

PARADISE GAS CARRIERS CORP.

**Consolidated Financial Statements
for the year ended December 31, 2023
prepared under US GAAP**

**These financial statements set out on pages 5 to 33 have been approved
by the Board of Directors of Paradise Gas Carriers Corp. on June 27,
2024**

Signed on behalf of the Board of Directors

CEO

Constantinos Tsakiris



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Report of Independent Auditors

To the Management and Board of Directors of Paradise Gas Carriers Corp.

Opinion

We have audited the accompanying consolidated financial statements of Paradise Gas Carriers Corp. and its subsidiaries (together "the Group"), which comprise the consolidated balance sheets as of December 31, 2023 and December 31, 2022, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and December 31, 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.


Athens, Greece
June 27, 2024

PARADISE GAS CARRIERS CORP.
CONSOLIDATED BALANCE SHEETS AS AT DECEMBER 31, 2023 and 2022
(Expressed in thousands of United States dollars or unless otherwise stated)

	Notes	As of December 31, 2023	As of December 31, 2022
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	9,128	11,769
Trade receivables, net		5,094	6,260
Inventories	4	1,075	1,037
Insurance and other claims		848	-
Other receivables		369	368
Prepaid expenses		316	308
Total current assets		16,830	19,742
NON-CURRENT ASSETS			
Vessels, net	5	137,895	130,495
Investments in affiliates	9	953	13,696
Deferred charges, net	6	12,679	4,366
Total non-current assets		151,527	148,557
Total assets		168,357	168,299
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable	7	5,109	3,049
Accrued liabilities	10	847	520
Current portion of long-term debt	8	10,012	8,305
Unearned revenue		1,114	1,221
Dividends payable	11	-	82
Due to related parties	12	52	102
Shareholders' loan	12	2,001	-
Other current liabilities		519	453
Total current liabilities		19,654	13,732
LONG-TERM LIABILITIES			
Long-term debt, net of current portion and deferred financing costs	8	63,059	65,870
Total long-term liabilities		63,059	65,870
Total liabilities		82,713	79,602
Commitments and Contingencies		-	-
SHAREHOLDERS' EQUITY			
Common stock, no par value; 100,000 Class A shares authorized; 68,250 and 1,000 issued and outstanding as of December 31, 2023 and 2022, respectively	11	-	-
Additional paid-in capital		71,500	71,500
Preferred Stock, no par value; 10,000 Class B shares authorized; 3,250 and nil issued and outstanding, 1,000 Class C shares authorized, nil and nil issued and outstanding as of December 31, 2023 and 2022, respectively	11	-	3,630
Retained earnings		14,144	13,567
Total shareholders' equity		85,644	88,697
Total liabilities and shareholders' equity		168,357	168,299

The accompanying notes on pages 9 to 33 are an integral part of these consolidated financial statements.

PARADISE GAS CARRIERS CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR
ENDED DECEMBER 31, 2023 and 2022

(Expressed in thousands of United States dollars or unless otherwise stated)

		Year ended December 31, 2023	Year ended December 31, 2022
	Notes		
Operating revenue	16	62,867	52,096
Total operating revenue-net		62,867	52,096
Operating expenses			
Voyage expenses	18	(2,388)	(2,286)
Vessels' operating expenses	17	(19,686)	(18,457)
Depreciation	5	(7,600)	(6,629)
Amortization of deferred dry-docking and special survey costs	6	(2,285)	(2,036)
Commissions		(1,301)	(1,537)
Management fees	12	(2,199)	(2,213)
General and administrative expenses		(104)	(64)
Loss on sale of vessel	5	-	(844)
Other income		-	101
Net operating expenses		(35,563)	(33,965)
Operating profit		27,304	18,131
Other (expenses)/ income			
Interest income		137	23
Interest expense and finance cost		(7,823)	(4,671)
Gain from change in fair value of investments	9	2,432	7,449
Other finance expenses		(306)	(216)
Other (losses)/ income, net		(146)	280
Total other (expenses)/ income, net		(5,706)	2,865
Profit for the year		21,598	20,996
Other comprehensive income for the year		-	-
Total comprehensive income for the year		21,598	20,996

The accompanying notes on pages 9 to 33 are an integral part of these consolidated financial statements.

PARADISE GAS CARRIERS CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023 and 2022

(Expressed in thousands of United States Dollars unless otherwise stated)

	Common Stock	Preferred Stock	Additional Paid-in Capital	Retained earnings	Total
Balance December 31, 2021	-	9,150	71,500	(7,075)	73,575
Net profit for the year	-	-	-	20,996	20,996
Capital reductions	-	(5,520)	-	-	(5,520)
Dividends	-	-	-	(354)	(354)
Balance December 31, 2022	-	3,630	71,500	13,567	88,697
		-			
Balance December 31, 2022	-	3,630	71,500	13,567	88,697
Net profit for the year	-	-	-	21,598	21,598
Capital reductions	-	(3,630)	-	-	(3,630)
Dividends	-	-	-	(21,021)	(21,021)
Balance December 31, 2023	-	-	71,500	14,144	85,644

The accompanying notes on pages 9 to 33 are an integral part of these consolidated financial statements.

PARADISE GAS CARRIERS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of United States Dollars unless otherwise stated)

	Notes	Year ended December 31, 2023	Year ended December 31, 2022
Cash Flows from operating activities:			
Net income for the year		21,598	20,996
Adjustments to reconcile net profit to net cash provided by operating activities			
Depreciation	5	7,600	6,629
Amortization of deferred dry-docking and special survey costs	6	2,285	2,036
Amortization of deferred financing costs	8	979	343
Loss on disposal of vessel	5	-	844
Gain from change in fair value of investments	9	(2,432)	(7,449)
Changes in operating assets and liabilities			
Decrease/ (increase) in trade receivables, net		1,166	(3,657)
Increase in insurance and other claims		(848)	-
Increase in prepaid expenses		(8)	(46)
Increase in other receivables		(1)	232
Increase in inventories	4	(38)	(145)
Decrease in related parties	12	(50)	(35)
Increase/ (decrease) in accounts payable	7	113	(2,255)
Increase/ (decrease) in accrued liabilities	10	327	(25)
Decrease in unearned revenue		(107)	(197)
Increase/ (decrease) in other current liabilities		66	(88)
Payments for dry dock and special survey costs	6	(8,651)	(1,598)
Net cash provided by operating activities		21,999	15,585
Cash Flows from investing activities:			
Investments in affiliates, net of return of affiliate's capital	9	15,175	(1,242)
Payments for additions to vessels	5	(15,000)	(96)
Cash received relating to the sale of a vessel, net of transaction costs paid	5	-	8,531
Net cash provided by investing activities		175	7,193
Cash flows from financing activities:			
Proceeds from bank borrowings, net of deferred financing costs	8	74,527	17,678
Repayments of bank borrowings	8	(76,610)	(29,470)
Repurchase of preferred shares	11	(3,630)	(5,520)
Dividends paid		(21,103)	(820)
Payments to shareholders loans		2,001	-
Net Cash used in financing activities		(24,815)	(18,132)
(Decrease)/ increase in cash and cash equivalents		(2,641)	4,646
Cash and cash equivalents, beginning of year	3	11,769	7,123
Cash and cash equivalents, end of year		9,128	11,769
Supplemental disclosures of cash flow information:			
Cash paid for interest (net of capitalized interest)		6,539	4,287
Non-cash operating activities			
Payments for dry dock and special survey costs		1,948	-
Non-cash financing activities			
Dividends payable	11	-	82

The accompanying notes on pages 9 to 33 are an integral part of these consolidated financial statements.

PARADISE GAS CARRIERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of United States Dollars unless otherwise stated)

1. Description of organization and business operations

Paradise Gas Carriers Corp. (“Paradise” or the “Company” and, together with its subsidiaries, the “Group”), was formed on May 9, 2013, in Monrovia, Liberia and is presently the sole owner of all outstanding shares of the companies listed below (the “Paradise Subsidiaries”).

The Group’s vessels operate worldwide, carrying oil and LPG for many of the world’s leading charterers. The Group manages its operations from the offices of the management company, Paradise Navigation S.A., in Athens, Greece.

The Group’s principal business is the acquisition and operation of vessels. Paradise conducts its operations through vessel owning subsidiaries that have as principal activity the ownership and operation of oil tanker and gas carrier vessels that are under the exclusive management of Paradise Navigation S.A., a related party of the Group (refer to Note 12 - Related Party Transactions).

The consolidated financial statements of Paradise Gas Carriers Corp include the results of the following companies:

Company	Country of Incorporation	Date of Incorporation	Activity
Paradise Gas Carriers Corp.	Monrovia, Liberia	May 9, 2014	Holding Co
Stylida Maritime Ltd(i)	Monrovia, Liberia	December 11, 2007	Subsidiary
Darko Maritime Ltd	Monrovia, Liberia	January 13, 2014	Subsidiary
PST S.A	Marshall Islands	July 2, 2014	Subsidiary

The consolidated financial statements also include the results of the following vessel-owning subsidiaries, all wholly owned by Paradise Gas Carriers Corp. as of December 31, 2023 and 2022.

Company	Date of Incorporation	% Shareholding	Vessel Name	Vessel Type	Year Built	DWT
Marina Maritime & Trading Ltd	May 8, 2013	100	PGC MARINA	Oil Tanker	2005	72,854
Aratos Maritime Ltd	July 24, 2013	100	PGC ARATOS	Gas Carrier	2003	9,328
Strident Force Maritime Ltd	January 13, 2014	100	PGC STRIDENT FORCE	Gas Carrier	1999	8,485
Aspropyrgos II Maritime Ltd	December 8, 2014	100	PGC ASPROPYRGOS(ii)	Oil Tanker	2004	72,000
Patreas Maritime Ltd	June 2, 2016	100	PGC PATREAS	Gas Carrier	2017	7,500
Periklis Maritime Ltd	June 2, 2016	100	PGC PERIKLIS	Gas Carrier	2017	7,500
Taormina Maritime Ltd	June 2, 2016	100	PGCTAORMINA	Gas Carrier	2017	7,000
Eirini Maritime Ltd	June 2, 2016	100	PGC EIRINI	Gas Carrier	2018	7,000
PGC Alexandria Maritime Ltd	July 29, 2020	100	PGC ALEXANDRIA	Oil Tanker	2006	75,000
Companion Maritime Ltd	December 22, 2022	100	PGC COMPANION	Oil Tanker	2005	72,900

PARADISE GAS CARRIERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of United States Dollars unless otherwise stated)

1. Description of organization and business operations (continued)

- i) Stylida Maritime Ltd was revoked and dissolved on November 15, 2023
- ii) PGC Aspropyrgos was sold on July 19, 2022 (refer to note 5)

2. Significant Accounting Policies

Basis of presentation: the accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) on a going concern basis. The reporting and functional currency of the Group is the United States Dollar.

Principles of Consolidation: The accompanying consolidated financial statements represent the consolidation of the accounts of the Company and subsidiaries it controls. The subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. All intercompany balances and transactions are eliminated on consolidation.

Subsidiaries are those entities in which the Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition. Costs directly attributable to the acquisition are expensed as incurred. The excess of the cost of acquisition over the fair value of the net tangible and intangible assets acquired and liabilities assumed is recorded as goodwill.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates the estimates and judgments, including those related to uncompleted voyages, future dry-dock dates, the selection of useful lives for tangible assets and scrap value, expected future cash flows from long-lived assets to support impairment tests, provisions necessary for accounts receivable, provisions for legal disputes and contingencies. Also, for operating and finance leases where the Group is acting as the lessor/lessee and in accordance with the provisions of ASC 842, management applies judgement to determine the rate implicit in the lease. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions and/or conditions.

Going Concern: The Group’s management evaluates at each reporting period based on the relevant conditions and events that are known at the date of financial statements are issued, whether conditions or events exist that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date that the financial statements are issued.

As of December 31, 2023, the Group’s current assets amounted to \$16,830 while current liabilities amounted to \$19,654 resulting in a negative working capital position of \$2,824.

PARADISE GAS CARRIERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of United States Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

The Group's projected cash flows indicate that it will generate sufficient cash for at least the next 12 months following the date of issuance of these financial statements, such as to allow it to service all its operational obligations, make the required principal and interest payments on its indebtedness and finance lease liabilities, provide for the normal working capital requirements of the business and remain in a positive working capital position.

Additionally, management believes that the shareholders have the intent and ability to financially support any additional or unexpected liquidity needs of the Group that may arise in the next twelve months from the issuance of the consolidated financial statements.

In light of the above, the consolidated financial statements were prepared assuming that the Group will continue as a going concern. Therefore, the accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities or any other adjustments that might result in the event the Group is unable to continue as a going concern.

Foreign Currency Translation: The functional currency of the Group is the U.S. dollar. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Difference in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is either settled or translated, are recognized in the accompanying consolidated statement of comprehensive income.

On the balance sheet dates, monetary assets and liabilities denominated in other currencies are translated to reflect the current exchange rates. Resulting gains or losses are reflected in the accompanying consolidated statement of comprehensive income.

Cash and Cash Equivalents: Cash and cash equivalents consist of current, call, and time deposits with original maturity of three months or less which are not restricted for use or withdrawal.

Trade Receivables, net: The amount shown as Trade Receivables at each balance sheet date includes receivables from charterers for hire, freight and demurrage billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. No allowance for doubtful accounts has been taken in any period included in these consolidated financial statements.

Prepaid Expenses: Prepaid expenses consist mainly of prepayment of insurance expenses.

Inventories: Inventories, consisting mainly of bunkers, lubricants and provisions remaining on board the vessels at each period end, are valued at the lower of market value or cost as determined using the weighted average cost basis method.

Insurance Claims: Insurance claims consist of claims submitted and/or claims in the process of compilation or submission (claims pending against vessels' insurance underwriters). They are recorded on an accrual basis and represent the claimable expenses, net of applicable deductibles, incurred through December 31 of each reported period, which are expected to be recovered from insurance companies. Any remaining costs to complete the claims are included in accrued liabilities. Insurance claims are included in the balance sheet line item "Insurance and other claims". The classification of insurance claims into current and non-current assets is based on management's expectations as to their collection dates.

PARADISE GAS CARRIERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of United States Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

Deferred Financing Costs: Deferred financing costs include fees, commissions and legal expenses associated with the Group's long-term debt. These costs are amortized over the estimated life of the related debt using the effective interest method and are included in interest expense or are capitalized in the case of vessels under construction. Unamortized fees relating to loans repaid or refinanced as debt extinguishment are expensed as interest and finance costs in the period the repayment or extinguishment is made. Deferred financing costs are presented as a deduction of long term debt, net of current portion.

Vessels' Cost: Vessels are stated at historical cost, which consists of the contract price, delivery and acquisition expenses and capitalized interest costs while under construction. Vessels acquired in an asset acquisition or in a business combination are recorded at fair value. Subsequent expenditures for ballast water treatment system, major improvements and upgrades are capitalized, provided they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Expenditures for routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight line method over the useful life of the vessels, after considering the estimated residual value. Management estimates the residual values of their vessels based on scrap value cost of steel times the weight of the ship noted in light displacement weight (ldt). Residual values are periodically reviewed and revised to recognize changes in conditions, new regulations or other reasons. Revisions of residual values affect the depreciable amount of the vessels and affects depreciation expense in the period of the revision and future periods.

Management estimated the residual value of the Group's vessel at \$430 per ldt for the years ended December 31, 2023 and 2022.

Management estimated the useful life of the Group's vessels to be 24 years from the vessels' original construction for the Oil Tankers and 30 years for the Gas Carriers for the years ended December 31, 2023 and 2022.

Capitalized Interest Expense: Interest costs are expensed as incurred except for interest costs that are capitalized. Interest costs are capitalized on all qualifying assets that require a period of time to complete for their intended use. Qualifying assets consist of vessels constructed for the Group's own use.

Impairment of Long-lived Assets: Long-lived assets are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. Management evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine if events or changes in circumstances have occurred that would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, certain indicators of potential impairment are reviewed such as, undiscounted projected cash flows, vessel sales and purchases, business plans and overall market conditions.

Undiscounted projected net operating cash flows are determined for each asset group (consisting of the individual vessel, deferred charges related to the unamortized portion of the Drydock and Special Survey, the unamortized portion of ballast water treatment system and the intangible, if any, with respect to the time charter agreement attached to that vessel) and compared to the vessel carrying value and related carrying value of the intangible with respect to the time charter agreement attached to that vessel or the carrying value of deposits for new-buildings, if any. Within the shipping industry, vessels are often bought and sold with a charter attached. The value of the charter may be

PARADISE GAS CARRIERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of United States Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

favorable or unfavorable when comparing the charter rate to then current market rates. The loss recognized either on impairment (or on disposal) will reflect the excess of carrying value over fair value (selling price) for the vessel individual asset group.

As of December 31, 2023 and 2022, the Group concluded that no events and circumstances triggered the existence of potential impairment of its long-lived assets.

Accounting for Special Survey and Dry-docking Costs: The Group's vessels are subject to regularly scheduled dry-docking and special surveys which are carried out every 30 or 60 months to coincide with the renewal of the related certificates issued by the classification societies, unless a further extension is obtained in rare cases and under certain conditions. The costs of dry-docking and special survey are deferred and amortized over the above periods or to the next dry-docking or special survey date if such has been determined. Drydocking and special survey costs are reported in the balance sheet within "Deferred charges, net if special survey or dry-docking is performed prior to the scheduled date, the remaining unamortized balances are immediately written off.

The unamortized portion of special survey and dry-docking costs for vessels sold is included as part of the carrying amount of the vessel in determining the gain / (loss) on sale of the vessel.

Pension and Retirement Benefit Obligations-Crew: The crew on board of the Group's vessels serves in such capacity under short-term contracts (usually up to nine months) and accordingly, the vessel-owning companies are not liable for any pension or post-retirement benefits.

Accounts payable: Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of the Group's business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Leases: Vessel leases where the Group is regarded as the lessor are classified as either finance leases (sales-type / direct financing leases) or operating leases based on an assessment of the terms of the lease.

For charters classified as operating leases where the Group is regarded as the lessor, refer to section "Revenue recognition" below.

For charters classified as operating leases where the Group is regarded as the lessee, a right of use asset and a corresponding lease liability are recognized on the consolidated balance sheet. The expense is recognized on a straight line basis over the rental periods of such charter agreements. The lease expense is included under the line item Time Charter Expenses of the Consolidated Statements of Comprehensive Income. In cases of lease agreements where the Group acts as the lessor under an operating lease, the Group keeps the underlying asset on the consolidated balance sheet and continues to depreciate this over its useful life. In cases of lease agreements where the Company acts as the lessor under a finance lease, the Group derecognizes the underlying asset and records a net investment in the lease. The Group acts as a lessee in a bareboat arrangement which constitutes an operating lease, while it acts as the lessor under operating leases in connection with its revenue arrangements.

For charters classified as finance leases the minimum lease payments are recorded as the gross investment in the lease. The difference between the gross investment in the lease and the sum of the present values of the two components of the gross investment is recorded as unearned income which is amortized to income over the lease term as finance

PARADISE GAS CARRIERS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023 and 2022
(Expressed in thousands of United States Dollars unless otherwise stated)

2. Significant Accounting Policies (continued)

lease interest income to produce a constant periodic rate of return on the net investment in the lease. For finance leases, interest expense is determined using the effective interest method and amortization on the right-of-use asset is recognized on a straight-line basis.

In cases of sale and lease back transactions, if the transfer of the asset to the lessor does not qualify as a sale, then the transaction constitutes a failed sale and lease back and is accounted for as a financing transaction. For a sale to have occurred, the control of the asset would need to be transferred to the lessor, and the lessor would need to obtain substantially all the benefits from the use of the asset.

Operating lease assets used by the Group are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Measurement of the impairment loss is based on the fair value of the asset. The Group determines the fair value of its assets on the basis of management estimates and assumptions by making use of available market data. In evaluating carrying values of operating lease assets, certain indicators of potential impairment are reviewed, such as undiscounted projected operating cash flows, business plans and overall market conditions. Undiscounted projected net operating cash flows are determined for each asset group and compared to the carrying value of the operating lease asset. As of December 31, 2023 and 2022, management concluded that there were no events and circumstances which may indicate the existence of potential impairment of the Group's operating leases.

Current and Deferred Income Tax: The Group is not liable for corporate income tax, either in the country of incorporation or, in the case of the vessel - owning companies, in the country of the vessel's registration. The Group therefore does not provide for either corporate income tax or for deferred taxation.

The Group's vessel owning companies are liable to pay an annual tonnage tax to the tax authorities of the country where the vessels are registered. This tax has been included in vessels' operating expenses.

Effective from 1 January 2013, an annual tonnage tax is also payable to the tax authorities of Greece, which is the country of operation of the Managing Agent of the Group. This tax has been included in vessel's operating expenses.

Provisions and contingencies: The Group, in the ordinary course of its business, is subject to various claims, suits and complaints. The Group will provide for a contingent loss in the financial statements if the contingency has been incurred and the likelihood of loss is deemed to be probable at the date of the financial statements and the amount of the loss can be reasonably estimated. In accordance with the accounting for contingencies, if the Group has determined that the reasonable estimate of the loss is a range and there is no best estimate within the range, the Group will accrue the lower amount of the range. The Group participates in Protection and Indemnity (P&I) insurance coverage plans provided by mutual insurance societies known as P&I clubs. Under the terms of these plans, participants may be required to pay additional premiums to fund operating deficits incurred by the clubs ("deferred calls"). Obligations for deferred calls are accrued annually based on information provided by the clubs regarding supplementary calls.

Provisions for estimated losses on uncompleted voyages and vessels time chartered to others are provided for in the period in which such losses are determined. At December 31, 2022 and 2021, the balance for provision for loss making voyages in progress was nil.

Revenue Recognition: Revenue is recognized when (or as) the Group transfers promised goods or services to its customers in amounts that reflect the consideration to which the Group expects to be entitled to in exchange for those goods or services, which occurs when (or as) the Group satisfies its contractual obligations and transfers control of

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2. Significant Accounting Policies (continued)

the promised goods or services to its customers. Revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Group performs the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Group satisfies each performance obligation.

Revenue is generated from time charters, spot voyage charters and pooling arrangements.

Revenue from Time Charters

Revenues from time chartering of vessels are accounted for as operating leases and are thus recognized on a straight line basis as the average revenue over the rental periods of such charter agreements, as service is performed. Time charter revenue involves placing a vessel at the charterers' disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Under time charters, operating costs such as for crew, maintenance and insurance are typically paid by the owner of the vessel. The performance obligations in a time charter contract are satisfied over the term of the contract beginning when the vessel is delivered to the charterer until it is returned to the Group.

Revenues are recorded net of address commissions. Address commissions represent a discount provided directly to the charterers based on a fixed percentage of the agreed upon charter or freight rate. Since address commissions represent a discount (sales incentive) on services rendered by the Group and no identifiable benefit is received in exchange for the consideration provided to the charterer, these commissions are presented as a reduction of revenue.

Revenue from Pooling arrangements (“pool revenues”)

For vessels operating in pooling arrangements, the Group earns a portion of total revenues generated by the pool, net of expenses incurred by the pool. Operating revenue and voyage expenses of the pool are posted and allocated to the pool participants on a time charter equivalent basis, according to an agreed formula. Formulas used to allocate net pool revenues vary among different pools but generally allocate revenues to pool participants on the basis of the number of days a vessel operates in the pool with weighting adjustments made to reflect vessels' differing capacities and performance capabilities. Certain pools are responsible for paying voyage expenses and distribute net pool revenues to the participants.

Certain pools require the participants to pay and account for voyage expenses, and distribute gross pool revenues to the participants such that the participants' resulting net pool revenues are equal to net pool revenues calculated according to the agreed formula. Revenue under pooling arrangements is accounted for as variable rate operating leases on the accrual basis and is recognized in the period in which the variability is resolved. The Group recognizes net pool revenue on a monthly basis, when the vessel has participated in a pool during the period and the amount of pool revenue can be estimated reliably based on the pool report. The allocation of such net revenue may be subject to future adjustments by the pool however, such changes are not expected to be material.

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2. Significant Accounting Policies (continued)

Revenue from spot voyage charters

Under a spot voyage charter, a vessel is provided for the transportation of specific goods between specific ports in return for payment of an agreed upon freight per ton of cargo. The Group recognizes revenue ratably from port of loading to when the charterer's cargo is discharged as well as defer costs that meet the definition of "costs to fulfill a contract" and relate directly to the contract. Revenue is a factor of the weight of the cargo which is known at the time of loading and before the voyage begins. Probable losses on voyages are provided for in full at the time such losses can be estimated.

Deferred Revenue: Deferred revenue primarily relates to cash received from charterers prior to it being earned. These amounts are recognized as revenue over the voyage or charter period, when the service is provided.

Commissions: Commissions calculated on hires and freights generated from the vessels represent discounts and fees respectively, provided directly to the charterers and brokers based on a fixed percentage of the agreed upon charter or freight rate of the vessels.

General and Administrative Expenses: General and administrative expenses include bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and other services.

Vessels Operating Expenses: Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, lubricants, exchange differences, crew travelling, provision, communication, tonnage taxes and other miscellaneous expenses related to the operation of the vessel. Aggregate expenses increase as the size of the Group's fleet increases.

Dividends: Dividends are recorded in the Group's financial statements in the period in which they are declared.

Financial Instruments: Financial instruments carried on the balance sheet include cash and cash equivalents, trade receivables and payables, other receivables and other liabilities and long term debt. The particular recognition methods applicable to each class of financial instrument are disclosed in the applicable significant policy description of each item, or included below as applicable.

a) Financial risk management: Group's activities expose it to a variety of financial risks including fluctuations in future freight rates, time charter hire rates, and fuel prices, credit and interest rate risk. Risk management is carried out under policies approved by executive management. Guidelines are established for overall risk management, as well as specific areas of operations.

b) Credit risk: The Group closely monitors its exposure to customers and counterparties for credit risk. The Group has entered into the Management Agreement with the Manager, pursuant to which the Manager agreed to provide commercial and technical management services to the Group. When negotiating on behalf of the Group various employment contracts, the Manager has policies in place to ensure that it trades with customers and counterparties with an appropriate credit history. For significant customers constituting more than 10% of the total revenue refer to Note 16, "Operating Revenue".

c) Foreign exchange risk: Foreign currency transactions are translated into the measurement currency rates prevailing at the dates of transactions. Foreign exchange

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2. Significant Accounting Policies (continued)

gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of operations.

Investments in affiliates: Affiliates are entities over which the Group has the ability to exercise significant influence, but it does not exercise control. As of December 31, 2023, the Group's equity method investments consist solely of an approximately 18,435% and 72,365% common stock ownership interest in non-related party entities, Crude Tankers I AS and Crude Tankers II AS respectively, over which it has the ability to exercise significant influence due to the fact that any shareholder above 10% is entitled to appoint a member of the Board. Both investments took place during 2019. In accounting for these investments, the Group has elected to use the fair value option, available under ASC 825 for investments subject to the equity method of accounting, as management believes it more accurately reflects the economic substance of its ownership interest in Crude Tankers I AS and Crude Tankers II AS. The initial election of the fair value option did not have any impact on the Group's earnings. The Group has elected to adopt the fair value option under ASC 825 to account for its investments and is required to present those investments at fair value at each reporting period, with changes in fair value reported in the consolidated statement of comprehensive income. Fair value is measured based on the Group's proportionate share of the investee's market adjusted net assets (i.e., the investee's net assets adjusted for the market value of the vessel based on broker valuations). The Group's share of gains and losses in the fair value of the investments as well as dividend income are recorded in "Gain/ (loss) from change in fair value of investments" in the Consolidated Statement of Comprehensive Income. As of December 31, 2023 and 2022, the Group did not have any cost method investments accounted for under the equity method.

Recent Accounting Pronouncements:

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. ASU 2016-02 is effective for fiscal years beginning years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The adoption of this standard did not have a material impact on the Group's consolidated financial statements.

In April 2019, the FASB issued ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments, which included amendments to updates made in ASU 2016-13. The amendments included in the Topic 1&2 in the Update added Topic 326, Financial Instruments—Credit Losses, and made several consequential amendments to the Codification. The Update also modified the accounting for available-for-sale debt securities, which must be individually assessed for credit losses when fair value is less than the amortized cost basis, in accordance with Subtopic 326-30, Financial Instruments Credit Losses Available-for-Sale Debt Securities.

For entities that have not yet adopted the amendments in Update 2016-13, the effective dates and transition requirements for the amendments related to Topic 1 & Topic 2 of this Update are the same as the effective dates and transition requirements in Update 2016-13. The transition adjustment includes adjustments made as a result of an entity developing or amending its accounting policy upon adoption of the amendments in this Update for determining when accrued interest receivables are deemed uncollectible and

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2. Significant Accounting Policies (continued)

written off. The adoption of this standard did not have a material impact on the Group's consolidated financial statements .

In November 2019, FASB issued ASU 2019-11 Codification Improvements to Topic 326, Financial Instruments—Credit Losses. The amendments in this Update clarify or address stakeholders' specific issues about certain aspects of the amendments in Update 2016-13. The amendments in this Update represent changes to clarify, correct errors in, or improve the Codification. The amendments make the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. For entities that have not yet adopted the amendments in Update 2016-13 as of the issuance date of this Update, the effective dates and transition requirements for the amendments are the same as the effective dates and transition requirements in Update 2016-13. The adoption of this standard did not have a material impact on the Group's consolidated financial statements.

3. Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand and at bank	6,699	9,690
Short-term deposits	2,429	2,079
	9,128	11,769

4. Inventories

	December 31, 2023	December 31, 2022
Bunkers	222	313
Lubricants	597	512
Stores	256	212
	1,075	1,037

5. Vessels, net

	Vessels' Cost	Accumulated Depreciation	Net Book Value
January 1, 2022	179,900	(34,470)	145,430
Additions	96	-	96
Disposals (Cost)	(8,658)	-	(8,658)
Disposals (Accumulated dep'n)	-	256	256
Depreciation for the year	-	(6,629)	(6,629)
December 31, 2022	171,338	(40,843)	130,495
December 31, 2022	171,338	(40,843)	130,495
Additions	15,000	-	15,000
Depreciation for the year	-	(7,600)	(7,600)
December 31, 2023	186,338	(48,443)	137,895

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5. Vessels, net (continued)

The scrap value of the Group's vessels was determined by multiplying their light displacement weight (ldt) by an estimated price for scrap of \$430 per ldt.

(i) Sale of vessels

On July 19, 2022, the Group sold the PGC Aspropyrgos, following a Memorandum of Agreement ("MoA") signed between the Group and Navigator Line Ship Management & Operation L.L.C. dated June 22, 2022, for a gross consideration of \$8,800.

The loss resulting from the transaction comprises of:

	2022
Proceeds from sale of vessel	8,800
Less: Commissions paid and other sale expenses	(269)
Net proceeds from sale of vessel	8,531
<u>Less:</u>	
Cost of vessel sold	8,658
Accumulated depreciation of vessel sold	(256)
Net book amount at the date of sale	8,402
Special survey component written-off on vessel disposal	973
Total loss on sale of vessel	(844)

ii) Acquisition of vessels

On March 1, 2023 the Group acquired the vessel PGC Companion, following a Memorandum of Agreement ("MoA") signed between the Group and Crude Tankers II TT AS dated 20 December, 2022 for a gross consideration of \$15,000.

6. Deferred charges, net

	Dry-dockings and Special Surveys
As of January 1, 2022	5,777
Additions	1,598
Disposal	(973)
Amortization	(2,036)
As of December 31, 2022	4,366
Additions	10,598
Amortization	(2,285)
As of December 31, 2023	12,679

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7. Accounts Payable

Accounts payable comprise of the following:

	December 31, 2023	December 31, 2022
Suppliers and other creditors	4,644	2,549
Brokers	22	57
Agents	133	120
Due to charterers	167	287
Other	143	36
	5,109	3,049

8. Borrowings, net of deferred financing costs

The Group's borrowings are analyzed by loan facility as follows:

Loan	As of December 31, 2023	Current Portion	Long- term Portion	As of December 31, 2022	Current Portion	Long- term Portion
A	-	-	-	14,652	900	13,752
B	-	-	-	23,922	1,770	22,152
C	-	-	-	14,173	1,075	13,098
D	3,899	1,000	2,899	5,079	1,200	3,879
E	1,474	680	794	2,145	680	1,465
F	-	-	-	7,213	880	6,333
G	5,211	1,400	3,811	6,991	1,800	5,191
H	26,002	4,205	21,797	-	-	-
I	36,485	2,727	33,758	-	-	-
J	-	-	-	-	-	-
	73,071	10,012	63,059	74,175	8,305	65,870

Loans

A) On May 26, 2020, one vessel owing company of the Group (Taormina Maritime Ltd.) entered into a new loan facility with Hellenic Bank amounting to \$17,600 in order to refinance an existing indebtedness on its vessel and for general working capital purposes.

As of December 31, 2022, the outstanding balance of the loan, net of deferred borrowing costs, amounted to \$14,652 (2021: \$15,605). The loan bore interest at 3,3% over Libor.

On September 28, 2023, the Group fully repaid the outstanding loan amount.

B) On June 4, 2020, the Group entered into a sale and lease back agreement for PGC Patreas and PGC Periklis with Fortune July Shipping Ltd and Fortune May Shipping Ltd, unrelated third party companies whereby the vessels were sold for \$14,525 each and leased back on a fixed bareboat rate of \$74 per month plus a variable bareboat rate payable every month. The Group has a purchase obligation to acquire the vessels at the end of the lease term and under ASC 842-40, the transaction was determined to be a failed sale and lease back transaction.

Accordingly, the Group did not derecognize the vessels from its Balance Sheet and accounted for the amount received under the sale and lease back agreement as a financial liability within borrowings.

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8. Borrowings, net of deferred financing costs (continued)

The Group was obligated to make 132 consecutive average monthly payments for each vessel. The agreements mature in the second quarter of 2031 with a purchase obligation for each vessel of \$4,793, an amount equal to the 33% of the Financing Principal on the last repayment day. As of December 31, 2022, the total outstanding balance, net of deferred borrowing costs, was \$23,922.

On October 24, 2023, the Group fully repaid the outstanding loan amount.

- C)** On November 6, 2020, one vessel owing company of the Group (Eirini Maritime Ltd.) entered into a new loan facility with Piraeus Bank S.A amounting to \$17,900 in order to refinance an existing indebtedness and for general corporate needs of the Group.

As of December 31, 2022, the outstanding balance of the loan, net of deferred borrowing costs, amounted to \$14,173. The loan bore interest at 3,4% over Libor.

On October 25, 2023, the Group fully repaid the outstanding loan amount.

- D)** On July 9, 2021, one vessel owing company of the Group (Aratos Maritime Ltd) entered into a new loan facility with Hellenic Bank amounting to \$7,400 to refinance an existing indebtedness and for general working capital purposes.

As of December 31, 2023, the outstanding balance of the loan, net of deferred borrowing costs, amounted to \$3,899 (2022: \$5,079). The loan bears interest at 3,6% over the applicable term SOFR.

- E)** On March 18, 2022, one vessel owing company of the Group (Strident Force Maritime Ltd) entered into a new loan facility with Hellenic Bank amounting to \$3,000 to finance the Purchase Price and for general working capital purposes.

As of December 31, 2023, the outstanding balance of the loan, net of deferred borrowing costs, amounted to \$1,474 (2022:\$2,145). The loan bears interest at 3,5% over the applicable term SOFR.

- F)** On July 22, 2022, one vessel owing company of the Group (PGC Alexandria Maritime Ltd) entered into a new loan facility with Hellenic Bank amounting to \$7,500 to refinance the existing indebtedness and for general working capital purposes. As of December 31, 2022, the outstanding balance of the loan, net of deferred borrowing costs, amounted to \$7,213. The loan bore interest at 3,1% over the applicable term SOFR.

On September 28, 2023, the Group fully repaid the outstanding loan amount.

- G)** On December 12, 2022, one vessel owing company of the Group (Marina Maritime & Trading Ltd) entered into a new loan facility with Piraeus Bank S.A amounting to \$7,050 to refinance the existing indebtedness and for general working capital purposes.

As of December 31, 2023, the outstanding balance of the loan, net of deferred borrowing costs, amounted to \$5,211 (2022:\$6,991). The loan bears interest at 2,9% over the applicable CME term SOFR.

- H)** On September 28, 2023, three vessel owing companies of the Group (Companion Maritime Ltd, PGC Alexandria Maritime Ltd and Taormina Maritime Ltd) entered into a new loan facility with Aegean Baltic Bank S.A amounting to \$27,650 to refinance the existing indebtedness and for general working capital purposes.

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8. Borrowings, net of deferred financing costs (continued)

As of December 31, 2023, the outstanding balance of the loan, net of deferred borrowing costs, amounted to \$26,002. The loan bears interest at 2,6% over the applicable CME term SOFR.

- I)** On October 20, 2023, three vessel owning companies of the Group (Eirini Maritime Ltd, Patreas Maritime Ltd and Periklis Maritime Ltd) entered into a new loan facility with Piraeus Bank S.A amounting to \$36,703 to refinance the existing indebtedness and for general working capital purposes.

As of December 31, 2023, the outstanding balance of the loan, net of deferred borrowing costs, amounted to \$36,485. The loan bears interest at 2,5% over the applicable CME term SOFR.

- J)** On March 1, 2023, one vessel owning company of the Group (Companion Maritime Ltd) entered into a new loan facility with Aegean Baltic Bank S.A amounting to \$10,750 to partially finance the acquisition of vessel PGC Companion.

The loan bore interest at 3.5% over the applicable CME term SOFR.

On September 28, 2023, the Group fully repaid the outstanding loan amount.

The key terms of the outstanding loan agreements as at December 31, 2023 are as follows:

Loan D

Loan D is collateralized by a Corporate Guarantee of Paradise Gas Carriers Corp.

The debt agreement includes positive and negative covenants, the most significant of which are:

- The borrowers shall procure that the Guarantor shall ensure that it maintains:
 - a) leverage which does not exceed 75%
 - b) minimum cash equal to:
 - i) until December 31, 2022, \$750 per fleet vessel fully owned and controlled by the Guarantor or a member of the Group for not less than six month prior to each test date
 - ii) at all times thereafter \$500 per fleet vessel.
- The Borrower shall ensure that there is transferred to the Liquidity Account, on the Utilization Date an amount of \$200 and thereafter on each repayment date an amount of \$50, until the aggregate amount of \$400 is accumulated in the Liquidity account.
- The Borrowers shall ensure that:
 - a) the Market Value of the vessel plus
 - b) the net realizable value of additional Security is above:
 - i) until the second anniversary of the Utilization Date, 130% of the Loan and
 - ii) at all times thereafter, 140% of the Loan

Loan E

Loan E is collateralized by a Corporate Guarantee of Paradise Gas Carriers Corp.

The debt agreement includes positive and negative covenants, the most significant of which are:

- The Borrower shall procure that the Guarantor shall ensure that it maintains:
 - a) leverage which does not exceed 75%
 - b) minimum cash equal to:

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8. Borrowings, net of deferred financing costs (continued)

- i) until December 31, 2022, \$750 per fleet vessel fully owned and controlled by the Guarantor or a member of the Group for not less than six month prior to each test date
 - ii) at all times thereafter \$500 per fleet vessel.
- The Borrower shall ensure that there is transferred to the Drydock reserve account, 12 months after the Utilization Date an amount of \$40 and thereafter on each repayment date an amount of \$40, until the date on which the Borrower provides evidence satisfactory to the Facility Agent that the Ship has passed its special survey in 2024 (the "Drydock Release Date").
- The Borrower shall as from the Utilisation Date and at all times thereafter during the Security Period maintain a minimum liquidity of not less than \$275,000 (the "Minimum Liquidity Amount") in the Liquidity Account, which shall be pledged pursuant to the relevant Account Security and shall not be withdrawn.
- The Borrower shall ensure that:
 - a) the Market Value of the vessel plus
 - b) the net realizable value of additional Security is above:
 - i) during the period that the Ship is employed under the Initial Charterparty (including by virtue of any optional extensions), 140 per cent. of the Loan; and
 - ii) at all times thereafter, 150 per cent. of the Loan.

Loan G

Loan G is collateralized by a Corporate Guarantee of Paradise Gas Carriers Corp. and Paradise Navigation S.A.

The debt agreement includes positive and negative covenants, the most significant of which are:

- The Borrower shall ensure that, on and from the Utilization Date and throughout the remainder of the Security Period, persons which are of the same beneficial ownership as the Borrower shall maintain in bank accounts held with the Lender freely available average credit balance in those accounts of not less than \$350 in aggregate during six month period (with the first such period commencing on March 1, 2023 and every subsequent commencing at six monthly intervals thereafter).
- The Borrower shall ensure that:
 - a) the Market Value of the vessel plus
 - b) the net realizable value of additional Security is above:
 - i) 130 per cent. of the aggregate of (i) the Loan and (ii) the Hedging Close-Out Liabilities.

Loan H

Loan H is collateralized by a Corporate Guarantee of Paradise Gas Carriers Corp..

The debt agreement includes positive and negative covenants, the most significant of which are:

- The borrowers shall procure that the Guarantor shall ensure that it maintains:
 - a) leverage which does not exceed 60%
 - b) minimum cash and cash equivalents of not less than 6 months debt service
- Each Borrower shall as from the Drawdown Date and at all times thereafter during the security period maintain a minimum liquidity of not less than \$200 in its Earnings account, free of security interests other that in favor of the Security Trustee.
- The Borrowers shall ensure that:
 - a) the aggregate of the Market Value of all Mortgage Ships plus

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8. Borrowings, net of deferred financing costs (continued)

- b) the net realizable value of any additional security is at any time during the Security period above 140% of the Loan

Loan I

Loan I is collateralized by a Corporate Guarantee of Paradise Gas Carriers Corp. and Paradise Navigation S.A.

The debt agreement includes positive and negative covenants, the most significant of which are:

- The borrower shall ensure that, on and from the Utilization Date and throughout the remainder of the Security Period, persons which are of the same beneficial ownership as the Borrower shall maintain in bank accounts held with the Lender freely available average credit balance in those accounts of not less than \$400 per mortgaged ship during six month period. First such period commencing April 30, 2024 and every subsequent period commencing at 6 months internal thereafter.
- The Borrowers shall ensure that:
 - a) the aggregate of the Market Value of each Mortgaged Ship
 - b) the net realizable value of additional security is above 130% of the aggregate of:
 - i) the Loan
 - ii) the hedging Close-Out Liabilities

As of December 31, 2023, the Group was in compliance with all covenants under each of its credit facilities.

Deferred Borrowing costs

	December 31, 2023	December 31, 2022
Deferred financing cost	984	1,155
Additions	577	172
Amortization of deferred borrowing cost	(979)	(343)
	582	984

Repayment Terms

The annual repayments of the above loan facilities and financing arrangements as of 31 December 2023 are as follows:

Year	31/12/2023
2024	10,012
2025	8,859
2026	10,370
2027 and thereafter	44,412
	73,653

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9. Investments in affiliates

	December 31, 2023	December 31, 2022
Opening balance	13,696	5,005
Increase of investment in Crude Tankers II AS	-	2,330
Repayment of capital	(15,175)	(1,088)
Gain/(loss) from change in fair value from the investments	2,432	7,449
Closing Balance	953	13,696

In May, 2019 the Group invested \$1,004 in Crude Tankers I AS, an unrelated party entity, through participation in a private offering. As a result of this investment, the Group became a significant investor in Crude Tankers I AS, holding a total of approximately 115,324 shares of common stock, which was approximately 18,4% of the then issued and outstanding shares of Crude Tankers I AS.

Additionally, in December 2019, the Group invested \$1,515 in Crude Tankers II AS, an unrelated third party entity, through participation in a private offering, becoming a significant investor of 12,840 shares of common stock in this company, corresponding to 18,4% of the then issued and outstanding shares in the company.

In 2021, the Group invested an additional \$759 (2020: \$2,686) in Crude Tankers II AS, through participation in a private offering for an additional 33,206 (2021: 35,804) shares of common stock, bringing its investment in the company to 54,389% (2020: 51,149%) of the then issued and outstanding shares of Crude Tankers II AS.

On October 22, 2022, the Group received \$1,088 from Crude Tankers II TT AS as a repayment of capital.

During 2022, the Group invested a further \$2,330 in Crude Tankers II AS for an additional 22,808 shares of common stock, resulting to a total investment of 72,365% of the issued and outstanding shares of Crude Tankers II AS.

As under the shareholders agreements any shareholder above 10% is entitled to appoint a member of the Board of these entities, the Group is deemed to exercise significant influence over both of the above entities, but it does not allow it to exercise control. In 2019, the Group has elected to adopt the fair value option under ASC 825 to account for its equity method investments and is required to present them at fair value at each reporting period, with changes in fair value reported in the consolidated statement of comprehensive income.

During 2022, the market value of the vessels owned by Crude Tankers I AS and Crude Tankers II AS increased by \$2,975 and \$5,125 respectively, resulting in an increase in the fair value on the investments. The change in the fair value recognized in the consolidated statement of comprehensive income for the year ended December 31, 2022 amounts to a gain of \$1,703 for Crude Tankers I AS and a gain of \$5,746 for Crude Tankers II AS.

During 2023, vessels PGC Ikaros and PGC Companion, owned by Crude Tankers I AS and Crude Tankers II AS respectively, were sold and both companies filed for liquidation. Final liquidation resulted to a repayment of capital amounting to \$3,054 for Crude Tankers I AS and \$12,121 for Crude Tankers II AS, as well as to an increase in the fair value of investment. The change in the fair value recognized in the consolidated statement of comprehensive income for the year ended December 31, 2023 amounts to a gain of \$12 for Crude Tankers I AS and a gain of \$2,420 for Crude Tankers II AS.

The last repayment of capital took place in January 2024 and amounted to \$953.

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10. Accrued Liabilities

Accrued liabilities consist of the following:

	December 31, 2023	December 31, 2022
Accrued commissions	57	56
Accrued interest and finance cost	664	359
Accrued voyage and operating expenses	126	105
	847	520

11. Common and Preferred Stock

In January 2017, the Group decided to amend its articles of association allowing the issuance of preferred stock. During 2022, the Group issued 6,6 preferred shares with a nominal value of \$0,1 each, i.e. an amount of \$660 in total was contributed by 3 different shareholders as preferred equity in the Group. During 2023, the Group fully redeemed 36,3 (2022: 61,8) preferred shares, i.e. an amount of \$3,630 (2022: \$6,180) in total was redeemed and the share certificates were cancelled.

The key terms of the preferred shares were as follows:

- The preferred shares were offered to the existing shareholders, as well as to new shareholders.
- Preferred shares had no voting rights.
- The preferred shares ranked pari passu with common shares and junior to existing Group's indebtedness.
- The preferred shares were entitled to quarterly dividends at a rate per annum equal to 4.5%, payable quarterly in arrears, prior to payment of any dividends to holders of common shares in the Group, provided always that the Group had earned sufficient amounts for such distribution.
- During 2023, the Board of Directors declared preferred share dividends amounting to \$21 (2022: \$354). As of December 31, 2023 an amount of \$21 (2022: \$82) was declared and paid.

During 2023, Paradise Gas Carriers Corp. (the "Company") articles of incorporation were amended in order to increase the authorized share capital as follows:

- The aggregate number of shares of stock that the company is authorized to issue is 111,000 registered shares without par value, of which:
 - a) Class A: 100,000 common registered shares without par value
 - b) Class B: 10,000 preferred registered shares without par value
 - c) Class C: 1,000 preferred and redeemable shares without par value

The company may not issue any bearer shares

- Class A shareholders have full voting rights
- Class B and class C holders shall have no voting rights and no pre-emptive rights
- The company cancelled the previous share certificates and approved the substitution of the previous shares with 68,250 of Class A common shares and 3,250 of Class B preferred shares.

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12. Related Party Transactions

a) *Technical Management Services*

Pursuant to the ship management agreement between each of the vessel owning companies and Paradise Navigation S.A. (the “Management Company”), a Company with a common shareholder as the Group, the Management Company acts as the fleet's technical manager responsible for (i) recruiting qualified officers and crews, (ii) managing day to day vessel operations and relationships with charterers, (iii) purchasing of stores, supplies and new equipment for the vessels, (iv) performing general vessel maintenance, reconditioning and repair, including commissioning and supervision of shipyards and subcontractors of dry-dock facilities required for such work, (v) ensuring regulatory and classification society compliance, (vi) performing operational budgeting and evaluation, (vii) arranging financing for vessels and (viii) providing accounting, treasury and finance services, (ix) supervising the sale and physical delivery of the Vessel under the sale agreement, (x) arranging for the sampling and testing of bunkers, (xi) arranging crew insurances and (xii) providing information technology software and hardware in support of the Group’s processes.

According to the aforementioned agreement, the Management Company received fees of \$0.695 per day per Oil Tanker vessels and \$0.6 per day per Gas Carrier vessel (2022: \$0.65). For the services rendered during 2023, the Technical Manager charged the Group’s vessels management fees of \$2,199 (2022: \$2,213).

b) *Commercial Management Services*

Paradise Navigation S.A. also acts as the “Commercial Manager” for the Group’s vessels, for which it charges a commission of 1% (2022: 1,25%) on all time-charter hire, voyage freight, dead freight, demurrage, pool revenue and any other income earned by the vessels. For the services rendered during 2023, the Management Company in its acting as commercial manager charged the Group’s vessels fees of \$523 (2022: \$644).

c) *Due from / to related parties*

Balance outstanding with the Technical and Commercial manager.

	December 31, 2023	December 31, 2022
Due to related parties		
Paradise Navigation SA	52	102
	52	102

The balance outstanding as of December 31, 2023 and 2022 as due to Paradise Navigation S.A. represents mainly outstanding amounts relating to the management and commercial management fees.

d) *Preferred stock*

During 2023, the Group redeemed fully preferred its preferred shares amounting to \$3,630 (refer to Note 11 – Preferred Stock) to the following related party entities:

- Vamare Shipping Inc.
- Panthir Holding Ltd.

During 2022, the Group issued and sold 6.6 preferred shares amounting to \$660 to officers and directors of the Group (refer to Note 11 – Preferred Stock).

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12. Related Party Transactions (continued)

During 2022, the Group redeemed preferred shares amounting to \$6,180 (refer to Note 11 – Preferred Stock) to the following related party entities:

- AF Finance Corporation.
- Ivi Shipping Corp.

e) Guarantee fee

During 2020 a loan facility agreement (the “Loan Agreement”) was entered into between Crude Tankers II TT AS (the “Borrower”) and AB bank (the “Lender”). Paradise Gas Carriers Corp acts as a Guarantor towards the Lender.

Following the Loan Agreement, the Borrower and Paradise Gas Carriers Corp entered into a guarantee fee agreement where the Borrower shall reimburse the Guarantor 0,5% of the outstanding loan balance by the end of each quarterly debt service period, effective from November 27, 2020. The guarantee income for the year ended December 31, 2023 amounted to \$3 (2022: \$23).

Loan agreement was fully repaid during 2023.

f) Shareholders’ loan

During 2023 a loan facility agreement (the “Loan Agreement”) was entered into between Paradise Gas Carriers Corp. (the “Borrower”) and Paradise Group Holding Inc. (the “Lender” and one of the Group’s shareholders) for an amount of \$2,000. The balance outstanding as of December 31, 2023 is \$2,001 and comprises the outstanding principal of \$2,000 plus accrued interest amounting to \$1. The loan bore interest at 5,2% per annum and it was fully repaid on January 5, 2024.

13. Taxes

The Group is not liable for corporate income tax, either in the country of incorporation or in the country of the vessel’s registration. The Group therefore does not provide either for corporate income tax or for deferred taxation.

An annual tonnage tax is payable to the tax authorities of the country where the vessel is registered. Effective from January 1, 2013 and pursuant to Law 4110/2013, an annual tonnage tax is also payable to the tax authorities of Greece where the management company has its offices established under article 25 of law 27/1975. This tax is calculated based on the same criteria, rates and scales applicable to vessels registered under the Greek flag pursuant to article 13 of LD 2687/1953. Any equivalent taxes or duties paid to the state of the vessels’ registration are set off against the Greek tonnage tax. These taxes have been included in vessel operating expenses in the accompanying consolidated statement of comprehensive income.

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14. Financial Instruments

Fair Value of Financial Instruments:

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

Cash and cash equivalents: The carrying amounts reported in the consolidated balance sheets for interest bearing deposits approximate their fair value because of the short maturity of these investments.

Due (to)/ from related parties: The carrying amount of due from / to related parties reported in the consolidated balance sheets approximate their fair value due to the short-term nature of these amounts.

Long-term debt: The carrying amount of the floating rate loans approximates their fair value due to their variable interest rates.

Investments in affiliates: The fair value of the Group's investment in affiliates is estimated based on the its proportionate share of the investee's adjusted net assets.

The following table presents the carrying amounts and estimated fair values of the Group's financial instruments at December 31, 2023 and 2022.

	December 31, 2023		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	9,128	9,128	11,769	11,769
Investments in affiliates	953	953	13,696	13,696
Liabilities				
Amounts due to related parties	52	52	102	102
Long-term borrowings	73,071	73,071	74,175	74,175

Fair value Hierarchy

The estimated fair value of the financial instruments that are not measured at fair value on a recurring basis, categorized based upon the fair value measurement, are as follows:

Level I: Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets that have the ability to be accessed. Valuation of these items does not entail a significant amount of judgment.

Level II: Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.

Level III: Inputs that are unobservable. The Group did not use any Level III inputs as of December 31, 2023.

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14. Financial Instruments (continued)

Fair value December 31, 2023

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	9,128	9,128	-	-
Long-term borrowings	73,071	-	73,071	-
Amounts due to related parties	52	52	-	-

Fair value December 31, 2022

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	11,769	11,769	-	-
Long-term borrowings	74,175	-	74,175	-
Amounts due to related parties	102	102	-	-

The fair value of the Group's long-term debt is estimated based on currently available debt with similar contract terms, interest rate and remaining maturities as well as taking into account the Group's creditworthiness.

The following table sets forth our assets that are measured at fair value on a recurring basis categorized by fair value hierarchy level. As required by the fair value guidance, assets are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement.

Fair value Measurements as of December 31, 2023

	Total	Quoted Prices in Active Markets For Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Investments in affiliates	953	-	953	-
Total	953	-	953	-

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14. Financial Instruments (continued)

Fair value Measurements as of December 31, 2022

	Total	Quoted Prices in Active Markets For Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)
Investments in affiliates	13,696	-	13,696	-
Total	13,696	-	13,696	-

15. Leases

The future minimum revenue, expected to be earned on non-cancellable time charters consisted of the following as of December 31, 2023:

2024	<u>2023</u>
	<u>8,956</u>
	<u>8,956</u>

Revenues from time charters are not generally received when a vessel is off-hire, including time required for normal periodical maintenance of the vessel. In arriving at the minimum future charter revenues, an estimated time of off-hire to perform periodic maintenance on each vessel has been deducted, although there is no assurance that such estimate will be reflective of the actual off-hire in the future. The off-hire assumptions used relate mainly to drydocking and special survey maintenance carried out approximately every 2.5 years and 5 years respectively.

16. Operating Revenue

	January 1, 2022 to December 31, 2023	January 1, 2021 to December 31, 2022
Time charter hires	59,850	50,688
Voyages	3,017	1,408
	<u>62,867</u>	<u>52,096</u>

Operating revenue from significant customers (constituting more than 10% of total revenue) for the year ended December 31, was as follows:

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16. Operating Revenue

	January 1, 2023 to December 31, 2023	January 1, 2022 to December 31, 2022
Charterer		
Penfield Marine LLC	55%	47%
Coleus640BC S.L.U	1%	10%
Eni Trading	16%	9%
OQ Trading (Oman Trading)	14%	15%

17. Vessels' Operating Expenses

	January 1, 2023 to December 31, 2023	January 1, 2022 to December 31, 2022
Wages	9,945	9,644
Victualling	689	669
Insurances	1,647	1,452
Lubricants	798	751
Repairs & Maintenance	4,060	3,640
Components & Spares	862	771
Tonnage tax	96	96
Crew travelling & other expenses	876	984
Other expenses	713	450
	19,686	18,457

18. Voyage Expenses

	January 1, 2023 to December 31, 2023	January 1, 2022 to December 31, 2022
Bunkers	1,848	1,602
Port expenses	250	470
Agency fees	154	134
Other voyage expenses	136	80
	2,388	2,286

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19. Commitments and Contingencies

Commitments

a) Commitments

As of December 31, 2023 and 2022, they were no outstanding capital commitments.

Contingencies

Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Group's vessels. Other than the claim mentioned below, the management of the Group is not aware of any such claims pending as at December 31, 2023.

Gawcott Investment Inc. have commenced proceedings under the memorandum of agreement ("MOA") for the sale of the STRIDENT FORCE, against the Company for wrongful termination of the MOA. The sum in dispute is yet to be particularized but at a minimum, will be \$600. Management's estimate is that the probability of any resulting contingent loss is minimal.

20. Subsequent Events

The following events and transactions occurred after the balance sheet date and were evaluated up to June 27, 2024, being the date these consolidated financial statements were available to be issued:

1. In 2024, the Group fully repaid shareholders' loan agreement amounting to \$2,001.
2. In 2024, the Group declared and paid dividends to the shareholders amounting to \$9,000.
3. On April 1, 2024 Darko King Maritime Ltd was revoked and dissolved.