmful substances carried by sea in packed forms, or in freight containers, portable tanks or road and rail tank wagons.
4. Regulations for the Prevention of Pollution by Sewage from ships.
5. Regulations for the Prevention of Pollution by Garbage from ships.
6. Regulations for the Prevention of Pollution by Air from ships.

There is a companywide acknowledgment that the risk posed to the marine environment from a marine incident is severe. The Company has adopted a great deal of preventative measures to limit this risk factor. The first is to limit human error, and the second is to maintain the vessel's machinery to the highest possible standard.

In order to limit human error the Company has developed an internal training programme for all seagoing staff. This includes simulator exercises designed to improve navigational skills and awareness by putting officers through various weather, sea and port conditions. Furthermore, the Company also ensures that all engineers employed are put through their own specific rigorous programme aimed at enhancing their ability to maintain engines and avoid any fuel or sludge discharge while the vessel is in port or at sea.



The above graph demonstrates the number of MARPOL violations (left-hand axis) resulting in an insurance claim and Operating days (right-hand axis) from 2004-2011. For the purpose of the analysis, any incident counts as a violation if it is resulted in an insurance claim. MARPOL violations were most numerous in 2007 with 8 violations, while Operating days peaked in 2006. The average number of violations for the period was 3, while the average number of operating days was 14,179 days. From 2007 to 2011, the total number of incidents declined by 100% while Operating days declined by 64%. On a per day basis in 2007, the Company violated MARPOL 0.03% of all Operating days, while in 2010, and 2011, the Company obtained a rate of 0% violations per Operating day. As is the case with the 2 previous codes outlined, the Company aims to have zero MARPOL violations in 2012 and no vessels detained as a result of a MARPOL violation.

Upcoming Regulations: The following regulations are coming into force within the next few years and the Company is already inducting them into our business operations.

SEEMP (Ship board energy efficiency Management plan) - Jan 2013

EEDI (Energy efficiency design index) for new buildings - Jan 2013

Having successfully outlined and explained the significant maritime regulations that safe guard the environment and those that will soon play a significant role, the next section details the Company's internal environmental control system.

Protection and conservation of the environment:

ISO 14001 Certification: With an increasing demand for environmental conservation the Company has established an "Environment Protection Policy." In addition to minimum requirements based on international conventions and regulations, the Company implements an Environment Management System (EMS) complying with the ISO 14001 standards. ISO 14001:2004 provides a framework for a holistic, strategic approach to the Company's environmental policy, plans and actions, and demonstrates that the Company is an environmentally responsible organization. Upon completion of one year after initial certification, the Company has successfully completed annual audit verification conducted by Class NK, confirming compliance with the standards. The EMS supplements the Quality Management System,

meeting ISO 9001 standard, and the International Safety Management (ISM) code. This integrated Management System is known as Safety Quality and Environment Management System (SQEMS). According to the SQEMS, the Technical Manager, who also heads the Management Company, is appointed as the “Management Representative” and is also the “Designated Person” for the purpose of the ISM code. In 2008, ClassNK issued the Company a QMS certificate - the new 2008 version of ISO 9001. In general, dry bulk shipping companies do not go for this certification which is more or less the exclusive preserve of tanker companies where protection of the environment is the paramount issue.

Objectives of the EMS:

- » Minimize pollution caused to the environment.
- » Comply with all national, international legislations and other regulations pertaining to pollution of the environment.
- » Establish procedures for the efficient use of natural resources.
- » Improve environmental awareness of all employees.
- » Ensure effective monitoring of the environmental performance of the Company is carried out.
- » Ensure continual improvement of environmental performance and pollution prevention.

Through periodic review and continual improvement of our SQEMS, the Company hopes to elevate environmental performance over the coming years and make significant contribution to conservation of the environment and reducing the Company’s carbon footprint. Another tangible effort being made by the Company to reduce the environmental impact of the business is the adoption of new environment friendly technology on new ships acquired.

Use of New Technology and Innovations:

The Company’s commitment to protection and conservation of the environment and prevention of pollution is reflected in the new building contracts the Company has signed with ABG Shipyard in India for building 21 vessels (18 bulk carriers and 3 special-purpose cement carriers) out of which 4 bulk carriers were novated and 1 bulk carrier was delivered to the Company during 2011 thereby reducing our order to 16 vessels (13 bulk carriers and 3 special-purpose cement carriers) at the end of year 2011 . The vessels are being built to comply with all regulations presently in force and also those which are known to be applicable in the foreseeable future. In addition, wherever practical, the vessel’s specifications exceed those mandated by regulations, both for ease of operations as well as to enhance the vessels’ ability to protect and conserve the environment.

Some of the “Green” features of these new ships are:

1. Double Hull construction is utilized to minimize environmental pollution in case of accidental hull damage.
2. The vessels’ hull form has been perfected after several rounds of careful design analysis using the latest technology, with a view to arrive at the most optimal combination of ship-size & shape to achieve the desired speed at minimum fuel consumption.
3. Engines fitted will be in compliance with Nitrogen oxide (NOx) emission standards.
4. Flush, box-type ship-sides for cargo holds - this will reduce accumulation of cargo residues in the holds, thereby reducing the need for harmful cleaning chemicals for removal of the same, since the

holds can be cleaned using water only.

5. Deep-well sump pumps for Main Engine oil circulating system - this will reduce the overall quantity of lubricating oil required for the Main Engines, which will in due course reduce the quantities of waste oil.
6. Improved propeller design will reduce fuel consumption: Propeller boss cap fins - this is a new propulsion-enhancing technology to improve the efficiency of the propulsion system, which in turn reduces the fuel consumption and the overall emission of exhaust gas waste products.
7. Shaft generators will be fitted on all ships which will reduce fuel consumption for on board power generation.
8. Large capacity Incinerator compliant with IMO performance standards (capable of incinerating plastics if required).
9. The vessels will be fitted with large incinerators, well above the requirements of MEPC.76 (40) Standards, to burn waste and sludge. This will ably supplement the Company's garbage and waste management system which is already in operation on all of the Company's vessels.
10. Larger capacity Bilge water/sludge storage tanks - these will enable environmentally friendly waste disposal ashore by allowing more flexibility in selecting the best waste disposal facilities ashore separately for oily water and sludge.
11. Improved Sewage Treatment Plants are being installed on the ships.
12. Ships will be in compliance with IMO's "Ship Recycling Convention": The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009, was adopted in May 2009. It is aimed at ensuring that ships, when being recycled after reaching the end of their operational lives, do not pose any unnecessary risk to human health and safety or to the environment. Presently the Convention is open for accession by States. It will enter into force 24 months after the date on which 15 States, representing 40 percent of world merchant shipping by gross tonnage, have either signed it without reservation as to ratification, acceptance or approval or have deposited instruments of ratification, acceptance, approval or accession with the Secretary General. Furthermore, the combined maximum annual ship recycling volume of those States must, during the preceding 10 years, constitute not less than 3 percent of their combined merchant shipping tonnage. As it stands, all ships contracted for building before 2015 will need to comply by the year 2020. New ships contracted from 2015 need to comply upon delivery. Our new building contracts will ensure compliance with this requirement. We will also be preparing all existing vessels to meet the requirements before the deadline arrives. Vessels will be maintaining an inventory of Hazardous material in compliance with the convention recommendation, specifically by prohibiting/restricting the use of hazardous materials at the ship construction stage. If any hazardous materials are used in the construction, a continuous inventory of the same will be maintained, so that all the vessels are eligible to apply for an International Certificate of Inventory of Hazardous Material.

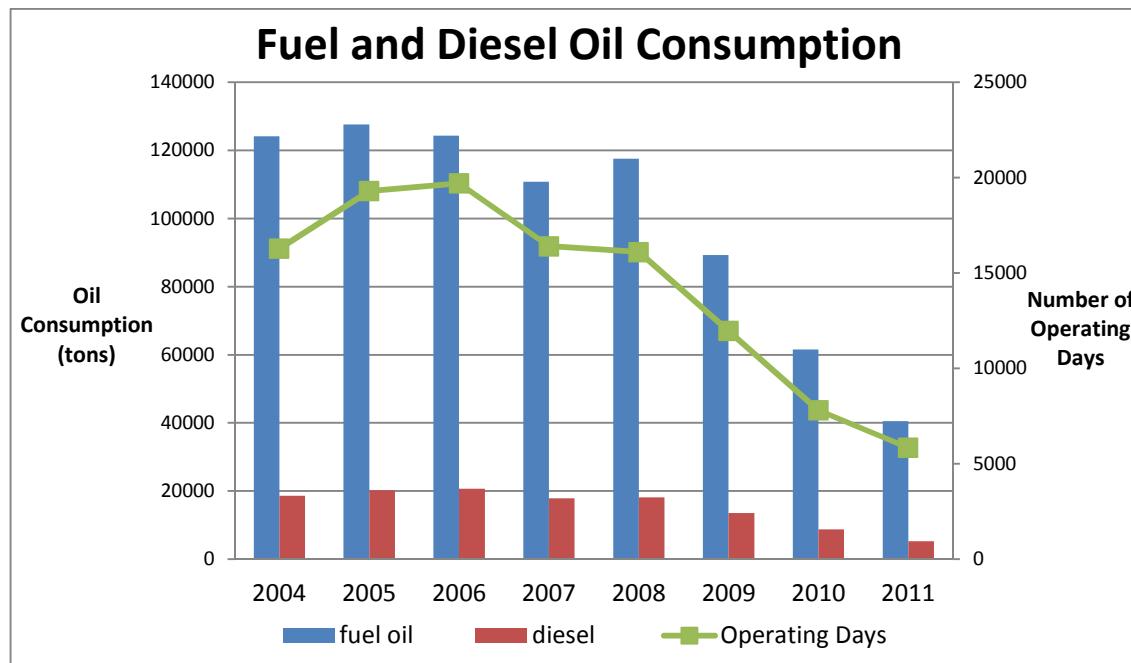
All efforts outlined thus far will have no significant impact unless there is a firm commitment from management to reduce CO₂ emissions. Thus the following sections details what efforts are currently being undertaken to limit the Company's CO₂ and waste output.

Carbon Footprint and Waste Generation:

The most recognized and constant source of CO₂ comes from the burning of fuel oil onboard ships. In order to reduce CO₂ emission, the only alternative available is to reduce the fossil fuel burnt. But that is not possible without sacrificing growth and development. The need therefore is to achieve higher efficiency while reducing the quantity of fuel oil burnt, and the Company has taken the following steps to achieve this.

- » Improved voyage planning with reduced/minimized ballast passage.
- » Weather routing.
- » Speed Optimization.
- » Optimized ship handling by Trim, Ballast condition.
- » Hull Maintenance.
- » Use of improved Hull coatings like Silicon based anti-fouling that does not release biocides like other anti-fouling paints.
- » Improved cargo handling.
- » Good Engine Maintenance.

The graph below displays the Company's annual fuel oil and diesel oil consumption from 2004-2011 (left hand axis) against the number of operating days (right hand axis). In 2005, fuel oil consumption peaked at 127,666 tons while diesel oil consumption peaked in 2006 with 20,867 tons and the number of operating days peaked in 2006 with 19,710 days. The average consumption over a 7-year period was 99,484 tons of fuel oil and 15,353 tons of diesel oil, while the average number of operating days over the period was 14,179.



However, since 2006 there has been a decline in consumption of both fuel oil and diesel oil and operating days due to a reduction in the number of ships. Between 2006 and 2011, fuel and diesel oil consumption declined 67.5% and 75.5% respectively, while operating days fell by 64%. 2011 proved to be the Company's lowest year in terms of fuel and diesel oil consumption, and operating days.

A visible trend in the above graph is the positive relationship between operating days and the

consumption of fuel and diesel oil. Between 2004 and 2006, consumption of oil and operating days all hit their respective peaks, but then began to decline to the levels seen in 2011. the Company is also continuously looking out for other ways and means of reducing our carbon footprint.

The Company's stated goal is to own approximately 60-70 ships in the future, and as such the aim is to endeavor to reduce the fuel and diesel oil consumption by 3-5 percent every year. To accomplish this, the Company will look very closely at the machinery installed on all new acquisitions, whether new buildings or second hand vessels, and monitor their performance very carefully to arrive at optimum speed and consumption variables, while ensuring that emissions are kept to a minimum.

Another source of harmful substances generated by our ship's consumption of fuel and diesel oil is sludge. Sludge is a product of 'on board' fuel oil purification and as an alternative to incinerating sludge and releasing even more harmful gasses into the environment. The Company has made a substantial effort to dispose of such material to shore based reception facilities. This is a much more expensive way for dealing with this issue but the Company is committed to reducing its carbon footprint and reflects the Company's efforts towards environmental conservation. Between the first half of 2010 to the first half of 2011, the Company increased the disposal of sludge ashore by 114% from 155 tons to 333 tons of sludge. This accounts for the highest quantity of sludge disposed ashore in recent years. By delivering sludge to a suitable reception facility, this waste can be recycled to make products like grease which is a lubricant widely used in multiple industries.

Conclusion and Environmental Objectives and Goals

Having explained all facets of the Company's efforts to protect the environment this section concludes with a summary of all objectives put forward and how each will be monitored. Compliance with the ISM, ISPS and MARPOL codes will be monitored by the Company's internal audit team, and all initiatives subsequently employed to minimize violations will be subject to half-yearly reviews by the Company's senior management and technical team. As previously stated the target set by the Company's management is to have zero violations in 2012. Additionally, the Company will also strive to maintain our SQEMS ISO certification. The Company will constantly look for ways to improve the SQEMS and look to incorporate all new regulations into the initiative even before they become effective. Likewise, the Company will also constantly be on the lookout for newer technology that can be employed on our ships to reduce our environmental impact. And finally, given the Company's rapid fleet expansion programme, the Company has set a highly ambitious target of a 3-5 percent reduction for fuel and diesel oil consumption.

We are happy to report that the Company's Annual Report this year is printed on recycled paper, our token contribution to the conservation of the natural environment and in line with our stated desire to reduce our carbon footprint.