CD INTERNATIONAL ENTERPRISES, INC.
Form 10-K
January 19, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended September 30, 2015

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____to _____

Commission file number: 001-33694

CD INTERNATIONAL ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Florida	13-3876100
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

431 Fairway Drive, Suite 200, Deerfield Beach, Florida	33441
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (954) 363-7333

Securities registered under Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered

Securities registered under Section 12(g) of the Act:
Common stock, par value $0.0001 per share
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
oYes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. oYes xNo

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. xYes oNo

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). xYes oNo

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company:

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) oYes xNo

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter, $893,492 on March 31, 2015.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date, there are 508,044,370 shares of common stock are issued and outstanding as of January 14, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980). None.

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Our use in this report of "CD International", "we", "us" or "our" refers to CD International Enterprises, Inc., a Florida corporation, and our subsidiaries, "fiscal year 2014" refers to the year ended September 30, 2014, "fiscal year 2013" refers to the year ended September 30, 2013 and "fiscal year 2015" refers to the year ended September 30, 2015. The information which appears on our web site at www.cdii.net is not part of this report.

Cautionary Note Regarding Forward-Looking Information and Factors That May Affect Future Results

This report contains forward-looking statements. The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions regarding future events or performance. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will" and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated sales efforts, expenses, the outcome of contingencies, such as legal proceedings, and financial results. A list of factors that could cause our actual results of operations and financial condition to differ materially is set forth below, and these factors are discussed in greater detail under Item 1A - "Risk Factors" and our subsequent filings with the Securities and Exchange Commission:

- Our ability to continue as a going concern.
- Continued global economic weakness is expected to reduce demand for our products in each of our segments.
- Our ability to implement our expansion plans for growing our business through acquisitions and development of our commodity trading business.
- Loss of orders from any of our major customers.
- The value of the equity securities we accept as compensation is subject to adjustment which could result in losses to us in future periods.
- Our need for additional financing which we may not be able to obtain on acceptable terms, the dilutive effect of additional capital raising efforts in future periods may have on our current shareholders and the increased interest expense in future periods related to additional debt financing.
- Our dependence on certain key personnel.
- Difficulties we have in establishing adequate management, cash, legal and financial controls in the PRC.
- Our ability to maintain an effective system of internal control over financial reporting.
- The lack of various legal protections in certain agreements to which we are a party and which are material to our operations which are customarily contained in similar contracts prepared in the United States.
- Potential impact of PRC regulations on our intercompany loans.
- Our ability to assure that related party transactions are fair to our company and are not possible violations of the Sarbanes-Oxley Act of 2002.
- The scope of our related party transactions and potential conflicts of interest arising from these transactions.
- Our ability to comply with the United States Foreign Corrupt Practices Act which could subject us to penalties and other adverse consequences.
- Limits under the Investment Company Act of 1940 on the value of securities we can accept as payment for our business consulting services.
- Our acquisition efforts in future periods may be dilutive to our then current shareholders.
- Our inability to enforce our rights due to policies regarding the regulation of foreign investments in the PRC.
- The impact of environmental and safety regulations, which may increase our compliance costs and reduce our overall profitability.

- The effect of changes resulting from the political and economic policies of the Chinese government on our assets and operations located in the PRC.
- The impact of Chinese economic reform policies.
- The influence of the Chinese government over the manner in which our Chinese subsidiaries must conduct our business activities.
- The impact of future inflation in the PRC on economic activity in the PRC.
- The impact of any natural disasters and health epidemics in China.
- The impact of labor laws in the PRC on our results of operations.
- The limitation on our ability to receive and use our revenues effectively as a result of restrictions on currency exchange in the PRC.
- Fluctuations in the value of the RMB may have a material adverse effect on our investment.
- The market price of our common stock has been and may continue to be highly volatile and subject to wide fluctuations and the impact of penny stock rules on the liquidity of our common stock.

We caution that the factors described herein and other factors could cause our actual results of operations and financial condition to differ materially from those expressed in any forward-looking statements we make and that investors should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time, and it is not possible for us to predict all of such factors. Further, we cannot assess the impact of each such factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Index of Certain Defined Terms Used in this Report

We used in this report the terms:

- "CD International", "we", "us", "our" or "Company" refers to CD International Enterprises, Inc., a Florida corporation formerly known as China Direct Industries, Inc., and our subsidiaries;
- "CDI China", refers to CDI China, Inc., a Florida corporation, and a wholly owned subsidiary of CD International; and
- "PRC" refers to the People's Republic of China.

Mineral Trading Segment

- "CDI Jingkun Zinc", refers to CDI Jingkun Zinc Industry Co., Ltd., a company organized under the laws of the PRC and a 95% owned subsidiary of CDI Shanghai Management, which we disposed of in April 2015;
- "CDI Jixiang Metal", refers to CDI Jixiang Metal Co., Ltd., a company organized under the laws of the PRC and a wholly owned subsidiary of CDI China, which we disposed of in April 2015;
- "CDI Metal", refers to Shanghai CDI Metal Material Co., Ltd. (a/k/a Shanghai CDI Metal Recycling Co., Ltd.), a company organized under the laws of the PRC and a wholly owned subsidiary of CDI Shanghai Management, which we disposed of in April 2015;
- "CDII Trading" refers to CDII Trading, Inc., a Florida corporation and a 100% owned subsidiary of CD International;
- "CDII Minerals" refers to CDII Minerals, Inc., a Florida corporation and a wholly owned subsidiary of CD International;
- "CDII Chile" refers to Inversiones CDII Chile, Ltda., a Chilean company and a wholly owned subsidiary of CDII Minerals, which we disposed of in July 2015;
- "CDII Peru" refers to CDII Minerals de Peru SAC, a Peruvian company and a 50% owned subsidiary of CDII Minerals; and
- "CDII Bolivia" refers to Empresa Minera CDII de Bolivia S.A., a Bolivian company and a wholly owned subsidiary of CDII Minerals; and
- "IMG" or "International Magnesium Group", refers to International Magnesium Group, Inc., a Florida corporation and a 100% owned subsidiary of CD International;

Consulting Segment

- "China Direct Investments", refers to China Direct Investments, Inc., a Florida corporation, and a wholly owned subsidiary of CD International;
- "CDI Shanghai Management", refers to CDI Shanghai Management Co., Ltd., a company organized under the laws of the PRC and a wholly owned subsidiary of CDI China; and
- "Capital Resource Management", refers to Capital Resource Management Co., Ltd., a Brunei company, and a wholly owned subsidiary of CDI Shanghai Management, formerly known as Capital One Resource Co., Ltd.

Magnesium Segment disposed of in the fourth quarter of fiscal year 2014

- "Chang Magnesium", refers to Taiyuan Changxin Magnesium Co., Ltd., a company organized under the laws of the PRC and a 51% owned subsidiary of CDI China, which was disposed of in the fourth quarter of fiscal year 2014;
- "Chang Trading", refers to Taiyuan Changxin YiWei Trading Co., Ltd., a company organized under the laws of the PRC and a wholly owned subsidiary of Chang Magnesium, which was disposed of in the fourth quarter of fiscal year 2014;
- "Asia Magnesium", refers to Asia Magnesium Corporation Limited, a company organized under the laws of Hong Kong and a wholly owned subsidiary of Capital Resource Management, which was disposed of in the fourth quarter of fiscal year 2014;
- "Golden Magnesium" refers to Shanxi Gu County Golden Magnesium Co., Ltd., a company organized under the laws of the PRC and a 100% owned subsidiary of CDI China, which was disposed of in the fourth quarter of fiscal year 2013;
- "Baotou Changxin Magnesium", refers to Baotou Changxin Magnesium Co., Ltd., a company organized under the laws of the PRC, a 51% owned subsidiary of CDI China, which was disposed of in the fourth quarter of fiscal year 2014;
- "IMTC" or "International Magnesium Trading", refers to International Magnesium Trading Corp., a company organized under the laws of Brunei and a 100% owned subsidiary of IMG, which was disposed of in the fourth quarter of fiscal year 2014;
- "Ruiming Magnesium", refers to Taiyuan Ruiming Yiwei Magnesium Co., Ltd., a company organized under the laws of the PRC and an 80% majority owned subsidiary of CDI China, which was disposed of in the fourth quarter of fiscal year 2014;
- "Beauty East", refers to Beauty East International, Ltd., a Hong Kong company and a wholly owned subsidiary of CDI China, which was disposed of in the fourth quarter of fiscal year 2014;
- "Marvelous Honor", refers to Marvelous Honor Holdings Inc., a Brunei company and a wholly owned subsidiary of CDI China, which was disposed of in the fourth quarter of fiscal year 2014; and
- "Lingshi Magnesium", refers to Lingshi Xinghai Magnesium Industry Co., Ltd. a company organized under the laws of the PRC and a wholly owned subsidiary of Ruiming Magnesium, which was disposed of in the fourth quarter of fiscal year 2014.
- "Golden Trust Magnesium", refers to Golden Trust Magnesium Industry Co., Ltd. a company organized under the laws of the PRC and a wholly owned subsidiary of CDI China, which we disposed of in the fourth quarter of fiscal year 2014.

PART I

ITEM 1. BUSINESS.

OVERVIEW

We are a U.S.-based company that sources and distributes industrial products in China, and the Americas. We also provide business and management consulting services to public and private American and Chinese businesses. We used to operate in three identifiable business segments, as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, "Segment Reporting:" Magnesium, Basic Materials/Mineral Trading and Consulting. Beginning in 2006, we established our Magnesium and Basic Materials/Mineral Trading segments which have grown through acquisitions of controlling interests of Chinese private companies. We consolidated these acquisitions as either our wholly or majority owned subsidiaries. Through our U.S. based industrial commodities business, we source industrial commodities from South America for ultimate distribution in China. We also provide business and management consulting services to public and private American and Chinese businesses.

We currently operate our business in two segments, Mineral Trading segment and Consulting segment. We used to name "Mineral Trading segment" as "Basic Materials segment". Basic Materials segment used to include our subsidiaries, Lang Chemial and CDI Beijing. Since we disposed both subsidiaries on September 30, 2012, we focused on mineral trading business in South America, and we renamed our Basic Materials segment to Mineral Trading segment in fiscal year 2014. Our Mineral Trading segment sources industrial commodities, and our Consulting segment provides business and management consulting services to American and Chinese companies that operate primarily in China and the Americas.

Our corporate headquarters are in Deerfield Beach, Florida, which houses the U.S. executive and administrative team that guides our overall operations. Our U.S. office employs English, Spanish and Chinese speaking business and accounting staff and other executive management. These professionals focus on due diligence, business development, marketing, accounting and compliance with the reporting requirements of the Securities and Exchange Commission ("SEC") and other applicable laws in the U.S. and the People's Republic of China ("PRC").

Historically, we had the third segment, Magnesium segment, which represented our largest segment by assets and revenues. On September 30, 2014, we signed a Share Exchange Agreement with Yuwei Huang, a related party, selling our Magnesium Segment to Mr. Huang and in return, Mr. Huang and other parties have returned and cancelled 8,075,949 shares of the Company's common stock held by such parties related to Mr. Huang. In addition, 41,524 shares of convertible Series D Preferred Stock were cancelled within 10 business days after the Share Exchange Agreement was signed.

In April 2015, we sold our entire 95% equity interest in CDI Jingkun Zinc Industry Co., Ltd. ("CDI Jingkun Zinc") and 100% equity interest in Shanghai CDI Metal Material Co., Ltd. ("CDI Metal") to Xiaowen Zhuang, a related party individual, for zero consideration. We also sold our 100% equity interest in CDI Jixiang Metal Co., Ltd. ("CDI Jixiang Metal") to Dragon Capital Group Corp. ("Dragon Capital"), a related party company, for zero consideration. During the fourth quarter of fiscal 2015, the Company also terminated operations in Chile. The Chilean government has granted us approval to officially close down the business on July 31, 2015.

Corporate Initiatives

In our Mineral Trading segment, we commenced sales from our U.S. based industrial commodities business. We established operations in Chile, Peru and Bolivia where we entered into contracts with local operators and producers to secure supplies of iron ore, copper concentrate and other minerals. Throughout the course of fiscal year 2012 to 2015 we have developed a relationship with a leading European logistics and trading solutions company to sell our sourced iron ore and copper concentrate for delivery into China. We have also worked with our suppliers and local governmental authorities to obtain the necessary permits and approvals to process and export iron ore and copper concentrate on a continuous basis in these countries.

We operate our Mineral Trading segment under our wholly owned subsidiary of CDII Minerals, Inc., which was incorporated in June 2010 in Florida. Beginning operations under its predecessor CDII Trading in 2008, CDII Minerals is strategically positioned throughout several countries in South America and has developed the foundation and relationships to expand rapidly. In fiscal year 2014, we purchased iron ore in Ecuador, Bolivia and Chile and exported to China. In fiscal year 2015, we did not generate any revenues from the Mineral Trading segment. Currently, we are working on expanding our trading business in South America and also looking into various business opportunities with local companies that have good business in South America.

In our Consulting segment, we operate under our wholly owned subsidiaries named China Direct Investments, Inc., CDI Shanghai Management, and Capital Resource which provide a suite of consulting services to American and Chinese companies that operate primarily in China and the American. We currently have service contracts with clients who conduct business in China or seek to conduct business within China. We generate revenues by providing consulting services in the areas of capital structures and arrangements, mergers, acquisitions and other business transactions, identifying potential areas of growth, translation services, managing and coordinating all necessary government approvals and licenses in the PRC, marketing services and coordination of the preparation of required SEC filings.

Our Consulting segment revenues primarily consist of consulting and advisory service fees we received from certain publicly traded U.S. companies with their primary business operations located in the PRC. Our consulting fees vary based upon the scope of the services to be rendered. Historically, a significant portion of the fees we earned have been paid in the form of our clients' securities. We classify these securities as investments in marketable securities available-for-sale or investment in marketable securities available-for-sale-related party. We receive a fixed number of shares of their marketable securities or fees from those client companies, including both recurring and one-time transaction fees for services provided to clients. Consulting segment revenues vary from period to period depending upon the timing, nature and scope of services we provide to a particular client. In addition to potential transaction fees, we also anticipate receiving additional client fees generated from our ongoing annual service contracts.

MINERAL TRADING SEGMENT

The scope of CDII Mineral services include purchasing, quality control, in addition to conducting comprehensive legal, financial, and technical due diligence on suppliers. In order to fulfill a niche market and facilitate smooth transactions, we have strategically placed ourselves between our suppliers in North and South America and our buyers in China. We continue to strengthen our sources of supply and distribution networks by sourcing materials from independent producers in various regions of North and South America to help meet the growing demands of our customers in China.

In our Mineral Trading segment, our primary business focus was sourcing and distributing a variety of industrial commodities such as iron ore and copper concentrate. In fiscal year 2015, we do not have revenues from the Mineral Trading segment as we adjust our business model. In fiscal year 2014 our Mineral Trading segment generated revenues of $0.8 million, representing 47% of our total consolidated revenues.

Our Mineral Trading segment engages in the sourcing of the global purchase and sale of industrial commodities in the Americas, which include mineral ores and non-ferrous metals. We have focused on the South American market and have established offices in Chile, Peru and Bolivia, but the operation costs were very high and, given the continuing drop of the iron ore market price and other mineral market price, we suspended operations in Chile and Peru on September 30, 2014. In fiscal year 2014, we delivered copper concentrate from Chile and Bolivia to China. In order to fulfill a niche market and facilitate smooth transactions, we have been strategically placing ourselves between our suppliers in South America and our buyers in China. Currently, we are working on expanding our trading business in South America and also looking into various business opportunities with local companies that have good business in South America and Asia.

We disposed of some entities under this segment in fiscal year 2015. See Item 1 for more discussion.

CONSULTING SEGMENT

In our Consulting segment, we provide a suite of consulting services to American and Chinese companies that operate primarily in China and the Americas. We currently have service contracts with clients who conduct business in China or seek to conduct business within China. We generate revenues by providing consulting services in the areas of capital structures and arrangements, mergers, acquisitions and other business transactions, identifying potential areas of growth, translation services, managing and coordinating all necessary government approvals and licenses in the PRC, marketing services, investor relations services, and coordination of the preparation of required SEC filings. Our Consulting segment generated approximately $360,000 in revenues during fiscal year 2015, and $915,000 in fiscal year 2014.

The scope of our Consulting segment is to offer a comprehensive suite of services tailored to meet the needs of each individual client. A significant component of our competitive advantage lies in the quality of our personnel. Members of our team possess a working knowledge of the unique characteristics of business operations in the Americas and China. Our function is to provide the necessary resources for Chinese entities to invest in the Americas or oversea clients to invest in China.

Our culturally diverse team has the critical edge in generating global commerce opportunities to these small to medium sized emerging companies. We seek to help navigate through what are often confusing cultural and legal challenges. Our team members have strong working knowledge of the unique characteristics of business operations in the U.S., China, and South America. By employing a multicultural team, through our offices in the U.S., Shanghai, and various locations in South America, we possess numerous advantages critical to international business success. Our Consulting segment revenues primarily consist of consulting and advisory service fees we received from certain publicly traded U.S. companies with their primary business operations located in the PRC. Our consulting fees vary based upon the scope of the services to be rendered. Historically, a significant portion of the fees we earned have been paid in the form of our clients' securities. We classify these securities as investments in marketable securities available-for-sale or investment in marketable securities available-for-sale-related party. We receive a fixed number of shares of their marketable securities or fees from those client companies, including both recurring and one-time transaction fees for services provided to clients. Consulting segment revenues vary from period to period depending upon the timing, nature and scope of services we provide to a particular client. In addition to potential transaction fees, we also anticipate receiving additional client fees generated from our ongoing annual service contracts.

Currently, we are providing advisory and management services to our current clients and meanwhile are looking into opportunities to work with local firms for appropriate funding programs.

EMPLOYEES

As of September 30, 2015 we have 9 full-time employees, including 4 full-time employees in the United States and 5 full-time employees in the PRC. We believe we have good working relationships with our employees. We are currently not a party to any collective bargaining agreements.

For our employees in the PRC, we are required to contribute a portion of their total salaries to the Chinese government's social insurance funds, including medical insurance, unemployment insurance and job injuries insurance, as well as a housing assistance fund, in accordance with relevant regulations. We expect the amount of our contribution to the government's social insurance funds to increase in the future as we expand our workforce and operations.

COMPETITION

Our subsidiaries and the business segments they operate in face unique challenges and extensive competition.

Mineral Trading Segment. While we believe our subsidiaries in this segment have viable business models, we also recognize that many rival entities possess greater financial and technical resources to compete in these businesses. We compete with a variety of companies, which include global and domestic distribution agents as well as manufacturers. These companies have more capital, longer operating histories, greater brand recognition, larger customer bases and significantly greater financial and marketing resources than us. These competitors may offer a more comprehensive

array of products and services than we are able to provide. For these and other reasons, these competitors may achieve greater acceptance in the marketplace than our company, limiting our ability to gain market share and customer loyalty and increase our revenues. We believe that we compete primarily on the basis of price and availability of the products we sell. In fiscal year 2015, we disposed of some entities under this segment. See Item 1 for more discussion.

Consulting Segment. The services we offer in our Consulting segment compete with the services offered by many entities and individuals seeking to take advantage of the growing need of Chinese entities seeking management advice in order to obtain access to U.S. capital markets for their expansion. This competition ranges from large management consulting firms and investment banks that offer a broad range of consulting and financial services, to small companies and independent contractors that provide specialized services. Many of the firms prospecting these clients are well established and have extensive experience identifying and effecting business combinations directly or through affiliates. Furthermore, we acknowledge we are competing with firms that may possess greater financial, marketing, technical, human and other resources. We believe that we compete primarily on the basis of our ability to offer a wider range of value-added services than our competitors. In light of the current global economic environment and a continuation of the downturn in the global capital markets and concerns of China based companies, we believe it is difficult for smaller companies with operations based in China to attract interest in the financial community, make acquisitions and increase revenues and profitability. These factors impact our clients' ability to pay the management fees needed to meet the costs of providing the services needed to comply with U.S. securities laws, which our competitors may be able to provide at lower rates.

INTELLECTUAL PROPERTY

We have registered the trademarks "China Direct", "Your Direct Link to China" and "CDI" in the United States. We do not consider the protection of our trademarks and brand names to be important to our business.

GOVERNMENT REGULATION

Despite efforts to develop the legal system over the past several decades, including but not limited to legislation dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, the PRC continues to lack a comprehensive system of laws. Further, the laws that do exist in the PRC are often vague, ambiguous and difficult to enforce, which could negatively affect our ability to do business in the PRC and compete with other companies in our segments.

In September 2006, the Ministry of Commerce promulgated the Regulations on Foreign Investors' Mergers and Acquisitions of Domestic Enterprises ("M&A Regulations") in an effort to better regulate foreign investment in the PRC. The M&A Regulations were adopted in part as a needed codification of certain joint venture formation and operating practices, and also in response to the government's increasing concern about protecting domestic companies in perceived key industries and those associated with national security, as well as the outflow of well-known trademarks, including traditional Chinese brands.

As a U.S. based company doing business in the PRC, we seek to comply with all PRC laws, rules and regulations and pronouncements, and endeavor to obtain all necessary approvals from applicable PRC regulatory agencies such as the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration for Industry and Commerce, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange.

Economic Reform Issues.

Since 1979, the Chinese government has reformed its economic systems. Many reforms are unprecedented or experimental; therefore they are expected to be refined and improved. Other political, economic and social factors, such as political changes, changes in the rates of economic growth, unemployment, inflation, or the disparities in per

capita wealth among regions in the PRC, could lead to further readjustment of the reform measures. We cannot predict if this refining and readjustment process may negatively affect our operations in future periods, particularly in relation to future policies including but not limited to foreign investment, taxation, inflation and trade.

Currency.

The value of the Renminbi ("RMB"), the main currency used in the PRC, fluctuates and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of RMB into foreign currencies such as the U.S. dollar have been generally based on rates set by the People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates on the world financial markets. The currency exchange and fund transfers are regulated by China's State Administration of Foreign Exchange, which sets the relevant laws, regulations, and carries out the supervision of currency exchanges and cross border transfers of related funds, and imposes restrictions and regulatory controls over such exchanges and transfers.

Environment.

We are currently subject to numerous regulations relating to the protection of the environment which are highly relevant to our Mineral Trading segments in South America. These laws continue to evolve and are becoming increasingly stringent. The ultimate impact of complying with such laws and regulations is not always clearly known or determinable because regulations under some of these laws have not yet been promulgated or are undergoing revision. In fiscal year 2015 we did not spend any funds related to compliance with environmental regulations.

The Environmental Protection Law requires production facilities that may cause pollution or produce other toxic materials to take steps to protect the environment and establish an environmental protection and management system. Penalties for breaching the Environmental Protection Law include a warning, payment of a penalty calculated on the damage incurred, or payment of a fine. When an entity has failed to adopt preventive measures or control facilities that meet the requirements of environmental protection standards, it may be required to suspend its production or operations and pay a fine.

OUR CORPORATE HISTORY

We were incorporated on June 7, 1999 in Delaware initially under the name Caprock Corporation to engage in any lawful corporate undertaking, including, but not limited to, selected mergers and acquisitions.

Between 1999 and 2005 we operated a number of small, start up or development stage businesses. In October 2005, we became a shell company and began a search for a business combination candidate.

On August 16, 2006 we acquired 100% of the issued and outstanding stock of China Direct Investments in exchange for 10,000,000 shares of our common stock, which at closing, represented approximately 95% of our issued and outstanding shares of common stock. China Direct Investments was incorporated under the laws of the State of Florida on January 18, 2005 and its operations constitute our Consulting segment. As a result of the reverse merger transaction, China Direct Investments became a wholly owned subsidiary and the transaction resulted in a change of control of our company. For financial accounting purposes, the transaction in which we acquired China Direct Investments was treated as a recapitalization of our company with our former stockholders retaining approximately 5.0% of our outstanding common stock.

In September 2006, we changed our name to China Direct, Inc. and in June 2007 we re-domiciled our company from Delaware to Florida. Subsequent to the transaction with China Direct Investments in August 2006, we have substantially grown our business by acquiring growth-oriented companies in the PRC.

In February 2007, we acquired a 51% interest in CDI Magnesium in exchange for 25,000 shares of our common stock valued at $100,000. The fair value of our common stock was based on its value of $4.00 per share on February 6, 2007. We dissolved CDI Magnesium as of September 30, 2011 and wrote off our investment of $100,000 in the company in fiscal year 2011 upon completion of our sale of our 51% interest in Pan Asia Magnesium discussed below.

In September 2007, we acquired a 51% interest in Pan Asia Magnesium in exchange for an aggregate investment of $7.4 million. We began presenting our interest in Pan Asia Magnesium as a discontinued operation beginning with our financial statements for the fiscal year ended September 30, 2009 as a result of a dispute with its former non-controlling shareholder and recorded a $7.4 million impairment charge against our investment in Pan Asia

Magnesium. On September 15, 2011 we completed the sale of our 51% ownership interest in Pan Asia Magnesium to Bloomgain Investment Limited, a British Virgin Islands company, an unrelated party for $3,047,582 in cash.

In February 2008, we acquired a 51% interest in Baotou Changxin Magnesium in exchange for $7,084,000 and an additional 39% interest in Baotou Changxin Magnesium in exchange for $5,417,000. Accordingly, we held a 70.9% interest in Baotou Changxin Magnesium. On February 29, 2012, we disposed Excel Rise, which is a shareholder of Baotou Changxin Magnesium. After the disposal, we held 51% interest in Baotou Changxin Magnesium. As described elsewhere herein, in September 2012 we discontinued the operations of Baotou Changxin Magnesium.

In February 2008, we invested $347,222 to acquire an 83% interest in Shanghai CDI Metal. In July 2011, we acquired the remaining 17% non-controlling interest in CDI Metal from its former non-controlling shareholder in exchange for the forgiveness of a loan from CDI Metal to such shareholder in the principal amount of RMB 100,000 (approximately $76,585).

In June 2008, we entered into an agreement to form CDI Beijing. Under the terms of the Agreement, we acquired a 51% interest in CDI Beijing for approximately $1.5 million. On December 30, 2009, the shareholders of CDI Beijing agreed to limit their capital contributions to the $2.9 million they had already contributed and waived their requirement to contribute additional capital including our obligation to contribute $2,200,000 by September 30, 2009.

On March 29, 2009 we changed our name to China Direct Industries, Inc. to more accurately reflect our principal business of producing magnesium and distributing basic materials in the PRC.

On July 13, 2010, we entered into an equity transfer agreement with Pine Capital Enterprises, Inc. ("Pine Capital") and Taiyuan Yiwei Magnesium Industry Co., Ltd. ("Yiwei Magnesium") to acquire an 80% interest in Ruiming Magnesium effective as of July 1, 2010, for RMB 44,880,000 (approximately $6,451,677) comprised of $2,428,864 in cash, 769,231 shares of our common stock valued at $846,154, and an assignment of a portion of our interest in Excel Rise in the amount of $2,367,038. The remaining 20% interest in Ruiming Magnesium is owned by Pine Capital. Yuwei Huang, our executive vice president - magnesium and member of our board of directors, owns or controls Pine Capital and Yiwei Magnesium.

On May 6, 2011 we entered into a stock transfer contract with Mr. Kong Tung, a member of our board of directors, and Mr. Hui Dong, his son, both of whom were the shareholders of our subsidiary Beauty East prior to our acquisition of that company. We acquired 100% of Beauty East in exchange for 4,879,280 shares of our common stock valued at $6,147,893 or $1.26 per share.

On August 29, 2011, we signed the acquisition agreements for 100% of Golden Trust Magnesium and 80% of Lingshi Magnesium. We subsequently entered into several supplemental agreements and pursuant to the last supplemental agreement, the aggregate purchase price was $26.4 million, to be paid by a combination of $15.0 million in cash or assignment of intercompany loans, $6.7 million in shares of our common stock, and $4.7 million by way of transferring our interest in our Excel Rise subsidiary. The Company completed the acquisition of Lingshi Magnesium on August 12, 2013 and the acquisition of Golden Trust Magnesium on March 7, 2014.

On February 29, 2012, our shareholders approved an amendment to our articles of incorporation in order to change our corporate name from China Direct Industries, Inc. to CD International Enterprises, Inc.

On September 28, 2012, we sold our 51% interest in Lang Chemical for an aggregate purchase price of approximately $1.2 million, with $600,000 tendered at closing and the balance payable over a year with annual interest of 6% per year payable in quarterly installments. We acquired our stake in Lang Chemical in 2006 for approximately $700,000. This disposition is consistent with our strategy to streamline our investment and assets in China committed to this segment due to poor performance over the past year and realign our investments to our industrial commodities business in the Americas to maximize our profits and cash flow over the next fiscal year and beyond.

On October 8, 2012, we sold our 51% interest in CDI Beijing for $1.6 million pursuant to the terms of an equity transfer agreement by and among CDI Shanghai Management, CDI Beijing and Chi Chen and Huijuan Chen. Mr. Chi Chen served as vice president of our Mineral Trading segment and was a minority owner of CDI Beijing. .

On September 30, 2014, CDI China, Inc. signed the Share Exchange Agreement with Yuwei Huang selling our Magnesium segment including Lingshi Magnesium, Baotou Changxin Magnesium, Ruiming Magnesium, Chang Magnesium, Golden Trust Magnesium, and IMTC to Mr. Huang and in return, Mr. Huang cancelled 8,075,949 shares of CDII common stock held by different individuals related to Mr. Huang and cancelled the right to receive 41,524 convertible Series D Preferred Stock within 10 business days.

On September 30, 2014, CD International Enterprises, Inc. signed the Share Exchange Agreement with EM Resource Enterprises, Inc. ("EM"), to acquire 100% of equity ownership of EM from Manuel Mustafa, the sole shareholder, in exchange for a $2 million note payable within two years and 209,375 shares of CDII Series E Convertible Preferred Stock with a total market value of $13.4 million. The preferred stock can be converted to CDII common stock as of

October 1, 2017 at a ratio of each share of the preferred stock to 1,000 shares of CDII common stock. The conversion price shall be $0.064 per share, the average closing price of CDII common stock 10 trading days (September 16 to September 29, 2014) prior to September 30, 2014. The preferred stock has no voting rights. The payment of the Note will rely on cash flow of EM operations and/or future financing of CDII.

On January 8, 2015, CD International Enterprises, Inc., EM Resources Enterprises, Inc., and Manuel Mustafa, the President and sole owner of EM, elected not to proceed with the merger between the Company and EM. This agreement was terminated without penalty to the Company or EM pursuant to the Acquisition Termination Agreement between the parties dated January 8, 2015 as all parties desired to terminate the Merger Agreements for mutual benefit. The Company returned the 100% equity ownership of EM to Mr. Mustafa for cancelation of the Note and the CDII Shares issued. Mr. Mustafa will remain a consultant to the Company for ongoing and future projects.

On April 28, 2015, we entered into an agreement with Xiaowen Zhuang, a Chinese individual, a management member of CDI Shanghai Management and the brother of James (Yuejian) Wang, the CEO of the Company, to transfer our entire 95% equity interest and all liabilities in CDI Jingkun Zinc and 100% equity interest and all liabilities in CDI Metal to Xiaowen Zhuang, for a consideration of $0.

On April 30, 2015, we entered into an agreement with Dragon Capital Group Corp, to transfer our 100% equity interest and all liabilities in CDI Jixiang Metal for a consideration of $0.

ITEM 1A. RISK FACTORS.

Before you invest in our securities, you should be aware that there are various risks. You should consider carefully these risk factors, together with all of the other information included in this annual report before you decide to purchase our securities. If any of the following risks and uncertainties develops into actual events, our business, financial condition or results of operations could be materially adversely affected.

Risks Related To Our Business

Our auditors have raised substantial doubts as to our ability to continue as a going concern.

Our financial statements have been prepared assuming we will continue as a going concern. For fiscal year 2015 and 2014, we reported a loss from continuing operations of $4.7 million and $5.0 million, respectively, which was primarily attributable to the impact of low gross profit. In addition, the Company has a significant amount of short term loan payable, totaling $2.2 million from unrelated parties, which requires the Company to secure additional funds given the Company's current cash position. These, among other operational and working capital deficit issues, raises substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. There are no assurances that we will be able to return to profitable operations in the future or that we will not recognize additional write-offs in future periods which will adversely impact our financial results.

Our revenues declined in fiscal year 2015 and there are no assurances they will return to historic levels.

Our revenues from continuing operations declined by 79% in fiscal year 2015 from fiscal year 2014 which was primarily attributable to declines in revenues from both our Consulting and our Mineral Trading segment. Our ability to increase our revenues across all segments in fiscal year 2016 and beyond is dependent upon general economic growth in our markets, our ability to effectively compete and access to sufficient capital. There are no assurances we will be successful in increasing our revenues in future periods.

We reported losses for fiscal year 2015 and our gross profit margins are not sufficient to enable us to report profitable operations.

Our comprehensive loss attributable to common stockholders for fiscal year 2015 was $3.1 million. We reported a net loss from continuing operations of $4.7 million in fiscal year 2015, which was primarily attributable to $3.8 million selling, general and administrative expenses. While we expect that these events will improve our financial results in future periods, until such time as we are able to significantly increase our gross profit, our ability to report profitable operations could be adversely impacted.

The metals industry is highly cyclical. Fluctuations in the pricing and availability of minerals and in levels of customer demand have historically been severe, and future changes and/or fluctuations could cause us to experience lower sales volumes and revenues, which would negatively impact our profit margins.

The metals industry is highly cyclical. The length and magnitude of industry cycles have varied over time and by product, but generally reflect changes in macroeconomic conditions, levels of industry capacity and availability of usable raw materials. The overall levels of demand for our minerals and minerals-based products reflect fluctuations in levels of end-user demand, which depend in large part on general macroeconomic conditions worldwide which then

impact the level of production. The market for these products are heavily dependent on general economic conditions, including the availability of affordable energy sources, employment levels, interest rates, consumer confidence and construction demand. These cyclical shifts in our customers' industries tend to result in significant fluctuations in demand and pricing for our products. As a result, in periods of recession or low economic growth, metals companies, including ours, have generally tended to under-perform compared to other industries. We generally have high fixed costs, so changes in industry demand that impact our production volume also can significantly impact our profit margins and our overall financial condition. Economic downturns in the worldwide economy or a prolonged decline in demand in our Mineral Trading segment has had a negative impact on our operations and a continuation or further deterioration of current economic conditions could have a negative impact on our future financial condition or results of operations.

The value of the equity securities we accept as compensation is subject to adjustment which could result in losses to us in future periods.

In our Consulting segment, historically we have accepted equity securities of our clients as compensation for services. These securities are reflected on our balance sheet as "marketable securities available-for-sale". At the end of each period, we evaluate the carrying value of the marketable securities for a decrease in value. We evaluate the company underlying these marketable securities to determine whether a decline in fair value below the amortized cost basis is other than temporary. If the decline in fair value is judged to be "other- than- temporary", the cost basis of the individual security shall be written down to fair value as a new cost basis and the amount of the write-down is charged to earnings. As a result of these policies, we recorded a one-time loss of $8.1 million as a result of significant declines in the market value of other receivable marketable securities during the fourth quarter of fiscal year 2013. Any future additional impairment would adversely affect our operating results for the corresponding periods in that we would be required to reduce the carrying value of these investments. In addition, if we are unable to liquidate these securities, we will be required to write off the investments which would adversely affect our financial position.

We need additional financing to fund acquisitions and our operations which we may not be able to obtain on acceptable terms. Additional capital raising efforts in future periods may be dilutive to our then current shareholders or result in increased interest expense in future periods.

We may need to raise additional working capital to fund expected growth in our industrial commodities business. Our future capital requirements depend on a number of factors, including our operations, the financial condition of an acquisition target and its need for capital, our ability to finance our purchases of commodities with financial instruments provided by buyers, our ability to generate revenues from other sources, and our ability to manage the growth of our business and our ability to control our expenses. Also, if we raise additional capital through the issuance of debt, this will result in increased interest expense. If we raise additional capital through the issuance of equity or convertible debt securities, the percentage ownership of our company held by existing shareholders will be reduced and those shareholders may experience significant dilution. As we will generally not be required to obtain the consent of our shareholders before entering into acquisition transactions, shareholders are dependent upon the judgment of our management in determining the number and characteristics of stock issued as consideration in an acquisition. In addition, new securities may contain certain rights, preferences or privileges that are senior to those of our common stock. We cannot assure you that we will be able to raise the working capital as needed in the future on terms acceptable to us, if at all, as the current capital markets have been adversely affected by the severe liquidity crisis. If we do not raise capital as needed, we will be unable to operate our business or fully implement our acquisition expansion strategy.

We are dependent on certain key personnel and the loss of these key personnel could have a material adverse effect on our business, financial condition and results of operations.

The loss of one or more of these key employees or our chief executive officer, Dr. Wang, could have a material adverse effect upon our business, financial condition and results of operations.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results. As a result, current and potential shareholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.

As described later in this report, our management has determined that as of September 30, 2015, we did not maintain effective internal controls over financial reporting based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework as a result of identified significant deficiencies and material weakness in our internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than material weakness, yet important enough to merit attention by those responsible for oversight of a registrant's financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. If the result of our remediation of the identified significant deficiencies and material weakness is not successful, or if additional significant deficiencies are identified in our internal control over financial reporting, our management will be unable to report favorably as to the effectiveness of our internal control over financial reporting and/or our disclosure controls and procedures, and we could be required to further implement expensive and time-consuming remedial measures and potentially lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on our stock price and potentially subject us to litigation.

Failure to comply with the United States Foreign Corrupt Practices Act could subject us to penalties and other adverse consequences.

We are subject to the United States Foreign Corrupt Practices Act, which generally prohibits United States companies from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. Corruption, extortion, bribery, pay-offs, theft and other fraudulent practices occur from time-to-time in the PRC. We can make no assurance, however, that our employees or other agents will not engage in such conduct for which we might be held responsible. If our employees or other agents are found to have engaged in such practices, we could suffer severe penalties and other consequences that may have a material adverse effect on our business, financial condition and results of operations.

The Investment Company Act of 1940 will limit the value of securities we can accept as payment for our business consulting services, which may limit our future revenues.

We have historically accepted securities as payment for our services and will likely continue to do so in the future, but only to the extent that it does not cause us to become classified as an investment company under the Investment Company Act of 1940. To the extent that we are required to reduce the amount of securities we accept as payment for our consulting services to avoid becoming an investment company, our future revenues from our business consulting services may substantially decline if our clients cannot pay our fees in stock or securities. A reduction in the amount of our consulting fees will materially adversely affect our financial condition and results of operations in future periods. Any future change in our fee structure for our consulting services could also severely limit our ability to attract business consulting clients in the future.

The acquisition of new businesses is costly and such acquisitions may not enhance our financial condition.

A significant element of our growth strategy is to acquire controlling interests in companies that operate in the PRC and that offer services, products, technologies, industry specializations or geographic coverage that extend or complement our existing business. The process to undertake a potential acquisition is time-consuming and costly. We expect to expend significant resources to undertake business, financial and legal due diligence on our potential acquisition targets and there is no guarantee that we will acquire the company after completing due diligence. The process of identifying and consummating an acquisition could result in the use of substantial amounts of cash and exposure to undisclosed or potential liabilities of acquired companies. In addition, even if we are successful in acquiring additional companies, there are no assurances that the operations of these businesses will enhance our future financial condition. To the extent that a business we acquire does not meet the performance criteria used to establish a purchase price, some or all of the goodwill related to that acquisition or a write down of assets acquired could be charged against our future earnings, if any.

Risk Related to Doing Business in South America

Substantially all of our mineral businesses are operated in South America and are subject to changes resulting from the political and economic policies of the governments of South American countries.

South America is commonly perceived as a volatile business environment. It's futile to attempt to challenge this perception, especially since both the historical facts and anecdotal evidence from throughout the nineteenth, twentieth, and beginning of the twenty-first centuries feed this perception. Ranked as the third-most unstable region in the world in the post-war era, political instability has been a pervasive problem in South America.

Our financial performance may be negatively affected by regulatory, political, economic and social conditions in South American countries in which we have significant operations or projects. In many of these jurisdictions, we are exposed to various risks such as potential renegotiation, nullification or forced modification of existing contracts, expropriation or nationalization of property, foreign exchange controls, changes in local laws, regulations and policies, political instability, bribery, extortion, corruption, civil strife, acts of war, guerilla activities and terrorism. We also face the risk of having to submit to the jurisdiction of a foreign court or arbitration panel or having to enforce a judgment against a sovereign nation within its own territory. Actual or potential political or social changes and changes in economic policy may undermine investor confidence, which may hamper investment and thereby reduce economic growth, and otherwise may adversely affect the economic and other conditions under which we operate in ways that could have a materially negative effect on our business.

We could be adversely affected by changes in government policies or trends such as resource nationalism, including the imposition of new taxes or royalties on mining activities.

In the South American countries where we are present, governments may impose new taxes, raise existing taxes and royalty rates, reduce tax exemptions and benefits, request or force renegotiation of tax stabilization agreements or change the basis on which taxes are calculated in a manner that is unfavorable to us. Governments that have committed to provide a stable taxation or regulatory environment may alter those commitments or shorten their duration.

We are also required to meet domestic beneficiation requirements in certain South American countries in which we operate, such as local processing rules, export taxes or restrictions, or charges on unprocessed ores. The imposition of or increase in such taxes or charges can significantly increase the risk profile and costs of operations in those jurisdictions. We and the mining industry are subject to rising trends of resource nationalism in certain countries in which we operate that can result in constraints on our operations, increased taxation or even expropriations and nationalizations.

Disagreements with local communities of South American countries in which we operate could adversely impact our business and reputation.

Disputes with communities where we operate in South America may arise from time to time. Although we contribute to local communities with taxes, royalties, employment and business opportunities and social programs, expectations are complex and involve multiple stakeholders with different and constantly evolving interests. Some of our current and potential operations are located in or near communities that may regard the operation as being detrimental to their circumstances. Community expectations are typically complex with the potential for multiple inconsistent stakeholder views that may be difficult to resolve. Stakeholder opinion and community acceptance can be subject to many influences, for example, related industries, operations of other groups, local, regional or national events in other places where we operate. In the extreme, our operations may be a focus for civil unrest or criminal activity.

Disagreements or disputes with local groups, including indigenous or aboriginal groups, could cause delays or interruptions to our operations, adversely affect our reputation or otherwise hamper our ability to develop our reserves and conduct our operations. Protesters have taken actions to disrupt our operations and projects, and they may continue to do so in the future. Although we engage in active dialogue with all stakeholders and vigorously defend ourselves against illegal acts, future attempts by protesters to harm our operations could adversely affect our business.

Our projects are subject to risks that may result in increased costs or delay in their implementation.

We are investing to maintain and further increase our production capacity and logistics capabilities and to expand the scope of the minerals we produce. We regularly review the economic viability of our projects. As a result of this review, we may decide to postpone, suspend or interrupt the implementation of certain projects. Our projects are also subject to a number of risks that may adversely affect our growth prospects and profitability, including the following:

1. Our efforts to develop projects on schedule may be hampered by a lack of infrastructure, including reliable telecommunications services and power supply.
2. Suppliers and contractors may fail to meet their contractual obligations to us.
3. We may face unexpected weather conditions or other force majeure events.
4. We may fail to obtain the required permits and licenses to build a project, or we may experience delays or higher than expected costs in obtaining them.
5. Joint ventures, strategic partnerships or non-managed operations may not be successful and may not comply with our standards.
6. Changes in market conditions or regulations may make a project less profitable than expected at the time we initiated work on it.
7. There may be accidents or incidents during project implementation.
8. We may face shortages of skilled personnel.
9. We may encounter delays or higher than expected costs in obtaining the necessary equipment or services and in implementing new technologies to build and operate a project.

Operational problems could materially and adversely affect our business and financial performance.

Ineffective project management and operational breakdowns might require us to suspend or curtail operations, which could generally reduce our productivity. Operational breakdowns could entail failure of critical plant and machinery. There is no assurance that ineffective project management or other operational problems will not occur. Any damages to our projects or delays in our operations caused by ineffective project management or operational breakdowns could materially and adversely affect our business and results of operations. Our business is subject to a number of operational risks that may adversely affect our results of operations, such as:

- Adverse mining conditions delaying or hampering our ability to produce the expected quantity of minerals and to meet specifications required by customers, which can trigger price adjustments.
- Unexpected weather conditions or other force majeure events.
- Delays or interruptions in the transportation of our products, including with railroads, ports and ships.
- Labor disputes which commonly occur in South American counties may disrupt our operations from time to time.
- Tropical diseases, HIV/AIDS and other contagious diseases in regions where some of our development projects are located, which pose health and safety risks to our employees.

- Changes in market conditions or regulations may affect the economic prospects of an operation and make it inconsistent with our business strategy.
- Disruptions to or unavailability of critical information technology systems or services resulting from accidents or malicious acts.

Our business is exposed to currency risk caused by the fluctuation in exchange rates.

The great majority of our sales are denominated in US dollars, which is also the currency used for holding surplus cash, financing operations, and presenting external and internal results. Although many costs are incurred in US dollars, significant costs are influenced by the local currencies of the South American countries where we operate, principally the Venezuela Bolivar, Peruvian Sol and Chilean Peso. The normal policy is to avoid hedging of foreign exchange rates, so we are vulnerable to appreciation in the value of other currencies against the US dollar, or to prolonged periods of exchange rate volatility.

Our operations are vulnerable to a range of interruptions, not all of which are covered fully by insurance.

Our insurance does not cover every potential loss associated with our operations and adequate coverage at reasonable rates is not always obtainable. In addition, insurance provisions may not fully cover our liability or the consequences of any business interruption. Our business is subject to a number of potential losses that may not be fully covered by insurance, such as:

1. Natural disasters and events - Mining, smelting, refining and infrastructure installations are vulnerable to natural events including earthquakes, drought, flood, fire, storm and the possible effects of climate change.
2. Sustained operational difficulties - We have various operating difficulties, ranging from unexpected geological variations that could result in significant ground or containment failure to breakdown of key capital equipment. Reliable roads, rail networks, ports, power generation and transmission, and water supplies are required to access and conduct our operations. An extended failure of critical system components or malicious actions, including a cybersecurity attack, could result in significant environmental incident, commercial loss or interruption to operations.
3. Major operational failure - Our operations involve chemicals and other substances under high temperature and pressure, with the potential of fire, explosion or other loss of control of the process, leading to a release of hazardous materials. This could occur by accident or a breach of operating standards, and could result in a significant incident.

Risks Related to Our Common Stock

The market price for shares of our common stock has been and may continue to be highly volatile and subject to wide fluctuations.

The market price for shares of our common stock has experienced significant price and volume fluctuations in the last few years. Some specific factors that may have a significant effect on the future market price of our shares of common stock include:

- actual or expected fluctuations in our operating results;
- variance in our financial performance from the expectations of market analysts;
- changes in general economic conditions or general conditions in our industry;
- changes in conditions in the financial markets;
- announcements of significant acquisitions or contracts by us or our competitors;

- our inability to raise additional capital;
- changes in applicable laws or regulations, court rulings and enforcement and legal actions;
- additions or departures of key management personnel;
- actions by our shareholders;
- changes in market prices for our products or for our raw materials; and
- changes in stock market analyst research and recommendations regarding the shares of our common stock, other comparable companies or our industry generally.

In addition, the stock market in general, and the market for companies with PRC based operations in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the affected companies. These broad market and industry factors may materially harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted against that company. Such litigation, if instituted against us, could result in substantial costs and a diversion of management's attention and resources, which could have a material adverse effect on our business, financial condition and results of operations.

As a result of these and other factors, you may be unable to resell your shares of our common stock at or above the price you paid for such shares.

If we are required to redeem our outstanding shares of Series A convertible preferred stock, our liquidity will be adversely impacted in future periods.

Following the July 2012 delisting of our common stock from The NASDAQ Stock Market, the holders of the shares of our Series A convertible preferred stock with a stated value of $1,006,250 were entitled to notice of such event, which is referred to as a "trigger event" in the designations, rights and preferences of this series of stock. This trigger event entitles the holders to request that we redeem the shares at a price per share equal to the sum of:

- the greater of (a) 125% of the conversion amount and (b) the product of (i) the conversion rate in effect at the time as the holder delivers a notice of redemption to us and (ii) the greatest closing sale price of the common stock beginning on the date immediately preceding such event of default and ending on the date the holder delivers the notice of redemption,

- the make-whole additional amount per preferred share being redeemed; and

- default interest at the rate of 1.5% per month.

We do not know if any holder will exercise its right to require us to redeem the shares of Series A convertible preferred stock, or, if a redemption is exercised and we do not redeem the shares, require us to adjust the conversion price of the Series A convertible preferred stock. At the holder's option, the holder may also choose to continue to hold the shares of Series A convertible preferred stock so as to take advantage of the 8% annual dividend or convert the shares into shares of our common stock. In the event we are required to redeem the shares of Series A convertible preferred stock, our liquidity in future periods will be materially and adversely impacted. If the holders choose to convert the shares into shares of our common stock, the issuance of the shares will be dilutive to our existing common stockholders.

Our common stock is quoted in the over the counter market on the OTC Markets.

Our common stock is quoted in the over-the-counter market on the OTC Markets. The OTC Markets offers a quotation service to companies that are unable to list their securities on an exchange or for companies, such as ours, whose securities are not listed on an exchange. The requirements for quotation on the OTC Markets are less regulated than those of an exchange. Because our common stock is quoted on the OTC Markets, it is possible that even fewer brokers or dealers would be interested in making a market in our common stock, which further adversely impacts its liquidity.

The tradability of our common stock could be limited under the penny stock regulations which may cause the holders of our common stock difficulty should they wish to sell the shares.

Because the quoted price of our common stock is less than $5.00 per share, our common stock could be considered a "penny stock," and trading in our common stock could be subject to the requirements of Rule 15g-9 under the Securities Exchange Act of 1934. Under this rule, broker/dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements. The broker/dealer must make an individualized written suitability determination for the purchaser and receive the

purchaser's written consent prior to the transaction. SEC regulations also require additional disclosure in connection with any trades involving a "penny stock," including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and its associated risks. These requirements severely limit the liquidity of securities in the secondary market because few brokers or dealers are likely to undertake these compliance activities and this limited liquidity will make it more difficult for an investor to sell his shares of our common stock in the secondary market should the investor wish to liquidate the investment.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable to a smaller reporting company.

ITEM 2. PROPERTIES.

Our principal executive offices are located in Deerfield Beach, Florida. We lease approximately 4,694 square feet of office space for an annual expense of approximately $207,108 under an amendment to the lease agreement, which expires in March 2019.

Our subsidiary CDI Shanghai Management leases approximately 1,127 square feet of office space in Shanghai for an annual expense of approximately $17,170 (RMB105,600) per year. The lease expires on September 30, 2016.

ITEM 3. LEGAL PROCEEDINGS

Our wholly owned subsidiaries, China Direct Investments, Inc. ("China Direct") and Capital Resource Management Co., Ltd. ("Capital Resource"), and our Company are involved in the following litigation with a shareholder of Linkwell Corporation, Ltd. ("Plaintiff"):

On January 9, 2013, Plaintiff filed a petition in the United States District Court for the Southern District of Florida (Case No. 12-cv-62539-WJZ) to complain that Linkwell's directors (Director Defendants) breached their fiduciary duties to Linkwell and its shareholders by entering into a transaction intended to obscure their "secret transfer" of Linkwell's valuable subsidiaries to themselves or entities they control or Ecolab, Inc. without fair compensation being paid to Linkwell and by causing Linkwell to file and disseminate materially misleading information.

In addition, Plaintiff contended that the "Non-Director Defendants" - including the Company and its subsidiaries, China Direct and Capital Resource - aided and abetted those breaches and conspired with the Director Defendants to commit those breaches. The Plaintiff also contended that all defendants were unjustly enriched and are liable for attorney's fees. China Direct and Capital Resource are alleged to have acted as consultants who were the "principal moving force" behind the challenged transaction, for which consulting services each is alleged to have received shares of Linkwell stock.

Subsequent to the filing of the initial complaint, Linkwell's Board of Directors unwound the challenged transaction and the shares received by China Direct and Capital Resource were returned to Linkwell. The Company, as well as China Direct and Capital Resource, has denied all liability and intends to contest the matter vigorously.

On April 28, 2015, TCA Global Credit Master Fund, LP. ("TCA") filed a complaint/petition in the Circut Court of for the 17th Judicial Circuit in and for Broward County, Florida. (Case No. 15-007210). The complaint/petition alleges that: 1) the Company is in breach of credit facility agreement by CD International Enterprises, Inc.; 2) the court should order foreclosure of security interest against CD International Enterprises, Inc., CDI China, Inc., China Direct Investments, Inc., CDII Minerals, Inc. International Magnesium Group, Inc., and James (Yuejian) Wang; 3) the Company is in breach of revolving convertible promissory note by CD International Enterprises, Inc.; 4) the Company is in breach of guaranty against James (Yuejian) Wang and CDI China, Inc., China Direct Investments, Inc., CDII Minerals, Inc. and International Magnesium Group, Inc.; 5) the Company has made fraudulent misrepresentation as to CD International and James (Yuejian) Wang; and 6) the Company has made negligent misrepresentation as to CD International Enterprises, Inc. and James (Yuejian) Wang. TCA demanded the repayment of principal of $650,000 and interest payable of $46,123. In addition, TCA demanded the payment of default interest and penalties on the note in the amount of $30,145 and $106,115 on the advisory fee, respectively. On October 15, 2015, the Company and TCA entered into settlement agreement pursuant which both parties agreed that the outstanding obligations the Company owed to TCA should be $1,036,032 as of October 8, 2015, including $765,133 principal, accrued and unpaid interest and other fees and charges and $270,899 advisory fees related charges. The total obligation of $1,036,032 was split into two separate and distinct replacement notes for the balance of $50,000 ("Replacement Note A") and $986,032 ("Replacement Note B"). The effective interest rate remained at 18%. The maturity date of the promissory notes was extended to October 15, 2016 and notes were no longer in default upon execution of the settlement agreement. The Company is obligated to pay TCA $40,000 commencing on November 30, 2015 and then on the 30th day of each consecutive calendar month thereafter for all obligations identified in the settlement agreement. On October 26, 2015, TCA further assigned a portion of the promissory note including the related right, title and interest in the note to Magna Asset Services ("Magna") in multiple tranches. The first tranche is in the amount of $50,000 (Replacement

Note A) and Magna has the option to make subsequent purchases in multiple tranches of $750,000 of the outstanding obligations. Upon an event of default, TCA may convert all or any portion of the outstanding principal and accrued interest payables into shares of the Company's common stock equal to the 85% of the average of the lowest daily VWAP of the five business days prior to the conversion day. TCA has had its counsel to file a Conditional Joint Stipulation of Dismissal Without Prejudice with respect to the Pending Litigation the parties involved. Consequently, the case was settled and dismissed pursuant to the Stipulation of Settlement entered into between the parties. The Court reserved jurisdiction for enforcement of the settlement terms. The Company has accrued $763,257 principal, unpaid interest and other fees and charges, $270,900 advisory fees, and $40,342 other legal expenses as of September 30, 2015.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable to our operations.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is currently quoted in the over-the-counter markets on the OTC Markets under the symbol CDII since January 2013. Our common stock has been quoted in the over-the-counter markets on the OTCQB Tier of the OTC Markets under the symbol CDII since July 2012 to January 2013, and prior to that our common stock was listed on NASDAQ Global Market from May 1, 2008 until July 2012. The following table sets forth the reported high and low closing prices for our common stock as reported on the OTCQB and the OTC Markets for the periods presented. These prices do not include retail mark-ups, markdowns or commissions, and may not necessarily represent actual transactions.

		High		Low
Fiscal year 2015				
First quarter	$	0.06	$	0.03
Second quarter	$	0.03	$	0.02
Third quarter	$	0.03	$	0.01
Fourth quarter	$	0.04	$	0.01
Fiscal year 2014	$			
First quarter	$	0.13	$	0.05
Second quarter	$	0.11	$	0.08
Third quarter	$	0.08	$	0.05
Fourth quarter	$	0.07	$	0.04

As of January 15, 2016, there were approximately 34 shareholders of record of our common stock. The number of record holders does not include beneficial owners of common stock, whose shares are held in the names of banks, brokers, nominees or other fiduciaries.

Transfer Agent

Our transfer agent is Colonial Stock Transfer Co, Inc., which is located at 66 Exchange Place, Ste 100, Salt Lake City, UT 84111. The phone number is (801) 355-5740 and its website is www.colonialstock.com.

Dividends

We have never paid cash dividends on our common stock. Payment of dividends will be within the sole discretion of our board of directors, subject to any preference rights of our Series A Convertible Preferred Stock, and will depend, among other factors, upon our earnings, capital requirements and our operating and financial condition. In addition, under Florida law, we may declare and pay dividends on our capital stock either out of our surplus, as defined in the relevant Florida statutes, or if there is no such surplus, out of our net profits for the year in which the dividend is declared and/or the preceding year. If, however, the capital of our company computed in accordance with the relevant Florida statutes, has been diminished by depreciation in the value of our property, or by losses, or otherwise, to an amount less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes

having a preference upon the distribution of assets, we are prohibited from declaring and paying out of such net profits and dividends upon any shares of our capital stock until the deficiency in the amount of capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets shall have been repaired.

Recent Sales of Unregistered Securities

On October 9, 2014, we issued 500,000 restricted shares of our common stock valued at $0.06 per share to a consultant as compensation for consulting services rendered by the consultant. In addition, the recipient is a sophisticated investor and had access to information normally provided in a prospectus regarding us.

On October 9, 2014, we issued 1,000,000 restricted shares of our common stock valued at $0.06 per share to a consultant as a finder fee. In addition, the recipient is a sophisticated investor and had access to information normally provided in a prospectus regarding us.

On December 29, 2014, we issued 5,000,000 restricted shares of our common stock valued at $0.035 per share to a consultant as consulting fees. In addition, the recipient is a sophisticated investor and had access to information normally provided in a prospectus regarding us.

On August 1, 2015, we issued 1,000,000 restricted shares of our common stock valued at $0.0169 per share to a consultant as consulting fees. In addition, the recipient is a sophisticated investor and had access to information normally provided in a prospectus regarding us.

On September 1, 2015, we issued 1,000,000 restricted shares of our common stock valued at $0.015 per share to a consultant as consulting fees. In addition, the recipient is a sophisticated investor and had access to information normally provided in a prospectus regarding us.

The above said sales relied on the exemption from registration afforded by Section 4(a)(2) of the Securities Act; adequate information was provided to offerees; and no general solicitation or advertising was made in connection with the offer or sale of the above said securities.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable for a smaller reporting company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

The following discussion and analysis of our consolidated financial condition and results of operations for the fiscal years ended September 30, 2015 and 2014 should be read in conjunction with the consolidated financial statements and other information presented in this Annual Report on Form 10-K.

OVERVIEW OF OUR OPERATIONS

Our Business

We are a U.S.-based company that sources and distributes industrial products in Asia, and the Americas. We also provide business and management consulting services to public and private American and Chinese businesses. We used to operate in three identifiable business segments, as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, "Segment Reporting:" Magnesium, Basic Materials/Mineral Trading and Consulting. Beginning in 2006, we established our Magnesium and Basic Materials/Mineral Trading segments which have grown through acquisitions of controlling interests of Chinese private companies. We consolidate these acquisitions as either our wholly or majority owned subsidiaries. Through our U.S. based industrial commodities business, we source, finance, manage logistics, and sell industrial commodities from South America for ultimate distribution in China. We also provide business and management consulting services to public and private American and Chinese businesses.

We used to name "Mineral Trading segment" as "Basic Materials segment". Basic Materials segment used to cover our subsidiaries, Lang Chemical and CDI Beijing. Since we disposed both subsidiaries on September 30, 2012, we focused on mineral trading business in South America, and we renamed our Basic Materials segment to Mineral Trading segment in fiscal year 2014. Our Mineral Trading segment engages in the source and distribution of the global purchase and sale of industrial commodities in the Americas, which include mineral ores and non-ferrous metals. We have realigned our investments to our industrial commodities business in the Americas to maximize our

profits and cash flow over the past fiscal years of 2015 and 2014. We have focused at the South American market and have established offices in Chile, Peru and Bolivia, but the operation costs were very high and, given the continuing drop of the iron ore market price, we closed offices in Chile and Peru at September 30, 2014.

Our Consulting segment provides services to public and private American and Chinese entities seeking access to the U.S. and Chinese capital markets. These services include general business consulting, Chinese regulatory advice, translation services, formation of entities in the PRC, coordinate on of professional resources, mergers and acquisitions, strategic alliances and partnerships, advice on effective means of accessing U.S. capital markets, coordination of Sarbanes-Oxley compliance, and corporate asset evaluations.

OUR OUTLOOK

A significant portion of our business and operations are in China and, accordingly, its national economy plays a significant role in our results of operations. In the first nine months of 2015, China has experienced an industrial slowdown. China's economy grew 6.9% in the third quarter of 2015, while it grew 7.4% in 2014. China's central bank has cut interest rates five times since November 2014, and has taken other steps to free banks to lend more. The Chinese government has pledged to spend hundreds of billions of dollars in 2015 and 2016 on new infrastructure projects, including rail lines and water treatment plants to help lift growth.

Imports to China dropped 8.7 percent year-on-year to USD143.14 billion in November 2015, and Exports from China declined by 6.8 percent year-on-year to USD197.24 billion in November of 2015. China's main imports are electromechanical products (43 percent of total imports). The country is also one of the biggest consumers of commodities in the world. Among commodities the biggest demand is for crude oil (12 percent of total imports), iron ore (5 percent), copper, aluminum and soybeans. Export growth has been a major component supporting China's rapid economic expansion. Exports of goods and services constitute 30% of GDP. China major exports are: electromechanical products (57 percent of total exports) and labor-intensive products like clothing, textiles, footwear, furniture, plastic products, bags and toys (20 percent). In recent years, the exports of high tech products have been also growing and in 2012 accounted for 29 percent of total exports.

Information On Trends Impacting Our Reporting Segments Follows:

Mineral Trading Segment

As the Chinese economy continues to grow in the next decades, we believe demand for minerals will continue to be strong. In the past fiscal year, the declined price of iron ore, zinc, copper and lead has materially impacted our trading business. As we look for a bounce of basic mineral prices in 2016, we believe our trading activities will pick up. As we have been working on several major contracts, we expect to see major transactions executed in 2016.

Consulting Segment

We believe demand for our consulting services will slightly improve in fiscal year 2016. Our consulting business will focus on our current clients while we try to expand our services to new areas to facilitate business transactions among China, North and South Americas. On February 6, 2015, we have received authorization by Automation Division of Shanghai Electric Group Co., Ltd. ("Shanghai Electric Group") as a representative of business development in South America and Africa. Shanghai Electric Group is a multinational power generation and electrical equipment manufacturing company headquartered in Shanghai, China. It has a long history, where one of its oldest subsidiaries was established before 1880. Shanghai Electric Group is engaged in the design, manufacture and sale of electrical industrial products including power generation equipment, power transmission and distribution equipment, transformers, switchgear, circuit breakers, transport equipment, machine tools, elevators, packaging and print machinery and environmental protection equipment. It is the world's largest manufacturer of steam turbines.

Merger and Acquisition

Management pursues potential mergers and acquisitions to grow the company's revenues and earnings. In September 2015, we signed a letter of intent with HK International Finance & Investment Group Limited to acquire one of the wholly owned subsidiaries of HK International Finance & Investment Group Limited.

Management has started due diligence process and plans to finish auditing of two year financial statements for the targeted holding company. Management expects to close the acquisition upon satisfactory completion of due diligence and auditing of two year financial statements of the targeted holding company in the first half of 2016.

GOING CONCERN

Our financial statements have been prepared assuming we will continue as a going concern. For fiscal year 2015 we reported a net loss of $4.7 million from continuing operations and working capital deficit of $8.9 million. In addition, the Company has a significant amount of short term loan payable, totaling $2.2 million from unrelated parties, which requires the Company to secure additional funds given the Company's current cash position. The Company's cash and cash equivalent and revenues are not currently sufficient and cannot be projected to cover operating expenses in the coming year. These, among other operational issues, raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

RESULTS OF OPERATIONS

For the fiscal year 2015 and 2014, subsidiaries included in continuing operations consisted of the following:

- CDI China, Inc.;
- International Magnesium Group, Inc.;
- CDII Minerals, Inc.;
- Empresa Minera CDII de Bolivia S.A.;
- CDII Minerals de Peru SAC;
- China Direct Investments, Inc.;
- CDI Shanghai Management Co., Ltd.; and
- Capital Resource Management Co., Ltd.

We have generated negative gross margins and operating losses. Results of operations, financial position and cash flows associated with Magnesium segment, CDI Jingkun Zinc, CDI Metal, CDI Jixiang Metal and CDI Chile are separately reported as discontinued operations for all periods presented.

Summary of Selected Consolidated Financial Information

	For the Year Ended September 30,				
	2015		2014		
	Amount	% of Revenues	Amount	% of Revenues	% Increase (Decrease)
Mineral Trading segment	$ -	-	$ 799,759	47%	(100%)
Consulting segment	360,049	100%	914,779	53%	(61%)
Consolidated Revenues	$ 360,049	100%	$ 1,714,538	100%	(79%)
Cost of revenues	111,002	31%	1,036,690	60%	(89%)
Gross profit	249,047	69%	677,848	40%	(63%)
Total operating expenses	3,762,817	1,045%	5,009,605	292%	(25%)
Loss from continuing operations before income taxes	$ (4,650,661)	(1,292)%	$ 4,951,698	289%	(6%)

Analysis of Operating Results by Segment

A summary of our comparative operating results by segment for the twelve months ended September 30, 2015 and 2014 follows:

Mineral Trading Segment	For the Year Ended September 30,		Increase (Decrease)
	2015	2014	

Total revenues	$	-	$	799,759	$	(799,759)
Cost of revenues		-		908,431		(908,431)
Gross profit		-		(108,672)		108,672
Total operating expenses		50,057		1,816,487		(1,766,431)
Operating Loss	$	50,057	$	1,925,159	$	1,875,103

Consulting Segment	For the Year Ended September 30,				Increase (Decrease)	
	2015		2014			
Total revenues	$	360,049	$	914,779	$	(554,730)
Cost of revenues		111,002		128,259		(17,257)
Gross profit		249,047		786,520		(537,473)
Total operating expenses		3,712,760		3,193,118		519,642
Operating loss	$	3,463,713	$	2,406,598	$	(1,057,115)

Revenues

Revenues in fiscal year 2015 decreased by 79%, as compared to fiscal year 2014, primarily due to downsizing of our Mineral Trading segment operations in South America and the decline of iron ore market price.

Our Mineral Trading segment have no revenue in fiscal year 2015, decreased by 100% as compared to fiscal year 2014, primarily due to decrease of revenues from our downsizing business and ceasing operations in South America. In fiscal year 2015, the declined price of iron ore, zinc, copper and lead has materially impact our trading business. During the fourth quarter of fiscal 2015, we terminated operations in Chile, the Chilean government granted us approval to officially close down the business on July 31, 2015. In the fiscal year 2014, we sold 2,700 metric tons of iron ore and about 300 metric tons of copper from South America to China. Due to lack of working capital, in September 2014, we downsized operations of CDII Bolivia, and all inventories were sold prior to the closing of the subsidiary.

Our Consulting segment revenues primarily consist of consulting and advisory service fees we received from certain publicly traded U.S. companies with their primary business operations located in the PRC. We receive a fixed number of shares of their marketable securities or fees from those client companies, including both recurring and one-time transaction fees for services provided to clients. Consulting segment revenues vary from period to period depending upon the timing, nature and scope of services we provide to a particular client and performance of our client companies' stock price. Our Consulting segment generated approximately $360,000 in revenues during fiscal year 2015, as compared to $915,000 in fiscal year 2014, primarily due to the declining value of our client companies' stock price, coupled with a reduction in scope of consulting and transactional services provided to the clients during fiscal year 2015.

Gross Profit

Our consolidated gross profit in fiscal year 2015 decreased by 63.3%, as compared to fiscal year 2014. Our consolidated gross profit margin increased to 69.2% in fiscal year 2015, as compared to 39.5% in fiscal year 2014. The decrease in gross profit was primarily due to a 68.3% decrease in gross profit within our Consulting segment, and a decrease of 100% in gross profit of Mineral Trading segment.

Gross profit in our Mineral Trading segment for fiscal year 2015 was $0 as compared to $(109,000) with a negative margin of 13.6%, in fiscal year 2014. The decrease in gross profit for fiscal year 2015 was primarily due to the continuing drop of the iron ore market price and we our downsizing business and ceasing operations in South America.

Gross profit in our Consulting segment for fiscal year 2015 was approximately $249,000 with a margin of 69.2%, as compared to $786,500 with a margin of 86.0% for fiscal year 2014. The decrease in gross profit was to the result of lower revenue and lower gross profit margin since we paid outstanding professional expenses billed to our client in previous periods.

Total Operating Expenses

Total operating expenses, net of other operating income, decreased by $1,246,788, or 24.9%, in fiscal year 2015, as compared to fiscal year 2014, due to the fluctuation of general and administrative expenses.

General and administrative expenses in the Consulting segment approximately increased by $520,000, or 16.3% in fiscal year 2015, as compared to fiscal year 2014. This increase was primarily due to an increase of approximately $1.3 million in bad debt expenses, an increase of 327,000 on legal fees, and offset by a decrease of $84,000 on insurance expenses, a decrease of $30,000 on travel expenses and auto expenses, such as gas, parking and car rental expenses incurred in serving our client base for both our U.S. headquarters and China-based operations, a decrease of $117,000 on consulting service fees, a decrease of $54,000 on public relation fees, a decrease of $312,000 on employee payroll and employee compensation due to expiration of employment contracts, a decrease of $76,000 on office rents since the reduction of our space on rents, a decrease of $45,000 on finance service expenses, a decrease of $29,000 on meal and entertainment expenses, and a decrease of $23,000 in office expense with telephone fee.

General and administrative expenses in our Mineral Trading segment decreased by $1.8 million, or 97.3%, in fiscal year 2015, as compared to fiscal year 2014. This decrease primarily due to a decrease was primarily due to an impairment of advanced operational funds our U.S. headquarter lent to Bolivia and Peru subsidiaries totaling approximately $1.2 million, a decrease of $169,000 consulting fees, a decrease of $81,000 travel and auto expenses, a decrease of approximately $55,000 office expenses, office supplies, traveling expenses, office rents, employee and consulting expenses in ceasing subsidiaries.

Other Expenses

In fiscal year 2015, other expense was approximately $1,137,000 as compared to other expense of $620,000 for fiscal year 2014, a change of approximately $517,000. As compared to fiscal year 2014, we have an increase of approximately $435,000 in change in fair value of derivative liability related to our preferred stock, convertible note and warrants which is non-cash gain, an increase of approximately $621,000 in interest expenses and interest expenses - related parties primarily related to amortization of debt discount, a decrease of approximately $22,000 for realized gain on marketable securities available-for-sale, and an increase of $505,000 other income from converting the four promissory notes originally signed on August 21, 2012 in an aggregate amount of $1.0 million into 20 million shares of CDII common stock at $0.05 per share, and a decrease of approximately $56,000 for loss on fair market value on available-for-sale marketable securities.

Income Taxes

In both fiscal year 2015 and 2014, we did not record income taxes, since we had significant losses in both years.

Net Loss from Continuing Operations

Net loss from continuing operations for fiscal year 2015 amounted to $4.7 million as compared to net loss of $5.0 million for fiscal year 2014. The loss for fiscal year 2015 was primarily due to $3.8 million of operating expenses.

Discontinued Operations

As described elsewhere in this report, in April 2015, the Company sold its entire 95% equity interest in CDI Jingkun Zinc and 100% equity interest in CDI Metal to Xiaowen Zhuang, a management member of CDI Shanghai Management and the brother of James (Yuejian) Wang, the CEO of the Company, for zero consideration. The Company also sold its 100% equity interest in CDI Jixiang Metal to Dragon Capital, a related party company. We also disposed of operation in CDI Chile. As a result, results of operations, financial position and cash flows associated with CDI Jingkun Zinc, CDI Metal, CDI Jixiang Metal and CDI Chile are also reported as discontinued operations for all periods presented. The Company recorded a gain on disposal of subsidiaries of $1.6 million in fiscal year 2015, as compared to a gain of $34 million from discontinued operations in fiscal year 2014.

Net Gain/Loss

Net loss for fiscal year 2015 amounted to $3.1 million, as compared to net gain of $13.8 million for fiscal year 2014, primarily due to a decrease of $0.3 million in net loss from continuing operations and we also had a decrease of $15.0 million in loss from discontinued operations, together with an decrease of $32.4 million from the gain on disposal of subsidiaries.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is the ability of an enterprise to generate adequate amounts of cash to meet its needs for cash. As of September 30, 2015 we had a working capital deficit of $8.9 million, as compared to $7.1 million as of September 30, 2014. We rely upon cash generated from our operations, the sale of our subsidiaries, access under factoring and other lending relationships and advances from related parties to fund our operations. We do not have any commitments for capital expenditures. Our Mineral Trading segment has operating losses, and revenues from our Consulting segment vary greatly from period to period. Our Consulting segment generally receives full payment in advance for consulting

services to be provided over the term of the contract, primarily in the form of our client companies' common stock. For transactions in which we advise a new client company on entering into the U.S. public market for the first time, it may take some additional time for us to receive our transaction fees due to the necessary compliance and regulatory filing process, and it is possible that at such time, if ever, when we are able to sell the securities we receive as compensation, the funds we receive upon the sale will not be equal to the amount of revenue we initially recognized. In addition, revenues from this segment do not provide cash to pay costs or operating expenses until we are able to liquidate those securities, on which there are no assurances. As a result of the working capital deficit and the operating losses incurred, our cash flow from operations is not sufficient to sustain our operations and satisfy our obligations as they become due.

Our cash balance as of September 30, 2015 amounted to approximately $23,000, a decrease of $59,000, as compared to September 30, 2014. During fiscal year 2015, we had cash outflow of $0.94 million used in operating activities, including $0.91 million used in continued operating activities and approximately $29,000 used in discontinued operations. We had cash outflow of $3,000 used in investing activities. We also had inflows of $830,000 from third party loans, $112,000 of borrowing from related party, an outflow of $13,000 for payment to related parties, and an outflow of $97,000 for payment on loans payable. The net cash provided by financing activities was $833,000 from continuing operations.

Our marketable securities available-for-sale as of September 30, 2015 totaled $23,000, a decrease of $25,000 as compared to September 30, 2014, primarily due to change in fair market value of certain marketable securities. We did not write off any marketable securities during fiscal 2015.

Our accounts receivable, including account receivable - related party as of September 30, 2015 amounted to $17,000, a decrease of $42,000 as compared to September 30, 2014, primarily due to the collection of accounts receivable from the related party.

Prepaid expenses and other current assets consist of prepayments to vendors for services and inventory, other receivables, and security deposits. Prepaid expenses and other current assets as of September 30, 2015 amounted to $17,000, a decrease of $ 963,000 as compared to September 30, 2014, primarily due to the impairment on a total receivable balance from the sale of our 51% interest in CDI Beijing, based on aging of the receivable and the historical trends.

Short-term loans at September 30, 2015 included $643,000 of loan from TCA Global Credit Master Fund, LP, bearing annual interest at 18%, and was due on January 31, 2015, which was in default as of September 30, 2015; $200,000 of loan from Draco Resources, Inc., bearing annual interest at 2%, which is currently in default; $600,000 loan from Kong Tung, bearing monthly interest at 2%, which was originally due on January 7, 2015 and extended to December 31, 2015; $700,000 of loan from Yewen Xi, bearing annual interest at 12%, of which $500,000 is due on September 30, 2016, and $200,000 is due on May 31, 2016; and $72,470 of loan from Money Works Direct, bearing monthly interest rate at 3.99% , which is due on April 30, 2016.

Accounts payable and accrued expenses represent payables associated with the general operations within each segment, including accrued payrolls. Accounts payable and accrued expenses as of September 30, 2015 amounted to $1,192,000, an increase of $422,000 as compared to September 30, 2014, primarily due to an increase of legal fees of $316,000 for TCA loan processing and interest payables for increased short-term loans.

Advances from customers and deferred revenues represent prepayments for products or services, which have not yet been shipped or provided. Advances from customers as of September 30, 2015 amounted to $423,000, the same as it was on September 30, 2014.

Certain events may have a negative impact on our liquidity position during fiscal year 2016:

Our short term loans of $843,000 matured by September 30, 2015, and currently are in default. While we intend to extend the maturity date for these loans, we have not entered into any agreements with the lenders for such an extension. In the event we are unable to extend the term of these loans, or we are unable to repay these obligations when due, we may have to seek additional financing, and no assurances can be given that such financing would be available on a timely basis, on terms that are acceptable or at all. Failure to meet the repayment or other obligations of our existing debt on or before its due date could materially adversely affect our business, results of operations and financial condition and threaten our financial viability.

We maintain cash and cash equivalents in the United States and China. On September 30, 2015 and 2014, bank deposits by geographic area, were as follows (dollars in thousands):

Country		September 30, 2015			September 30, 2014	
United States	$	12,463	55%	$	52,574	65%
China		10,171	45%		28,641	35%

Total cash and cash equivalents	$	22,634	100%	$	81,215	100%

Analysis of Cash Flows

In fiscal year 2015, our net decrease in cash amounted to approximately $60,000, which was comprised of $938,000 used in operating activities, and $3,000 used in investing activities, offset by $833,000 of cash provided by financing activities and $48,000 from non-cash favorable effect of prevailing exchange rate on our cash position.

Cash Used in Operating Activities

Net cash used in operating activities of continuing operations for fiscal year 2015 amounted to approximately $0.91 million, which was primarily due to a net loss of $3.1 million adjusted by gain from discontinued operations of $1.6 million and non-cash items such as stock-based compensation and fees to the employees and the consultants of $443,000, stock options and warrants issuance to employees and the consultants of $131,000, allowance for doubtful accounts of $1.3 million, amortization of debt discount of $361,000, change in fair value of derivative liabilities of $885,000, an increase of $458,000 in accounts payable and accrued expenses due to purchases on account, an increase of $215,000 in due to related parties and an increase of $466,000 in other liabilities, offset by gain on debt converted into common stock of $488,000.

Net cash used in operating activities of continuing operations for fiscal year 2014 amounted to approximately $2.1 million, which was primarily due to a net gain of $13.8 million adjusted by loss from discontinued operations of $19.0 million and non-cash items such as depreciation and loss on disposal of property and equipment of $52,540, stock-based compensation and fees to the employees and the consultants of $475,000, stock options issuance to employees and the consultants of $207,000, and impairment loss on fair market value of marketable securities available-for-sale of $450,000, a decrease of $1.2 million in prepaid expense and other current assets, a decrease of $563,000 in loans, other receivables and prepaid expenses from related parties, and an increase of $413,000 in advances from customers, offset by a decrease of $297,000 in accounts payable and accrued expenses due to purchases on account, and a decrease of $216,000 in deferred revenue.

Cash Used in Investing Activities

Net cash used in investing activities of continuing operations for fiscal year 2015 amounted to $3,000, which was cash paid on disposal of subsidiaries,

Net cash used in investing activities of continuing operations for fiscal year 2014 amounted to $748,000, which was primarily due to $1.1 million cash paid on disposal of subsidiaries, offset by $392,000 proceeds from sales of marketable securities available-for-sale within our Consulting segment.

Cash Provided by Financing Activities

Net cash provided by financing activities of continuing operations for fiscal year 2015 amounted to approximately $833,000 primarily due to an increase in proceeds from loans of $830,000 and a $112,000 borrowing from related parties, offset by a $97,000 payment on loan payables and a $13,000 repayments to related parties.

Net cash provided by financing activities of continuing operations for fiscal year 2014 amounted to approximately $1.5 million primarily due to an increase in proceeds from loans of $1.1 million, a $656,000 borrowing from related parties and proceeds from exercise of options of $105,000, offset by a $240,000 payment on loan payables and a $39,000 payment for dividend.

Series A Convertible Preferred Stock and Related Dividends

As of September 30, 2015, 1,006 shares of Series A convertible preferred stock remained outstanding. During fiscal year 2015, we did not pay ordinary dividend either in cash or our common stock. During fiscal year 2014, we paid $39,390 of ordinary dividends in cash.

OFF BALANCE SHEET ITEMS

Under SEC regulations, we are required to disclose our off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, such as changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors. An off-balance sheet arrangement means a transaction, agreement or contractual arrangement to which any entity that is not consolidated with us is a party, under which we have:

- Any obligation under certain guarantee contracts,
-

Any retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets,

- Any obligation under a contract that would be accounted for as a derivative instrument, except that it is both indexed to our stock and classified in stockholder's equity in our statement of financial position, and
- Any obligation arising out of a material variable interest held by us in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us, or engages in leasing, hedging or research and development services with us.

We do not have any off-balance sheet arrangements that we are required to disclose pursuant to these regulations. In the ordinary course of business, we enter into operating lease commitments, purchase commitments and other contractual obligations. These transactions are recognized in our financial statements in accordance with generally accepted accounting principles in the United States.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our financial condition and results of operations are based upon our audited consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these audited consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions 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 may differ from these estimates under different assumptions or conditions.

Significant accounting policies are discussed in further detail in the notes to the consolidated financial statements appearing in this report. We believe that the application of these policies on a consistent basis enables us to provide useful and reliable financial information about our operating results and financial condition.

Revenue Recognition

We follow the guidance of Accounting Standards Codification (ASC) 605, "Revenue Recognition," and the Securities and Exchange Commission's Staff Accounting Bulletin (SAB) No. 104 and SAB Topic 13 for revenue recognition. In general, we record revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results when ultimately realized could differ from those estimates. Significant estimates in fiscal year 2015 and fiscal year 2014 include valuation of marketable securities available-for-sale, allowance for doubtful accounts, fair value of share-based compensation, the useful lives and impairment of property, plant and equipment, impairment of goodwill, intangible assets and other assets, and fair value of derivative liability.

Fair Value of Financial Instruments

We follow ASC 820, "Fair Value Measurements and Disclosures," as amended by Financial Accounting Standards Board (FASB) Financial Staff Position (FSP) No. 157 and related guidance. Those provisions relate to our financial assets and liabilities carried at fair value and our fair value disclosures related to financial assets and liabilities. ASC 820 defines fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, assuming the transaction occurs in the principal or most advantageous market for that asset or liability.

There are three levels of inputs to fair value measurements - Level 1, meaning the use of quoted prices for identical instruments in active markets; Level 2, meaning the use of quoted prices for similar instruments in active markets or

quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; and Level 3, meaning the use of unobservable inputs. We use Level 1 inputs for our fair value measurements whenever there is an active market, with actual quotes, market prices, and observable inputs on the measurement date. We use Level 2 inputs for our fair value measurements whenever there are quoted prices for similar securities in an active market or quoted prices for identical securities in an inactive market. We use observable market data whenever available.

Marketable Securities

Our marketable securities available-for-sale are carried at fair value. We make fair value measurements for the carrying amount of the marketable securities available-for-sale quarterly pursuant to ASC 820, "Fair Value Measurements and Disclosures," as amended by FASBFSP No. 157 and related guidance. We record an unrealized gain/(loss) on changes in fair value of such marketable securities in the equity section of our balance sheet as Other Comprehensive Income (OCI), pursuant to ASC 320, "Investments - Debt and Equity Securities". We make an analysis at least on an annual basis to determine if and when such unrealized (loss) has become other than temporarily impaired, and reclassify it as a realized (loss) into our current period's net income/(loss). This determination is based on a number of factors, including but not limited to (i) the percentage of the decline, (ii) the severity of the decline in relation to the enterprise/market conditions, and (iii) the duration of the decline.

All securities (exclusive of preferred stock and common stock purchase warrants) received from our clients as compensation are quoted either on the Over the Counter Bulletin Board or the OTC Markets (formerly known as the Pink Sheets). The securities are typically restricted as to resale. Our policy is to liquidate securities received as compensation when market conditions are favorable for sale. As these securities are often restricted, we are unable to liquidate these securities until the restriction is removed. We recognize revenue for common stock based on the fair value at the time common stock is granted and for common stock purchase warrants based on the Black-Scholes valuation model. Unrealized gains or losses on marketable securities available-for-sale and on marketable securities available-for-sale - related party are recognized as an element of comprehensive income based on changes in the fair value of the security as quoted on an exchange or an inter-dealer quotation system. Once liquidated, a realized gain or loss on the sales of marketable securities available-for-sale and marketable securities available-for-sale-related party is reflected in our net income for the period in which the securities are liquidated.

Comprehensive Income

We follow ASC 205, "Presentation of Financial Statements," and ASC 220, "Reporting Comprehensive Income," to recognize the elements of comprehensive income. Comprehensive income is comprised of net income and all changes to the statements of stockholders' equity, except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders. Comprehensive income for the fiscal year 2014 and fiscal year 2013 included net income, foreign currency translation adjustments, unrealized gains or losses on marketable securities available-for-sale, net of income taxes, and unrealized gains or losses on marketable securities available-for-sale-related party, net of income taxes.

Impairment of Long-Lived Assets

In accordance with ASC 360-10, "Impairment or Disposal of Long-Lived Assets", we periodically review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. We recognize an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the differences between the discounted future cash flows or estimated fair value and the book value of the underlying asset.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable to a smaller reporting company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our financial statements are contained in pages F-1 through F-37, which appear at the end of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in the Exchange Act that are designed to ensure that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized and reported as specified in the SEC's rules and forms and that such information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. Management, with the participation of our CEO, performed evaluations of the effectiveness of our disclosure controls and procedures as of September 30, 2015 and 2014. Based on those evaluations, which identified both significant deficiencies and material weakness in our internal control over financial reporting, our management, including our CEO, concluded that our disclosure controls and procedures were not effective as of September 30, 2015 and 2014.

The material weakness identified by our management was as follows:

- A lack of sufficient number of personnel to provide segregation within the functions to be consistent with the objectives of internal control;
- A lack of a fully integrated corporate-wide financial accounting system, including a lack of internal control over securities portfolio management and evaluation and a lack of business reporting procedures;
- A lack of qualified accounting personnel who have sufficient knowledge in dealing with the complex U.S. GAAP accounting and financial issues; and
- A lack of control procedures designed to ensure the accounting records and related information are complete and accurate.

A "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements would not be prevented or detected on a timely basis. We expect the material weaknesses will be remediated by the end of fiscal year 2016. Until such time, however, as these material weakness in our internal control over financial reporting are remediated, we expect to have continuing weaknesses in our internal control over financial reporting, disclosure controls and related procedures.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our CEO and CFO, we conducted evaluations of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on those evaluations, our management concluded that, due to the significant deficiencies and material weakness described above, our internal control over financial reporting was not effective as of September 30, 2015 and 2014.

Remediation of Significant Deficiencies and Material Weakness in Internal Control over Financial Reporting

Through our increased awareness and remediation efforts, we believe that our actions will result in an improvement in our internal control over financial reporting in fiscal year 2016. Specifically, we plan to initiate a corporate-wide ERP implementation, conduct ongoing US GAAP trainings, and through our internal reviews and improved control procedures, we will identify certain prior accounting errors and make appropriate error corrections and disclosures, to prevent potential future material misstatements. In addition, we plan to make improvement throughout fiscal year 2016 to achieve our overall remediation target and objectives. Management believes that the actions described above will remediate the remaining significant deficiencies and material weakness we have identified in fiscal year 2015. As we work towards improvement of our internal control over financial reporting and implementation of the remediation measures, we may supplement or modify these remediation measures as appropriate.

Our management believes that our disclosure controls and procedures provide a reasonable level of assurance of achieving their objectives. Our management does not expect, however, that our disclosure controls and procedures or internal financial controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the fourth quarter of fiscal year 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Executive Officers and Directors

The following table provides information on our executive officers and directors for fiscal year 2014 and 2015:

Name	Age	Position with the Company
Yuejian (James) Wang, Ph.D.	54	Chief Executive Officer, Chief Financial Officer and Chairman of Board
Yuwei Huang	61	Executive Vice President - Magnesium and director
Kong Tung	62	Director, President of Golden Magnesium

Yuejian (James) Wang, Ph.D. Dr. Wang has served as our CEO and Chairman of the Board since August 2006. Dr. Wang, a co-founder of China Direct Investments, has served as its CEO and Chairman of its Board since its inception in January 2005. He has served as our Chief Financial Officer since September 2012. Dr. Wang has also been a member of the Board of CIIC Investment Banking Services (Shanghai) Company, Limited from June 2004 to 2007. From 2001 to 2004, he was President and Chairman of the Board of Genesis Pharmaceuticals, Inc. (formerly Genesis Technology Group, Inc.). From 2000 to 2001, Dr. Wang was President, Chief Operating Officer and director of China Net & Technologies, Inc., a technology firm. From 2000 to 2001, Dr. Wang was Vice President, Chief Operating Officer and director of Ten Sleep Corporation, a California-based integrated Internet company that acquired and licensed technology, identified, acquired and developed development-stage technology and service entities and focused on the internet infrastructure market-PC, application-ready devices. From January 2000 to November 2000, Dr. Wang was President of Master Financial Group, Inc., a St. Paul, Minnesota-based company which was a wholly-owned subsidiary of Ten Sleep Corporation that provided consulting services for small private and public entities in the area of corporate finance, investor relations and business management. Between 1997 and 2000, Dr. Wang was a research scientist, Assistant Professor and Lab Director at the University of Minnesota, School of Medicine. Dr. Wang received a Bachelor of Science degree from the University of Science and Technology of China in He Fei, China in 1985, a Master of Science Degree from the Shanghai Second Medical University, Shanghai, China in 1988, and his Ph.D. degree from the University of Arizona in 1994.

As the founder and Chief Executive Officer of our company, Dr. Wang brings our board his considerable experience in corporate finance in the U.S. capital markets and identifying and acquiring China based companies poised for growth. He also brings the experience of managing a company with operations in the U.S. and China.

Yuwei Huang. Mr. Huang has served as our Executive Vice President - Magnesium since February 2009 and as Chief Executive Officer of our previous subsidiary, Chang Magnesium, since June 2006. He served as a director of CDII since September 2007. Mr. Huang also serves as General Manager of YiWei Magnesium since the company was founded in 1999 and serves in various positions with its affiliated entities including Vice Chairman of Shanxi Golden Trust YiWei Magnesium Industry Co., Ltd. since 2002, Vice Chairman of Taiyuan Qingcheng YiWei Magnesium Industry Co., Ltd. since 2001, Vice Chairman and General Manager of Taiyuan Minwei Magnesium Industry Co., Ltd. since 2000, General Manager of Taiyuan YiWei Magnesium Factory since 1998 and Chairman of Shangxi NiChiMen YiWei Magnesium Co., Ltd. since 1994. YiWei Magnesium, a minority owner of Chang Magnesium, owns interests in seven magnesium factories, a magnesium alloy factory and a magnesium powder desulphurization reagent factory, all located in China.

With his extensive experience in developing and operating a variety of businesses engaged in the production of magnesium and related products in China, Mr. Huang provides our board with technical and operational expertise as well as the benefit of his significant knowledge of all aspects of the production and sale of magnesium and various related products.

On July 29, 2015, Mr. Yuwei Huang resigned his position as a Director of CD International Enterprises, Inc. due to personal reasons. Mr. Huang's resignation is not due to any disagreement with the Company on any matter related to operations, policies or practices.

Kong Tung. Mr. Tung has served as a member of our board since May 2011 and resigned his position as a Director due to personal health issues on March 26, 2015. Mr. Tung has been the president of our previous subsidiary Golden Magnesium since 2008. Since 2003, Mr. Tung has also served as the president of Golden Trust Magnesium. Mr. Tung has been the president of Beauty East since 1995 and its chairman since 1999. Mr. Tung graduated from Shanxi University, China in 1978 with a degree in engineering.

With his prior experience in the management and operation of a magnesium production facility in China, Mr. Tung provides our board with technical and operational expertise as well as the benefit of his significant knowledge of all aspects of the production and sale of magnesium and various related products.

On March 26, 2015, Mr. Kong Tung resigned his position as a Director of CD International Enterprises, Inc. due to personal reasons. Mr. Huang's resignation is not due to any disagreement with the Company on any matter related to operations, policies or practices.

Our directors are elected to serve until the next annual meeting of shareholders and until their respective successors have been duly elected and qualified. Our executive officers are appointed by our board and serve until their successors have been duly appointed and qualified.

Key Employees

We employ certain individuals who, while are not executive officers, make significant contributions to our business and operations and hold various positions within our subsidiaries.

Shirley Xu, Controller. Ms. Xu has served as our Controller since January 2013. Ms. Xu is responsible for all internal control, overseeing general ledger accounting, monthly-end closing, taxation, banking, consolidation and financial reporting over all our subsidiaries. Ms. Xu is also responsible for SEC financial reporting for our clients of our Consulting segment. From February 2011 to December 2012, Ms. Xu served as the Company's Associate Controller. From October 2007 to January 2011, Ms. Xu served as senior accountant in our US headquarters. Prior to joining the Company, Ms. Xu was an accountant with Dayton Granger Inc. in Fort Lauderdale, FL and also served as a financial consultant with ING Group in Hong Kong. Ms. Xu received a BA degree in Accounting from Ramapo College in New Jersey in 1999 and she also has a BS degree in Engineering from Tongji University in China in 1991.

Katie Zhao, MBA, Vice President of Business Development. Ms. Zhao has served as Vice President, Business Development of our company since January 2012. Her responsibilities include corporate development, leading due diligence for mergers and acquisitions as well as in charge of internal operations at our US headquarters in Deerfield Beach, Florida. Ms. Zhao has strong leadership skills and analytical skills and has over 8 years of experience in marketing, business development and project management. Ms. Zhao served as Senior Account Executive from January 2010 to December 2011 and established US distribution channels for our clients in China. From May 2007 to December 2009, Ms Zhao served as our Project Manager and implemented networks between our offices in China and the US. Ms. Zhao has a Master's degree in Business Administration from Florida Atlantic University.

Board Leadership Structure and Board's Role in Risk Oversight

Our Chief Executive Officer also serves as the Chairman and, currently, as sole member of our board of directors and we have not designated any of our independent directors as a "lead director." Our board of directors believes that by combining the role of Chairman with the Chief Executive Officer, the Board may gain valuable perspective that combines the operational experience of a member of management with the oversight focus of a member of the Board.

Risk is inherent within every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of the risks we face, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. Taking its risk oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To do this, our directors meet regularly with management to discuss strategy and risks we face.

Board Committees

The Board has standing nominating and corporate governance committees. Information concerning the current membership and function of each committee is as follows:

Director	Nominating and Governance Committee Member
Yuejian (James) Wang, Ph.D. (1)	x
Kong Tung (2)	x
Yuwei Huang (3)	x

(1) Denotes Chairman; currently, Mr. Wang is the sole Director of CD International Enterprises, Inc.

(2) On March 26, 2015, Mr. Kong Tung resigned his position as a Director of CD International Enterprises, Inc. due to personal health issues. Mr. Tung's resignation is not due to any disagreement with the Company on any matter related to operations, policies or practices.

(3) On July 29, 2015, Mr. Yuwei Huang resigned his position as a Director of CD International Enterprises, Inc. due to personal health issues. Mr. Tung's resignation is not due to any disagreement with the Company on any matter related to operations, policies or practices.

Compliance with Section 16 (a) of the Exchange Act

Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to us under Rule 16a-3(d) of the Exchange Act during fiscal years 2015 and 2014 and Forms 5 and amendments thereto furnished to us with respect to fiscal year 2015 and 2014, as well as any written representation from a reporting person that no Form 5 is required, we are not aware that any officer, director or 10% or greater shareholder failed to file on a timely basis, as disclosed in the aforementioned forms, reports required by Section 16(a) of the Exchange Act during fiscal years 2015, 2014 and 2013 with the exception of Mr. Andrew X. Wang, our former Chief Financial Officer, failed to timely file one report reporting three dispositions.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

The following table summarizes all compensation recorded by us in fiscal year 2015 and fiscal year 2014:

- our principal executive officer or other individuals serving in a similar capacity during fiscal year 2015;
- our two most highly compensated executive officers other than our principal executive officer who were serving as executive officers on September 30, 2015 whose compensation exceed $100,000; and
- up to two additional individuals for whom disclosure would have been required but for the fact that the individual was not serving as an executive officer at September 30, 2015.

For definitional purposes these individuals are sometimes referred to as the "named executive officers" as that term is defined under Rule 3b-7 of the Securities Exchange Act of 1934. The value attributable to any stock or option awards is computed in accordance with ASC Topic 718. None of our named executive officers received compensation in the form of Non-Equity Incentive Plan Compensation, Nonqualified Deferred Compensation Earnings, or any other forms of compensation in excess of the $10,000 in aggregate in fiscal year 2015 and fiscal year 2014. The amounts reflected in columns (d) and (e) represent the dollar amount recognized for financial statement reporting purposes with respect to fiscal year 2015 and fiscal year 2014 for the fair value of securities granted in each respective year in accordance with ASC Topic 718. Pursuant to Securities and Exchange Commission rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Our methodology, including its underlying estimates and assumptions used in calculating these values, is set forth in Note 12 to our consolidated financial statements appearing elsewhere in this report. These amounts reflect our accounting expense for these awards, and do not correspond to the actual value that may be realized upon exercise.

SUMMARY COMPENSATION TABLE

Name and principal position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($) (e)	Option Awards ($) (f)	Non-Equity Incentive Plan Compen-sation ($) (g)	Non-Qualified Deferred Compen-sation Earnings ($) (h)	All Other Compen-sation ($) (i)	Total ($) (j)
Yuejian (James)	2015	360,000	-	-	97,069	-	-	-	457,069

Wang, Ph.D. (1)									
	2014	360,000	-	-	206,548	-	-	-	566,548
Yuwei Huang (2)	2015	-	-	-	-	-	-	-	-
	2014	196,464	-	-	-	-	-	-	196,464
Kong Tung (3)	2015	-	-	-	-	-	-	-	-
	2014	-	-	-	-	-	-	-	-

(1) Dr. Wang has served as our Chief Executive Officer, President and Chairman since January 2009. The amount in column (f) represents the fair value of option awards to Dr. Wang's 9,000,000 shares vest through three years from the beginning of fiscal 2014.

(2) Mr. Huang has served as Executive Vice President - Magnesium since February 2009. Mr. Huang did not receive any compensation for director services. On July 29, 2015, Mr. Yuwei Huang resigned his position as a Director of CD International Enterprises, Inc. due to personal reasons.

(3) Mr. Tung is President of Golden Magnesium. Mr. Tung did not receive any compensation for director services. On March 26, 2015, Mr. Kong Tung resigned his position as a Director of CD International Enterprises, Inc. due to personal reasons.

Executive Employment Agreements and Narrative Regarding Executive Compensation

Yuejian (James) Wang

On August 6, 2008, our board approved, based on the recommendation of the compensation committee, an employment agreement with Dr. Wang effective as of August 1, 2008. Dr. Wang's August 1, 2008 employment agreement expired on December 31, 2013. On July 2, 2013, Dr. Wang and the Company entered into a new employment agreement for the term of three years. The Agreement provided, among other things, payment of a base salary which increases annually at fixed amounts, eligibility to receive an annual incentive bonus, a discretionary bonus if approved by our board based on a recommendation of the compensation committee, participation in certain health and welfare benefit plans, an automobile allowance and an allowance for use of an email enabled mobile phone.

Dr. Wang's August 1, 2008 employment agreement provides that he will serve as our chief executive officer and a member of our board through December 31, 2013 at a base salary of $166,667 from August 1, 2008 through December 31, 2009 and an annual base salary of $450,000 in 2009, $500,000 in 2010, $550,000 in 2011, $600,000 in 2012, $650,000 in 2013, $360,000 in 2014, and $360,000 in 2015.

Under the August 1, 2008 employment agreement, if Dr. Wang's employment is terminated as a result of his death, disability, by us without cause or he resigns within 90 days following a change of control or for "good reason", Dr. Wang will be entitled to receive (in addition to salary and certain other benefits earned prior to termination) a single lump sum payment in an amount equal to two times the sum of his then-current annual base salary and the highest annual discretionary bonus and the highest incentive bonus that he was entitled to receive within the three (3) years preceding the date of termination. In addition, Dr. Wang will become fully vested in all outstanding stock incentive awards, will be entitled to certain health and welfare benefits for a period of two years following such termination and payment of additional amounts, in the event additional taxes are imposed on the under Section 280G of the Internal Revenue Code.

Under the August 1, 2008 employment agreement, "cause" means: (i) a final non-appealable adjudication of Dr. Wang of a felony, which would have a material or adverse effect on our business; or (ii) the determination of the Board (other than the affected employee) that Dr. Wang has engaged in intentional misconduct or the gross neglect of his duties, which has a continuing material adverse effect on our business.

On January 23, 2009, Dr. Wang entered into an amendment to his August 1, 2008 employment agreement waiving the annual base salary provided in the employment agreement from October 1, 2008 through December 31, 2008 and the incentive compensation including bonus, if any, due in 2008. All other terms and conditions of the employment agreement remain in full force and effect.

On February 17, 2010, based on the approval of our Compensation Committee, options to purchase 400,000 shares of our common stock at an exercise price of $5.00 per share and 27,400 shares at an exercise price of $2.50 per share owned by Dr. Wang were converted into a total of 213,700 shares of our restricted common stock which vested 53,245 shares on January 25, 2010, April 1, 2010, July 1, 2010 and October 1, 2010, respectively. On April 27, 2010, based on the approval of our Compensation Committee, Dr. Wang was awarded a bonus of 31,450 shares of our restricted common stock which vested on May 17, 2010. All shares of our restricted common stock awarded were subject to the terms and conditions of our restricted stock award agreement as approved by our compensation committee.

On December 31, 2010, based on the approval of our Compensation Committee, Dr. Wang was awarded 26,882 shares of our restricted common stock which vested on February 17, 2011.

Starting from Oct 1, 2013, Dr. Wang's cash salary was reduced from $50,000 to $30,000 per month. In return, the Company will award Dr. Wang an annual option to purchase three million shares of the Company's common stock at $0.05 per share per year, vesting after September 30 of each year. Dr. Wang agrees that, for his unpaid cash salary accrued from January 2012 to September 2013, totaling $405,000, the Company has the option to pay him in a combination of stock and cash. In the event the Company issues the Company's restricted stock, the common stock will be priced at $0.05 per share as payment. In addition, the Company has an option to pay him with its client company's shares.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

As of January 14, 2016 we had 508,044,370 shares of common stock issued and outstanding. The following table sets forth information known to us as of January 14, 2016 relating to the beneficial ownership of shares of our common stock by:

- each person who is known by us to be the beneficial owner of more than 5% of our outstanding common stock;
- each director and nominee;
- each named executive officer; and
- all named executive officers and directors as a group.

Unless otherwise indicated, the business address of each person listed is in care of 431 Fairway Drive, Suite 200, Deerfield Beach, Florida 33441. The information provided herein is based upon a list of our shareholders and our records with respect to the ownership of warrants and options to purchase securities in our company. The percentages in the table have been calculated on the basis of treating as outstanding for a particular person, all shares of our common stock outstanding on that date and all shares of our common stock issuable to that holder in the event of exercise of outstanding options, warrants, rights or conversion privileges owned by that person at that date which are exercisable within 60 days of that date. Except as otherwise indicated, the persons listed below have sole voting and investment power with respect to all shares of our common stock owned by them, except to the extent that power may be shared with a spouse.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Class
Yuejian (James) Wang, Ph.D.	4,647,032 *	1%
All directors and executive officers as a group	4,647,032	1%

* Not including the 9 million option shares from 2014 to 2016. Per employment agreement signed on July 2, 2013 and the employment amendment signed on September 30, 2013, Dr. Wang shall receive options to purchase 3 million shares of the Company stock at $0.05 per share per year, vesting after September 30 of each year.

Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth securities authorized for issuance under any equity compensation plans approved by our shareholders as well as any equity compensation plans not approved by our shareholders as of September 30, 2015.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) (c)
Plans approved by our shareholders:			
2006 Equity Plan			10,000,000
2008 Executive Stock Incentive Plan			318,707
2008 Non-Executive Stock Incentive Plan			210,249
2013 Plan			10,400,000
Plans not approved by shareholders:			
2006 Stock Plan			-
2012 Equity Compensation Plan			103,280
2015 Employee and Consultant Stock Incentive and Compensation Plan			17,500,000

Equity Compensation Plans

We presently have seven equity compensation plans including our 2006 Equity Compensation Plan ("2006 Equity Plan"), our 2006 Stock Compensation Plan ("2006 Stock Plan"), our 2008 Executive Stock Incentive Plan (the "2008 Executive Plan"), our 2008 Non-Executive Stock Incentive Plan (the "2008 Non-Executive Plan"), our 2012 Equity Compensation Plan (the "2012 Plan"), our 2013 Employee and Consultant Stock Incentive and Compensation Plan (the "2013 Plan") and 2015 Employee and Consultant Stock Incentive and Compensation Plan (the "2015 Plan"). The purpose of the each of the plans is to advance the interests of our company by providing an incentive to attract, retain and motivate highly qualified and competent persons who are important to us and upon whose efforts and judgment the success of our company is largely dependent, including our officers and directors, key employees, consultants and independent contractors. Other than the 2008 Executive Plan under which grants may only be made to our executive officers, our officers, directors, key employees and consultants are eligible to receive awards under each of the plans. Only our employees are eligible to receive incentive options.

Our plans are administered by our board of directors. The Board of Directors determines, from time to time, those of our officers, directors, employees and consultants to whom plan options will be granted, the terms and provisions of the plan options, the dates such plan options will become exercisable, the number of shares subject to each plan option, the purchase price of such shares and the form of payment of such purchase price. All other questions relating to the administration of our plans and the interpretation of the provisions thereof are to be resolved at the sole discretion of the Board of Directors.

The Board of Directors may amend, suspend or terminate any of these plans at any time, except that no amendment can be made which:

- increases the total number of shares subject to the plan or changes the minimum purchase price therefore (except in either case in the event of adjustments due to changes in our capitalization),
- affects outstanding options or any exercise right thereunder,
- extends the term of any option beyond 10 years, or
- extends the termination date of the plan.

Unless the plan is earlier suspended or terminated by the Board of Directors, each plan terminates 10 years from the date of the plan's adoption. Any termination of the plan does not affect the validity of any options previously granted thereunder. Generally, the term of each option and the manner in which it may be exercised are determined by the Board of Directors, provided that no option may be exercisable more than 10 years after the date of its grant and, in the case of an incentive option granted to an eligible employee owning more than 10% of our common stock, no more than five years after the date of the grant.

Generally, plan options granted may either be options qualifying as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), or options that do not so qualify. Our 2012, 2013 and 2015 Plans do not provide for the grant of incentive options. Any incentive option granted under the particular plan must provide an exercise price of not less than 100% of the fair market value of the underlying shares on the date of such grant, but the exercise price of any incentive option granted to an eligible employee owning more than 10% of our common stock must be at least 110% of such fair market value as determined on the date of the grant. Dependent upon the particular plan, non-qualified options must provide for an exercise price of not less than par value of our common stock on the date of grant up to at least 85% of the fair market value of our common stock on the date of grant.

All plan options are non-assignable and non-transferable, except by will or by the laws of descent and distribution, and during the lifetime of the optionee, may be exercised only by such optionee, except as provided by the Board. If an optionee shall die while being our employee or within three months after termination of employment by us because of disability, or retirement or otherwise, such options may be exercised, to the extent that the optionee shall have been entitled to do so on the date of death or termination of employment, by the person or persons to whom the optionee's right under the option is passed by will or applicable law, or if no such person has such right, by his executors or administrators. Options are also subject to termination by the Board under certain conditions. In the event of termination of employment because of death while being an employee, or because of disability, the optionee's options may be exercised not later than the expiration date specified in the option or one year after the optionee's death, whichever date is earlier, or in the event of termination of employment because of retirement or otherwise, not later than the expiration date specified in the option or one year after the optionee's death, whichever date is earlier. If an optionee's employment by us terminates because of disability and such optionee has not died within the following three months, the options may be exercised, to the extent that the optionee shall have been entitled to do so at the date of the termination of employment, at any time, or from time to time, but not later than the expiration date specified in the option or one year after termination of employment, whichever date is earlier. If an optionee's employment shall terminate for any reason other than death or disability, optionee may exercise the options to the same extent that the options were exercisable on the date of termination, for up to three months following such termination, or on or before the expiration date of the options, whichever occurs first. In the event that the optionee was not entitled to exercise the options at the date of termination or if the optionee does not exercise such options (which were then exercisable) within the time specified herein, the options shall terminate. If an optionee's employment shall terminate for any reason other than death, disability or retirement, all right to exercise the option shall terminate not later than 90 days following the date of such termination of employment, except as otherwise provided under the plan. Non-qualified options are not subject to the foregoing restrictions unless specified by the Board of Directors.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

From time to time we borrowed funds from related parties for working capital purposes, including from our Chief Executive Officer, and the brother of our Chief Executive Officer. At September 30, 2015 CD International owed to James (Yuejian) Wang, our Chief Executive Officer, a total of $331,935, and CDI Shanghai Management owed to Xiaowen Zhang, the brother of our Chief Executive Officer, a total of $43,124. At September 30, 2015 CDI Shanghai management also owed to Dragon Capital Group Corp., the company managed by the brother of our Chief Executive Officer, a total of $6,295.

From time to time we have entered into loan agreements with related parties for working capital purposes, including from our Chief Executive Officer, and our directors. These loans are generally unsecured and due on demand. At September 30, 2015 CD International owed James (Yuejian) Wang, our Chief Executive Officer and director, a total

of $388,082 including aggregate principal loan amount of $300,000 and accrued interest of $88,082.

Related Person Transaction Policy

In December 2009, our board of directors adopted a written Related Person Transaction Policy that requires the Board of Directors or audit committee to approve or ratify transactions between our company or one or more of our subsidiaries and any related person involving an amount in excess of $120,000. Under the Related Person Transaction Policy, the Board of Directors or audit committee will review the relevant facts of the proposed transaction and the interest of the related person in the transaction, and either approve or reject the proposed transaction. If a related person transaction that has not been previously approved or previously ratified is discovered, that transaction will be presented to the Board of Directors or audit committee for ratification. No director can participate in the deliberation or approval of any related person transaction in which such director is the related person.

For purposes of the Related Person Transaction Policy, a "related person" means:

- any director or executive officer of ours,
- any nominee for director,
- any 5% beneficial owner of our common stock,
- any immediate family member of a director, nominee for director, executive officer or 5% beneficial owner of our common stock, and
- any firm, corporation, or other entity in which any of these persons is employed or is a partner or principal or in a similar position, or in which such person has a 10% or greater beneficial ownership interest.

The Related Person Transaction Policy will provide that the following types of transactions are deemed to be pre-approved under the policy:

- transactions that are available to related persons on the same terms as such transactions are available to all employees generally;
- compensation or indemnification arrangements of any executive officer, other than an individual who is an immediate family member of a related person, if such arrangements have been approved by the Board of Directors or the compensation committee;
- transactions in which the related person's interest derives solely from his or her ownership of less than 10% of the equity interest in another person (other than a general partnership interest) that is a party to the transaction;
- transactions in which the related person's interest derives solely from his or her ownership of a class of our equity securities and all holders of that class of equity securities received the same benefit on a pro rata basis,
- director compensation arrangements, if such arrangements have been approved by the Board of Directors or the nominating and corporate governance committee; and
- any other transaction which is not required to be disclosed as a "related person transaction" under applicable securities regulations.

The Related Person Transaction Policy defines the term "immediate family member" to mean any child, stepchild, parent, stepparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of a director, nominee for director, executive officer, or 5% beneficial owner of our common stock, and any person (other than a tenant or employee) sharing the household of such director, nominee for director, executive officer, or 5% beneficial owner.

Director Independence

None of the Company's directors is an "independent" director as that term is defined in the Nasdaq Marketplace Rules.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following table shows the fees that were billed for the audit and other services provided by Malone-Bailey, LLP for fiscal year 2015 and 2014.

	2015	2014
Audit Fees	$ 65,000	$ 120,000
Audit-Related Fees	-	-
Other Fees	-	-

Total	$	65,000	$	120,000

Audit Fees - This category includes the audit of our annual financial statements, review of financial statements included in our quarterly reports and services that are normally provided by the independent registered public accounting firm in connection with engagements for those years and services that are normally provided by our independent registered public accounting firm in connection with statutory audits and Securities and Exchange Commission regulatory filings or engagements.

Audit-Related Fees - This category consists of assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported above under "Audit Fees".

Other Fees - This category consists of fees for the audits on the financial statements of our client companies and all other miscellaneous items.

Pre-Approval Policies and Procedure for Audit and Permitted Non-Audit Services

The audit committee has developed policies and procedures regarding the approval of all non-audit services that are to be rendered by our independent registered public accounting firm, as permitted under applicable laws, and the corresponding fees for such services. In situations where the full audit committee is unavailable to pre-approve any permitted non-audit services to be rendered by our independent registered public accounting firm:

- our chief financial officer will evaluate the proposed engagement to confirm that the engagement is not prohibited by any applicable rules of the Securities and Exchange Commission,
- following such confirmation by the chief financial officer , the chairperson of the audit committee will determine whether we should engage our independent registered public accounting firm for such permitted non-audit services and, if so, negotiate the terms of the engagement with our independent registered public accounting firm, and
- the chairperson of the audit committee will report to the full audit committee at its next regularly scheduled meeting about any engagements of our independent registered public accounting firm for permitted non-audit services that have been approved by the chairperson.

Alternatively, after confirmation by the chief financial officer, the full committee may pre-approve engagements of our independent registered public accounting firm at audit committee meetings.

Consistent with these policies and procedures, all audit services and non-audit services and all fees associated with such services performed by our independent registered public accounting firm in fiscal year 2015 and 2014 were pre-approved by audit committee.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) 1. Financial Statements
The consolidated financial statements and Report of Independent Registered Public Accounting Firm are listed in the "Index to Financial Statements and Schedules" on page F - 1 and included on pages F - 2 through F - 35.

2. Financial Statement Schedules
All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission (the "Commission") are either not required under the related instructions, are not applicable (and therefore have been omitted), or the required disclosures are contained in the financial statements included herein.

3. Exhibits (including those incorporated by reference).

Exhibit No.	Description of Exhibit
3.1	Certificate of Incorporation Incorporated by reference to the Form 10-SB as filed on June 17, 1999 (incorporated herein by reference to Exhibit 3.1 as part of the Company's Form 10-SB as filed with the Commission on June 17, 1999).
3.2	Bylaws (incorporated herein by reference to Exhibit 3.2 filed as a part of the Company's Form 10-Q filed with the Commission on August 8, 2008).
3.3	Certificate of Amendment to the Certificate of Incorporation (incorporated herein by reference to Exhibit 3.3 as part of the Company's Current Report on Form 8-K filed with the Commission on August 17, 2006).
3.4	Certificate of Domestication of China Direct, Inc. (incorporated herein by reference to Exhibit 3.4 as part of the Company's Current Report on Form 8-K filed with the Commission on June 27, 2007).
3.5	Form of Certificate of Designations, Preferences and Rights of Series A Convertible Preferred Stock (incorporated herein by reference to Exhibit 3.5 as part of the Company's Current Report on Form 8-K filed with the Commission on February 12, 2008).
3.6	Articles of Amendment to the Articles of Incorporation of China Direct Industries, Inc. (incorporated herein by reference to Appendix E filed as a part of the Company's Definitive Proxy Statement filed with the Commission on January 25, 2012).
4.1	Form of common stock purchase warrant (incorporated herein by reference to Exhibit 4.1 as part of the Company's Current Report on Form 8-K filed with the Commission on February 12, 2008).
4.2	Form of common stock purchase warrant (incorporated herein by reference to Exhibit 10.2 as part of the Company's Current Report on Form 8-K filed with the Commission on June 17, 2009).
4.3	Form of $2.00 Common Stock Purchase Warrant (incorporated herein by reference to Exhibit 4.3 as part of the Company's Form 8-K as filed with the Commission on January 4, 2011).
10.1	Equity Transfer Agreement dated September 28, 2012 by and among CDI China, Inc., Black Stone Chemical Limited, Shanghai Lang Chemical Co., Ltd. and Qian Zhu and Jingdong Chen (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 5, 2012).
10.2+	2005 Equity Compensation Plan (incorporated herein by reference to Exhibit 99.1 as part of the Company's Registration Statement on Form S-8 filed with the Commission on June 16, 2005).
10.3+	2006 Equity Compensation Plan (incorporated herein by reference to Exhibit 10.14 as part of the Company's Current Report on Form 8-K filed with the Commission on August 17, 2006).
10.4+	2006 Stock Compensation Plan (incorporated herein by reference to Exhibit 10.1 as part of the Company's Registration Statement on Form S-8 filed with the Commission on October 30, 2006).
10.5	Contract for Sino-Foreign Equity Joint Venture between Asia Magnesium Co., Ltd., Shanxi Senrun Coal Chemistry Co., Ltd. and Taiyuan YiWei Magnesium Industry Co., Ltd. dated December 12, 2006 (incorporated herein by reference to Exhibit 10.1 as part of the Company's Quarterly Report on Form 10-QSB for the period ended June 30, 2007 filed with the Commission on August 8, 2007 (Commission File No. 000-26415)).
10.6	Asia Magnesium Ownership Transfer Agreement dated July 1, 2007 between Jiang Dong and Capital Resource Management Co., Ltd. (incorporated herein by reference to Exhibit 10.2 as part of the Company's Quarterly Report on Form 10-QSB for the period ended June 30, 2007 filed with the Commission on August 8, 2007).
10.7	Shangxi Gu County Golden Magnesium Co., Ltd. Investment Agreement Supplement dated May 30, 2007 among Taiyuan YiWei Magnesium Co., Ltd., Asia Magnesium Co., Ltd. and Shanxi Senrun Coal Chemistry Co. Ltd. (incorporated herein by reference to Exhibit 10.3 as part of the Company's Quarterly Report on Form 10-QSB for the period ended June 30, 2007 filed with the Commission on August 8,

	2007).
10.8	Stock Purchase Agreement dated August 24, 2007 between CDI China, Inc., China Direct, Inc. and Sense Holdings, Inc. (incorporated herein by reference to Exhibit 10.1 as part of the Company's Current Report on Form 8-K filed with the Commission on August 28, 2007).
10.9	Joint Venture Agreement dated September 28, 2007 among Shanxi Jinyang Coal And Coke Group Co., Ltd., Runlian Tian and CDI China, Inc. (incorporated herein by reference to Exhibit 10.1 as part of the Company's Quarterly Report on Form 10-QSB for the period ended September 30, 2007 filed with the Commission on November 14, 2007).
10.10 *	Secured Promissory Note in the principal amount of $400,000 and Security Agreement each dated May 15, 2012 by and between China Direct Investments, Inc. and China Discovery Investors, Inc.
10.11	Registration Rights Agreement dated February 11, 2008 (incorporated herein by reference to Exhibit 10.20 as part of the Company's Current Report on Form 8-K filed with the Commission on February 12, 2008).
10.12+	Option Agreement dated August 16, 2006 between China Direct, Inc. and David Stein (incorporated herein by reference to Exhibit 10.3 filed as a part of the Company's Form S-8 filed with the Commission on November 11, 2007).
10.13+	Employment Agreement dated August 7, 2008 between China Direct, Inc. and Dr. Yuejian (James) Wang (incorporated herein by reference to Exhibit 10.22 filed as a part of the Company's Form 10-Q filed with the Commission on August 8, 2008).

10.14+	2008 Executive Stock Incentive Plan, as amended (incorporated herein by reference to the definitive Proxy Statement on Schedule 14A as filed with the Commission on April 26, 2012).
10.15+	2008 Non-Executive Stock Incentive Plan, as amended (incorporated herein by reference to the definitive Proxy Statement on Schedule 14A as filed with the Commission on April 26, 2012).
10.16+	2012 Equity Compensation Plan (incorporated herein by reference to Exhibit 4.4 filed as a part of the Company's Current Report on Form 8-K filed with the Commission on July 20, 2012).
10.17	Joint Venture Agreement entered into between CDI Shanghai Management Co., Ltd. and Chi Chen dated September 20, 2008 (incorporated herein by reference to Exhibit 10.28 filed as a part of the Company's Form 10-Q filed with the Commission on August 8, 2008).
10.18+	Form of November 13, 2008 Amendment to Employment Agreements dated August 7, 2008 between China Direct, Inc. and Dr. Yuejian (James) Wang (incorporated herein by reference to Exhibit 10.29 filed as a part of the Company's Current Report on Form 10-Q for the period ended September 30, 2008).
10.19+	Option Agreement dated August 16, 2006 between China Direct, Inc. and Dr. Yuejian (James) Wang (incorporated herein by reference to Exhibit 10.1 filed as a part of the Company's Form S-8 filed with the Commission on November 11, 2007).
10.20	Baotou Changxin Magnesium Co., Ltd. Investment Agreement dated February 20, 2008 among CDI China, Inc., Excel Rise Technology Co., Ltd. and Three Harmony (Australia) Pty, Ltd. (incorporated herein by reference to Exhibit 10.1 as part of the Company's Current Report on Form 8-K filed with the Commission on February 26, 2008).
10.21	Baotou Changxin Magnesium Co., Ltd. Articles of Association dated January 31, 2008 (incorporated herein by reference to Exhibit 3.1 as part of the Company's Current Report on Form 8-K filed with the Commission on February 26, 2008).
10.22	Investment Framework Agreement dated as of April 26, 2008 by and between Baotou Xinjin Magnesium Co., Ltd. and CDI China, Inc. (incorporated herein by reference to Exhibit 10.18 as part of the Company's Current Report on Form 8-K filed with the Commission on May 1, 2008).
10.23	Lease Agreement dated August 21, 2007 between 431 Fairway Associates, LLC and China Direct, Inc. (incorporated herein by reference to Exhibit 10.37 filed as a part of the Company's Form 10-K filed with the Commission on March 31, 2009).
10.24+	Consulting Agreement dated January 23, 2009 between China Direct, Inc. and Marc Siegel (incorporated herein by reference to Exhibit 10.1 as part of the Company's Current Report on Form 8-K filed with the Commission on January 26, 2009).
10.25*	Secured Promissory Note in the principal amount of $200,000 and Security Agreement each dated August 21, 2012 by and between China Direct Investments, Inc. and Xiangsheng Kong
10.26*	Secured Promissory Note in the principal amount of $100,000 and Security Agreement each dated August 21, 2012 by and between China Direct Investments, Inc. and Xingyuan Li
10.27*	Secured Promissory Note in the principal amount of $400,000 and Security Agreement each dated August 21, 2012 by and between China Direct Investments, Inc. and Junzhen Zhang
10.28+	Compensation Arrangements with Philip Y. Shen, Ph.D. effective January 26, 2009 (incorporated herein by reference to the Company's Current Report on Form 8-K filed with the Commission on January 26, 2009).
10.29+	Amendment dated January 23, 2009 to Yuejian (James) Wang, Ph.D.'s Employment Agreement (incorporated herein by reference to the Company's Current Report on Form 8-K filed with the Commission on January 26, 2009).
10.30*	Secured Promissory Note in the principal amount of $300,000 and Security Agreement each dated August 21, 2012 by and between China Direct Investments, Inc. and Weidong Chai

10.31	Equity Transfer Agreement dated October 8, 2012 by and among CDI Shanghai Management Co., Ltd., CDI Beijing International Trading Co., Ltd. and Chi Chen and Huijuan Chen (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on October 10, 2012).
10.32	Continuous Offering Program Agreement dated October 14, 2009 between China Direct Industries, Inc. and Rodman & Renshaw, LLC (incorporated herein by reference to Exhibit 10.1 as part of the Company's Current Report on Form 8-K filed with the Commission on October 15, 2009).
10.33*	Accounts Receivable Purchase Agreement, between IMG and DS-Concept Trade Invest, dated October 10, 2012.
10.34*	Master Purchase and Sale Agreement between CDII Minerals, and Claro Trade Finance, November 19, 2012.
10.35	Equity Transfer Agreement dated July 13, 2010 entered into among CDI China, Inc., Pine Capital Enterprises, Inc., Taiyuan Yiwei Magnesium Industry Co., Ltd. and Taiyuan Ruiming Yiwei Magnesium Industry Co., Ltd. (incorporated herein by reference to Exhibit 10.1 as part of the Company's Current Report on Form 8-K filed with the Commission on July 15, 2010).

10.36	Amendment dated October 28, 2010 to Equity Transfer Agreement dated July 13, 2010 entered into among CDI China, Inc., Pine Capital Enterprises, Inc., Taiyuan Yiwei Magnesium Industry Co., Ltd. and Taiyuan Ruiming Yiwei Magnesium Industry Co., Ltd. (incorporated herein by reference to Exhibit 10.53 as part of the Company's Form 10-K as filed with the Commission on December 23, 2010).
10.37	Engagement Letter dated December 30, 2010 between China Direct Industries, Inc. and Rodman & Renshaw, LLC (incorporated herein by reference to Exhibit 10.54 as part of the Company's Form 8-K as filed with the Commission on January 4, 2011).
10.38	Form of Securities Purchase Agreement dated December 30, 2010 (incorporated herein by reference to Exhibit 10.55 as part of the Company's Form 8-K as filed with the Commission on January 4, 2011).
10.39	"At-the-Market" Program Agreement between China Direct Industries, Inc. and Global Hunter Securities, LLC dated February 14, 2011 (incorporated herein by reference to Exhibit 10.56 as part of the Company's Quarterly Report on Form 10-Q for the period ended December 31, 2010 as filed with the Commission on February 14, 2011).
10.40	Stock Transfer Agreement dated May 6, 2011 between CDI China, Inc. and Kong Tung and Hui Dong (Incorporated herein by reference to Exhibit 10.1 as part of the Company's Form 8-K as filed with the Commission on May 12, 2011).
10.41	Stock Transfer Agreement dated March 7, 2011 between CDI China, Inc. and Bloomgain Investment Limited (Incorporated herein by reference to Exhibit 10.1 as part of the Company's Form 8-K as filed with the Commission on August 11, 2011).
10.42	Amendment I dated March 7, 2011 to Stock Transfer Agreement between CDI China, Inc. and Bloomgain Investment Limited (Incorporated herein by reference to Exhibit 10.2 as part of the Company's Form 8-K as filed with the Commission on August 11, 2011).
10.43	Amendment II dated March 7, 2011 to Stock Transfer Agreement between CDI China, Inc. and Bloomgain Investment Limited (Incorporated herein by reference to Exhibit 10.3 as part of the Company's Form 8-K as filed with the Commission on August 11, 2011).
10.44	Amendment III dated June 23, 2011 to Stock Transfer Agreement between CDI China, Inc. and Bloomgain Investment Limited (Incorporated herein by reference to Exhibit 10.4 as part of the Company's Form 8-K as filed with the Commission on August 11, 2011).
10.45	Amendment IV dated August 8, 2011 to Stock Transfer Agreement between CDI China, Inc. and Bloomgain Investment Limited (Incorporated herein by reference to Exhibit 10.5 as part of the Company's Form 8-K as filed with the Commission on August 11, 2011).
10.46	Equity Transfer Contract dated August 30, 2011 among CDI China, Inc., Marvelous Honor Holding Inc., Lianling Dong, Ping Liu, Jianzhong Ju, Lifei Huang, Xumin Cui, Golden Trust Magnesium Industry Co. Ltd. and Kong Tung (Incorporated herein by reference to Exhibit 10.1 as part of the Company's Form 8-K as filed with the Commission on September 6, 2011).
10.47	Equity Transfer Contract dated August 30, 2011 among CDI China, Inc.; Mr. Yuwei Huang, Mr. Xumin Cui; and Golden Trust Magnesium Industry Co. Ltd. (Incorporated herein by reference to Exhibit 10.2 as part of the Company's Form 8-K as filed with the Commission on September 6, 2011).
10.48	Equity Transfer Contract dated August 30, 2011 among Taiyuan Ruiming Yiwei Magnesium Industry Co. Ltd., Taiyuan Yiwei Magnesium Industry Co., Ltd., Lingshi Xinghai Magnesium Industry Co. Ltd., China Direct Industries, Inc., Pine Capital Enterprises, Inc. and Yuwei Huang (Incorporated herein by reference to Exhibit 10.3 as part of the Company's Form 8-K as filed with the Commission on September 6, 2011).
10.49+	Management Agreement dated August 30, 2011 among China Direct Industries, Inc., CDI China Inc., Yuwei Huang and Kong Tung (Incorporated herein by reference to Exhibit 10.4 as part of the Company's Form 8-K as filed with the Commission on September 6, 2011).

10.50	Third Amendment to Lease between 431 Fairway Associates, LLC and China Direct Industries, Inc. dated November 29, 2011.(Incorporated herein by reference to Exhibit 10.50 as part of the Company's Annual Report on Form 10-K for the year ended September 30, 2011 as filed with the Commission on December 23, 2011).
10.51	Equity Transfer Contract Amendment dated January 12, 2012 among CDI China, Inc., Marvelous Honor Holding Inc., Lianling Dong, Ping Liu, Jianzhong Ju, Lifei Huang, Xumin Cui, Golden Trust Magnesium Industry Co. Ltd. and Kong Tung (incorporated herein by reference to Exhibit 10.1 as part of the Company's Current Report on Form 8-K filed with the Commission on January 13, 2011).
10.52	Equity Transfer Contract Amendment dated January 12, 2012 among CDI China, Inc.; Mr. Yuwei Huang, Mr. Xumin Cui; and Golden Trust Magnesium Industry Co. Ltd. (incorporated herein by reference to Exhibit 10.2 as part of the Company's Current Report on Form 8-K filed with the Commission on January 13, 2011).
10.53	Equity Transfer Contract Amendment dated January 12, 2012 among Taiyuan Ruiming Yiwei Magnesium Industry Co. Ltd., Taiyuan Yiwei Magnesium Industry Co., Ltd., Lingshi Xinghai Magnesium Industry Co. Ltd., China Direct Industries, Inc., Pine Capital Enterprises, Inc. and Yuwei Huang. (incorporated herein by reference to Exhibit 10.3 as part of the Company's Current Report on Form 8-K filed with the Commission on January 13, 2011).

10.54	Equity Transfer Contract Amendment No. 2 dated June 30, 2012 among CDI China, Inc., Marvelous Honor Holding Inc., Lianling Dong, Ping Liu, Jianzhong Ju, Lifei Huang, Xumin Cui, Golden Trust Magnesium Industry Co. Ltd. and Kong Tung (incorporated by reference to Exhibit 10.1 as part of the Company's Current Report on Form 8-K/A filed with the Commission on July 6, 2012).
10.55	Equity Transfer Contract Amendment No. 2 dated June 30, 2012 among CDI China, Inc.; Mr. Yuwei Huang, Mr. Xumin Cui; Golden Trust Magnesium Industry Co. Ltd. and Baotou Changxin Magnesium Co., Ltd. (incorporated by reference to Exhibit 10.2 as part of the Company's Current Report on Form 8-K/A filed with the Commission on July 6, 2012).
10.56	Equity Transfer Contract Amendment No. 2 dated June 30, 2012 among Taiyuan Ruiming Yiwei Magnesium Industry Co. Ltd., Taiyuan Yiwei Magnesium Industry Co., Ltd., Lingshi Xinghai Magnesium Industry Co. Ltd., CD International Enterprises, Inc., Pine Capital Enterprises, Inc. and Yuwei Huang (incorporated by reference to Exhibit 10.3 as part of the Company's Current Report on Form 8-K/A filed with the Commission on July 6, 2012).
14.1	Code of Business Conduct and Ethics (incorporated herein by reference to Exhibit 14.1 as part of the Company's Annual Report on Form 10-K for year ended December 31, 2007 filed with the Commission on March 31, 2008).
21.1*	Subsidiaries of the registrant.
31.1*	Section 302 Certificate of Chief Executive Officer.
31.2*	Section 302 Certificate of Chief Financial Officer.
32.1*	Section 906 Certificate of Chief Executive Officer and Chief Financial Officer.
101.INS **	XBRL INSTANCE DOCUMENT
101.SCH **	XBRL TAXONOMY EXTENSION SCHEMA
101.CAL **	XBRL TAXONOMY EXTENSION CALCULATION LINKBASE
101.DEF **	XBRL TAXONOMY EXTENSION DEFINITION LINKBASE
101.LAB **	XBRL TAXONOMY EXTENSION LABEL LINKBASE
101.PRE **	XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE
+	Management contract or compensatory plan or arrangement.
*	Filed herewith.
**	In accordance with Regulation S-T, the XBRL-formatted interactive data files that comprise Exhibit 101 in this Annual Report on Form 10-K shall be deemed "furnished" and not "filed".

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CD INTERNATIONAL ENTERPRISES, INC.

Date: January 19, 2016	By:	/s/ Yuejian (James) Wang Yuejian (James) Wang, Chairman and Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Accounting and Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Yuejian (James) Wang Yuejian (James) Wang	Chairman and Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Accounting and Financial Officer) and Sole Director	January 19, 2016

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2015 AND 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
CD International Enterprises, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of CD International Enterprises, Inc. and Subsidiaries (collectively, the "Company") as of September 30, 2015 and 2014, and the related consolidated statements of operations and comprehensive income (loss), changes in equity (deficit), and cash flows for the years ended September 30, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of CD International Enterprises, Inc. and Subsidiaries as of September 30, 2015 and 2014 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the fact that the Company suffered significant losses from operations and had a working capital deficiency while a significant amount of short-term loans payable is required to be refinanced raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ MaloneBailey, LLP
www.MaloneBailey.com
Houston, Texas
January 19, 2016

Financial statements

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of September 30, 2015 and September 30, 2014

	September 30, 2015	September 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,634	$ 81,215
Marketable securities available-for-sale	2,800	7,352
Marketable securities available-for-sale - related party	20,000	40,000
Accounts receivable	16,643	18,900
Accounts receivable - related party	-	40,000
Subscription receivable	50,100	-
Prepaid expenses and other current assets, net	16,813	980,144
Assets of discontinued operations	-	23,642
Total current assets	128,990	1,191,253
Property, plant and equipment, net	63,088	83,204
Other long-term assets	-	346,851
Total assets	$ 192,078	$ 1,621,308
LIABILITIES AND EQUITY (DEFICIT)		
Current liabilities:		
Loans payable	$ 2,215,470	$ 1,882,125
Accounts payable and accrued expenses	1,191,643	769,529
Accounts, loans and other payables - related parties	769,436	1,148,563
Advances from customers	422,898	422,898
Derivative liabilities	3,210,271	1,848,041
Other liabilities	1,199,856	593,641
Liabilities of discontinued operations	-	1,602,795
Total current liabilities	9,009,574	8,267,592
Total liabilities	9,009,574	8,267,592
Equity (deficit):		
Series A convertible preferred stock: $.0001 par value, stated value $1,000 per share; 10,000,000 authorized, 1,006 shares outstanding at September 30, 2015 and 2014, respectively	1,006,250	1,006,250
Common stock: $.0001 par value; 1,000,000,000 authorized; 100,213,074 and 60,847,474 issued and outstanding at September 30, 2015 and 2014, respectively	10,021	6,084
Additional paid-in capital	79,278,110	78,346,305
Accumulated other comprehensive loss	(719,106)	(788,659)

Accumulated deficit		(88,392,771)		(85,215,760)
Total CD International Enterprises, Inc.'s stockholders' deficit		(8,817,496)		(6,645,780)
Non-controlling interests		-		(504)
Total deficit		(8,817,496)		(6,646,284)
Total liabilities and deficit	$	192,078	$	1,621,308

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

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CD INTERNATIONAL ENTERPRISES, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
For the Year Ended September 30, 2015 and 2014

	For the Years Ended September 30,	
	2015	2014
Revenues	$ 360,049	$ 1,714,538
Including: revenues from related party	31,250	61,250
Cost of revenues	111,002	1,036,690
Gross profit	249,047	677,848
Operating expenses:		
Selling, general, and administrative	3,762,817	5,009,605
Total operating expenses	3,762,817	5,009,605
Operating loss	(3,513,770)	(4,331,757)
Other income (expenses):		
Other income	582,012	77,394
Interest expense	(728,030)	(111,992)
Interest expense - related parties	(106,609)	(102,133)
Realized gain on marketable securities available-for-sale	-	21,963
Gain (loss) on revaluation for receivable and payable of marketable securities available-for-sale	709	(55,385)
Change in fair value of derivative liabilities	(884,973)	(449,788)
Total other income (expenses)	(1,136,891)	(619,941)
Loss from continuing operations before income taxes	(4,650,661)	(4,951,698)
Income tax expense	-	-
Net loss from continuing operations	(4,650,661)	(4,951,698)
Discontinued operations:		
Loss from discontinued operations, net of taxes	(19,033)	(15,234,108)
Gain on disposal of subsidiaries, net of taxes	1,573,177	33,949,995
Total income from discontinued operations, net of taxes	1,554,144	18,715,887
Net income (loss)	(3,096,517)	13,764,189
Less: Net loss attributable to non-controlling interests	-	(2,738,685)
Net income (loss) attributable to CD International Enterprises, Inc.	(3,096,517)	16,502,874
Dividends on series A preferred stock	(80,494)	(80,520)
Net income (loss) allocable to common stockholders	$ (3,177,011)	$ 16,422,354
COMPREHENSIVE INCOME (LOSS):		
Net income (loss)	$ (3,096,517)	$ 13,764,189
Foreign currency translation adjustments	139,409	(591,846)
Unrealized loss on marketable securities available-for-sale	(69,552)	(112,099)
Comprehensive income (loss)	(3,026,660)	13,060,244
Net loss attributable to non-controlling interests	-	(2,738,685)
	8	5,010

Foreign currency translation adjustments - non-controlling interest				
Comprehensive income (loss) attributable to CD International Enterprises, Inc.		(3,026,668)		15,793,919
Preferred stock dividend		(80,494)		(80,520)
Comprehensive income (loss) attributable to common stockholders	$	(3,107,162)	$	15,713,399
Basic and diluted net income (loss) per common share - basic:				
Net loss from continuing operations	$	(0.07)	$	(0.08)
Net income from discontinued operations		0.02		0.34
Net income (loss) per common share	$	(0.05)	$	0.26
Basic and diluted net income (loss) per common share - diluted:				
Net loss from continuing operations	$	(0.07)	$	(0.08)
Net income from discontinued operations		0.02		0.34
Net income (loss) per common share	$	(0.05)	$	0.26
Basic weighted average common shares outstanding		68,475,634		63,335,816
Diluted weighted average common shares outstanding		68,475,634		63,335,816

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

CD INTERNATIONAL ENTERPRISES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIT)
For the Year Ended September 30, 2015

	Preferred Stock		Common Stock					
	Number of shares	Amount	Number of shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests
Balance, September 30, 2013	1,006	$1,006,250	58,399,636	$5,840	$78,004,472	$(101,638,114)	$(80,000)	$(7,508,377)
Dividends declared to preferred stockholders	-	-	-	-	-	(80,520)	-	-
Common shares cancelled for disposal of subsidiaries	-	-	(8,325,949)	(833)	(498,724)	-	-	-
Share based compensation - employees	-	-	1,984,400	198	99,022	-	-	-
Shares issued to third parties for services provided	-	-	5,589,387	559	375,307	-	-	-
Stock option exercised	-	-	3,200,000	320	159,680	-	-	-
Stock option expenses	-	-	-	-	206,548	-	-	-
Net income (loss)	-	-	-	-	-	16,502,874	-	(2,738,685)
Disposal of subsidiaries	-	-	-	-	-	-	-	10,241,548
Changes in cumulative foreign currency translation	-	-	-	-	-	-	(596,856)	5,010
Unrealized loss on marketable securities available for sale	-	-	-	-	-	-	(112,099)	-
Balance, September 30, 2014	1,006	$1,006,250	60,847,474	$6,084	$78,346,305	$(85,215,760)	$(788,955)	$(504)

Dividends declared to preferred stockholders	-	-	-	-	-	(80,494)	-	-	
Share based compensation - Employees	-	-	9,500,000	950	141,550	-	-	-	
Shares issued to third parties for services provided	-	-	8,600,000	860	299,650	-	-	-	
Common stock issued for debt conversions	-	-	20,000,000	2,000	510,000	-	-	-	
Stock option expenses	-	-	-	-	130,657	-	-	-	
Stock option exercised			3,000,000	300	49,800	-	-	-	
Addition of warrant derivative liabilities	-	-	-	-	(115,805)	-	-	-	
Cancellation of stock	-	-	(1,984,400)	(198)	(99,022)	-	-	-	
Reversal of the cancellation of stock in connection with the disposal of subsidiaries	-	-	250,000	25	14,975	-	-	-	
Disposal of subsidiaries	-	-	-	-	-	-	-	496	
Changes in cumulative foreign currency translation	-	-	-	-	-	-	139,401	8	
Unrealized loss on marketable securities available-for-sale	-	-	-	-	-	-	(69,552)	-	
Net loss	-	-	-	-	-	(3,096,517)	-	-	
Balance, September 30, 2015	1,006	$1,006,250	100,213,074	$10,021	$79,278,110	$(88,392,771)	$(719,106)	$-	$

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

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2015 and 2014

	For the Years Ended September 30, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (3,096,517)	$ 13,764,189
Income from discontinued operations	(1,554,144)	(18,715,887)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	17,880	43,950
Loss on disposal of property and equipment	288	8,590
Allowance for doubtful accounts	1,297,355	-
Shares issued to third parties for services provided	300,510	375,866
Share based compensation - employees	142,500	99,220
Stock option expenses	130,657	206,548
Realized gain on marketable securities available-for-sale	-	(21,963)
Gain on settlement of debt with issuance of common stock	(488,000)	-
Gain on settlement of accrued expenses with options	-	(32,152)
Reversal of the cancellation of stock in connection with the disposal of subsidiaries	15,000	-
Cancellation of stock	(99,220)	-
Amortization of debt discount	361,452	-
Change in fair value of derivative liabilities	884,973	-
Impairment loss on marketable securities available-for-sale	-	449,788
Other (income) loss due to revaluation of accounts receivable and accounts payable	(709)	55,386
Changes in operating assets and liabilities:		
Accounts receivable (including accounts receivable from related parties)	(18,499)	(76,775)
Loans, other receivable and prepaid expenses - related parties	-	562,611
Prepaid expenses and other current assets, net	58,572	1,198,394
Accounts payable and accrued expenses	457,830	(296,718)
Advances from customers	-	413,473
Accounts, and other payable - related parties	215,074	69,587
Deferred revenue	-	(216,217)
Other liabilities	465,778	35,610
Net cash used in operating activities - continuing operations	(909,220)	(2,076,500)
Net cash used in operating activities - discontinued operations	(28,695)	(11,097,201)

NET CASH USED IN OPERATING ACTIVITIES		(937,915)		(13,173,701)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash paid on disposal of subsidiaries		(2,816)		(1,139,585)
Proceeds from sales of marketable securities available-for-sale		-		391,651
Net cash used in investing activities - continuing operations		(2,816)		(747,934)
Net cash provided by investing activities - discontinued operations		-		3,585,267
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITES		(2,816)		2,837,333
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from loans		830,000		1,050,000
Borrowings from related parties		112,479		656,026
Proceeds from exercise of options		-		105,000
Repayments to related parties		(12,804)		-
Repayments of loan payable		(96,655)		(240,000)
Payments of dividend		-		(39,390)
Net cash provided by financing activities - continuing operations		833,020		1,531,636
Net cash provided by financing activities - discontinued operations		-		8,716,605
NET CASH PROVIDED BY FINANCING ACTIVITIES		833,020		10,248,241
EFFECT OF EXCHANGE RATE ON CASH		47,670		(368,374)
NET CHANGE IN CASH		(60,041)		(456,501)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		82,675		539,176
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		22,634		82,675
LESS CASH AND CASH EQUIVALENTS OF DISCONTINUED OPERATIONS AT END OF THE YEAR		-		1,460
CASH AND CASH EQUIVALENTS OF CONTINUING OPERATIONS AT END OF THE YEAR	$	22,634	$	81,215
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Interest paid	$	24,449	$	63,743
Income taxes paid	$	-	$	-
NON-CASH INVESTING AND FINANCING ACTIVITIES:				

Deferred revenue received in form of marketable securities	$	22,500	$	295,000
Unrealized loss on marketable securities available-for-sale	$	69,552	$	112,099
Collection of accounts receivable in the form of marketable securities	$	22,500	$	126,600
Reclassification of related party balances to intercompany balances in connection with acquisition of subsidiaries	$	-	$	1,243,477
Common stock issued for loan conversions	$	512,000	$	-
Debt discount recorded on convertible debt due to conversion feature	$	361,452	$	-
Derivative liabilities related to warrant conversion feature	$	115,805	$	-
Stock option exercised with proceeds not received	$	50,100	$	-

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

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 and 2014

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

CD International Enterprises, Inc. ("CDII"), a Florida corporation and its subsidiaries are referred to in this report as "we", "us", "our", "CD International," or "the Company".

We are a U.S.-based company that sources industrial products in Asia and the Americas. We also provide business and financial consulting services to public and private American and Chinese businesses. We operate in two identifiable segments, as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280, "Segment Reporting": Mineral Trading and Consulting. Beginning in 2006, we established our Consulting and Mineral Trading segments which grew through acquisitions of controlling interests in Chinese private companies. We consolidate these acquisitions as either wholly or majority owned subsidiaries.

In our Mineral Trading segment, we source industrial commodities from North and South America for ultimate distribution in China. In our Consulting segment, we provide business and consulting services to U.S. public companies that operate primarily in China. The consulting fees we charge vary based upon the scope of the services.

On September 30, 2014, the Company signed a share exchange agreement with Yuwei Huang ("Mr. Huang"), a related party, selling our Magnesium segment to Mr. Huang and in return, Mr. Huang and other parties have returned and cancelled 8,075,949 shares of the Company's common stock held by such parties related to Mr. Huang. In addition, 41,524 shares of convertible series D preferred stock were cancelled within 10 business days after the share exchange agreement was signed. Historically, the Magnesium segment represented our largest segment by revenues and assets. We have generated negative gross margins and operating losses, and most of our magnesium facilities decreased the level of production or ceased production since 2010. Results of operations, financial position and cash flows associated with the Magnesium segment are separately reported as discontinued operations for all periods presented.

In addition, in April 2015, the Company sold its entire 95% equity interest in CDI Jingkun Zinc Industry Co., Ltd. ("CDI Jingkun Zinc") and 100% equity interest in Shanghai CDI Metal Material Co., Ltd. ("CDI Metal") to Xiaowen Zhuang, the management member of CDI Shanghai Management Co., Ltd. ("CDI Shanghai Management") and the brother of James (Yuejian) Wang, the CEO of the Company, for zero consideration. The Company also sold its 100% equity interest in CDI Jixiang Metal Co., Ltd. ("CDI Jixiang Metal") to Dragon Capital Group Corp ("Dragon Capital"), a related party company for zero consideration. During the fourth quarter of fiscal year 2015, the Company also ceased the operation of CDII Chile, Ltda. ("CDII Chile") in Chile. As a result, results of operations of CDI Jingkun Zinc, CDI Metal, CDI Jixiang Metal and CDII Chile were separately reported as discontinued operations for all periods presented, and the assets and liabilities of CDII Chile as of September 30, 2014 were reclassified to assets and liabilities of discontinued operations. CDI Jingkun Zinc, CDI Metal, CDI Jixiang Metal and CDI Chile were entities in the Mineral Trading segment. For additional information, see Note 17 - Discontinued Operations.

In the fourth quarter of fiscal year 2014, the Company suspended the operations in Peru and Bolivia, due to high operation and maintenance cost, and continuous market price drop of the minerals.

For the fiscal year 2015 and 2014, subsidiaries included in continuing operations consisted of the following:

- CDI China, Inc. ("CDI China"), a wholly owned subsidiary of CDII;
- International Magnesium Group, Inc. ("IMG"), a wholly owned subsidiary of CDII;
- CDII Minerals, Inc. ("CDII Minerals"), a wholly owned subsidiary of CDII;
- Empresa Minera CDII de Bolivia S.A., ("CDII Bolivia"), a wholly owned subsidiary of CDII Minerals;
- China Direct Investments, Inc. ("China Direct Investments"), a wholly owned subsidiary of CDII;
- CDI Shanghai Management Co., Ltd. ("CDI Shanghai Management"), a wholly owned subsidiary of CDI China;
- Capital Resource Management Co., Ltd. ("Capital Resource Management"), a wholly owned subsidiary of CDI Shanghai Management, formerly known as Capital One Resource Co., Ltd.; and
- CDII Minerals de Peru SAC, ("CDII Peru"), a Peruvian company and a 50% owned subsidiary of CDII Minerals.

Basis of Presentation

We have defined various periods that are covered in this report as follows:

- "fiscal year 2016" - October 1, 2015 through September 30, 2016
- "fiscal year 2015" - October 1, 2014 through September 30, 2015
- "fiscal year 2014" - October 1, 2013 through September 30, 2014

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 and 2014

We prepared the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and pursuant to the U.S. Securities and Exchange Commission ("SEC") rules. We included all adjustments that are necessary for the fair presentation of our financial position, results of operations, and cash flows for the periods presented.

Going Concern

For the fiscal year 2015, the Company incurred a net loss from continuing operations of approximately $4.7 million and used cash in operation of $0.9 million. The Company also had a working capital deficit of $8.9 million and an accumulated deficit of $88.4 million as of September 30, 2015. In addition, the Company has a significant amount of short term loan payable, totaling $2.2 million from unrelated parties, which requires the Company to secure additional funds given the Company's current cash position. The Company's cash and cash equivalent and revenues are not currently sufficient and cannot be projected to cover operating expenses in the coming year. These factors raise substantial doubt as to the ability of the Company to continue as a going concern. Management's plans include attempting to raise funds through debt and equity financings and restructure on-going operations to eliminate inefficiencies and develop new business to meet operating needs. There is no assurance that management's plans will be successful. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Summary of Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of CDII, as well as our wholly owned and majority owned subsidiaries, including those operating outside the United States, and are prepared in accordance with U.S. GAAP. All significant intercompany balances and transactions are eliminated in consolidation. We account for investments in which we exercise significant influence under the equity method of accounting. Non-controlling interests in subsidiaries consist of the equity portion of the Company's subsidiaries held by non-controlling investors in Mineral Trading segment.

Non-controlling Interests

Non-controlling interests in our subsidiaries are recorded in accordance with the provisions of ASC 810, "Consolidation" and are reported as a component of equity, separate from the parent company's equity. Purchase or sale of equity interests that do not result in a change of control are accounted for as equity transactions. Results of operations attributable to the non-controlling interests are included in our consolidated results of operations and, upon loss of control, the interest sold, as well as interest retained, if any, will be reported at fair value with any gain or loss recognized in earnings.

Use of Estimates

The preparation of 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 consolidated revenue and expenses during the reporting period. Significant estimates include valuation of marketable securities available-for-sale,

allowance for doubtful accounts, fair value of share-based compensation and derivative liabilities, the useful lives and impairment of property, plant and equipment, and impairment of goodwill, intangible assets and other assets.

We rely on assumptions such as volatility, forfeiture rate, and expected dividend yield when deriving the grant date fair value of share-based compensation as well as the valuation of derivative liabilities. If an equity award is modified, and we expect the service conditions of the original award will be met, we will adjust our assumptions and estimates as of the modification date and compare the old equity award valued at the modification date with the new equity award valued at the modification date to calculate any incremental cost. We then continue to recognize the original grant date fair value plus any incremental cost over the modified service period.

Our estimate for allowance for uncollectible accounts is based on an evaluation of our outstanding accounts receivable, and other receivables, including the aging of amounts due, the financial condition of our specific customers and clients, knowledge of our industry segment, and historical bad debt experience. This evaluation methodology has proven to provide a reasonable estimate of bad debt expense in the past and we intend to continue to employ this approach in our analysis of collectability. However, we are aware that given the current global economic situation, including that of China, meaningful time horizons may change. We intend to enhance our focus on the evaluation of our customers' sustainability and adjust our estimates as may be required.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 and 2014

Assumptions and estimates employed in these areas are material to our reported financial condition and results of operations. Actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, we consider all highly liquid investments with original maturities of three months or less to be cash equivalents.

Concentration of Credit Risks

Financial instruments which potentially subject us to concentrations of credit risk consist principally of cash, trade accounts receivable and notes receivables. We deposit our cash with high credit quality financial institutions in the United States and China. As of September 30, 2015 and 2014, we had no bank deposits in the United States that exceeded federally insured limits. As of September 30, 2015 and 2014, we had deposits of $10,171 and 28,641 in banks in China, respectively. In China, there is no equivalent federal deposit insurance as in the United States, so the amounts held in banks in China are not insured. We have not experienced any losses in such bank accounts through September 30, 2015.

As of September 30, 2015 and 2014, bank deposits by geographic area were as follows:

Country		September 30, 2015			September 30, 2014	
United States	$	12,463	55%	$	52,574	65%
China		10,171	45%		28,641	35%
Total cash and cash equivalents	$	22,634	100%	$	81,215	100%

In an effort to mitigate any potential risk, we periodically evaluate the credit quality of the financial institutions at which we hold deposits, both in the United States and China.

Accounts Receivable

Accounts receivable are reported at net realizable value. We have established an allowance for uncollectible accounts based upon factors pertaining to the credit risks of specific customers and clients, historical trends, aging of the receivable and other information. Delinquent accounts are written off when it is determined that the amounts are uncollectible. As of September 30, 2015 and 2014, we had no allowances for uncollectible accounts.

Fair Value of Financial Instruments

We adopted the provisions of ASC Topic 820, "Fair Value Measurements." These provisions relate to our consolidated financial assets and liabilities carried at fair value and our fair value disclosures related to financial assets and liabilities. ASC Topic 820 defines fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs to fair value measurements below:

- Level 1, meaning the use of quoted prices for identical instruments in active markets;
- Level 2, meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable;
- Level 3, meaning the use of unobservable inputs. Observable market data should be used when available.

The carrying amounts of the Company's financial instruments, such as cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable and accrued expenses, advances from customers, and other current liabilities approximate their fair value due to the short term maturities of these instruments.

The Company's loans payable approximate the fair value of such instruments based upon management's best estimate of interest rates that would be available to the Company for similar financial arrangements at September 30, 2015 and 2014.

CD INTERNATIONAL ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 and 2014

Transactions involving related parties cannot be presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. Representations about transactions with related parties, if made, shall not imply that the related party transactions were consummated on terms equivalent to those that prevail in arm's-length transactions unless such representations can be substantiated. It is not, however, practical to determine the fair value of amounts due from/to related parties due to their related party nature.

Recurring Fair Value Measurements

The Company uses Level 1 of the fair value hierarchy to measure the fair value of marketable securities and marks the marketable securities available-for-sale at fair value in the statement of financial position at each balance sheet date and reports the unrealized holding gains and losses for marketable securities available-for-sale in other comprehensive income (loss) until realized provided the unrealized holding gains and losses is temporary. If the fair value of investment in marketable securities available-for-sale is less than its cost basis at the balance sheet date of the reporting period for which impairment is assessed, and it is determined that the impairment is other than temporary, then an impairment loss is recognized in earnings equal to the entire difference between the investment's cost and its fair value at the balance sheet date of the reporting period.

The Company uses Level 3 of the fair value hierarchy to measure the fair value of its derivative liabilities and revalues the derivative liabilities at every reporting period and recognizes gains or losses in the consolidated statements of operations and comprehensive income (loss) that are attributable to the change in the fair value of derivative liabilities.

The financial assets and liabilities carried at fair value on a recurring basis at September 30, 2015 are as follows:

Financial assets and liabilities	Fair Value	Level 1	Level 2	Level 3
Marketable equity securities	$ 22,800	$ 22,800	$ -	$ -
Receivable of marketable equity securities	7,200	7,200	-	-
Payable to be settled with marketable securities	-	-	-	-
Derivative liabilities	(3,210,271)	-	-	(3,210,271)
	$ (3,180,271)	$ 30,000	$ -	$ (3,210,271)

The financial assets and liabilities carried at fair value on a recurring basis at September 30, 2014 are as follows:

Financial assets and liabilities	Fair Value	Level 1	Level 2	Level 3
Marketable equity securities	$ 47,352	$ 47,352	$ -	$ -
Receivable of marketable equity securities	58,900	58,900	-	-
Payable to be settled with marketable securities	(55,135)	(55,135)	-	-
Derivative liabilities	(1,848,041)	-	-	(1,848,041)
	$ (1,796,924)	$ 51,117	$ -	$ (1,848,041)

Marketable Securities

Marketable securities that we receive from our customers as compensation are generally restricted for sale under Federal securities laws. Our policy is to liquidate securities received as compensation when market conditions are favorable for sale. Since these securities are often restricted, we are unable to liquidate them until the restriction is removed. Pursuant to ASC Topic 320, "Investments - Debt and Equity Securities", our marketable securities have a readily determinable quoted price, such as from NASDAQ, NYSE Euronext, the Over the Counter Bulletin Board, and the OTC Markets Group (formerly known as the Pink Sheets) and any unrealized gain or loss is recognized as an element of comprehensive income or loss based on changes in the fair value of securities as quoted on an exchange or an inter-dealer quotation. Once liquidated, any realized gain or loss on the sale of marketable securities is reflected in our statement of operations and comprehensive income (loss) for the period in which the securities are liquidated.

We perform an analysis of our marketable securities at least on an annual basis to determine if any of these securities have become other than temporarily impaired. If we determine that the decline in fair value is other than temporary we recognize the amount of the impairment as a realized loss into our current period net income (loss). This determination is based on a number of factors, including but not limited to (i) the percentage of the decline, (ii) the severity of the decline in relation to the enterprise/market conditions, and (iii) the duration of the decline.

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Property, Plant and Equipment

Property, plant and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives of three to forty years. Maintenance and repairs are charged to expense as incurred. Significant renewals and improvements are capitalized.

Acquisitions

We account for acquisitions using the purchase method of accounting in accordance with the provisions of ASC Topic 805, "Business Combinations." The acquisition method of accounting for acquired businesses requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. Also, transaction costs are expensed as incurred. Any excess of the purchase price over the assigned values of the net assets acquired is recorded as goodwill. When we have acquired net assets that do not constitute a business under U.S. GAAP, no goodwill has been recognized.

Advances from Customers

Advances from customers represent (i) prepayments to us for merchandise that have not yet been shipped to customers, and (ii) the fair value of securities received as compensation which will be amortized over the term of the respective consulting agreement. We will recognize these advances as revenues as customers take delivery of the goods or when the services have been rendered, in compliance with our revenue recognition policy.

Comprehensive Income (Loss)

We follow ASC 220, "Comprehensive Income" to recognize the elements of comprehensive income (loss). Comprehensive income (loss) is comprised of net income (loss) and all changes to the statements of stockholders' equity, except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders. Our comprehensive income (loss) for fiscal year 2015 and 2014 included net income (loss), foreign currency translation adjustments, and unrealized gain (loss) on marketable securities available-for-sale, net of income taxes.

Foreign Currency Translation

The accompanying consolidated financial statements are presented in United States dollars. The functional currency of our Chinese subsidiaries is the Renminbi ("RMB"), the official currency of the People's Republic of China. Capital accounts of the consolidated financial statements are translated into United States dollars from RMB at their historical exchange rates when the capital transactions occurred. Assets and liabilities are translated at the exchange rates as of the balance sheet date. Income and expenditures are translated at the average exchange rates for the twelve month periods ended September 30, 2015 and September 30 2014, respectively. A summary of the conversion rates for the periods presented is as follows:

	September 30, 2015	September 30, 2014
Period end (RMB: U.S. dollar exchange rate)	6.3538	6.1534
	6.1543	6.1400

Average fiscal year (RMB: U.S. dollar exchange rate)

The RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through PRC authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into United States dollars at the rates applied in the translation.

Goodwill and Intangible Assets

Under ASC 350, "Intangibles - Goodwill and Other", the Company is required to perform an annual impairment test of the Company's goodwill and indefinite-lived intangibles. Annually on each September 30, management assesses the composition of the Company's assets and liabilities, as well as the events that have occurred and the circumstances that have changed since the most recent fair value determination. If events occur or circumstances change that would more likely than not reduce the fair value of goodwill and indefinite-lived intangibles below their carrying amounts, they will be tested for impairment. The Company will recognize an impairment charge if the carrying value of the asset exceeds the fair value determination. The impairment test that the Company has selected historically consisted of a ten year discounted cash flow analysis including the determination of a terminal value, and requires management to make various assumptions and estimates including revenue growth, future profitability, peer group comparisons, and a discount rate which management believes are reasonable.

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The impairment test involves a two-step approach. Under the first step, the Company determines the fair value of each reporting subsidiary to which goodwill has been assigned. The Company then compares the fair value of each reporting subsidiary to its carrying value, including goodwill. The Company estimates the fair value of each reporting subsidiary by estimating the present value of the reporting subsidiaries' future cash flows. If the fair value exceeds the carrying value, no impairment loss is recognized. If the carrying value exceeds the fair value, the goodwill of the reporting unit is considered potentially impaired and the second step is completed in order to measure the impairment loss.

Under the second step, the Company calculates the implied fair value of goodwill by deducting the fair value of all tangible and intangible net assets, including any unrecognized intangible assets, of the reporting unit from the fair value of the reporting unit, as determined in the first step. The Company then compares the implied fair value of goodwill to the carrying value of goodwill. If the implied fair value of goodwill is less than the carrying value of goodwill, the Company recognizes an impairment loss equal to the difference.

Income Taxes

We account for income taxes in accordance with ASC 740, "Income Taxes." ASC 740 requires the recognition of deferred tax assets and liabilities to reflect the future tax consequences of events that have been recognized in our financial statements or tax returns. Measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between the financial reporting and tax basis of our assets and liabilities result in a deferred tax asset, ASC 740 requires an evaluation of the probability that we will generate sufficient taxable income to be able to realize the future benefits indicated by the deferred tax assets. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some or the entire deferred tax asset will not be realized.

Basic and Diluted Earnings per Share

Under the provisions of ASC 260, "Earnings Per Share," basic income (loss) per common share is computed by dividing income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding for the periods presented. Diluted income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the income of the company, subject to anti-dilution limitations.

For the periods presented, the computation of diluted earnings (loss) per share equaled basic earnings (loss) per share as the inclusion of any dilutive instruments would have had an anti-dilutive effect on the earnings per share calculation in the periods presented.

Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases are charged to the consolidated statements of operations on a straight-line basis over the lease period.

Revenue Recognition

We follow the guidance of ASC 605, "Revenue Recognition," for revenue recognition. In general, we record revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. When our clients' securities are received for our services, we follow the guidance of ASC 505, "Equity-Based Payments to Non-Employees" to measure and recognize our revenue. ASC Topic 505-50-30-18 instructs that an entity (grantee or provider) may enter into transactions to provide goods or services in exchange for equity instruments. The grantee shall measure the fair value of the equity instruments in these transactions using the stock price and other measurement assumptions as of the earlier of either of the following dates, referred to as the measurement date.

a. The date the parties come to a mutual understanding of the terms of the equity-based compensation arrangement and a commitment for performance by the grantee to earn the equity instruments (a performance commitment) is reached; and
b. The date at which the grantee's performance necessary to earn the equity instruments is complete (that is, the vesting date).

We recognize the revenue from the equity securities received from our clients upon completion of the services performed or as otherwise provided for in our agreements with our clients. We use the grant date as the initial measurement date in accordance with ASC 605.

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Stock-based Compensation

We account for the grant of stock options, warrants and restricted stock awards in accordance with ASC 718, "Compensation-Stock Compensation". ASC 718 requires companies to recognize in the statement of operations the grant-date fair value of stock options and other equity based compensation. Pursuant to ASC Topic 505-50, for share-based payments to consultants and other third-parties, compensation expense is determined at the "measurement date". The expense is recognized over the vesting period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company records compensation expense based on the fair value of the award at the reporting date. The awards to consultants and other third-parties are then revalued, or the total compensation is recalculated, based on the then current fair value, at each subsequent reporting date.

Derivative Liabilities

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations, in accordance with ASC 815-15, "Derivative and Hedging". The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

ASC Subtopic 815-40, "Contracts in Entity's Own Equity," requires that entities recognize as derivative liabilities the derivative instruments, including certain derivative instruments embedded in other contracts that are not indexed to an entity's' own stock. Pursuant to the provisions of ASC Section 815-40-15, (formerly FASB Emerging Issues Task Force ("EITF") Issue No. 07-5: Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock ("EITF 07-5")), an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no impact on net earnings and financial position.

Recent Accounting Pronouncements

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs". The amendments in the ASU are intended to simplify the presentation of debt issuance costs. These amendments require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU. The amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The Company is currently in the process of evaluating the impact of the adoption on its

consolidated financial statements.

In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date". The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently in the process of evaluating the impact of the adoption on its consolidated financial statements.

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In August 2015, the FASB issued ASU 2015-15, "Interest - Imputation of Interest (Subtopic 835-30) - Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements". On April 7, 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs, which requires entities to present debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability. Given the absence of authoritative guidance within ASU 2015-03 for debt issuance costs related to line-of-credit arrangements, the SEC staff stated that they would not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. ASU 2015-15 adds these SEC comments to the "S" section of the Codification. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments". The amendments in ASU 2015-16 require that an acquirer recognize adjustments to estimated amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the estimated amounts, calculated as if the accounting had been completed at the acquisition date. The amendments also require an entity to present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the estimated amounts had been recognized as of the acquisition date. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes". The amendments in ASU 2015-17 eliminates the current requirement for organizations to present deferred tax liabilities and assets as current and noncurrent in a classified balance sheet. Instead, organizations will be required to classify all deferred tax assets and liabilities as noncurrent. The amendments in this ASU are effective for public business entities for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The amendments may be applied prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The Company is currently in the process of evaluating the impact of the adoption on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities." The amendments in ASU 2016-01, among other things, requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; Requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables); Eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost. . The amendments in this ASU are effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The new guidance permits early adoption of the own credit provision. In addition, the new guidance permits early adoption of the provision that exempts private companies and not-for-profit organizations from having to

disclose fair value information about financial instruments measured at amortized cost. The Company is currently in the process of evaluating the impact of the adoption on its consolidated financial statements.

NOTE 2 - EARNINGS (LOSS) PER SHARE

Under the provisions of ASC 260, "Earnings Per Share," basic income (loss) per common share is computed by dividing net income (loss) attributable to common shareholders by the weighted average number of shares of common stock outstanding for the periods presented. Diluted income (loss) per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that would then share in the income of the company, subject to anti-dilution limitations.

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The following table presents the computation of basic and diluted earnings (loss) per share for fiscal year 2015 and 2014:

		2015		2014
Net income (loss) allocable to common shareholders:				
Net loss from continuing operations	$	(4,650,661)	$	(4,951,698)
Net income from discontinued operations		1,554,144		21,454,572
Net income (loss) allocable to common shareholders		(3,096,517)		16,502,874
Less: preferred stock dividends		(80,494)		(80,520)
Net income (loss) allocable to common stockholders less preferred stock dividends	$	(3,177,011)	$	16,422,354
Basic weighted average common shares outstanding		68,475,634		63,335,816
Dilutive weighted average common shares outstanding		68,475,634		63,335,816
Net income (loss) per common share - basic:				
Net loss from continuing operations	$	(0.07)	$	(0.08)
Net income from discontinued operations		0.02		0.34
Net income (loss) per common share - basic	$	(0.05)	$	0.26
Net income (loss) per common share - diluted:				
Net loss from continuing operations	$	(0.07)	$	(0.08)
Net income from discontinued operations		0.02		0.34
Net income (loss) per common share - diluted	$	(0.05)	$	0.26

Common stock equivalents are not included in the denominator in periods when anti-dilutive. We excluded 9,000,000 shares of our common stock issuable upon exercise of options, 5,777,778 shares of our common stock issuable upon exercise of warrants, 108,034,294 shares issuable upon conversion of series A preferred stock and 28,332,232 shares of common stock issuable upon conversion of convertible debt for the year ended September 30, 2015 as their effect was anti-dilutive. We excluded 9,000,480 shares of our common stock issuable upon exercise of options, 2,129,130 shares of our common stock issuable upon exercise of warrants and 30,800,688 shares issuable upon conversion of series A preferred stock for the year ended September 30, 2014 as their effect was anti-dilutive.

NOTE 3 - ACQUISITION OF GOLDEN TRUST MAGNESIUM

On August 29, 2011, the Company entered into equity transfer agreement to acquire all of the issued and outstanding capital stock of Golden Trust Magnesium Industry Co., Ltd. ("Golden Trust Magnesium"). Subsequently, the Company entered into three supplemental agreements to the equity transfer agreement. Pursuant to the latest supplemental agreement, the purchase price was $12,369,946, payable as follows:

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$8,049,510 in cash or in proceeds from repayment of loans to other intercompany entities. As of September 30, 2014, $5,845,080 was paid. The remaining payable balance was $2,204,430 which the previous owners of Golden Trust Magnesium agreed to waive;

- $4,320,436 in form of the Company's common stock paid within 15 business days following the closing of the acquisitions. 4,567,056 shares valued at $4,320,436 were issued in fiscal year 2012.

Golden Trust Magnesium owns and operates a pure magnesium ingot production facility located on approximately 502,000 square feet of land in Xiaoyi City, Shanxi Province, China, capable of producing up to 20,000 metric tons of pure magnesium per year. Golden Trust Magnesium was a related party to the Company before the acquisition as it was effectively controlled by Mr. Huang, the former director. Also see Note 10.

Under applicable PRC law, the acquisition of the equity interest in Golden Trust Magnesium must be approved by appropriate foreign investment approval authority, and then registered with a competent branch of the State Administration of Industry and Commerce. Failure to obtain these necessary approvals may delay the transfer of the ownership to the Company.

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The Company completed the acquisition of Golden Trust Magnesium on March 7, 2014. As a result, the common stock issued for the acquisition was revalued using the market price on the date when the ownership was transferred, and the fair value of the 4,567,056 shares of common stock issued for acquisition was determined to be $342,987.

However, when the Company was in the process of obtaining the approval and completing registration, due to the inability to operate economically, Golden Trust Magnesium had decreased the production to approximately 40% of its normal capacity and incurred losses in the operations. Based on these indicators, the Company decided to impair all of payments made for the acquisition and recorded the impairment on prepayment for acquisitions in fiscal year 2012. As a result, the considerations paid for the acquisition were written down to zero. The following table summarizes the fair value of the assets acquired and liabilities assumed by CD International on the date of the acquisition of Golden Trust Magnesium:

		Golden Trust Magnesium
Current assets	$	3,125,120
Total identifiable assets	$	3,125,120
Current liabilities	$	(3,719,292)
Total identifiable liabilities		(3,719,292)
Total identifiable net assets	$	(594,172)
Goodwill	$	594,172

Due to the low production level and recurring losses of Golden Trust Magnesium, the goodwill related to acquisition of $594,172 was fully impaired as of September 30, 2014. In connection with the acquisition of Golden Trust Magnesium, the related party payable balance to Golden Trust Magnesium in the amount of $1,243,477 as of September 30, 2013 was reclassified to intercompany balance on the date of acquisition.

NOTE 4 - MARKETABLE SECURITIES AVAILABLE-FOR-SALE

Marketable securities available-for-sale and marketable securities available-for-sale-related party as of September 30, 2015 and 2014 consisted of the following financial instruments:

Company		September 30, 2015	% of Total		September 30, 2014	% of Total
China Logistics Group, Inc.	$	2,800	12%	$	7,352	16%
Dragon Capital Group, Corp.		20,000	88%		40,000	84%
Marketable securities available-for-sale	$	22,800	100%	$	47,352	100%

All the securities were received from our customers as consulting fees. During the year ended September 30, 2015 and 2014, we collected marketable securities originated from accounts receivable for the amount of $22,500 and $126,600, respectively, and we collected marketable securities originated from deferred revenue for the amount of $22,500 and

$295,000, respectively. We categorize the securities as investments in marketable securities available-for-sale or investments in marketable securities available-for-sale-related party. These securities are quoted either on an exchange or on the over the counter market system. Some of the securities are restricted and cannot be readily sold by us absent a registration of those securities under the Securities Act of 1933 (the "Securities Act") or the availability of an exemption from the registration requirements under the Securities Act. Our policy is to liquidate the securities on a regular basis. As these securities are often restricted, we are unable to liquidate them until the restriction is removed. Unrealized gains or losses on marketable securities available-for-sale and on marketable securities available-for-sale-related party are recognized on a periodic basis as an element of comprehensive income or loss based on changes in the fair value of the security. Once liquidated, realized gains or losses on the sale of marketable securities available-for-sale are reflected in earnings for the period in which the securities were liquidated.

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The marketable securities available-for-sale-related party totaled $20,000 and $40,000 at September 30, 2015 and September 30, 2014, respectively, and were composed solely of the securities of Dragon Capital Group, Corp. ("Dragon Capital"). Mr. Lisheng (Lawrence) Wang, the CEO and Chairman of the Board of Dragon Capital, is the brother of James (Yuejian) Wang, the CEO of the Company. These securities were issued by Dragon Capital as compensation for consulting services. Dragon Capital is a non-reporting company whose securities are quoted on the OTC Pink Tier of the OTC Markets Group. As such, under Federal securities laws, securities of Dragon Capital generally cannot be resold by us in absence of a registration of those securities under the Securities Act or unless there exists an available exemption from such registration.

Our marketable securities available-for-sale are carried at fair value. Under the guidance of ASC320, "Investments", we periodically evaluate our marketable securities to determine whether a decline in their value is other than temporary. Management utilizes criteria such as the magnitude and duration of the decline, in addition to the reasons underlying the decline, to determine whether the loss in value is other than temporary. The term "other-than-temporary" is not intended to indicate that the decline is permanent. It indicates that the prospects for a near term recovery of value are not necessarily favorable, or that there is a lack of evidence to support fair values equal to, or greater than, the carrying value of the investment. Once a decline in value is determined to be other than temporary, the value of the security is reduced and a corresponding impairment charge to earnings is recognized. In this assessment for various securities at September 30, 2015 and 2014, the guidance in ASC 320, "the Investment-Debt and Equity Securities", is carefully followed. In accordance with ASC 320-10-35-33, when an entity has decided to sell an impaired available-for-sale security and the entity does not expect the fair value of the security to fully recover before the expected time of sale, the security shall be deemed other-than-temporarily impaired in the period in which the decision to sell is made. However, an entity shall recognize an impairment loss when the impairment is deemed other than temporary impairment even if a decision to sell has not been made.

For fiscal year 2015 and 2014, we had no loss related to other than temporary impairment.

Marketable securities available-for-sale and marketable securities available-for-sale-related party are either valued at the date received or at the date when services are rendered. The table below provides a summary of the changes in the fair of marketable securities for the fiscal year ended September 30, 2015 and 2014:

			Fiscal year 2015		
	September 30, 2014	Fair value received/sold	Cost basis adjustment for other than temporary impairment	Unrealized loss	September 30, 2015
Investment in marketable securities available-for-sale	$ 7,352	$ -	$ -	$ 4,552	$ 2,800
Investment in marketable securities available-for-sale - related party	40,000	45,000	-	65,000	20,000

Total investment in securities available-for-sale	$	47,352	$	45,000	$	-	$	69,552	$	22,800

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	September 30, 2013	Fair value received/sold	Fiscal year 2014 Cost basis adjustment for other than temporary impairment	Unrealized loss	September 30, 2014
Investment in marketable securities available-for-sale	$ 107,539	$ 11,912	$ -	$ 112,099	$ 7,352
Investment in marketable securities available-for-sale-related party	-	40,000	-	-	40,000
Total Investment in securities available-for-sale	$ 107,539	$ 51,912	$ -	$ 112,099	$ 47,352

NOTE 5 - ACCOUNTS RECEIVABLE AND ACCOUNTS RECEIVABLE - RELATED PARTY

Accounts receivables generally include trade receivables and receivables of marketable securities available-for-sale. These receivables are carried at fair market value. The changes in the fair market value of the marketable securities underlying the receivables are reflected in earnings for each period. At September 30, 2015 and 2014, the fair value of available-for-sale securities receivable including related party balance was $7,200 and $58,900, respectively. At September 30, 2015 and 2014, we also had $9,443 and $0 of trade receivables related to the consulting service provided which were not in the form of marketable securities available-for-sale.

At September 30, 2015, we have $7,200 receivable due from 9,000,000 share of common stock of China Logistic, Inc (OTC: CHLO). At September 30, 2014, we have $18,900 receivable due from 9,000,000 shares of common stock of China Logistics Group, Inc (OTC: CHLO), and $40,000 related party receivable due from 50,000,000 shares of common stock of Dragon Capital (Pink Sheet: DRGV), a related party.

NOTE 6 - PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET

As of September 30, 2015 and 2014, prepaid expenses and other current assets, consisted of the following:

Description	September 30, 2015	September 30, 2014
Prepaid expenses	5,082	19,747
Receivables from disposal of subsidiaries (1)	1,256,620	958,820
Other receivables	11,731	1,577
Total prepaid expenses and other current assets	1,273,433	980,144
Less allowance for doubtful accounts (1)	(1,256,620)	-
Net prepaid expenses and other current assets	$ 16,813	$ 980,144

(1) On September 30, 2012, CDI Shanghai Management entered into an equity transfer agreement with CDI (Beijing) International Trading Co., Ltd. ("CDI Beijing") and Chi Chen to transfer its 51% equity interest in CDI Beijing to Chi Chen, the minority owner of CDI Beijing and the aggregate sales price was $1,657,620. The receivable balance bears an interest at the rate of 9% on the uncollected amount. As of September 30, 2014, the Company had a total receivable balance from Chi Chen of $1,305,671. Among the $1,305,671 principal receivable balance, $346,851 of the receivable from Chi Chen was estimated to be received in a period longer than one year according to an amended repayment schedule, which was included in other long-term assets. As of September 30, 2015, the Company established an allowance to fully reserve the receivables from Chi Chen in the amount of $1,256,620, based on aging of the receivable and the historical collection trends. The bad debt expenses amounted to $1,297,355 and zero for the years ended September 30, 2015 and 2014, respectively.

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NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

As of September 30, 2015 and 2014, property, plant and equipment, consisted of the following:

Property, Plant and Equipment

Description	Useful Life		September 30, 2015		September 30, 2014
Leasehold improvement	10-40 years	$	258,353	$	258,353
Office equipment and furniture	3-5 year		369,475		427,695
Autos and trucks	5 year		-		51,751
Total			627,828		737,799
Less: accumulated depreciation			(564,740)		(654,595)
Property, Plant and Equipment, Net		$	63,088	$	83,204

For fiscal year 2015 and 2014, depreciation expense totaled $17,880 and $43,950, respectively.

NOTE 8 - LOANS PAYABLE

Loans payable at September 30, 2015 and 2014 consisted of the following:

Description		September 30, 2015		September 30, 2014
China Direct Investments loan from four Chinese citizens. Due on February 28, 2013, and was settled with issuance of 20 million shares of common stock. 12% annual interest rate. Secured by 5,099,115 shares of the common stock of China Education International, Inc., which are deemed worthless. (1)	$	-	$	1,000,000
China Direct Investments loan from Marc Siegel, with an original principal of $92,125. Due on March 31, 2013. Lenders agreed to waive interest. Secured by pledge of certain assets of CDII. The Company paid off the Marc Siegel loan on January 13, 2015.		-		32,125
China Direct Investments loan from Draco Resources, Inc. Due on March 18, 2015 with 2% annual interest rate. The loan is unsecured and currently in default.		200,000		200,000
CDII loan from TCA Global Credit Master Fund, LP. Due on January 31, 2015 with 18% annual effective interest rate including 10% annual interest rate per the loan agreement and 8% other fees and charges. The loan is secured by pledge of assets of CDII. (2)		643,000		650,000
		600,000		-

China Direct Investments loan from Kong Tung, a Chinese citizen. Originally due on January 7, 2015 and extended to December 31, 2015. 2% interest rate per month. Secured by pledge of assets of CDII. (3)				
China Direct Investments loan from Yewen Xi, a Chinese citizen. $500,000 was due on December 31, 2015 and extended to September 30, 2016, and the remaining $200,000 is due on May 31, 2016. 12% annual interest rate. For the $500,000 and $200,000, Yewen Xi has the right to convert the outstanding principal amount and interest into common stock of CDII on and after January 1, 2016 and June 1, 2016, respectively. Conversion Price is equal to 75% of the average closing price of CDII common stock for five consecutive days prior to the conversion. Secured by pledge of assets of CDII.		700,000		-
CDII loan from Money Works Direct. 3.99% interest rate per month. Secured by pledge of assets of CDII. Due on April 30, 2016. China Direct Investments make cash repayment of $740 on a daily basis.		72,470		-
Total		2,215,470		1,882,125
Less: current portion		(2,215,470)		(1,882,125)
Loans payable, long-term	$	-	$	-

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(1) On May 28, 2015, the Company entered into four stock purchase agreements with four Chinese citizens converting the four promissory notes originally signed on August 21, 2012 in an aggregate amount of $1,000,000 into 20 million shares of CDII common stock at $0.05 per share. On August 7, 2015, the Company issued 20 million shares of CDII common stock to the lenders with a fair value of $512,000. The Company recorded a gain on settlement of debt in the amount of $488,000 and was included in other income. Subsequent to the debt conversions, as of September 30, 2015, two of the Chinese citizens held 7.98% and 5.99%, respectively, of the Company's outstanding common stock.

(2) On July 30, 2014, the Company closed a senior secured revolving credit facility agreement (the "Credit Agreement") with TCA Global Credit Master Fund, LP ("TCA"), a Cayman Islands limited partnership. Pursuant to the Credit Agreement, TCA agreed to loan the Company up to a maximum of $5 million for working capital purposes. The initial credit line is $2,000,000 subject to funding in the discretion of TCA. In connection with the closing, an initial take down of $650,000 was funded by TCA. Any increase in the amount of the credit line from the initial amount up to the maximum amount is at the discretion of TCA. On July 31, 2014, the Company issued 3,154,115 restricted shares of our common stock valued at about $0.06 per share to TCA for a total of $175,000 for advisory services provided. Based on the Credit Agreement, upon an event of default, the lender may convert all or any portion of the outstanding principal and accrued interest payables into shares of the Company's common stock equal to the 85% of the average of the lowest daily volume weighted average price ("VWAP") of the five business days prior to the conversion day. On December 12, 2014, TCA claimed this loan was in default due to the Company's failure to provide timely monthly reporting. The Company recorded derivative liabilities and debt discount of $361,452 on December 12, 2014. Since the loan was in default, the full amount of $361,452 debt discount was charged to interest expense on the same day. On April 28, 2015, TCA filed a complaint/petition against the Company and James (Yuejian) Wang for the breach of the Credit Agreement, See Note 18 for more discussion. On October 15, 2015, the Company and TCA entered into a settlement agreement pursuant to which both parties agreed that the outstanding obligations the Company owed to TCA should be $1,036,032 as of October 8, 2015, including $765,133 for the principal, accrued and unpaid interest and other fees and charges and $270,899 for the advisory fees. The total obligation of $1,036,032 was split into two separate and distinct replacement notes for the balance of $50,000 and $986,032. According to the terms agreed upon in the settlement agreement, the Company should make monthly payments to TCA in the amount of $40,000 commencing on November 30, 2015 until the complete repayment of all payables due to TCA. On December 9, 2015, the Company entered into a note purchase agreement with an institutional investor to sell $100,000 of this TCA loan. From December 14, 2015 to December 22, 2015, the institutional investor converted the debt purchased into a total of 82,688,447 shares of CDII common stock to make $100,000 repayment to TCA. The Company has accrued principal, unpaid interest and other fees and charges of $763,257, advisory fees of $270,900, and other legal expenses of $40,342 as of September 30, 2015. Also see Note 9 for derivative liabilities and Note 19 for more discussion of the settlement of the TCA loan.

(3) On April 7, 2014, China Direct Investments borrowed $600,000 from Kong Tung, who was the former Director of the Company. The Company recorded this loan and interest payable as a related party transaction. Since Kong Tung resigned his position as a Director of the Company on March 26, 2015, the Company reclassified the principal of the related party loan of $600,000 and related party interest payable of $141,600 as of March 31, 2015 to loan payable and interest payable, respectively. On January 7, 2015, the Company and Kong Tung entered into an amendment to promissory note, where the maturity date of the note is extended to December 31, 2015 and a conversion option is added. Pursuant to the amendment to promissory note, after the maturity date of the note, the note holder shall have the right, at any time and from time to time, to convert the outstanding

principal amount and accrued interest into CDII's common stocks. The conversion price shall be equal to 85% of the closing price CDII common stock on the date of conversion. On October 14, 2015, the Company and an institutional investor entered into a convertible promissory note pursuant to which the institutional investor agreed to purchase the loan from Kong Tung with the principal balance of $600,000 and accrued interest of $214,000 in accordance with the terms specified in the note depending on the availability of the funding. On October 15, 2015, Kong Tung and an institutional investor entered into a note purchase agreement pursuant to which the institutional investor agreed to purchase $50,000 of the $600,000 note from Kong Tung. Also see Note 19.

The interest expense and interest expense - related parties for the loans amounted to $473,187 and $214,130 for the years ended September 30, 2015 and 2014, respectively.

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NOTE 9 - DERIVATIVE LIABILITIES

As described in Note 8, the Company defaulted on its loan with TCA which triggered the variable conversion option on the loan. The conversion option embedded in the convertible note contains no explicit limit to the number of shares to be issued upon settlement and as a result is classified as a liability under ASC 815. The Company accounted for the embedded conversion option in accordance with ASC 815-40, which requires the Company to bifurcate the embedded conversion options as liability at the date the note becomes convertible and to record changes in fair value relating to the conversion option liability in the statement of operations and comprehensive income as of each subsequent balance sheet date. The debt discount related to the convertible note is amortized over the life of the note using the effective interest method. The Company's conversion option liabilities are valued using Black-Scholes pricing models. Where possible, the Company verifies the values produced by its pricing models to market prices. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit spreads, measures of volatility and correlations of such inputs. These consolidated financial liabilities do not trade in liquid markets, and as such, model inputs cannot generally be verified and do involve significant management judgment. Such instruments are typically classified within Level 3 of the fair value hierarchy.

The table below shows the Black Scholes Option Pricing Model inputs used by the Company to value the conversion option derivative liability, as well as the determined value of the option liability at each measurement date:

Date	Shares	Debt Principal	Volatility	Dividend Yield	Risk Free Rate	Expected Term (in years)	Fair Value of Conversion Option Liability
12/12/2014	23,675,105	$ 650,000	130.96%	0.00%	0.09%	0.5	$ 361,452
9/30/2015	28,332,232	$ 643,000	292.83%	0.00%	0.08%	0.5	$ 489,031

As of September 30, 2015 and 2014, the carrying amounts of the derivative liabilities for the embedded conversion option on the note were $489,031 and $0, respectively. The net changes in fair value of derivative liabilities of convertible note were expense of $127,579 and $0 during the years ended September 30, 2015 and 2014, respectively.

On September 4, 2015, as compensation for services, the Company granted the consultant, Shaoying Wang, the warrant ("warrant A") to purchase 5,000,000 shares of the Company's common stock. The warrant became exercisable immediately and the exercise price is fixed at $0.023. The warrant will expire on December 31, 2017. The Company considered derivative accounting under ASC 815-15 "Derivatives and Hedging" and determined that the warrant should be classified as liability as the warrant was tainted due to the indeterminate number of shares to be delivered upon settlement of the above convertible note. The Company used Black Scholes Option Pricing Model to value warrant A derivative liabilities.

Date	Exercise Price	Volatility	Dividend Yield	Risk Free Rate	Expected Term (in years)	Fair Value of Warrant Liability
9/4/2015	0.023	166.85%	0.00%	0.88%	2.33	$ 69,138
9/30/2015	0.023	176.64%	0.00%	0.49%	2.25	$ 98,870

As of September 30, 2015 and 2014, the carrying amounts of the derivative liabilities for warrant A were $98,870 and $0, respectively. The net changes in fair value of derivative liabilities of warrant A were expense of $29,732 and $0 during the years ended September 30, 2015 and 2014, respectively.

The Company also issued warrants ("warrant B") with exercise price subject to adjustment if the Company, at any time while the warrant is outstanding, shall issue rights, options or warrants to all holders of common stock (and not to the holders) entitling them to subscribe for or purchase shares of common stock at a price per share less than the VWAP on the record date, then, the exercise price shall be multiplied by a fraction, of which the denominator shall be the number of shares of the common stock outstanding on the date of issuance of such rights, options or warrants plus the number of additional shares of common stock offered for subscription or purchase, and of which the numerator shall be the number of shares of the common stock outstanding on the date of issuance of such rights, options or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such VWAP. The price reset provision makes the warrant not indexed to the Company's own stock, and therefore requires the warrant to be treated as derivative liabilities as provided under EITF 07-05.

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In addition, the Company issued convertible preferred stock and the conversion price of the preferred stock is subject to adjustment if the Company issues or sells shares of common stock for a consideration per share less than the conversion or exercise price then in effect, or issue options, warrants or other securities convertible or exchangeable for shares of common stock at a conversion or exercise price less than the conversion price of the preferred stock then in effect. If either of these events should occur, the conversion price is reduced to the lowest price at which these securities were issued or are exercisable. These clauses were referred to as the "Anti-Dilution Rights". The Anti-Dilution Rights of the beneficial conversion feature make the conversion option not indexed to the company's own stock, and therefore requires the conversion feature to be treated as derivative liabilities as provided under EITF 07-05.

The Company used maximum value method to determine the fair value of derivative liabilities related to warrant B and preferred stock conversion option.

As of September 30, 2015 and 2014, the carrying amounts of the derivative liabilities for warrant B were $18,744 and $0, respectively. As of September 30, 2015 and 2014, the carrying amounts of the derivative liabilities for preferred stock conversion option were $2,603,626 and $1,848,041, respectively. The net changes in fair value of derivative liabilities of warrant B and preferred stock were expense of $727,662 and $449,788 during the years ended September 30, 2015 and 2014, respectively.

Below is the reconciliation of the fair value of the Company's derivative liabilities during the year ended September 30, 2015:

Beginning balance as of September 30, 2014	$	1,848,041
Additions due to convertible note - TCA loan		361,452
Additions due to warrant A		69,138
Additions due to warrant B		46,667
Change in fair value of derivative liabilities		884,973
Ending balance as of September 30, 2015	$	3,210,271

NOTE 10 - RELATED PARTY TRANSACTIONS

List of Related Parties

We have specified the following persons and entities as related parties with ending balances as of September 30, 2015 and 2014:

- Yuwei Huang, our executive vice president of our discontinued magnesium segment, a member of the Board of Directors, the chairman of Taiyuan YiWei Magnesium Industry Co., Ltd and the chief executive officer and vice chairman of Shanxi Gu County Golden Magnesium Co., Ltd. ("Golden Magnesium"). Yuwei Huang resigned as a Director of the Company on July 29, 2015;
- Xiaowen Zhuang, a management member of CDI Shanghai Management and brother of James (Yuejian) Wang;
- Kong Tung, a member of the Board of Directors, and chairman of Golden Magnesium, Beauty East International Ltd. ("Beauty East"), and Golden Trust Magnesium. He resigned as a Director of the Company on March 26, 2015;

- James (Yuejian) Wang, the CEO, CFO and sole member of the Board of Directors of the Company;
- Lawrence Wang, the brother of James (Yuejian) Wang; and
- Dragon Capital Group, Corp. ("Dragon Capital"), a company organized under the laws of Nevada, USA, the principal owner of Dragon Capital is Lawrence Wang;

As of September 30, 2015, accounts receivables - related parties were $0 and accounts, loan and other payables - related parties were $769,436 consisting of other payables - related parties of $381,354 and loan payables - related party of $388,082 as set forth below:

Accounts Receivables - Related Parties

As of September 30, 2015 and 2014, accounts receivables - related party were $0 and $40,000, respectively, as follows:

CD International Subsidiary	Related Party	September 30, 2015	September 30, 2014
China Direct Investments	Dragon Capital	$ -	$ 40,000
Total Accounts Receivables - Related Parties		$ -	$ 40,000

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Other Payables- Related Parties

As of September 30, 2015 and 2014, other payables-related parties were $381,354 and $560,491, respectively, as follows:

CD International Subsidiary	Related Party		September 30, 2015		September 30, 2014
China Direct Investments	James (Yuejian) Wang		331,935		485,464
China Direct Investments	Dragon Capital		-		19,124
CDI Shanghai Management	Xiaowen Zhuang		43,124		46,152
CDI Shanghai Management	Dragon Capital		6,295		9,751
Total Other Payable-Related Parties		$	381,354	$	560,491

Other payables-related parties represent advances to the Company for working capital purpose and expenses James (Yuejian) Wang paid on behalf of the Company.

Loan Payables - Related Party

As of September 30, 2015 and 2014, loan payables - related party for working capital purposes were $388,082 and $1,023,072, respectively, as follows:

CD International Subsidiary	Related Party		September 30, 2015		September 30, 2014
China Direct Investments	Kong Tung	$	-	$	669,600
China Direct Investments	James (Yuejian) Wang		388,082		353,472
Total Loan Payables-Related Parties		$	388,082	$	1,023,072

From time to time, China Direct Investments borrowed funds from James (Yuejian) Wang. At September 30, 2015 and 2014, CDII owed James Wang a total of $388,082 and $353,472, including aggregate principal loan amount of $300,000 and accrued interest of $88,082 and $53,472, respectively. The loans bear interest at 12% per annum with principal of $300,000 originally due on September 30, 2014. On September 12, 2014, James (Yuejian) Wang entered into Addendum I to the note agreement and agreed that the Company shall have the option to pay back to the lender the principal amount and all accrued interest upon maturity date in form of the Company's common stock valued at $0.05 per share. The Company did not elect to pay off the loan in common stock. On December 22, 2015, both parties entered into Addendum II to the note agreement and the maturity date was extended to September 30, 2016 with the same terms and conditions of the original note.

On April 7, 2014, China Direct Investments borrowed $600,000 from Kong Tung, who was the former Director of the Company. At September 30, 2014, China Direct Investments owed Kong Tung a total of $669,600 including aggregate principal loan amount of $600,000 and accrued interest of $69,600. Since Kong Tung resigned his position as a Director of the Company on March 26, 2015, the Company reclassified the principal of the related party loan payable of $600,000 and related party interest payable of $141,600 as of March 31, 2015 to loan payable and interest payable.

Revenue - Related Party

The Company provided consulting service to one of its related companies, Dragon Capital. The consulting revenues of $31,250 and $61,250 were recognized for the years ended September 30, 2015 and 2014, respectively.

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NOTE 11 - OTHER LIABILITIES

Other liabilities included the following as of September 30, 2015 and 2014:

Account	September 30, 2015	September 30, 2014
Accrued salary payable	$ 964,718	$ 435,000
Accrued dividend payable	148,749	68,255
Other payable	86,389	90,386
Total other liabilities	$ 1,199,856	$ 593,641

NOTE 12 - CAPITAL STOCK

Preferred Stock and Related Dividends

We have 10,000,000 shares of preferred stock, par value $.0001, authorized. As of September 30, 2015 and 2014, there were 1,006 shares of series A convertible preferred stock outstanding. The series A preferred stock has a stated value per share of $1,000, carries an 8% per annum dividend rate payable quarterly in arrears and was initially convertible into our common stock at $7.00 per share. The dividends are payable in cash or shares of our common stock, at our option, subject to certain provisions. The terms of the series A preferred stock and related warrants provide that if we sell common stock at a price per share less than the then exercise price of the warrants or the conversion price of the preferred stock, then we are required to reduce the conversion price of the series A convertible preferred stock to the lower price of the subsequent sale. Since we have issued securities at prices lower than the exercise price of the $7.00 per share conversion price of the series A preferred, we reduced the exercise price of those outstanding securities. At September 30, 2015 and 2014, the conversion price of the series A preferred were $0.015 and $0.050.

The dividends declared per year are payable in cash or shares of our common stock at our option subject to certain provisions. If paid in shares of common stock, the stock shall be valued at the lower of the conversion price or the average of the weighted average price of the 10 consecutive trading days immediately preceding the dividend date. During fiscal year 2015 and 2014, we paid $0 and $39,390 of ordinary dividends in cash, respectively. As of September 30, 2015 and 2014, accrued dividend payable is $148,749 and $68,255, respectively.

Common Stock

We have 1,000,000,000 shares of common stock, par value $.0001, authorized. At September 30, 2015, there were 100,213,074 shares of common stock issued and outstanding and there were 60,847,474 shares of common stock issued and outstanding at September 30, 2014.

During fiscal year 2015, we issued a total of 41,100,000 shares of our common stock. On August 7, 2015, we issued 20,000,000 shares of common stock to four Chinese citizens converting the four promissory notes in the amount of $1,000,000 originally signed on August 21, 2012, into 20 million shares of CDII common stock at $0.05 per share. The Company determined the fair value of the shares issued to be $512,000 and recorded a gain on settlement of debt of $488,000, which was included in other income. The Company also issued 8,600,000 shares to consultants for

services, valued at $300,510. On August 28, 2015, the Board of the Director of the Company approved the issuance of 9,500,000 shares of common stock to the employees as repayment for salaries owed in the past years. The shares were issued on September 3, 2015 and valued at $142,500. On October 1, 2014, the Company cancelled 1,984,400 shares of the common stock, which were granted to the employees on September 12, 2014. The $99,200 stock based compensation recorded in fiscal year 2014 was reversed accordingly. On October 1, 2014, the Company also reversed 250,000 shares of the 8,325,949 shares previously cancelled in connection with the disposal of the magnesium segment since both Mr. Huang and the Company agreed that the number of shares to be cancelled should be 8,075,949 and the 250,000 shares held by parties related to Mr. Huang were not originally issued for the acquisitions of magnesium facilities. The Company also issued 3,000,000 share of common stock, valued at $50,100, to Xiaowen Zhuang on September 3, 2015 pursuant to the exercise of the options.

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During fiscal year 2014, we issued a total of 10,773,787 shares of our common stock. 3,200,000 shares of common stock were issued in connection with the exercise of 3,200,000 stock options for proceeds totaling of $160,000, including the actual net cash we received of $105,000, $12,150 in receivables which had been collected in December of 2014, and $75,002 to pay off our debts and accrued liabilities, which resulted in $32,152 in gain on settlement due to the excess of liabilities forgiven. We also issued 5,589,387 shares to consultants for services, valued at $375,866. On September 12, 2014, we granted 1,984,400 shares of common stock to the employees as repayment for salaries owed in the past years, valued at $99,220. On September 30, 2014, we also cancelled 8,325,949 shares of our common stock held by parties related to Mr. Huang which were originally issued for our acquisitions of magnesium facilities. The fair market value for those shares was $499,557 on September 30, 2014.

Option and Warrants

On August 28, 2015, China Direct Investments entered into a consulting agreement with Mr. Xiaowen Zhuang, the management member of CDI Shanghai Management and brother of James (Yuejian) Wang, pursuant to which he received the options to purchase 3,000,000 shares of the Company's common stock at an exercise price of $0.0167 for providing services including but not limited to sales, translation and marketing for a period ended on December 31, 2016. Both parties also entered into option agreement on the same day and the options to purchase common stock were granted under the Company's S-8 registration. The options vested immediately and will expire on December 31, 2017.

The Company issued 3,000,000 share of common stock, value at $50,100, to Xiaowen Zhuang on September 3, 2015 pursuant to the exercise of the options. The Company received the proceeds of the exercise of options in the amount of $50,100 on December 11, 2015. As a result, the Company recorded $50,100 subscription receivable as an asset on the consolidated balance sheets as of September 30, 2015.

The Company recognized a total of $130,657 and $206,548 stock option expenses for fiscal years ended September 30, 2015 and 2014, respectively. The value of option was calculated using Black Scholes Option Pricing Model based upon the following assumptions: dividend yield of 0%, volatility of 120% - 176%, risk free rate of 0.36% - 1.20%, and an expected term of 1.17 to 4.5 years.

The following table sets forth our stock option activities during fiscal year 2015 and 2014:

Description	Shares underlying options		Weighted average exercise price
Balance at September 30, 2014	9,000,480	$	0.05
Outstanding and exercisable at September 30, 2014	3,000,480	$	0.05
Granted	3,000,000		0.0167
Exercised	(3,000,000)		0.0167
Expired	(480)		11.25
Balance at September 30, 2015	9,000,000	$	0.05
Outstanding and Exercisable at September 30, 2015	6,000,000	$	0.05

As of September 30, 2015 and 2014, we had 9,000,000 and 9,000,480 shares underlying options outstanding.

The remaining contractual life and exercise price of options outstanding and exercisable at September 30, 2015 are as follows:

Number of options outstanding and exercisable	Exercise price	Remaining contractual life (Years)
3,000,000	$ 0.050	2.00
3,000,000	0.050	3.00
6,000,000	$ 0.050	2.50

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Common Stock Purchase Warrants

During the year ended September 30, 2015, 5,000,000 warrants with an exercise price of $0.023, expiring on December 31, 2017, were issued to a consultant for services provided. Also see Note 9.

A summary of the status of our outstanding common stock purchase warrants granted as of September 30, 2015 and changes during the period is as follows:

	Shares underlying warrants		Weighted average exercise price
Outstanding and exercisable at September 30, 2014	2,129,130	$	2.20
Expired	(1,351,352)		2.31
Granted	5,000,000		0.023
Outstanding and exercisable at September 30, 2015	5,777,778	$	0.29

The following information applies to all warrants outstanding and exercisable at September 30, 2015.

Number of Warrants outstanding and exercisable		Exercise Price	Remaining contractual life (Years)
777,778	$	2.00	1.83
5,000,000		0.023	2.25
5,777,778	$	0.29	2.20

NOTE 13 - NON-CONTROLLING INTERESTS

As of September 30, 2015 and 2014, our consolidated balance sheets reflected total non-controlling interests of $0 and ($504), respectively, which represent the equity portion of our subsidiaries held by non-controlling investors in Mineral Trading segment. $504 was removed from non-controlling interests due to the disposal of subsidiaries in the Mineral Trading segment. See Note 16 - discontinued operations for additional information.

NOTE 14 - SEGMENT INFORMATION

For fiscal year 2015 and 2014, the Company operated in two reportable business segments - (1) Mineral Trading, formerly Basic Materials segment, where we sell and distribute of a variety of products, including iron ore products, non -ferrous metals, recycled materials, and industrial commodities, and (2) the Consulting segment where we provide business and financial consulting services to U.S. public companies that operate primarily in China. The Company's reportable segments are strategic business units that offer different products. They are managed separately based on the fundamental differences in their operations. Information with respect to these reportable business segments for the fiscal year 2015 and 2014 are as follows:

Revenues:		2015		2014
Mineral Trading	$	-	$	799,759
Consulting		360,049		914,779

Total revenue:	$	360,049	$	1,714,538

Depreciation:		2015		2014
Mineral Trading	$	-	$	6,583
Consulting		17,880		37,367
Total depreciation:	$	17,880	$	43,950

Interest expense and interest expense - relate party:		2015		2014
Mineral Trading	$	-	$	6,442
Consulting		834,639		207,683
Total interest expense and interest expense - relate party:	$	834,639	$	214,125

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Net loss from continuing operations:		2015		2014
Mineral Trading	$	50,057	$	1,884,581
Consulting		4,600,604		3,067,117
Total net loss from continuing operations:	$	4,650,661	$	4,951,698

Total tangible assets by segment as of September 30, 2015 and 2014 are as follows:

		September 30, 2015		September 30, 2014
Mineral Trading	$	-	$	-
Consulting		63,088		83,204
Total tangible assets	$	63,088	$	83,204

NOTE 15 - INCOME TAXES

Our income (loss) in the U.S. is subject to applicable Federal, State, and Local tax statutes. Our income (loss) in China is subject to taxation in the PRC concerning Foreign Investment Enterprises and local income tax laws (the "PRC Income Tax Laws). Pursuant to the PRC Income Tax Laws, unless special tax incentives are granted, all enterprises in China are subject to taxation at a statutory rate of 25%. Our income (loss) in Brunei is exempt from Brunei Darussalam income tax.

The components of income (loss) before income taxes for fiscal year 2015 and 2014 consisted of the following:

Description		September 30, 2015		September 30, 2014
U.S. Operations	$	(3,317,833)	$	(4,817,762)
China Operations		(1,253,320)		43,957
Brunei Operations		(79,508)		(177,893)
Discontinued Operations		1,554,144		18,715,887
Total income (loss) before income taxes	$	(3,096,517)	$	13,764,189

We did not incur any income tax expenses from continuing operations for fiscal year 2015 and 2014. In fiscal year 2015, the income from discontinued operations was primarily from the gain on disposal of discontinued operations. However, as the Company received nominal considerations for disposal of subsidiaries, the gain on disposal of discontinued operations did not have any income tax implications.

The significant components of our net deferred tax assets and liabilities consisted of federal net operating loss carry forwards. U.S. GAAP requires a valuation allowance to reduce the deferred tax assets reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. After consideration of all the evidence, both positive and negative, management has determined that a full valuation allowance of approximately \$14.5 million and \$13.4 million against its net deferred taxes is necessary as of September 30, 2015 and 2014, respectively. Therefore, our net deferred tax asset is zero as of September 30, 2015 and 2014, respectively.

As of September 30, 2015 and 2014, we had approximately $41.5 million and $38.4 million of U.S. net operating loss carryforwards remaining, which will expire in 2029. The Internal Revenue Service (IRS) is currently auditing our consolidated income tax return for 2008. The IRS has proposed an adjustment to our 2008 taxable income due to transfer pricing issue of $10.1 million. However, we have retained an independent accounting firm that has conducted an independent transfer pricing study. In May 2013, the case was sent to the Appeals division of the Internal Revenue Service. At present we are in the process of waiting for the Service to assign an examiner to determine the validity of our position as it relates to the transfer pricing issue. As a result of such study, we anticipate that any adjustment would be limited to $5 million.

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NOTE 16 - CONCENTRATION OF CREDIT RISK AND MAJOR CUSTOMERS

For the years ended September 30, 2015 and 2014, customers accounting for 10% or more of the Company's revenue are as follows:

Customer	For the Years Ended September 30,			
	2015		2014	
A	58.85	%	*	%
B	10.42	%	*	%
C	*	%	17.91	%
D	*	%	14.80	%
E	*	%	10.95	%
F	*	%	10.24	%

*% Less than 10%

During the fiscal year of 2015, there were two customers who contributed for more than ten percent of the total revenues, and the total account receivables from these two customers was zero. During the fiscal year of 2014, there were four customers who contributed for more than ten percent of the total revenues, and the total account receivables from these four customers was 32% of the total accounts receivables. The loss of these main customers could have an adverse effect on the Company's business, operating results, or financial condition.

NOTE 17 - DISCONTINUED OPERATIONS

Subsidiaries Disposed

In April 2015, the Company sold its entire 95% equity interest in CDI Jingkun Zinc and 100% equity interest in CDI Metal to Xiaowen Zhuang, a management member and the brother of James (Yuejian) Wang, the CEO of the Company. The Company also sold its 100% equity interest in CDI Jixiang Metal to Dragon Capital, a related party company. As a result, results of operations, financial position and cash flows associated with CDI Jingkun Zinc, CDI Metal and CDI Jixiang Metal are reported as discontinued operations for all periods presented. During the fourth quarter of fiscal year 2015, the Company also disposed CDII Chile and the Chilean government has granted us approval to officially close down the business on July 31, 2015. As a result, results of operations, financial position and cash flows associated with CDI Chile are reported as discontinued operations for all periods presented, and its assets and liabilities as of September 30, 2014 were reclassified to discontinued assets and liabilities. The Company had a gain on disposal of subsidiaries of $1.6 million in fiscal year 2015. In connection with the disposal, other receivables of CDI Shanghai Management, Capital Resource Management and CDII Minerals in the amount of $475,846, $1,403,967 and $381,159, respectively, from the disposed entities as of the dates of disposals were deemed uncollectable and as a result were written off. The write-off of receivables for total amount of $2,260,972 was included in gain or loss on disposal of subsidiaries.

On September 30, 2014, the Company entered into a share exchange agreement to dispose its Magnesium segment as a result of the repositioning of the Company in view of the deterioration of operating results from Magnesium segment. The Company sold the Magnesium segment to Mr. Huang and in return, Mr. Huang and other parties have returned and cancelled 8,075,949 shares of the Company's common stock held by such parties related to Mr. Huang.

In addition, 41,524 shares of convertible series D preferred stock were cancelled within 10 business days after the share exchange agreement was signed. Pursuant to the terms of the agreement, the Company sold its 100% equity interest in Asia Magnesium Corporation Limited ("Asia Magnesium"), 100% interest in Beauty East International, Ltd. ("Beauty East"), 100% equity interest in Marvelous Honor Holdings Inc. ("Marvelous Honor"), entire 51% equity interest in Baotou Changxin Magnesium Co., Ltd ("Baotou Changxin Magnesium"), 100% equity interest in Lingshi Xinghai Magnesium Industry Co., Ltd. ("Lingshi Magnesium"), entire 80% equity interest in Taiyuan Ruiming Yiwei Magnesium Co., Ltd. ("Ruiming Magnesium"), entire 51% equity interest in Taiyuan Changxin Magnesium Co., Ltd. ("Chang Magnesium"), entire 100% equity interest in Taiyuan Changxin YiWei Trading Co., Ltd. ("Chang Trading"), 100% equity interest in Golden Trust Magnesium, and 100% equity interest in International Magnesium Trading Corp. ("IMTC"). The Company recorded impairment loss on the assets of the discontinued magnesium operations in the prior fiscal years, as a result, the Company had a gain on disposal of Magnesium segment totaling $33,949,995 in fiscal year 2014, which was reported as part of "discontinued operations" for the year ended September 30, 2014.

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Summarized Financial Information for Discontinued Operations

After impairment charges, the carrying amounts of the major classes of assets and liabilities of discontinued operations as of September 30, 2015 and 2014 were as follows:

	September 30, 2015	September 30, 2014
Assets of discontinued operations:		
Cash and cash equivalents	$ -	$ 1,460
Accounts, loans, other receivable and prepaid expenses - related parties	-	3,255
Inventories, net	-	3,877
Prepaid expenses and other current assets, net	-	15,050
Total assets of discontinued operations	$ -	$ 23,642
Liabilities of discontinued operations:		
Accounts payable and accrued expenses	-	7,487
Accounts and other payables-related parties	-	29,252
Advances from customers	-	52,870
Other liability	-	1,499,923
Accrued salary payable		13,263
Total liabilities of discontinued operations	$ -	$ 1,602,795

The following table presents the results of discontinued operations in fiscal year 2015 and 2014:

	For the Year Ended September 30, 2015	2014
Revenues	$ -	$ 47,656,268
Cost of revenues	-	50,478,353
Loss before income taxes	(19,033)	(15,234,108)
Income tax expense	-	-
Loss from discontinuing operations	(19,033)	(15,234,108)
Gain from disposal, net of taxes	1,573,177	33,949,995
Total (Loss) Gain from discontinued operations	$ 1,554,144	$ 18,715,887

As of September 30, 2015 and 2014, the details of other receivable and prepaid expenses - related parties were as follows:

CD International Subsidiary	Related Party	September 30, 2015	September 30, 2014

CDII Chile	Kong Tung	$	-	$	3,255
Total Other Receivable-Related Parties		$	-	$	3,255

As of September 30, 2015 and 2014, the details of accounts and other payables - related parties were as follows:

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CD International Subsidiary	Related Party	September 30, 2015		September 30, 2014	
CDI Metal	Xiaowen Zhuang	$	-	$	29,252
Total Accounts and Other Payables - Related Parties		$	-	$	29,252

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Leases

The Company entered into a lease agreement on September 1, 2013 for office space of approximately 6,170 square feet at 431 Fairway Dr Ste 200, Deerfield Beach FL 33441 for rental expense of approximately $209,078 annually. The lease expires on March 31, 2019. On May 1, 2015, the Company signed an amendment to amend and restate this lease agreement to downsize the office space to 4,694 square feet at the same location for an annual rental expense of approximately $207,108. In fiscal year 2015 and 2014, our lease expense incurred was $156,604 and $210,515, respectively.

CDI Shanghai Management leases approximately 1,500 square feet of office space in Shanghai for an annual expense of approximately $57,100 (RMB 350,592) in fiscal year 2014. On September 25, 2014, CDI Shanghai Management signed a lease for a new office place of approximately 1,127 square feet of office space in Shanghai, for an annual expense of approximately $17,170 (RMB105,600) per year. The lease term begins on October 1, 2014, expired on September 30, 2015 and was renewed to expire on September 30, 2016.

On September 30, 2015, future annual lease payments due pursuant to operating leases amounts to the following:

Fiscal Year Ended September 30,		
2016	$	142,788
2017		157,489
2018		167,356
2019		85,960
Total	$	553,593

Income Tax Matters

The IRS is currently auditing our consolidated income tax return for 2008. The IRS has proposed an adjustment to our 2008 taxable income and penalties of approximately $4.6 million (approximately $3.1 million in income tax and $1.5 million in penalties) primarily related to transfer pricing issues pursuant to IRC section 482. In May 2013, the case was sent to the Appeals division of the Internal Revenue Service. At present we are in the process of waiting for the Service to assign an examiner to determine the validity of our position as it relates to the transfer pricing issue and revenue reorganization of restricted stock. We retained an independent accounting firm that has conducted an independent transfer pricing study, an evaluation of the tax basis value of marketable securities received for services, and an analysis of the allocation of the related costs and expenses associated with such revenues. As a result of such study and as a result of net operating tax loss carry forwards, we believe that no income tax or penalties will be

accessed against us by the IRS and we intend to vigorously defend our position including an appeal in the U.S. Tax Court. If we are unable to defend our position, any such adjustment could have a material effect on the Company's results of operations and financial position and liquidity.

Legal Contingencies

Our wholly owned subsidiaries, China Direct Investments and Capital Resource Management, and our Company are involved in the following litigation with a shareholder of Linkwell Corporation, Ltd. ("Plaintiff"):

On January 9, 2013, Plaintiff filed a petition in the United States District Court for the Southern District of Florida (Case No. 12-cv-62539-WJZ) to complain that Linkwell's directors (Director Defendants) breached their fiduciary duties to Linkwell and its shareholders by entering into a transaction intended to obscure their "secret transfer" of Linkwell's valuable subsidiaries to themselves or entities they control or Ecolab, Inc. without fair compensation being paid to Linkwell and by causing Linkwell to file and disseminate materially misleading information.

In addition, Plaintiff contended that the "Non-Director Defendants" - including the Company and its subsidiaries, China Direct Investments and Capital Resource Management - aided and abetted those breaches and conspired with the Director Defendants to commit those breaches. The Plaintiff also contended that all defendants were unjustly enriched and are liable for attorney's fees. China Direct Investments and Capital Resource Management are alleged to have acted as consultants who were the "principal moving force" behind the challenged transaction, for which consulting services each is alleged to have received shares of Linkwell common stock.

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Subsequent to the filing of the initial complaint, Linkwell's Board of Directors unwound the challenged transaction and the shares received by China Direct Investments and Capital Resource Management were returned to Linkwell. The Company, as well as China Direct Investments and Capital Resource Management, has denied all liability and intends to contest the matter vigorously.

On April 28, 2015, TCA Global Credit Master Fund, LP. ("TCA") filed a complaint/petition in the Circut Court of for the 17th Judicial Circuit in and for Broward County, Florida. (Case No. 15-007210). The complaint/petition alleges that: 1) the Company is in breach of credit facility agreement by CD International Enterprises, Inc.; 2) the court should order foreclosure of security interest against CD International Enterprises, Inc., CDI China, Inc., China Direct Investments, Inc., CDII Minerals, Inc. International Magnesium Group, Inc., and James (Yuejian) Wang; 3) the Company is in breach of revolving convertible promissory note by CD International Enterprises, Inc.; 4) the Company is in breach of guaranty against James (Yuejian) Wang and CDI China, Inc., China Direct Investments, Inc., CDII Minerals, Inc. and International Magnesium Group, Inc.; 5) the Company has made fraudulent misrepresentation as to CD International and James (Yuejian) Wang; and 6) the Company has made negligent misrepresentation as to CD International Enterprises, Inc. and James (Yuejian) Wang. TCA demanded the repayment of principal of $650,000 and interest payable of $46,123. In addition, TCA demanded the payment of default interest and penalties on the note in the amount of $30,145 and $106,115 on the advisory fee, respectively. On October 15, 2015, the Company and TCA entered into settlement agreement pursuant which both parties agreed that the outstanding obligations the Company owed to TCA should be $1,036,032 as of October 8, 2015, including $765,133 principal, accrued and unpaid interest and other fees and charges and $270,899 for the advisory fees related charges. The total obligation of $1,036,032 was split into two separate and distinct replacement notes for the balance of $50,000 ("Replacement Note A") and $986,032 ("Replacement Note B"). The effective interest rate remained at 18%. The maturity date of the promissory notes was extended to October 15, 2016 and notes were no longer in default upon execution of the settlement agreement. The Company is obligated to pay TCA $40,000 commencing on November 30, 2015 and then on the 30th day of each consecutive calendar month thereafter for all obligations identified in the settlement agreement. On October 26, 2015, TCA further assigned a portion of the promissory note including the related right, title and interest in the note to Magna Asset Services ("Magna") in multiple tranches. The first tranche is in the amount of $50,000 (Replacement Note A) and Magna has the option to make subsequent purchases in multiple tranches of $750,000 of the outstanding obligations. Upon an event of default, TCA may convert all or any portion of the outstanding principal and accrued interest payables into shares of the Company's common stock equal to the 85% of the average of the lowest daily VWAP of the five business days prior to the conversion day. TCA has had its counsel to file a Conditional Joint Stipulation of Dismissal Without Prejudice with respect to the Pending Litigation the parties involved. Consequently, the case was settled and dismissed pursuant to the Stipulation of Settlement entered into between the parties. The Court reserved jurisdiction for enforcement of the settlement terms. The Company has accrued principal, unpaid interest and other fees and charges of $763,257, advisory fees of $270,900, and other legal expenses of $40,342, as of September 30, 2015.

NOTE 19 - SUBSEQUENT EVENTS

On October 1, 2015, the Company entered into a loan agreement with Money Works Direct for the amount of $50,000 with a monthly interest rate at approximately 4.44%. The Company is required to pay back a total amount of $70,000 with the specific daily amount of $999. As a result, the loan is required to be paid back by June 30, 2016. The loan is secured by pledge of assets of CDII and guaranteed by the James (Yuejian) Wang, the CEO of the Company.

On October 13, 2015, the Company issued a convertible promissory note to an institutional investor and the principal is up to $150,000 with a 10% original discount. The consideration to be received is up to $135,000 with $25,000

payable at closing of the note and up to $110,000 upon mutual agreement. The conversion price is 60% of the lowest trade price in the 25 trading days previous to the conversion date. The Company has the option to pre-pay the loan within 90 days with no interest. After 90 days, the note will bear a 12% one-time interest charge. This note becomes due and payable on October 12, 2017.

On October 14, 2015, the Company entered into a note purchase agreement with an institutional investor to sell all or a portion of $600,000 of Kong Tung's note together with accrued interest of $214,000 depending on the funding of the investor, which became convertible after its maturity date of December 31, 2015. Pursuant to the purchase agreement, the Company shall repay the institutional investor the principal of $600,000 with interest at the rate of 8% per year starting from October 14, 2015, and the institutional investor has the option to convert all or portion of the unpaid principal balance, together with any accrued interest and any fees or charges, into the Company's common stocks at a 40% discount to the lowest closing price of the common stock during the 10 trading day period preceding the conversion date. From October 20, 2015 to December 11, 2015, the institutional investor purchased $241,500 of the note and converted a total of 220,000,000 shares of the Company's common stock at the average conversion price of $0.0011.

On October 15, 2015, Kong Tung and an institutional investor entered into a note purchase agreement. Pursuant to the agreement, $50,000 out of the $600,000 Kong Tung's convertible note was sold to the institutional investor. The note bears an interest rate of 12% with a maturity date of October 15, 2016. The conversion price of the note is 55% of the lowest trading price of the Company's common stock during the 10 consecutive trading days prior to the conversion date. The institutional investor converted all the principal of $50,000 and accrued interest of $6,000 of the note into a total of 40,652,958 shares of the Company's common stock at the average conversion price of $0.0014.

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On October 15, 2015, the Company and TCA entered into a settlement agreement pursuant to which both parties agreed that the outstanding obligations the Company owed to TCA should be $1,036,032 as of October 8, 2015, including $765,133 for the principal, accrued interest and other fees and charges and $270,899 for the advisory fees. The total obligation of $1,036,032 was split into two separate and distinct replacement notes for the balance of $50,000 ("Replacement Note A") and $986,032 ("Replacement Note B"). The effective interest rate remained 18%. The maturity date of the promissory notes was extended to October 15, 2016. Both Replacement Note A and Replacement Note B will be convertible upon default with a conversion price of 85% of the lowest of the daily VWAP of the Company's stock during the five business days immediately prior to the conversion date.

On October 15, 2015, the Company issued a convertible promissory note for the amount of $25,000 to an institutional investor, at a 10% annual interest rate. This note provides conversion features equal to 55% of the lowest trading price of the Company's common stock during the 10 consecutive trading days prior to the date of conversion. This note becomes due and payable on October 15, 2016. The sum of $20,000 shall be remitted and delivered to the Company and the remaining $5,000 shall be retained by the purchaser through an original issue discount for due diligence and legal bills related to the transaction. Additional interest will accrue from the date of event of default at the rate equal to the lower of 18% per annum or the highest rate permitted by law.

On October 16, 2015, the Company entered into an amendment to promissory note (Amendment I) for total amount of $700,000 with Yewen Xi, pursuant to which Yewen Xi has rights, at any time, to convert the outstanding principal amount and accrued interest into the Company's common shares. The conversion price shall be equal to 75% of the average closing price of the Company's common stock for five consecutive days prior to the conversion. On January 5, 2016, the Company and Yewen Xi entered into another amendment to the promissory note (Amendment II), pursuant to which the maturity date of $500,000 out of the total $700,000 is extended to September 30, 2016, and the holder of the note has the right to convert the outstanding balance and accrued interest after January 1, 2016 at the same conversion price stated in Amendment I.

On October 20, 2015, the Company issued a convertible promissory note for the amount of $40,000 to an institutional investor, at a 10% annual interest rate. This note provides conversion features, and the conversion price is the lower of (1) the closing sale price of the common stock on the principal market on the trading day immediately preceding the closing date, and (2) 60% of the lowest trading price of the Company's common stock during the 20 consecutive trading days prior to the date of conversion. This note becomes due and payable on October 20, 2016 and is guaranteed by all the subsidiaries of the Company.

On October 22, 2015, the Company issued a convertible note to an institutional investor for the principal amount of $25,000 with interest rate of 8% and maturity date of October 22, 2016. The holder of the note is entitled to convert the note into the Company's common stock at a price equals to 60% of the lowest trading price for the last 20 trading days prior to conversion.

On October 23, 2015, the Company issued 5,000,000 shares of common stock under the Company's S-8 registration to a consultant for the exercise of the warrants with an exercise price of $0.023 granted to him pursuant to a consulting agreement entered into on September 4, 2015. The Company received the proceeds in the amount of $116,000 in December 2015.

On October 23, 2015, the Company issued 2,000,000 shares of restricted common stock valued at $38,800 to a consultant for consulting service fees.

On October 26 2015, the Company entered into a master exchange agreement with an institutional investor. Pursuant to the exchange agreement, the institutional investor shall exchange, at its option, $50,000 principal amount of convertible notes of the Company for shares of the Company's common stock at $0.0001 par value per share at an exchange price of 57% of the lowest trading price of the Company's common stock during the five consecutive trading day period preceding the exchange date. From November 4, 2015 to December 4, 2015, the institutional investor converted $51,846 into a total of 55,989,891 shares of the Company's common stock at the average conversion price of $0.0009.

On November 1, 2015, the Company issued 1,000,000 shares of restricted common stock valued at $0.0072 per share to a consultant for consulting services.

On December 4, 2015, the Company issued 500,000 shares of restricted common stock valued at $0.0082 per share to a consultant for consulting services.

On December 9, 2015, the Company entered into a note purchase agreement with an institutional investor to sell $100,000 of TCA's note. The note is convertible at a price of 85% of the lowest of the daily VWAP of the Company's common stock during five business days prior to the conversion date. From December 10, 2015 to December 22, 2015, the institutional investor converted $99,990 of the note into a total of 82,688,447 shares of the Company's common stock at the average conversion price of $0.0012.

On December 9, 2015, the Company issued a convertible promissory note for the amount of $120,000 to an institutional investor, at a 12% annual interest rate. 20% of any consideration was retained by the debt holder as an original issue discount. This note provides conversion features equal to 55% of the lowest trading price of the Company's common stock during the 10 consecutive trading days prior to the date of conversion. 15% additional cumulative discount of the conversion price can be charged under certain circumstances. This note becomes due and payable on December 9, 2016. In any event of default, additional interest will accrue at the rate equal to the lower of 22% per annum or the highest rate permitted by the law.

On December 22, 2015, the Company agreed with James (Yuejian) Wang, the CEO of the Company, to extend the maturity date of his $300,000 promissory note to September 30, 2016. The Company has the option to pay off the principal amount and all accrued interest in common stock to be valued at $0.005 per share.

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145
 %
Revenue days - time chartered-in vessels

1,884

2,839

(955
)

(34
)%
Owned vessel operating days

7,957

3,265

4,692

144
 %
Average number of owned vessels

21.8

8.9

12.9

145
 %
Average number of time chartered-in vessels

5.2

7.8

(2.6
)

(33
)%

Vessel revenue. Vessel revenue for the year ended December 31, 2014 was $151.7 million, an increase of $50.2 million, or 49%, from the year ended December 31, 2013. The change in revenue was the result of an increase in the overall number of revenue days to 9,790 from 6,072 offset by a decrease in TCE revenue per day to $15,297 from $16,546 during the years ended December 31, 2014 and 2013, respectively.
The increase in revenue days was due to an increase in the average number of owned vessels to 21.8 from 8.9 during the years ended December 31, 2014 and 2013, respectively, offset by a decrease in the average number of time chartered-in vessels to 5.2 from 7.8 over those same periods. 22 MRs were delivered under our Newbuilding Program during the year ended December 31, 2014 and seven were delivered during the year ended December 31, 2013, as depicted in the table below.

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Newbuilding MRs that were delivered throughout 2014

	Vessel	Delivery Date
1	STI Duchessa	January 2014
2	STI Opera	January 2014
3	STI Texas City	March 2014
4	STI Meraux	April 2014
5	STI Chelsea	May 2014
6	STI San Antonio	May 2014
7	STI Lexington	May 2014
8	STI Venere	June 2014
9	STI Virtus	June 2014
10	STI Powai	July 2014
11	STI Aqua	July 2014
12	STI Dama	July 2014
13	STI Olivia	August 2014
14	STI Mythos	August 2014
15	STI Regina	September 2014
16	STI Benicia	September 2014
17	STI St. Charles	September 2014
18	STI Mayfair	October 2014
19	STI Yorkville	October 2014
20	STI Milwaukee	November 2014
21	STI Battery	December 2014
22	STI Soho	December 2014

Newbuilding MRs that were delivered throughout 2013

	Vessel	Delivery Date
1	STI Sapphire	January 2013
2	STI Emerald	March 2013
3	STI Beryl	April 2013
4	STI Le Rocher	July 2013
5	STI Larvotto	July 2013
6	STI Fontvieille	August 2013
7	STI Ville	September 2013

The increase in revenue days was offset by a decrease in TCE revenue per day to $15,297 from $16,546 per day during the years ended December 31, 2014 and 2013, respectively. Elongated maintenance schedules and unscheduled outages in U.S. Gulf Coast refineries pressured charter rates for MRs trading in that region in the first half of 2014, which had a consequent effect on the overall spot market. The second half of 2014 improved as a result of increased exports of refined products out of U.S. Gulf Coast refineries, which had a consequent impact on overall spot rates, particularly in the Atlantic Basin.

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Vessel operating costs. Vessel operating costs for the year ended December 31, 2014 were $52.6 million, an increase of $32.5 million, or 162%, from the year ended December 31, 2013. This was due to an increase in operating days and operating costs per day. The number of operating days increased to 7,957 days from 3,265 days during the years ended December 31, 2014 and 2013, respectively, as we took delivery of 22 newbuilding MRs throughout 2014 and seven during 2013. In addition, operating costs per day increased by $511 per day as a result of expected increases in routine repairs and maintenance expenses for the initial vessels delivered under our Newbuilding Program in 2012 and early 2013.

Voyage expenses. Voyage expenses for the year ended December 31, 2014 were approximately $2.0 million, an increase of approximately $1.0 million or 101%, from the year ended December 31, 2013. Voyage expenses for the MR segment consist of the costs incurred on vessels delivered under our Newbuilding Program during each year as these vessels commenced short term time charters (up to 120 days) upon delivery from the shipyard and prior to their entry into the Scorpio MR Pool. These costs relate to costs incurred prior to their entries into the pool and primarily consisted of bunker costs (to the first port of loading), tank cleaning costs, and other miscellaneous costs. We had 1,364 days and 583 days of vessels on short term time charter during the years ended December 31, 2014 and 2013, respectively.

Charterhire. Charterhire expense for the year ended December 31, 2014 was $27.8 million, a decrease of $13.0 million, or 32%, from the year ended December 31, 2013. The decrease was the result of a decrease in the average number of time chartered-in vessels to 5.2 from 7.8 during the years ended December 31, 2014 and 2013, respectively. The time charters for Endeavour, Pacific Duchess and Valle Bianca expired during the year ended December 31, 2013, while the time charters for Freja Lupus, STX Ace 6, Ugale and Gan-Triumph expired during the year ended December 31, 2014.

Depreciation. Depreciation expense for the year ended December 31, 2014 was $30.9 million, an increase of $17.6 million, or 133%, from the year ended December 31, 2013. The increase was the result of an increase in the average number of owned MRs to 21.8 from 8.9 for the years ended December 31, 2014 and 2013, respectively. We took delivery of 22 and seven MRs under our Newbuilding Program during the years ended December 31, 2014 and 2013, respectively.

General and administrative expenses. General and administrative expenses for the year ended December 31, 2014 were $2.3 million, an increase of $1.3 million, or 125%, from the year ended December 31, 2013. General and administrative expenses for the MR segment primarily consist of administrative fees to SSH, which increased as a result of the increase in the average number of owned MR vessels to 21.8 from 8.9 for the year ended December 31, 2014 and 2013, respectively.

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Handymax Segment

We took delivery of 12 Handymax ice class 1-A product tankers under our Newbuilding Program during 2014 and our fleet of time chartered-in Handymaxes increased to an average of 7.9 vessels from an average of 6.7 vessels during the years ended December 31, 2014 and 2013, respectively.

The following table summarizes segment profit for our Handymax segment.

Handymax segment	For the year ended December 31,			
In thousands of U.S. dollars	2014	2013	Change	Percentage Change
Vessel revenue	$65,766	$36,205	$29,561	82 %
Vessel operating costs	(10,902)	(2,648)	(8,254)	(312)%
Voyage expenses	(671)	(11)	(660)	(6,000)%
Charterhire	(38,390)	(31,086)	(7,304)	(23)%
Depreciation	(5,436)	(1,292)	(4,144)	(321)%
General and administrative expenses	(450)	(118)	(332)	(281)%
Financial income	2	—	2	N/A
Segment profit	$9,919	$1,050	$8,869	845 %
TCE per revenue day	$14,528	$12,862	$1,666	13 %
Owned vessel operating costs per day	6,704	6,852	148	2 %
Revenue days - owned vessels	1,593	365	1,228	336 %
Revenue days - time chartered-in vessels	2,887	2,450	437	18 %
Owned vessel operating days	1,620	365	1,255	344 %
Average number of owned vessels	4.4	1.0	3.4	340 %
Average number of time chartered-in vessels	7.9	6.7	1.2	18 %

Vessel revenue. Vessel revenue for the year ended December 31, 2014 was $65.8 million, an increase of $29.6 million, or 82%, from the year ended December 31, 2013. The increase is driven by an increase in the number of revenue days to 4,480 from 2,815 days during the years ended December 31, 2014 and 2013, respectively and an increase in TCE revenue per day to $14,528 from $12,862 over that same period. The improvement in the Handymax segment was due to overall improvements in the spot market as demand increased across most trading routes.

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Newbuilding Handymax ice class 1-A product tankers delivered throughout 2014

	Vessel	Delivery Date
1	STI Comandante	May 2014
2	STI Brixton	June 2014
3	STI Pimlico	July 2014
4	STI Hackney	August 2014
5	STI Acton	September 2014
6	STI Fulham	September 2014
7	STI Camden	September 2014
8	STI Battersea	October 2014
9	STI Wembley	October 2014
10	STI Finchley	November 2014
11	STI Clapham	November 2014
12	STI Poplar	December 2014

Vessel operating costs. Vessel operating costs for the year ended December 31, 2014 were $10.9 million, an increase of $8.3 million, or 312%, from the year ended December 31, 2013. This increase was due to an increase in vessel operating days offset by a decrease in operating costs per day. Owned vessel operating days increased to 1,620 from 365 days during the years ended December 31, 2014 and 2013, respectively. In 2013, STI Highlander was the only owned vessel operating in this segment whereas we took delivery of 12 ice class-1A Handymax tankers under our Newbuilding Program in 2014.

Voyage expenses. Voyage expenses for the year ended December 31, 2014 were $0.7 million, an increase of $0.7 million, or 6,000%, from the year ended December 31, 2013. The increase was driven by the vessels delivered under our Newbuilding Program, which were employed on short-term time charters (up to 120 days) that commenced upon delivery from the shipyard for a total of 812 days during the year ended December 31, 2014. While these time charters are agreed to at fixed TCE rates, voyage costs are incurred for bunker costs (to the first load port), tank cleaning costs and other miscellaneous costs incurred prior to their entrance into the Scorpio Handymax Pool.

Charterhire. Charterhire expense for the year ended December 31, 2014 was $38.4 million, an increase of $7.3 million, or 23%, from the year ended December 31, 2013. The increase was the result of an increase in the average number of time chartered-in vessels to 7.9 from 6.7 during the years ended December 31, 2014 and 2013, respectively. Krisjanis Valdemars, Kraslava, Histria Azure, Histria Perla, Histria Coral, Jinan, Iver Progress, Iver Prosperity and Freja Polaris were time chartered-in for a total of 2,450 days during the year ended December 31, 2013, whereas Histria Coral, Histria Perla, Histria Azure, Krisjanis Valdemars, Kraslava, Jinan and Freja Polaris were time chartered-in for a total of 2,887 days during the year ended December 31, 2014.

Depreciation. Depreciation expense for the year ended December 31, 2014 was $5.4 million, an increase of $4.1 million, or 321%, from the year ended December 31, 2013. The increase was driven by the deliveries of the 12 ice class-1A Handymax tankers under our Newbuilding Program during the year ended December 31, 2014.

General and administrative expenses. General and administrative expenses for the year ended December 31, 2014 were $0.5 million, an increase of $0.3 million, or 281% from the year ended December 31, 2013. General and administrative expenses for the Handymax segment primarily consist of administrative fees to SSH, which increased as a result of the increase in the average number of owned Handymax vessels to 4.4 from 1.0 for the years ended December 31, 2014 and 2013, respectively.

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Results of Operations for the Year ended December 31, 2013 Compared to the Year Ended December 31, 2012

	For the year ended December 31,			
In thousands of US dollars	2013	2012	Change	Percentage Change
Vessel revenue	$207,580	$115,381	$92,199	80 %
Vessel operating costs	(40,204)	(30,353)	(9,851)	(32)%
Voyage expenses	(4,846)	(21,744)	16,898	78 %
Charterhire	(115,543)	(43,701)	(71,842)	(164)%
Depreciation	(23,595)	(14,818)	(8,777)	(59)%
General and administrative expenses	(25,788)	(11,536)	(14,252)	(124)%
Write down of vessels held for sale and loss from sales of vessels	(21,187)	(10,404)	(10,783)	(104)%
Gain on sale of VLGCs	41,375	—	41,375	N/A
Financial expenses	(2,705)	(8,512)	5,807	68 %
Realized gain on derivative financial instruments	3	443	(440)	(99)%
Unrealized gain / (loss) on derivative financial instruments	567	(1,231)	1,798	146 %
Financial income	1,147	35	1,112	3,177 %
Share of profit from associate	369	—	369	N/A
Other expenses, net	(158)	(97)	(61)	(63)%
Net income / (loss)	$17,015	$(26,537)	$43,552	164 %

Net income / (loss). Net income for the year ended December 31, 2013 was $17.0 million, an increase of $43.6 million, or 164%, from a net loss of $26.5 million for the year ended December 31, 2012. The differences between the two periods are discussed below.

Vessel revenue. Vessel revenue for the year ended December 31, 2013 was $207.6 million, an increase of $92.2 million, or 80%, from revenue of $115.4 million for the year ended December 31, 2012. Overall revenue increases were driven by growth in our fleet of both owned and time chartered-in vessels to an average of 15.9 owned and 22.9 time chartered vessels during the year ended December 31, 2013 from an average of 10.8 owned and 9.2 time chartered-in vessels during the year ended December 31, 2012. These increases were augmented by an overall improvement in TCE rates to $14,369 per day from $12,960 per day.

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The following is a summary of our consolidated revenue by revenue type, in addition to TCE revenue per day and total revenue days.

In thousands of U.S. dollars	For the year ended December 31, 2013	2012	Change	Percentage Change
Pool revenue	$190,017	$72,262	$117,755	163 %
Voyage revenue (spot market)	17,563	43,119	(25,556)	(59)%
Gross revenue	207,580	115,381	92,199	80 %
Voyage expenses	(4,846)	(21,744)	16,898	(78)%
TCE revenue (1)	202,734	93,637	109,097	117 %
TCE Revenue per day: (1)				
Pool	$14,246	$13,098	$1,148	9 %
Voyage	16,499	12,516	3,983	32 %
Consolidated TCE revenue per day	14,369	12,960	1,409	11 %
Revenue days:				
Pool - owned vessels	5,323	2,851	2,472	87 %
Pool - time chartered-in vessels	8,015	2,662	5,353	201 %
Voyage - owned vessels	445	1,015	(570)	(56)%
Voyage - time charter-in vessels	326	698	(372)	(53)%
Total revenue days	14,109	7,226	6,883	95 %

(1) We report TCE revenues, a non-IFRS measure, because (i) we believe it provides additional meaningful information in conjunction with voyage revenues and voyage expenses, the most directly comparable IFRS measure, (ii) it assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance, (iii) it is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company’s performance irrespective of changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods, and (iv) we believe that it presents useful information to investors.

Pool revenue. The increase in pool revenue is primarily due to the growth of our fleet as six MRs that were delivered under our Newbuilding Program entered the Scorpio Group Pools during 2013, resulting in an increase in pool revenue days for owned vessels of 2,472 days. Additionally, our fleet of time chartered-in vessels grew to an average of 22.9 from 9.2 vessels during the years ended December 31, 2013 and 2012, respectively, resulting in an increase in pool revenue days for time chartered-in vessels of 5,353 days. Pool TCE revenue per day also improved to $14,246 per day from $13,098 per day over this same period driven by improved pool results within our MR segment. See below for discussions on operating results for each of our segments.

Voyage revenue (spot market). The differences in voyage revenue and voyage expenses between 2013 and 2012 reflect (i) an overall decrease in voyage days and (ii) a change in the mix of type of voyages.

- During 2013, our owned vessels that were delivered under our Newbuilding Program, STI Sapphire, STI Emerald, STI Beryl, STI Le Rocher, STI Larvotto, STI Fontvieille and STI Ville, were employed on short-term time charters that commenced upon delivery from the shipyards for a total of 445 days. These short-term time charters were agreed to at fixed TCE rates where only nominal voyage expenses were incurred for items such as bunker costs (to the first port of loading) and tank cleaning costs prior to each vessel's entrance into the Scorpio Group Pools. In addition, our time chartered-in vessels Gan-Trust, Nave Orion, King Douglas, Pacific Duchess and SN Federica operated in the

spot market for a total of 326 days during that same period.

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- During 2012, our owned vessels that were delivered under our Newbuilding Program, STI Amber, STI Topaz, STI Ruby, STI Garnet and STI Onyx were employed on short-term time charters upon delivery from the shipyards for a total of 414 days. These short term time charters were agreed to at fixed TCE rates where only nominal voyage expenses were incurred for items such as bunker costs (to the first port of loading) and tank cleaning costs prior to each vessel's entrance into the Scorpio Group Pools. Additionally during 2012, our owned vessels, STI Conqueror, STI Matador, STI Gladiator, STI Coral and STI Diamond, operated in the spot market for a total of 601 days prior to their sales and our time chartered-in vessels, FPMC P Eagle, Pacific Duchess, Targale, STX Ace 6, Freja Lupus, Endeavour and Valle Bianca, operated in the spot market for a total of 698 days.

- During 2013 and 2012, the rates on our short-term time charters were higher than rates achieved directly in the spot market, primarily due to the premiums earned on vessels delivered under our Newbuilding Program. These premiums drove the increase in voyage TCE revenue per day between the two periods.

Vessel operating costs. Vessel operating costs for the year ended December 31, 2013 were $40.2 million, an increase of $9.9 million, or 32%, from $30.4 million for the year ended December 31, 2012. This increase was due to an overall increase in operating days for our owned vessels to 5,820 from 3,957 during the years ended December 31, 2013 and 2012, respectively. The increase in operating days was driven by the increase in the average number of owned vessels to 15.9 from 10.8 for the years ended December 31, 2013 and 2012, respectively. The overall increase in operating days was offset by a decrease in vessel operating costs per day to $6,781 per day from $7,605 per day for the years ended December 31, 2013 and 2012, respectively. This decrease was driven by the growth in the fleet of MRs delivered under our Newbuilding Program, which realized improved operating performance when compared to our older vessels.
Voyage expenses. Voyage expenses for the year ended December 31, 2013 were $4.8 million, a decrease of $16.9 million, or 78%, from $21.7 million during the year ended December 31, 2012. The decrease was primarily driven by a decrease in the number of days vessels operated in the spot market to 771 days from 1,712 days for the years ended December 31, 2013 and 2012, respectively.
Furthermore, the vessels delivered under our Newbuilding Program in 2013 (STI Sapphire, STI Emerald, STI Beryl, STI Le Rocher, STI Larvotto, STI Fontvieille and STI Ville) were employed on short-term time charters (ranging from 45 to 120 days) for a total of 445 days which commenced upon deliveries from the shipyard during the year ended December 31, 2013. These short-term time charters were agreed to at fixed TCE rates, where only nominal voyage expenses were incurred. The vessels delivered under our Newbuilding Program in 2012 were employed on similar short-term time charters for a total of 414 days during the year ended December 31, 2012.
Charterhire. Charterhire expense for the year ended December 31, 2013 was $115.5 million, an increase of $71.8 million, or 164%, from $43.7 million during the year ended December 31, 2012. The increase was the result of an increase in the average number of time chartered-in vessels to 22.9 from 9.2 for the years ended December 31, 2013 and 2012, respectively.
Depreciation. Depreciation expense for the year ended December 31, 2013 was $23.6 million, an increase of $8.8 million or 59%, from $14.8 million during the year ended December 31, 2012. The increase was the result of an increase in the average number of owned vessels to 15.9 from 10.8 for the years ended December 31, 2013 and 2012, respectively, in addition to a change in the mix vessels in our fleet. Both were driven by the deliveries of the first 12 vessels under our Newbuilding Program in 2013 and 2012, offset by the sales of STI Conqueror, STI Matador, STI Gladiator, STI Diamond and STI Coral in 2012.
General and administrative expenses. General and administrative expenses for the year ended December 31, 2013 were $25.8 million, an increase of $14.3 million, or 124%, from $11.5 million during the year ended December 31, 2012. The increase was driven by a $9.7 million increase in restricted stock amortization (non-cash) and an overall increase in general and administrative expenses due to the significant growth of the Company.
Write down of vessels held for sale and loss from sales of vessels. Write down of vessels held for sale and loss from sales of vessels for the year ended December 31, 2013 was $21.2 million, an increase of $10.8 million, or 104%, from $10.4 million during the year ended December 31, 2012. Write-down of vessels held for sale for the year ended

December 31, 2013 relates to the designation of Noemi, Senatore, Venice and STI Spirit as held-for-sale and the corresponding write-down to the lower of their carrying value and fair value less estimated costs to sell at that date. Loss from sale of vessels for the year ended December 31, 2012 of $10.4 million was the result of the sales of STI Conqueror, STI Matador, STI Gladiator, STI Coral and STI Diamond during that period.

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Gain on sale of VLGCs. Gain on sale of VLGCs of $41.4 million during the year ended December 31, 2013 relates to the gain recorded as a result of our investment in Dorian. In November 2013, we contributed our VLGC business, which consisted of 11 VLGC newbuilding contracts and options to construct two additional VLGCs, together with a cash payment of $1.9 million to Dorian in exchange for newly issued shares representing 30% of Dorian's outstanding shares immediately following the transaction. As of the closing date of the transaction, we paid $83.1 million in installment payments for the 11 VLGC contracts. A gain of $41.4 million was recognized at the closing date for the difference between the book value of the assets contributed and the fair value of the consideration received less costs to sell.

Financial expenses. Financial expenses for the year ended December 31, 2013 were $2.7 million, a decrease of $5.8 million or 68%, from $8.5 million during the year ended December 31, 2012. The decrease was primarily driven by a one-time write-off of deferred financing fees of $3.0 million due to the extension of the availability period on the 2011 Credit Facility during the year ended December 31, 2012. The decrease was also the result of a reduction in interest expense which was driven by an increase in interest capitalized during the year ended December 31, 2013 as a result of the significant growth in our Newbuilding Program.

Financial expenses for the year ended December 31, 2013 consisted of interest expense on our bank loans ($1.0 million), commitment fees on the undrawn portions of our credit facilities ($1.4 million) and amortization of loan fees ($0.3 million).

Financial expenses for the year ended December 31, 2012 consisted of interest expense on our bank loans ($3.3 million), commitment fees on the undrawn portions of our credit facilities ($1.0 million), amortization of loan fees ($1.3 million), and a one-time write-off of deferred financing fees of $3.0 million due to the extension of the availability period on the 2011 Credit Facility.

Realized gain on derivative financial instruments. Realized gain on derivative financial instruments for the year ended December 31, 2013 was $3,208, a decrease of $0.4 million, or 99%, from $0.4 million from the year ended December 31, 2012. Realized gain on derivative financial instruments relates to earnings from profit and loss sharing agreements with third parties on a time chartered-in vessel and a vessel that was neither owned or operated by us. These agreements expired in October 2013 and January 2013, respectively.

Unrealized gain / (loss) on derivative financial instruments. Unrealized gain on derivative financial instruments for the year ended December 31, 2013 was $0.6 million, an increase of $1.8 million, or 146%, from an unrealized loss of $1.2 million during the year ended December 31, 2012. The unrealized gain / (loss) on derivative financial instruments consisted of the change in the fair value of our interest rate swaps related to the 2010 Revolving Credit Facility and the change in the fair value of profit and loss sharing agreements with third parties on time chartered-in vessels.

During the year ended December 31, 2013, we recorded an unrealized gain relating to our interest rate swaps of $0.4 million and an unrealized gain of $0.2 million related to our profit and loss sharing agreements with third parties on time chartered-in vessels.

During the year ended December 31, 2012, we recognized a one-time expense of $1.0 million which related to the reclassification from other comprehensive income to the statement of income or loss for the de-designation of hedge accounting on our interest rate swaps relating to the 2010 Revolving Credit Facility in addition to an unrealized loss of $0.2 million related to our profit and loss sharing agreements with third parties on time chartered-in vessels.

Financial income. Financial income consists of interest earned on our cash balance. Financial income increased $1.1 million during the year ended December 31, 2013 as a result of an increase in our average cash balance during the year. This was primarily driven by the receipt of net proceeds of $947.8 million from four separate offerings of common stock.

Share of profit from associate. Share of profit from associate for the year ended December 31, 2013 was $0.4 million. This relates to our share of Dorian's earnings from the closing date of our investment in Dorian of November 26, 2013 to December 31, 2013.

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LR2 segment
The following table summarizes segment loss for our LR2 segment.

LR2 segment	For the year ended December 31,			
In thousands of U.S. dollars	2013	2012	Change	Percentage Change
Vessel revenue	$28,204	$4,541	$23,663	521 %
Vessel operating costs	(3,211)	(3,304)	93	3 %
Voyage expenses	—	(25)	25	100 %
Charterhire	(29,341)	(1,287)	(28,054)	(2,180)%
Depreciation	(1,750)	(1,735)	(15)	(1)%
General and administrative expenses	(154)	(100)	(54)	(54)%
Write down of vessels held for sale	(6,185)	—	(6,185)	N/A
Financial expenses	(847)	(1,086)	239	22 %
Other expenses, net	(10)	(11)	1	9 %
Segment loss	$(13,294)	$(3,007)	$(10,287)	(342)%
TCE per revenue day	$12,718	$10,201	$2,517	25 %
Owned vessel operating costs per day	8,203	8,436	233	3 %
Revenue days - owned vessels	345	336	9	3 %
Revenue days - time chartered-in vessels	1,873	107	1,766	1,650 %
Owned vessel operating days	365	366	(1)	0 %
Average number of owned vessels	1.0	1.0	—	0 %
Average number of time chartered-in vessels	5.1	0.3	4.8	1,600 %

Vessel revenue. Vessel revenue for the year ended December 31, 2013 was $28.2 million, an increase of $23.7 million, or 521%, from the year ended December 31, 2012. The increase was primarily driven by an increase in owned and time chartered-in revenue days to 2,218 from 443 days during the years ended December 31, 2013 and 2012, respectively. This was the result of growth in our time chartered-in fleet as during the year ended December 31, 2013, we time chartered-in Khawr Aladid, FPMC P Hero, FPMC P Ideal, Fair Seas, Pink Stars, Orange Stars, Densa Alligator, Four Sky and Southport whereas only Khawr Aladid was time chartered-in during the year ended December 31, 2012. The increase in revenue was also driven by an increase in revenue per day to $12,718 per day from $10,201 per day during the years ended December 31, 2013 and 2012, respectively.
Vessel operating costs. Vessel operating costs for the year ended December 31, 2013 were $3.2 million, a decrease of $0.1 million, or 3%, from the year ended December 31, 2012. Operating costs per day relate to our owned LR2 vessel, STI Spirit, which improved to $8,203 per day from $8,436 per day during the years ended December 31, 2013 and 2012, respectively. This improvement was offset by certain, nominal operating costs incurred on our time chartered-in fleet as a result of the growth to 5.1 vessels from 0.3 vessels during the years ended December 31, 2013 and 2012, respectively.
Charterhire. Charterhire expense for the year ended December 31, 2013 was $29.3 million, an increase of $28.1 million or 2,180% from the year ended December 31, 2012. This increase was driven by the delivery of nine time chartered-in vessels during the year ended December 31, 2013 (Khawr Aladid, FPMC P Hero, FPMC P Ideal, Fair Seas, Pink Stars, Orange Stars, Densa Alligator, Four Sky and Southport). During the year ended December 31, 2012, we time chartered-in one vessel (Khawr Aladid), on a six month time charter-in agreement that expired in April 2012.
Depreciation. Depreciation expense for the year ended December 31, 2013 was $1.8 million, which remained consistent from the year ended December 31, 2012.

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Write down of vessels held for sale. Write down of vessels held for sale for the year ended December 31, 2013 was $6.2 million. The write down relates to the re-measurement of STI Spirit at the lower of its carrying value and fair value less estimated costs to sell as the vessel was designated as held for sale at December 31, 2013. We sold STI Spirit in April 2014 for $30.2 million.

Financial expenses. Financial expenses for the year ended December 31, 2013 were $0.8 million, a decrease of $0.2 million, or 22%, from the year ended December 31, 2012. Financial expenses for the LR2 segment relate to interest expense for our STI Spirit Credit Facility, which decreased as a result of a decrease in the outstanding balance under this loan.

Panamax / LR1 segment

The following table summarizes segment profit or loss for our Panamax / LR1 segment.

Panamax/LR1 segment	For the year ended December 31,			
In thousands of U.S. dollars	2013	2012	Change	Percentage Change
Vessel revenue	$41,683	$28,602	$13,081	46 %
Vessel operating costs	(14,276)	(14,137)	(139)	(1)%
Voyage expenses	(3,858)	(999)	(2,859)	(286)%
Charterhire	(14,363)	(1,629)	(12,734)	(782)%
Depreciation	(7,275)	(7,352)	77	1 %
General and administrative expenses	(536)	(495)	(41)	(8)%
Write down of vessels held for sale	(15,002)	—	(15,002)	N/A
Realized gain on derivative financial instruments	3	443	(440)	(99)%
Unrealized gain on derivative financial instruments	186	(184)	370	201 %
Segment profit	$(13,438)	$4,249	$(17,687)	(416)%
TCE per revenue day	$12,599	$14,264	$(1,665)	(12)%
Owned vessel operating costs per day	7,756	7,714	(42)	(1)%
Revenue days - owned vessels	1,825	1,807	18	1 %
Revenue days - time chartered-in vessels	1,180	129	1,051	815 %
Owned vessel operating days	1,825	1,830	(5)	0 %
Average number of owned vessels	5.0	5.0	—	0 %
Average number of time chartered-in vessels	3.2	0.4	2.8	700 %

Vessel Revenue. Vessel revenue for the year ended December 31, 2013 was $41.7 million, an increase of $13.1 million, or 46%, from the year ended December 31, 2012. The increase in revenue was the result of an increase in the number of revenue days to 3,005 from 1,936 during the years ended December 31, 2013 and 2012, respectively. This was driven by the deliveries of the time-chartered vessels, FPMC P Eagle, Hellespont Promise, SN Federica, King Douglas and SN Azzurra during the year ended December 31, 2013. We time chartered-in two LR1 vessels, FPMC P Eagle and Hellespont Promise during the year ended December 31, 2012. The increase in revenue days was offset by a decrease in TCE revenue per day to $12,599 from $14,264 during the years ended December 31, 2013 and 2012, respectively.

Vessel operating costs. Vessel operating costs for the year ended December 31, 2013 were $14.3 million, an increase of $0.1 million, or 1%, from the year ended December 31, 2012. The increase was driven by a slight increase in operating costs per day to $7,756 from $7,714 per day during the years ended December 31, 2013 and 2012, respectively.

Voyage expenses. Voyage expenses for the year ended December 31, 2013 were $3.9 million, an increase of $2.9 million, or 286%, from the year ended December 31, 2012. The increase was driven by the time chartered-in vessels, SN Federica and King Douglas, which operated in the spot market for 187 days during the year ended December 31, 2013. FPMC P Eagle operated in the spot market for 48 days during the year ended December 31, 2012.

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Charterhire. Charterhire expense for the year ended December 31, 2013 was $14.4 million, an increase of $12.7 million, or 782%, from the year ended December 31, 2012. The increase was driven by an increase in the number of time chartered-in days to 1,180 from 129 during the years ended December 31, 2013 and 2012, respectively. This increase was driven by the deliveries of SN Federica, King Douglas and SN Azzurra during the year ended December 31, 2013. In addition, FPMC P Eagle and Hellespont Promise were time chartered-in for an aggregate of 728 days and 129 days during the years ended December 31, 2013 and 2012, respectively.

Write down of vessels held for sale. Write down of vessels held for sale for the year ended December 31, 2013 was $15.0 million. The write down represents the re-measurement of Venice, Senatore and Noemi to the lower of their carrying value and fair value less estimated costs to sell as these vessels were designated as held for sale at December 31, 2013. Noemi and Senatore were sold in March and April 2014, respectively, and Venice was sold in March 2015.

Realized and unrealized gains on derivative financial instruments. Realized and unrealized gains on derivative financial instruments for the year ended December 31, 2013 were a net of $0.2 million, a decrease of $0.1 million, or 137%, from the year ended December 31, 2012. Realized and unrealized gains and losses on derivative financial instruments related to profit and loss agreements on time chartered-in vessels entered into with third parties. These agreements related to the time chartered-in vessel, FPMC P Eagle and an LR1 vessel that was not time chartered-in or operated by the Company and they expired in October 2013 and January 2013, respectively.

MR segment

The following table summarizes segment profit or loss for our MR segment.

MR segment	For the year ended December 31,							
In thousands of U.S. dollars	2013		2012		Change		Percentage Change	
Vessel revenue	$101,488		$46,857		$54,631		117	%
Vessel operating costs	(20,069	)	(7,484	)	(12,585	)	(168	)%
Voyage expenses	(977	)	(17,979	)	17,002		95	%
Charterhire	(40,753	)	(17,593	)	(23,160	)	(132	)%
Depreciation	(13,278	)	(4,015	)	(9,263	)	(231	)%
Loss from sale of vessels	—		(5,879	)	5,879		100	%
General and administrative expenses	(1,030	)	(398	)	(632	)	(159	)%
Financial income	4		6		(2	)	(33	)%
Other expenses, net	(21	)	(51	)	30		59	%
Segment profit / (loss)	$25,364		$(6,536	)	$31,900		488	%
TCE per revenue day	$16,546		$12,289		$4,257		35	%
Owned vessel operating costs per day	6,069		6,770		701		10	%
Revenue days - owned vessels	3,233		1,067		2,166		203	%
Revenue days - time charter-in vessels	2,839		1,283		1,556		121	%
Owned vessel operating days	3,265		1,089		2,176		200	%
Average number of owned vessels	8.9		3.0		5.9		197	%
Average number of time chartered-in vessels	7.8		3.5		4.3		123	%

Vessel revenue. Vessel revenue for the year ended December 31, 2013 was $101.5 million, an increase of $54.6 million, or 117%, from the year ended December 31, 2012. The increase in revenue was the result of an increase in the overall number of revenue days to 6,072 from 2,350 during the years ended December 31, 2013 and 2012, respectively, in addition to an increase in overall TCE revenue to $16,546 per day from $12,289 per day.

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The increase in revenue days was driven by the deliveries of STI Sapphire, STI Emerald, STI Beryl, STI Le Rocher, STI Larvotto, STI Fontvieille and STI Ville during the year ended December 31, 2013 in addition to the deliveries of STI Amber, STI Topaz, STI Ruby, STI Garnet and STI Onyx during the year ended December 31, 2012, which were employed during the entire year ended December 31, 2013 as compared to a partial period during the year ended December 31, 2012. The increase in revenue days was also driven by an increase in the average number of time chartered-in vessels to 7.8 from 3.5 during the years ended December 31, 2013 and 2012, respectively.

Vessel operating costs. Vessel operating costs for the year ended December 31, 2013 were $20.1 million, an increase of $12.6 million, or 168%, from the year ended December 31, 2012. The increase was primarily driven by an increase in the number of operating days to 3,265 from 1,089 days during the years ended December 31, 2013 and 2012, respectively. The increase in operating days was driven by the deliveries of STI Sapphire, STI Emerald, STI Beryl, STI Le Rocher, STI Larvotto, STI Fontvieille and STI Ville during the year ended December 31, 2013. The increase in operating days was offset by the sales of STI Diamond and STI Coral, which operated for a total of 477 days during the year ended December 31, 2012 prior to their sales.

The increase in operating days was offset by a decrease in daily vessel operating costs of $701 per day, or 10%, from the year ended December 31, 2012. This was driven by improved operating performance of vessels delivered under our Newbuilding Program, whose daily operating costs were $6,069 per day during the year ended December 31, 2013. The year ended December 31, 2012 reflects 477 operating days of STI Diamond and STI Coral, which were sold in August and September 2012, respectively and whose daily operating costs were $8,166 per day during that period.

Voyage expenses. Voyage expenses for the year ended December 31, 2013 were $1.0 million, a decrease of $17.0 million, or 95%, from the year ended December 31, 2012. The year ended December 31, 2013 reflects 583 days of vessels operating in the spot market as compared to 1,541 days during the year ended December 31, 2012. 445 of the 583 spot market revenue days during the year ended December 31, 2013 reflect days where vessels delivered under our Newbuilding Program were employed on short-term time charters (ranging from 45 to 120 days) that commenced upon delivery from the shipyard. These short term time charters were agreed to at fixed TCE rates, where only nominal voyage expenses were incurred. The vessels delivered under our Newbuilding Program in 2012 were employed on similar short-term time charters for 414 days during that period.

Charterhire. Charterhire expense for the year ended December 31, 2013 was $40.8 million, an increase of $23.2 million, or 132%, from the year ended December 31, 2012. The increase was the result of an increase in the number of time chartered-in days to 2,839 from 1,283 days during the years ended December 31, 2013 and 2012, respectively. Pacific Duchess, Freja Lupus, STX Ace 6, Targale, Endeavour, Valle Bianca, USMA, Ugale, Gan-Trust, Nave Orion and Gan-Triumph were chartered-in for all or part of the year ended December 31, 2013 and Pacific Duchess, Targale, STX Ace 6, Freja Lupus, Endeavour and Valle Bianca were chartered-in for all or part of the year ended December 31, 2012.

Depreciation. Depreciation expense for the year ended December 31, 2013 was $13.3 million, an increase of $9.3 million, or 231%, from the year ended December 31, 2012. The increase was driven by an increase in the average number of owned MR vessels to 8.9 from 3.0 for the years ended December 31, 2013 and 2012, respectively. This was the result of the deliveries of seven vessels under our Newbuilding Program in 2013 along with five vessels delivered under our Newbuilding Program in the third quarter of 2012. The increase in depreciation expense was offset by the sales of STI Diamond and STI Coral in August and September 2012, respectively.

Loss from sale of vessels. Loss from sale of vessels during the year ended December 31, 2012 relates to the sales of STI Diamond and STI Coral in August and September 2012, respectively. We did not sell or have any MR vessels held for sale during the year ended December 31, 2013.

General and administrative expenses. General and administrative expenses for the year ended December 31, 2013 were $1.0 million, an increase of $0.6 million, or 159%, from the year ended December 31, 2012. General and administrative expenses for the MR segment primarily consist of administrative fees to SSH. The increase was the result of an increase in the average number of owned vessels to 8.9 from 3.0 during the year ended December 31, 2012.

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Handymax Segment

The following table summarizes segment profit or loss for our Handymax segment.

Handymax segment	For the year ended December 31,			
In thousands of U.S. dollars	2013	2012	Change	Percentage Change
Vessel revenue	$36,205	$35,381	$824	2 %
Vessel operating costs	(2,648)	(5,428)	2,780	51 %
Voyage expenses	(11)	(2,741)	2,730	100 %
Charterhire	(31,086)	(23,192)	(7,894)	(34)%
Depreciation	(1,292)	(1,716)	424	25 %
Loss from sale of vessels	—	(4,525)	4,525	100 %
General and administrative expenses	(118)	(195)	77	39 %
Segment profit / (loss)	$1,050	$(2,416)	$3,466	143 %
TCE per revenue day	$12,862	$13,069	(207)	(2)%
Owned vessel operating costs per day	6,852	7,594	742	10 %
Revenue days - owned vessels	365	657	(292)	(44)%
Revenue days - time chartered-in vessels	2,450	1,841	609	33 %
Owned vessel operating days	365	673	(308)	(46)%
Average number of owned vessels	1.0	1.8	(0.8)	(44)%
Average number of time chartered-in vessels	6.7	5.0	1.7	34 %

Vessel revenue. Vessel revenue for the year ended December 31, 2013 was $36.2 million, an increase of $0.8 million, or 2%, from the year ended December 31, 2012. The increase in revenue was the result of an increase in the overall number of revenue days to 2,815 from 2,498 during the years ended December 31, 2013 and 2012, respectively, offset by a decrease in daily TCE revenue to $12,862 from $13,069 per day during those same periods. The increase in revenue days was driven by an increase in the average number of time chartered-in vessels from 6.7 from 5.0 during the years ended December 31, 2013 and 2012, respectively. The increase in the average number of time chartered-in vessels was offset by the sales of STI Conqueror, STI Gladiator, and STI Matador during 2012 which decreased the average number of owned Handymax vessels to 1.0 from 1.8 during the years ended December 31, 2013 and 2012, respectively.

Vessel operating costs. Vessel operating costs for the year ended December 31, 2013 were $2.6 million, a decrease of $2.8 million, or 51%, from the year ended December 31, 2012. The decrease was driven by a decrease in the number of operating days to 365 from 673 during the year ended December 31, 2012 which was due to the sales of STI Conqueror, STI Matador, and STI Gladiator during 2012.

Voyage expenses. Nominal voyage expenses were incurred during the year ended December 31, 2013 as compared to $2.7 million during the year ended December 31, 2012. STI Conqueror, STI Matador, and STI Gladiator operated in the spot market for 124 days during the year ended December 31, 2012 prior to their sales. We did not have any Handymax vessels operating in the spot market during the year ended December 31, 2013.

Charterhire. Charterhire expense for the year ended December 31, 2013 was $31.1 million, an increase of $7.9 million or 34% from the year ended December 31, 2012. The increase was driven by an increase in the average number of time chartered-in vessels to 6.7 from 5.0 during the years ended December 31, 2013 and 2012, respectively. During the year ended December 31, 2012, we time chartered-in Krisjanis Valdemars, Kraslava, Histria Azure, Kazdanga, Histria Perla and Histria Coral for all or part of the period. In addition to these vessels and with the exception of Kazdanga, we time chartered-in Jinan, Freja Polaris and Iver Progress for all or part of the year ended December 31, 2013.

Depreciation. Depreciation expense for the year ended December 31, 2013 was $1.3 million, a decrease of $0.4 million, or 25%, from the year ended December 31, 2012. This decrease was due to the sales of STI Conqueror, STI

Matador, and STI Gladiator during 2012.

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Loss from sale of vessels. Loss from sale of vessels during the year ended December 31, 2012 relates to the sales of STI Conqueror, STI Matador and STI Gladiator which were sold during 2012. We did not sell or have any Handymax vessels held for sale during the year ended December 31, 2013.

B. Liquidity and Capital Resources

Our primary source of funds for our short-term and long-term liquidity needs will be the cash flows generated from our vessels, which are currently operating in Scorpio Group Pools, in the spot market or on time charter, in addition to availability under our 2013 Credit Facility, KEXIM Credit Facility, K-Sure Credit Facility, credit facilities that we expect to enter into and cash on hand. The Scorpio Group Pools reduce volatility because (i) they aggregate the revenues and expenses of all pool participants and distribute net earnings to the participants based on an agreed upon formula and (ii) some of the vessels in the pool are on time charter. Furthermore, spot charters provide flexibility and allow us to fix vessels at prevailing rates. We believe these cash flows from operations, amounts available for borrowing under our various credit facilities and our cash balance will be sufficient to meet our existing liquidity needs for the next 12 months from the date of this annual report. As of December 31, 2014, our cash balance was $116.1 million, which was greater than our cash balance of $78.8 million as of December 31, 2013.

As of December 31, 2014 we had $420.9 million in availability under our credit facilities (which are described below under Long-Term Debt Obligations and Credit Arrangements). We drew down $174.4 million from our credit facilities in 2015 as described below:

	Credit Facility	Drawdown amount (in millions of U.S. Dollars)	Drawdown date	Collateral
1	K-Sure Credit Facility	$19.9	January 2015	STI Gramercy
2	KEXIM Credit Facility	30.3	January 2015	STI Veneto
3	2013 Credit Facility	35.4	January 2015	STI Alexis
4	K-Sure Credit Facility	19.5	February 2015	STI Bronx
5	2013 Credit Facility	19.5	March 2015	STI Pontiac
6	K-Sure Credit Facility	19.5	March 2015	STI Manhattan
7	K-Sure Credit Facility	30.3	March 2015	STI Winnie (1)

(1) Amount drawn on March 26, 2015 to finance the delivery of STI Winnie, which is scheduled to be delivered on March 31, 2015.

As of December 31, 2014, our long-term liquidity needs were comprised of our debt repayment obligations for our secured credit facilities, Senior Unsecured Notes Due 2020 and 2017 (defined below), Convertible Notes (defined below), our obligations under construction contracts related to the vessels in our Newbuilding Program, and obligations under our time charter-in arrangements.

Our credit facilities require us to comply with a number of covenants, including financial covenants related to liquidity, consolidated net worth, minimum interest coverage, maximum leverage ratios, loan to value ratios and collateral maintenance; delivery of quarterly and annual financial statements and annual projections; maintenance of adequate insurances; compliance with laws (including environmental); compliance with the Employee Retirement Income and Security Act, or ERISA; maintenance of flag and class of the initial vessels; restrictions on consolidations, mergers or sales of assets; approvals on changes in the manager of the vessels; limitations on liens; limitations on additional indebtedness; prohibitions on paying dividends if a covenant breach or an event of default has occurred or would occur as a result of payment of a dividend; prohibitions on transactions with affiliates; and other customary covenants.

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Cash Flows

The table below summarizes our sources and uses of cash for the periods presented:

	For the year ended December 31,		
In thousands of U.S. dollars	2014	2013	2012
Cash flow data			
Net cash inflow/(outflow)			
Operating activities	$93,916	$(5,655)	$(1,928)
Investing activities	(1,158,234)	(935,101)	(90,155)
Financing activities	1,101,616	932,436	142,415

Cash flow from operating activities

2014 compared to 2013

Operating cash flows are driven by our results of operations along with movements in working capital. Both of these components were driven by our growth during 2014 and 2013. The following table sets forth the components of our operating cash flow for the years ended December 31, 2014 and December 31, 2013:

	For the year ended December 31,			Percentage	
In thousands of U.S. dollars	2014	2013	Change	Change	
Vessel revenue	$342,807	$207,580	$135,227	65%	(1)
Vessel operating costs	(78,823)	(40,204)	(38,619)	(96)%	(1)
Voyage expenses	(7,533)	(4,846)	(2,687)	(55)%	(1)
Charterhire	(139,168)	(115,543)	(23,625)	(20)%	(1)
General and administrative expenses - cash	(18,403)	(12,646)	(5,757)	(46)%	(1) (2)
Financial expenses - cash	(10,606)	(2,373)	(8,233)	(347)%	(1) (3)
Drydock payments	(1,290)	(1,469)	179	12%	
Change in working capital	6,334	(37,199)	43,533	117%	(4)
Other	598	1,045	(447)	43%	
Operating cash flow	$93,916	$(5,655)	$99,571	1,761%	

(1) See “Item 5. Operating and Financial Review and Prospects” for information on these variations for the years ended December 31, 2014 and 2013.
(2) Cash general and administrative expenses are general and administrative expenses from our consolidated statement of income or loss excluding the amortization of restricted stock of $29.7 million and $13.1 million for the years ended December 31, 2014 and 2013, respectively.
(3) Cash financial expenses are financial expenses from our consolidated statement of income or loss excluding the amortization of deferred financing fees of $4.8 million and $0.3 million for the years ended December 31, 2014 and 2013, respectively, and the accretion of our Convertible Notes of $5.3 million for the year ended December 31, 2014.
(4) The change in working capital in 2014 was primarily driven by growth in accrued expenses and accounts payable which were impacted by the timing of payments to suppliers and growth in accrued interest. The change in working capital in 2013 was primarily driven by growth in accounts receivable which was impacted by the timing of the receipt of payments from the Scorpio Group Pools.

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2013 compared to 2012

Net cash outflow from operating activities was $5.7 million for the year ended December 31, 2013, a decrease of $3.8 million from a cash outflow of $1.9 million for the year ended December 31, 2012.

In thousands of U.S. dollars	For the year ended December 31, 2013	2012	Change	Percentage Change	
Vessel revenue	$207,580	$115,381	$92,199	80 %	(1)
Vessel operating costs	(40,204)	(30,353)	(9,851)	(32)%	(1)
Voyage expenses	(4,846)	(21,744)	16,898	78 %	(1)
Charterhire	(115,543)	(43,701)	(71,842)	(164)%	(1)
General and administrative expenses - cash	(12,646)	(8,046)	(4,600)	(57)%	(1) (2)
Financial expenses - cash	(2,373)	(4,419)	2,046	46 %	(1) (3)
Drydock payments	(1,469)	(1,702)	233	14 %	
Change in working capital	(37,199)	(7,766)	(29,433)	(379)%	(4)
Other	1,045	422	623	148 %	
Operating cash flow	$(5,655)	$(1,928)	$(3,727)	(193)%	

(1) See “Item 5. Operating and Financial Review and Prospects” for information on these variations for the years ended December 31, 2013 and 2012.

(2) Cash general and administrative expenses are general and administrative expenses from our consolidated statement of income or loss excluding the amortization of restricted stock of $13.1 million and $3.5 million for the years ended December 31, 2013 and 2012, respectively.

(3) Cash financial expenses are financial expenses from our consolidated statement of income or loss excluding the amortization of deferred financing fees of $0.3 million and $4.0 million for the years ended December 31, 2013 and 2012, respectively.

(4) The change in working capital in 2013 was primarily driven by growth in accounts receivable which were impacted by the timing of receipt of payments from the Scorpio Group Pools.

Cash flow from investing activities

Net cash outflow from investing activities was $1,158.2 million for the year ended December 31, 2014, an increase of $223.1 million from a net cash outflow of $935.1 million for the year ended December 31, 2013.

Investing activities during the year ended December 31, 2014 consisted of the following:

- $1,404.6 million of vessel installment payments and other costs for vessels under our Newbuilding Program, consisting of:
  - $1,097.8 million of final delivery installments and other costs for 41 vessels that were delivered during 2014 and four vessels that were delivered in early January 2015.
  - $306.8 million of scheduled installment payments and other costs for vessels under construction.
- $141.7 million receipt of net proceeds on the sale of our seven VLCCs under construction.
- $72.0 million receipt of aggregate net proceeds on the sales of Noemi, Senatore and STI Spirit.
- $31.3 million deposit received pursuant to the agreement to purchase four LR2 tankers from Scorpio Bulkers. We received this deposit as a security deposit for the scheduled installment payments on these vessels that are expected to occur prior to the closing date of the sale.

Investing activities during the year ended December 31, 2013 consisted of the following:

- $767.4 million of vessel installment payments and other costs for vessels under our Newbuilding Program consisting of:
  - $139.3 million of final installment payments and other costs for seven vessels delivered during 2013.
  - $611.5 million of scheduled installment payments and other costs for vessels under construction.

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- $167.6 million of payments relating to our investment in Dorian which includes:
  - $83.1 million of installment payments to the shipyards for the 11 VLGC contracts.
  - $7.7 million in legal and advisory fees (including commissions paid to SSH as described below in Item 7. Major Shareholders and Related Party Transactions).
  - $2.3 million cash contribution and other capitalized costs.
  - $75.0 million investment in Dorian's November 2013 follow-on offering.

Net cash outflow from investing activities was $935.1 million for the year ended December 31, 2013, an increase of $844.9 million from a net cash outflow of $90.2 million for the year ended December 31, 2012.
Investing activities during the year ended December 31, 2012 consisted of:

- $191.5 million of vessel installment payments and other costs for vessels under our Newbuilding Program consisting of:
  - $111.9 million of final installment payments and other costs.
  - $79.6million of scheduled installment payments and other costs for vessels under construction.
- $101.3 million receipt of net proceeds for the sales of STI Conqueror, STI Matador, STI Gladiator, STI Coral and STI Diamond.

Cash flow from financing activities
Net cash inflow from financing activities was $1,101.6 million for the year ended December 31, 2014 compared to a net cash inflow of $932.4 million for the year ended December 31, 2013.
Cash inflow from financing activities during the year ended December 31, 2014 consisted of the following:

- $1,114.3 million of drawdowns from our secured credit facilities which consisted of:
  - $72.4 million from our 2010 Revolving Credit Facility.
  - $52.0 million from our 2011 Credit Facility.
  - $393.4 million from our 2013 Credit Facility.
  - $197.2 million from our K-Sure Credit Facility.
  - $399.3 million from our KEXIM Credit Facility.
- $53.8 million receipt of gross proceeds from the issuance of our Senior Notes Due 2020 in May 2014.*
- $349.0 million receipt of net proceeds from the issuance of our Convertible Notes in June 2014.*
- $51.8 million receipt of gross proceeds from the issuance of our Senior Notes Due 2017 in November 2014.*
- $74.7 million of loan repayments, which consisted of:
  - $22.5 million repayment into our 2010 Revolving Credit Facility as a result of the sales of Noemi and Senatore.
  - $21.4 million repayment into the STI Spirit Credit Facility as a result of the sale of STI Spirit.
  - $30.8 million of scheduled principal payments of:
    - $8.4 million into our 2010 Revolving Credit Facility.
    - $7.1 million into our 2011 Credit Facility.
    - $0.4 million into our STI Spirit Credit Facility.
    - $6.0 million into our Newbuilding Credit Facility.
    - $8.9 million into our 2013 Credit Facility.
- $276.3 million of common stock repurchases which includes the purchase of 19,951,536 common shares in the open market at an average price of $9.09 per share and the purchase of 10,127,600 common shares at $9.38 per share using a portion of the proceeds of our Convertible Notes (as defined below).
- $45.7 million of debt issuance costs, which includes costs relating to our secured credit facilities and our Senior Unsecured Notes due 2020 and 2017 (as defined below).
- $70.5 million of dividend payments.

Please see “Long-Term Debt Obligations and Credit Arrangements” below for further description of our debt agreements.

Cash inflow from financing activities for the year ended December 31, 2013 consisted of the following:

- $947.8 million of aggregate net proceeds from our registered direct placements of common shares in February, March and May 2013 and an underwritten offering of common shares in August 2013.
- $52.1 million of drawdowns under our 2011 Credit Facility to partially finance the deliveries of STI Sapphire, STI Emerald and STI Beryl.

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- $28.4 million of scheduled principal payments of:
  - $17.2 million into our 2010 Revolving Credit Facility.
  - $6.0 million into our Newbuilding Credit Facility.
  - $3.5 million into our 2011 Credit Facility.
  - $1.7 million into our STI Spirit Credit Facility.
- $24.4 million of dividend payments.
- $14.7 million of debt issuance costs.

Net cash inflow from financing activities was $932.4 million for the year ended December 31, 2013 compared to a net cash inflow of $142.4 million for the year ended December 31, 2012.

Cash inflow from financing activities for the year ended December 31, 2012 consist of the following:

- $153.1 million receipt of net proceeds from two registered direct placements of common shares in April and December 2012.
- $92.0 million of drawdowns under our Newbuilding Credit Facility.
- $32.2 million of drawdowns under our 2010 Revolving Credit Facility.
- $129.1 million of principal payments of:
  - $106.0 million into our 2010 Revolving Credit Facility.
  - $18.2 million into our 2011 Credit Facility.
  - $2.8 million into our STI Spirit Credit Facility.
  - $2.1 million into our Newbuilding Credit Facility.
- $3.3 million payment of debt issuance costs.
- $2.4 million of common stock repurchases at an average price of $5.45 per share.

Long-Term Debt Obligations and Credit Arrangements

The following is a table summarizing our indebtedness as of December 31, 2014 and as of March 30, 2015:

In thousands of U.S. dollars	Amount Outstanding at December 31, 2014	Amount outstanding as of March 30, 2015	Availability as of March 30, 2015	
2010 Revolving Credit Facility	$41,456	$35,395	—	(1)
2011 Credit Facility	108,911	108,911	—	
Newbuilding Credit Facility	77,841	77,841	—	
2013 Credit Facility	384,523	439,423	74,600	(2)
K-Sure Credit Facility	197,160	286,360	171,900	(3)
KEXIM Credit Facility	399,300	429,600	—	
Nomura Term Margin Facility	—	30,000	—	(4)
Senior Unsecured Notes	105,500	105,500	—	
Convertible Notes	360,000	360,000	—	(5)
Total	$1,674,691	$1,873,030	$246,500	

(1) A repayment of $6.1 million was made in February 2015 in connection with the sale of Venice, which closed in March 2015.

(2) Availability can be used to finance the lesser of 60% of the contract price for a qualifying newbuilding vessel or such vessel's fair market value at the date of drawdown.

(3) Availability can be used to finance the lesser of 60% of the newbuilding contract price and 74% of the fair market value of the relevant vessel specified in the agreement. The amount outstanding as of the date of this report includes a drawdown of $30.3 million to partially finance the delivery of STI Winnie, which is scheduled to be delivered on March 31, 2015.

(4) We entered into a term margin loan facility with Nomura in March 2015 and pledged our 9,392,083 shares in Dorian as collateral. See below for further description of this facility.

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(5) As of December 31, 2014, $56.0 million of this amount has been attributed to the conversion feature of our Convertible Notes and recorded within additional paid in capital on the consolidated balance sheet.

2010 Revolving Credit Facility

On June 2, 2010, we executed a credit facility with Nordea Bank Finland plc, acting through its New York branch, DNB Bank ASA, acting through its New York branch, and ABN AMRO Bank N.V, for a senior secured term loan facility of up to $150 million. On July 12, 2011, we amended and restated the credit facility to convert it from a term loan to a reducing revolving credit facility. This gave us the ability to pay down and re-borrow from the total available commitments under the loan. Our subsidiaries that own vessels that are collateralized by this loan act as guarantors under the amended and restated credit facility. All terms mentioned are defined in the agreement.

Drawdowns under the credit facility bear interest as follows: (1) through December 29, 2011, at LIBOR plus an applicable margin of 3.00% per annum when our debt to capitalization (total debt plus equity) ratio is equal to or less than 50% and 3.50% per annum when our debt to capitalization ratio is greater than 50%; (2) from December 30, 2011 through September 30, 2013, at LIBOR plus an applicable margin of 3.50% per annum; and (3) from October 1, 2013 and at all times thereafter, at LIBOR plus an applicable margin of 3.25% per annum when our debt to capitalization (total debt plus equity) ratio is equal to or less than 50% and 3.50% per annum when our debt to capitalization ratio is greater than 50%. A commitment fee equal to 40% of the applicable margin is payable on the unused daily portion of the credit facility. The credit facility matures on June 2, 2015 and can only be used to refinance amounts outstanding from the original loan agreement and for general corporate purposes.

The credit facility requires us to comply with a number of covenants, including financial covenants; delivery of quarterly and annual financial statements and annual projections; maintaining adequate insurances; compliance with laws (including environmental); compliance with ERISA ; maintenance of flag and class of the initial vessels; restrictions on consolidations, mergers or sales of assets; approval on changes in the Manager of our initial vessels; limitations on liens; limitations on additional indebtedness; prohibitions on paying dividends if a covenant breach or an event of default has occurred or would occur as a result of payment of a dividend; prohibitions on transactions with affiliates; and other customary covenants.

The financial covenants include:

- The ratio of net debt to capitalization shall be no greater than 0.60 to 1.00.
- Consolidated tangible net worth (i.e. total shareholders' equity) shall be no less than $150.0 million plus 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter from July 1, 2010 going forward and 50% of the value of any new equity issues from July 1, 2010 going forward.
- The ratio of EBITDA to interest expense shall be no less than 1.25 to 1.00 commencing with the fourth fiscal quarter of 2011 until the fourth quarter of 2012, at which point it increased to 1.50 to 1.00 for the first quarter of 2013, 1.75 to 1.00 for the second quarter of 2013 and 2.00 to 1.00 at all times thereafter. Such ratio shall be calculated quarterly on a trailing four quarter basis. In addition, we are restricted from paying dividends until our EBITDA to interest expense ratio is 2.00 to 1.00 or greater. EBITDA, as defined in the loan agreement, excludes non-cash charges such as impairment.
- Consolidated liquidity (cash, cash equivalents, and availability under the 2010 Revolving Credit Facility) needs to be not less than $25.0 million, of which unrestricted cash and cash equivalents shall be not less than $15.0 million, until we own, directly or indirectly, more than 15 vessels, at which time the amount increases by $750,000 per each additional vessel.
- The aggregate fair market value of the collateral vessels shall at all times be no less than 150% of the then aggregate outstanding principal amount of loans under the credit facility.

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In January 2014, we drew down $72.4 million from the 2010 Revolving Credit Facility. In March 2014, we paid $22.5 million into this facility as a result of the sales of Noemi and Senatore. As a result of this repayment, the availability of this facility was reduced by such amount and the quarterly reduction was reduced to $2.1 million from $3.1 million per quarter. We also wrote-off a total of $0.2 million of deferred financing fees as part of these debt repayments.
The outstanding balance at December 31, 2014 was $41.5 million and was fully drawn. As of December 31, 2013, there was no outstanding balance, and there was $72.4 million available to draw. We were in compliance with the financial covenants relating to this facility as of December 31, 2014.
In March 2015, we repaid $6.1 million into this facility as part of the sale of Venice. As a result of this repayment, the availability of this facility was reduced by such amount and the quarterly reduction was reduced to $1.8 million from $2.1 million per quarter.

STI Spirit Credit Facility

On March 9, 2011, we executed a credit facility with DVB Bank SE for a senior secured term loan facility of $27.3 million for STI Spirit, which was acquired in November 2010. The credit facility was drawn down on March 17, 2011 and had a maturity date of March 17, 2018 with repayments over 28 equal quarterly installments and a lump sum payment at maturity. The quarterly installments commenced three months after the drawdown and were calculated using an 18 year amortization profile. Our subsidiary, STI Spirit Shipping Company Limited, which owned the vessel, was the borrower and Scorpio Tankers Inc. was the guarantor.

In April 2014, we sold STI Spirit and repaid the outstanding amount due under the STI Spirit Credit Facility of $21.4 million.

2011 Credit Facility

On May 3, 2011, we executed a credit facility with Nordea Bank Finland plc, acting through its New York branch, DnB NOR Bank ASA, acting through its New York branch, and ABN AMRO Bank N.V., for a senior secured term loan facility of up to $150.0 million.

Drawdowns under this credit facility were available until January 31, 2014 and bear interest as follows: (1) until December 29, 2011, at LIBOR plus an applicable margin of (i) 2.75% per annum when our debt to capitalization (total debt plus equity) ratio is less than 45%, (ii) 3.00% per annum when our debt to capitalization ratio is greater than or equal to 45% but less than or equal to 50% and (iii) 3.25% when our debt to capitalization ratio is greater than 50%; (2) from December 30, 2011 through September 30, 2013, at LIBOR plus an applicable margin of 3.50% per annum and (3) from October 1, 2013 and at all times thereafter, at LIBOR plus an applicable margin of (i) 3.25% per annum when our debt to capitalization (total debt plus equity) ratio is equal to or less than 50% and (ii) 3.50% per annum when our debt to capitalization ratio is greater than 50%. A commitment fee equal to 40% of the applicable margin was payable on the unused daily portion of the credit facility. The credit facility matures on May 3, 2017 and can only be used to finance up to 50% of the cost of future vessel acquisitions, which vessels would be the collateral for the credit facility.

Borrowings for each vessel financed under this facility represent a separate tranche, with repayment terms dependent on the age of the vessel at acquisition. Each tranche under the credit facility is repayable in equal quarterly installments, with a lump sum payment at maturity, based on a full repayment of such tranche when the vessel to which it relates is 16 years of age. Our subsidiaries, which may at any time, own one or more of our vessels, will act as guarantors under the credit facility.

The credit facility requires us to comply with a number of covenants, including financial covenants; delivery of quarterly and annual financial statements and annual projections; maintaining adequate insurances; compliance with

laws (including environmental); compliance with ERISA ; maintenance of flag and class of the initial vessels; restrictions on consolidations, mergers or sales of assets; approvals on changes in the Manager of our initial vessels; limitations on liens; limitations on additional indebtedness; prohibitions on paying dividends if a covenant breach or an event of default has occurred or would occur as a result of payment of a dividend; prohibitions on transactions with affiliates; and other customary covenants.

The financial covenants include:

- The ratio of net debt to capitalization shall be no greater than 0.60 to 1.00.

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- Consolidated tangible net worth (i.e. shareholders' equity) shall be no less than $150.0 million plus 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter from July 1, 2010 going forward and 50% of the value of any new equity issues from July 1, 2010 going forward.
- The ratio of EBITDA to interest expense shall be no less than 1.25 to 1.00 commencing with the fourth fiscal quarter of 2011 until the fourth quarter of 2012, at which point it increased to 1.50 to 1.00 for the first quarter of 2013, 1.75 to 1.00 for the second quarter of 2013 and 2.00 to 1.00 at all times thereafter. Such ratio shall be calculated quarterly on a trailing four quarter basis. In addition, we are restricted from paying dividends until our EBITDA to interest expense ratio is 2.00 to 1.00 or greater. EBITDA, as defined in the loan agreement, excludes non-cash charges such as impairment.
- Consolidated liquidity (cash, cash equivalents, and availability under the 2010 Revolving Credit Facility) needs to be not less than $25 million, of which unrestricted cash and cash equivalents shall be not less than $15.0 million, until we own, directly or indirectly, more than 15 vessels, at which time the amount increases by $750,000 per each additional vessel.
- The aggregate fair market value of the collateral vessels shall at all times be no less than 150% of the then aggregate outstanding principal amount of loans under the credit facility.

In January 2014, we drew down $52.0 million from the 2011 Credit Facility. In connection with this drawdown, STI Duchessa, STI Le Rocher and STI Larvotto were provided as collateral under the facility. The outstanding balance at December 31, 2014 and December 31, 2013 was $108.9 million and $64.0 million, respectively and the availability under this credit facility expired on January 31, 2014. We were in compliance with the financial covenants relating to this facility as of December 31, 2014.

Newbuilding Credit Facility

On December 21, 2011, we executed a credit facility agreement with Credit Agricole Corporate and Investment Bank and Skandinaviska Enskilda Banken AB for a senior secured term loan facility of up to $92.0 million. During the year ended December 31, 2012, we drew down an aggregate of $92.0 million from this facility to partially finance the deliveries of STI Amber, STI Topaz, STI Ruby and STI Garnet ($23.0 million per vessel). These vessels are owned individually by certain of our subsidiaries, who together are the borrowers under this credit facility, and Scorpio Tankers Inc. is the guarantor. Borrowings under the credit facility bear interest at LIBOR plus an applicable margin of 2.70% per annum. A commitment fee equal to 1.10% per annum was payable on the unused daily portion of the credit facility, and the facility was fully drawn as of December 31, 2012. All terms mentioned in this section are defined in the agreement.

The facility is separated into four tranches (one per each vessel) and repayment of the tranche relating to the respective vessel commenced after delivery of that vessel in quarterly installments of $375,000, which equates to a repayment profile of 15.33 years. Each tranche is scheduled to mature approximately seven years after delivery of the relevant vessel from the shipyard.

The credit facility requires us to comply with a number of covenants, including financial covenants; delivery of quarterly and annual financial statements and annual projections; maintaining adequate insurances; compliance with laws (including environmental); compliance with ERISA; maintenance of flag and class of the initial vessels; restrictions on consolidations, mergers or sales of assets; approvals on changes in the Manager of our initial vessels; limitations on liens; limitations on additional indebtedness; prohibitions on paying dividends if a covenant breach or an event of default has occurred or would occur as a result of payment of a dividend; prohibitions on transactions with affiliates; and other customary covenants.

The financial covenants include:

- The ratio of net debt to capitalization shall be no greater than 0.60 to 1.00.
- Consolidated tangible net worth (i.e. shareholders equity) shall be no less than $150.0 million plus 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter from July 1, 2010 going forward and 50% of the value of any new equity issues from July 2, 2010 going forward.
- The ratio of EBITDA to interest expense shall be no less than 2.00 to 1.00 commencing with the third fiscal quarter of 2011 until the fourth quarter of 2012, and 2.50 to 1.00 for all times thereafter. Such ratio shall be calculated quarterly on a trailing four quarter basis. EBITDA, as defined in the loan agreement, excludes non-cash charges such as impairment.
- Unrestricted cash and cash equivalents shall at all times be no less than $15.0 million, until we own, directly or indirectly, more than 15 vessels, at which time the amount increases by $750,000 per each additional vessel.

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- The aggregate fair market value of the collateral vessels shall at all times be no less than 140% (120% if the vessel is subject to acceptable long term employment) of the aggregate principal amount outstanding plus a pro rata amount of any allocable swap exposure for the credit facility.

In March 2014, we converted the Newbuilding Credit Facility from a term loan to a reducing revolving credit facility. This gives us the ability to draw down and repay the available commitments under the facility when needed. All other terms and definitions remain unchanged. The amount available is reduced by $1.5 million each quarter until the maturity date in June 2019. This transaction has been accounted for as a debt modification and accordingly, no deferred financing fees were written off.

The amount outstanding under this facility was $77.8 million and was fully drawn as of December 31, 2014. The outstanding balance at December 31, 2013 was $83.8 million. We were in compliance with the financial covenants relating to this facility as of December 31, 2014.

2013 Credit Facility

On July 2, 2013, we entered into a senior secured revolving credit facility and term loan facility with Nordea Bank Finland plc and the other lenders named therein of up to $525.0 million to finance the acquisition of the Firm Vessels (defined below), the Option Vessels (defined below) and certain other vessels and for general corporate purposes, including working capital. This credit facility is secured by, among other things, a first-priority cross-collateralized mortgage on certain vessels for which we have entered into newbuilding contracts, or the Firm Vessels, and certain vessels for which we have exercised construction options, or the Option Vessels, and together with the Firm Vessels, the Collateral Vessels. Our subsidiaries that own the Collateral Vessels act as joint and several guarantors under our 2013 Credit Facility. We refer to this credit facility as our 2013 Credit Facility.

Our 2013 Credit Facility consists of a $260.0 million delayed draw term loan facility to finance the acquisition of the Firm Vessels and a $265.0 million revolving credit facility (which was later reduced to $262.9 million as described below) to finance the acquisition of the Option Vessels and certain other vessels built on January 1, 2012 or later, and for general corporate purposes, including working capital.

Drawdowns of the term loan may occur in connection with the delivery of a Firm Vessel in an amount equal to the lesser of 60% of (i) the contract price for such vessel or (ii) such vessel's fair market value. Drawdowns of the revolving credit facility may occur in connection with the delivery of an Option Vessel and are also capped at the lesser of 60% of (i) the contract price for such vessel or (ii) such vessel's fair market value, with such amount, once drawn, available on a revolving basis. Drawdowns under the term loan are available until the earlier of the delivery of each Firm Vessel and January 31, 2015 and drawdowns under the revolving loan are available until July 31, 2015 and bear interest at LIBOR plus an applicable margin of 3.50%.

The term loan is repayable and the revolving loans reduced, in each case, in an amount equal to 1/60th of such loan on a consecutive quarterly basis until final maturity on the sixth anniversary of the facility. In addition to restrictions imposed upon the owners of the Collateral Vessels (such as, limitations on liens and limitations on the incurrence of additional indebtedness), our 2013 Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth no less than (i) $150.0 million plus 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter beginning on July 1, 2010 and (ii) 50% of the value of any new equity issues from July 1, 2010 going forward.
- The ratio of EBITDA to net interest expense greater than 2.00 to 1.00 through December 31, 2013 and 2.50 to 1.00 thereafter.
- Minimum liquidity of not less than the greater of $25.0 million or 5% of total indebtedness.
- The aggregate fair market value of the Collateral Vessels shall at all times be no less than 140% of the then aggregate outstanding principal amount of loans under the credit facility.

In November 2014, we signed a First Amendatory Agreement to the 2013 Credit Facility to replace four Option Vessels with two LR2 product tankers that were under construction. As a result of this agreement, the availability under the revolving credit facility was reduced by $2.1 million to $262.9 million.

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We made the following drawdowns from our 2013 Credit Facility during the year ended December 31, 2014 and through March 30, 2015.

Drawdown amount (In millions of U.S. Dollars)	Drawdown date	Collateral	
$20.5	February 2014	STI Opera	
21.8	February 2014	STI Fontvieille	
21.8	February 2014	STI Ville	
20.5	March 2014	STI Texas City	
19.3	May 2014	STI Meraux	
19.3	June 2014	STI San Antonio	
19.8	June 2014	STI Virtus	
19.5	June 2014	STI Venere	
19.8	July 2014	STI Aqua	
19.8	August 2014	STI Dama	
19.5	August 2014	STI Mythos	
19.5	August 2014	STI Benicia	
19.8	September 2014	STI Regina	
19.5	September 2014	STI St. Charles	
19.5	October 2014	STI Yorkville	
18.0	October 2014	STI Wembley	
20.5	November 2014	STI Milwaukee	
19.5	December 2014	STI Battery	
35.4	December 2014	STI Rose	(1)
35.4	January 2015	STI Alexis	
19.5	March 2015	STI Pontiac	

(1) Delivered in January 2015.

The outstanding balance at December 31, 2014 was $384.5 million and there was $129.5 million available for drawdrown which can be used to finance the lesser of 60% of the contract price for a qualifying newbuilding vessel and such vessel's fair market value at the date of drawdown. There was no outstanding balance at December 31, 2013. We were in compliance with the financial covenants relating to this facility as of December 31, 2014.

K-Sure Credit Facility

In February 2014, we entered into a $458.3 million senior secured term loan facility which consists of a $358.3 million tranche with a group of financial institutions that is being 95% covered by Korea Trade Insurance Corporation (the “K-Sure Tranche”) and a $100.0 million commercial tranche with a group of financial institutions led by DNB Bank SA (the “Commercial Tranche”). We refer to this credit facility as our K-Sure Credit Facility.

Drawdowns under the K-Sure Credit Facility may occur in connection with the delivery of certain of our newbuilding vessels as specified in the agreement. The amount of each drawdown shall not exceed the lesser of 60% of the newbuilding contract price and 74% of the fair market value of the relevant vessel. Drawdowns are available until the earlier of (i) the delivery date of the last vessel specified in the agreement to be acquired (ii) September 30, 2015 and (iii) the date on which the total commitments under the loan are fully borrowed, cancelled or terminated.

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Repayments will be made in equal consecutive six month repayment installments in accordance with a 15 year repayment profile under the Commercial Tranche and a 12 year repayment profile under the K-Sure Tranche. Repayments will commence in July 2015 for the K-Sure Tranche and six months after the delivery of the last vessel to be acquired for the Commercial Tranche. The Commercial Tranche matures on the sixth anniversary of the delivery date of the last vessel to be acquired and the K-Sure Tranche matures in January 2027 assuming the Commercial Tranche is refinanced through that date.

Borrowings under the K-Sure tranche bear interest at LIBOR plus an applicable margin of 2.25%. Borrowings under the Commercial Tranche bear interest at LIBOR plus an applicable margin of 3.25% from the effective date of the agreement to the fifth anniversary thereof and 3.75% thereafter until the maturity date in respect of the Commercial Tranche. A commitment fee equal to 40% of the applicable margin is payable on the unused daily portion of the credit facility.

In addition to restrictions imposed upon the owners of the vessels that are collateralized under this credit facility (such as, limitations on liens and limitations on the incurrence of additional indebtedness), our K-Sure Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth no less than $677.3 million plus (i) 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after October 1, 2013 and (ii) 50% of the value of any new equity issues occurring on or after October 1, 2013.
- The ratio of EBITDA to net interest expense greater than 2.50 to 1.00 calculated on a trailing four quarter basis.
- Minimum liquidity of not less than the greater of $25.0 million or 5% of total indebtedness.
- The aggregate fair market value of the vessels provided as collateral under the facility shall at all times be no less than 135% of the then aggregate outstanding principal amount of loans under the credit facility.

We made the following drawdowns from our K-Sure Credit Facility during the year ended December 31, 2014 and through March 30, 2015:

Drawdown amount (In millions of U.S. Dollars)	Drawdown date	Collateral	
$19.8	June 2014	STI Lexington	
19.8	June 2014	STI Chelsea	
19.8	July 2014	STI Powai	
19.8	August 2014	STI Olivia	
20.4	October 2014	STI Mayfair	
18.9	October 2014	STI Battersea	
19.9	December 2014	STI Soho	
20.4	December 2014	STI Tribeca	(1)
19.2	December 2014	STI Hammersmith	(1)
19.2	December 2014	STI Rotherhithe	(1)
19.9	January 2015	STI Gramercy	
19.5	February 2015	STI Bronx	
19.5	March 2015	STI Manhattan	
30.3	March 2015	STI Winnie	(2)

(1) Delivered in January 2015.

(2) Amount drawn on March 26, 2015 to finance the delivery of STI Winnie, which is scheduled to be delivered on March 31, 2015.

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The outstanding balance at December 31, 2014 was $197.2 million and there was $261.1 million available for drawdown, which can be used to finance the lesser of 60% of the contract price for a specified newbuilding vessel or 74% of such vessel's fair value. We were in compliance with the financial covenants relating to this facility as of December 31, 2014.

KEXIM Credit Facility

In February 2014, we executed a senior secured term loan facility for $429.6 million, or the KEXIM Credit Facility, with a group of financial institutions led by DNB Bank ASA and Skandinaviska Enskilda Banken AB (publ) and from the Export-Import Bank of Korea or KEXIM, a statutory juridical entity established under The Export-Import Bank of Korea Act of 1969, as amended, in the Republic of Korea. This KEXIM Credit Facility includes commitments from KEXIM of up to $300.6 million (the “KEXIM Tranche”) and a group of financial institutions led by DNB Bank ASA and Skandinaviska Enskilda Banken AB (publ) of up to $129.0 million (the “Commercial Tranche”).

Drawdowns under the KEXIM Credit Facility may occur in connection with the delivery of 18 of our newbuilding vessels as specified in the loan agreement. The amount of each drawdown shall not exceed the lesser of 60% of the newbuilding contract price and 74% of the fair market value of the relevant vessel. Drawdowns are available until the earlier of (i) the delivery date of the last vessel specified in the agreement to be acquired, (ii) March 31, 2015 and (iii) the date on which the total commitments under the loan are fully borrowed, cancelled or terminated.

Repayments will be made in equal consecutive semi-annual repayment installments in accordance with a 15 year repayment profile under the Commercial Tranche and a 12 year repayment profile under the KEXIM Tranche. Repayments will commence on the next semi-annual date falling after the weighted average delivery date of the vessels specified under the facility for the KEXIM Tranche and on the next semi-annual date falling after the final delivery date of the vessels specified under the facility for the Commercial Tranche.

The Commercial Tranche matures on the sixth anniversary of the delivery date of the last vessel specified under the loan and the KEXIM Tranche matures on the twelfth anniversary of the weighted average delivery date of the vessels specified under the loan assuming the Commercial Tranche is refinanced through that date.

Borrowings under the KEXIM Tranche bear interest at LIBOR plus an applicable margin of 3.25%. Borrowings under the Commercial Tranche bear interest at LIBOR plus an applicable margin of 3.25% from the effective date of the agreement to the fifth anniversary thereof and 3.75% thereafter until the maturity date in respect of the Commercial Tranche. A commitment fee equal to 40% of the applicable margin is payable on the unused daily portion of the credit facility.

In addition to restrictions imposed upon the owners of the vessels that are collateralized under this credit facility (such as, limitations on liens and limitations on the incurrence of additional indebtedness), our KEXIM Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth no less than $677.3 million plus (i) 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after October 1, 2013 and (ii) 50% of the value of any new equity issues occurring on or after October 1, 2013.
- The ratio of EBITDA to net interest expense greater than 2.50 to 1.00 calculated on a trailing four quarter basis.
- Minimum liquidity of not less than the greater of $25.0 million or 5% of total indebtedness.
- The aggregate fair market value of the vessels provided as collateral under the facility shall at all times be no less than 135% of the then aggregate outstanding principal amount of loans under the credit facility.

In addition to KEXIM’s commitment of up to $300.6 million, KEXIM also provided an optional guarantee for a five year amortizing note of $125.25 million, the proceeds of which reduce the $300.6 million KEXIM Tranche. These

notes were issued on July 18, 2014 when Seven and Seven Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the “Issuer”), completed an offering of $125,250,000 in aggregate principal amount of floating rate guaranteed notes due 2019 (the “KEXIM Notes”) in a private offering to qualified institutional buyers pursuant to the Securities Act and in offshore transactions complying with Regulation S under the Securities Act. The KEXIM Notes were issued in connection with the KEXIM Tranche and reduced KEXIM's funding obligations and our borrowing costs under the KEXIM Tranche by 1.55% per year. Seven and Seven Ltd. is an unaffiliated company that was incorporated for the purpose of facilitating this transaction and servicing the bonds until maturity.
Payment of 100% of all regularly scheduled installments of principal of, and interest on, the KEXIM Notes are guaranteed by KEXIM. The vessels in the loan are the collateral for the KEXIM Credit Facility, which includes the KEXIM Notes.

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The KEXIM Notes are currently listed to the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The KEXIM Notes are not listed on any other securities exchange, listing authority or quotation system.
We made the following drawdowns from our KEXIM Credit Facility during the year ended December 31, 2014 and through March 30, 2015.

Drawdown amount (In millions of U.S. Dollars)	Drawdown date	Collateral
18.8	June 2014	STI Comandante
18.8	June 2014	STI Brixton
18.8	July 2014	STI Pimlico
30.3	July 2014	STI Elysees
30.3	August 2014	STI Madison
18.8	September 2014	STI Hackney
19.0	September 2014	STI Acton
18.8	September 2014	STI Fulham
30.3	September 2014	STI Park
29.7	September 2014	STI Orchard
18.8	September 2014	STI Camden
30.3	November 2014	STI Sloane
29.7	November 2014	STI Broadway
19.0	November 2014	STI Finchley
30.3	November 2014	STI Condotti
19.0	November 2014	STI Clapham
19.0	November 2014	STI Poplar
30.3	January 2015	STI Veneto

The outstanding balance under the KEXIM Credit Facility (which includes the KEXIM Notes) at December 31, 2014 was $399.3 million, and there was $30.3 million available to draw, which can be used to finance the lesser of 60% of the contract price for a specified newbuilding vessel or 74% of such vessels fair market value. We were in compliance with the financial covenants relating to this facility as of December 31, 2014.

$52.0 Million Loan Facility and $61.2 Million Loan Facility

In March 2015, we received commitments from two European financial institutions for two separate loan facilities of up to $113.2 million in aggregate to partially finance the purchase of four LR2 product tankers from Scorpio Bulkers, a related party, that was announced in December 2014.

The first proposed facility is a $52.0 million loan facility that will be used to finance a portion of the purchase price of two LR2 product tankers currently under construction at DHSC with expected deliveries in the first quarter of 2016 and the second quarter of 2016. This loan facility has a final maturity of seven years from the date of signing and bears interest at LIBOR plus a margin of 1.95% per annum.

The second proposed facility is a $61.2 million loan facility that will be used to finance a portion of the purchase price of two LR2 product tankers currently under construction at SSME with expected deliveries in the third quarter of 2016 and the fourth quarter of 2016. This loan facility has a final maturity of five years from the date of delivery of each vessel and bears interest at LIBOR plus a margin ranging between 1.95% and 2.40% per annum (depending on the advance ratio).

These loan facilities are subject to customary conditions precedent and the execution of definitive documentation.

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$30.0 Million Term Margin Loan Facility

In March 2015, we entered into a term margin loan facility with Nomura for up to $30.0 million. The 9,392,083 shares that we own in Dorian have been pledged as collateral under this facility, and we are subject to certain covenants, including a loan to value ratio based on the amount outstanding and the market value of the shares that are collateral. Interest on the facility is LIBOR plus 4.50% per annum and the facility matures in March 2016, which can be extended to March 2017 at Nomura's option, at which time a balloon payment will be due. The outstanding balance was $30.0 million as of March 30, 2015, and the facility was fully drawn.

Unsecured Senior Notes Due 2020

On May 12, 2014, we issued $50.0 million in aggregate principal amount of 6.75% Senior Notes due May 2020, or our Senior Notes Due 2020, and on June 9, 2014, we issued an additional $3.75 million aggregate principal amount of Senior Notes Due 2020 when the underwriters partially exercised their option to purchase additional Senior Notes Due 2020 on the same terms and conditions. The net proceeds from the issuance of the Senior Notes Due 2020 were $51.8 million after deducting the underwriters' discounts, commissions and offering expenses.

The Senior Notes Due 2020 bear interest at the rate of 6.75% per year, payable quarterly in arrears on the 15th day of February, May, August and November of each year, commencing on August 15, 2014. The Senior Notes Due 2020 are redeemable at our option, in whole or in part, at any time on or after May 15, 2017 at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The Senior Notes Due 2020 are our senior unsecured obligations and rank equally with all of our existing and future senior unsecured and unsubordinated debt and are effectively subordinated to our existing and future secured debt, to the extent of the value of the assets securing such debt, and will be structurally subordinated to all existing and future debt and other liabilities of our subsidiaries. No sinking fund is provided for the Senior Notes Due 2020. The Senior Notes Due 2020 were issued in minimum denominations of $25.00 and integral multiples of $25.00 in excess thereof and are listed on the NYSE under the symbol "SBNA."

The Senior Notes Due 2020 require us to comply with certain covenants, including financial covenants; restrictions on consolidations, mergers or sales of assets and prohibitions on paying dividends or returning capital to equity holders if a covenant breach or an event of default has occurred or would occur as a result of such payment. If we undergo a change of control, holders may require us to repurchase for cash all or any portion of their notes at a change of control repurchase price equal to 101% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the change of control purchase date.

The financial covenants under our Senior Notes Due 2020 include:

- Net borrowings shall not equal or exceed 70% of total assets.
- Net worth shall always exceed $650.0 million.

The outstanding balance at December 31, 2014 was $53.75 million, and we were in compliance with the financial covenants relating to the Senior Notes Due 2020 as of that date.

Convertible Senior Notes Due 2019

In June 2014, we issued $360.0 million in aggregate principal amount of convertible senior notes due 2019, or Convertible Notes, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. This amount includes the full exercise of the initial purchasers' option to purchase an additional $60.0 million in aggregate principal amount of the Convertible Notes in connection with the offering. The net proceeds we received from the issuance of the Convertible Notes after the exercise of the initial purchasers' option to purchase additional Convertible Notes were $349.0 million after deducting the initial purchasers' discounts, commissions and offering expenses of $11.0 million. We used a portion of the net proceeds to repurchase $95.0 million of our common stock, or 10,127,600 shares, at $9.38 per share in a privately negotiated transaction.

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The Convertible Notes bear interest at a rate of 2.375% per annum, and are payable semi-annually in arrears on January 1 and July 1 of each year beginning on January 1, 2015. The Convertible Notes will mature on July 1, 2019, unless earlier converted, redeemed or repurchased. The Convertible Notes are convertible in certain circumstances and during certain periods at an initial conversion rate of 82.0075 shares of common stock per $1,000 (which represents an initial conversion price of approximately $12.19 per share of common stock), subject to adjustment in certain circumstances as set forth in the indenture governing the Convertible Notes.

Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding January 1, 2019 only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on September 30, 2014 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 15 trading days (whether or not consecutive) during a period of 25 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined below) per $1,000 principal amount of Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day;
- if the Company calls any or all of the Convertible Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events.

We may not redeem the Convertible Notes prior to July 6, 2017. We may redeem for cash all or any portion of the notes, at our option, on or after July 6, 2017 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 15 trading days (whether or not consecutive) during any 25 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Convertible Notes.

The Convertible Notes require us to comply with certain covenants such as restrictions on consolidations, mergers or sales of assets. Additionally, if we undergo a fundamental change, holders may require us to repurchase for cash all or any portion of their notes at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

We determined the initial carrying value of the liability component of the Convertible Notes to be $298.7 million based on the fair value of a similar liability that does not have any associated conversion feature. We used our Senior Notes Due 2020 issued in May 2014 as the basis for this determination. The difference between the fair value of the liability component and the face value of the Convertible Notes will be amortized over the term of the Convertible Notes under the effective interest method and recorded as part of financial expenses. The residual value of $61.3 million (the conversion feature) has been recorded to additional paid-in capital. The carrying value of the liability component of the Convertible Notes was $304.0 million as of December 31, 2014.

The conversion rate of the Convertible Notes is subject to change upon the issuance of a dividend. The table below details the dividends issued during 2014 and 2015 and their corresponding effect to the conversion rate of the Convertible Notes. The conversion rate was 84.0184 and 85.2216 as of December 31, 2014 and March 30, 2015, respectively.

Date	Dividends per share	Adjusted conversion rate [1]
August 22, 2014	$0.10	82.8556
November 25, 2014	$0.12	84.0184
March 13, 2015	$0.12	85.2216

(1) Per $1,000 principal amount of the Convertible Notes.

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Unsecured Senior Notes Due 2017

On October 31, 2014, we issued $45.0 million aggregate principal amount of 7.50% Unsecured Senior Notes due October 15, 2017 (the "Senior Notes Due 2017") and on November 17, 2014, we issued an additional $6.75 million aggregate principal amount of Senior Notes Due 2017 when the underwriters exercised their option to purchase additional Senior Notes Due 2017 on the same terms and conditions. The net proceeds from the issuance of the Senior Notes Due 2017 were approximately $49.9 million after deducting the underwriters' discounts, commissions and offering expenses.

All terms mentioned are defined in the indenture.

The Senior Notes Due 2017 bear interest at the rate of 7.50% per year, payable quarterly in arrears on the 15th day of January, April, July and October of each year, commencing on January 15, 2015. The Senior Notes Due 2017 are redeemable at our option, in whole but not in part, at any time at our option, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The Senior Notes Due 2017 are our senior unsecured obligations and rank equally with all of our existing and future senior unsecured and unsubordinated debt. The Senior Notes Due 2017 are effectively subordinated to our existing and future secured debt, to the extent of the value of the assets securing such debt, and structurally subordinated to all existing and future debt and other liabilities of our subsidiaries. The Senior Notes Due 2017 were issued in minimum denominations of $25.00 and integral multiples of $25.00 in excess thereof and are listed on the NYSE under the symbol "SBNB."

The Senior Notes Due 2017 require us to comply with certain covenants, including financial covenants; restrictions on consolidations, mergers or sales of assets and prohibitions on paying dividends or returning capital to equity holders if a covenant breach or an event of default has occurred or would occur as a result of such payment. If we undergo a change of control, holders may require us to repurchase for cash all or any portion of their notes at a change of control repurchase price equal to 101% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the change of control purchase date.

The financial covenants include:

- Net borrowings shall not equal or exceed 70% of total assets.
- Net worth shall always exceed $650.0 million.

The outstanding balance was $51.75 million as of December 31, 2014 and we were in compliance with the financial covenants relating to the Senior Notes Due 2017 as of that date.

Derivative Contracts

Interest Rate Swaps

In August 2011, we entered into six interest rate swap agreements with three different banks to manage the interest costs and the risk associated with changing interest rates on our 2010 Revolving Credit Facility and 2011 Credit Facility. The notional amount of the swaps relating to the 2010 Revolving Credit Facility was $51.0 million with an average fixed rate of 1.27% starting on July 2, 2012 and expiring on June 2, 2015. The notional amount of the swaps relating to the 2011 Credit Facility was $24.0 million with an average fixed rate of 1.30% and expiring on June 30, 2015. The following activity has occurred since August 2011:

- In September 2012, in conjunction with the sales of STI Coral and STI Diamond, we reduced the notional amount on the interest rate swaps relating to the 2011 Credit facility to $15.0 million from $24.0 million.
- In December 2012, we de-designated the hedge relationship of the interest rate swaps related to the 2010 Revolving Credit Facility prospectively and reclassified all amounts accumulated in other comprehensive income ($1.0 million) to the statement of profit or loss for the year ended December 31, 2012 as a component of Financial Expenses.
- In January 2014, we agreed to sell Noemi and Senatore. As part of these sales and related debt repayments into our 2010 Revolving Credit Facility, we reduced the notional amount of the swaps relating to the 2010 Revolving Credit Facility from $51.0 million to $30.0 million.
- In March 2015, we sold Venice and the sales of STI Harmony and STI Heritage are scheduled to close in April 2015. As part of these sales and related debt repayments into our 2010 Revolving Credit Facility, we terminated the swaps relating to the 2010 Revolving Credit Facility and recorded a realized loss of $0.1 million.

The interest rate swaps relating to the 2011 Credit Facility continue to qualify for hedge accounting. Hedge effectiveness is measured quarterly. Accordingly, changes in their fair value, which the hedge is deemed to be effective, are recognized directly in other comprehensive income. Changes in their fair value for any portion deemed to be ineffective are recognized in the consolidated statement of income or loss. The fair market value of the interest rate swaps relating to both the 2010 Revolving

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Credit Facility and 2011 Credit Facility at December 31, 2014 and December 31, 2013 was a liability of $0.2 million and $0.9 million, respectively.

Profit or loss sharing agreements

In July 2012, we entered into a profit or loss sharing arrangement on the earnings of an LR1 vessel that was not owned or operated by us. Under the agreement, 50% of the profits and losses on this vessel were shared with the counterparty. The counterparty to this agreement was time chartering-in this vessel for a period of six months at $12,750 per day and this agreement expired in January 2013.

In September 2012, we took delivery of an LR1, FPMC P Eagle, on a time charter-in arrangement for one year at $12,800 per day. We also entered into a profit and loss sharing arrangement whereby 50% of the profits and losses relating to this vessel above or below the charterhire rate were shared with a third party that neither owns nor operates this vessel and this agreement expired in October 2013.

These agreements have been treated as derivatives, recorded at fair value with any resultant gain or loss recognized in the statement of income or loss. Changes in fair value are recorded as unrealized gains and losses on derivative financial instruments and actual earnings are recorded as realized gains or losses on derivative financial instruments, within the consolidated statement of income or loss. The fair value of these instruments was determined by comparing published time charter rates to the charterhire rate and discounting those cash flows to their estimated present value. For the year ended December 31, 2013, we recognized a nominal realized gain and an unrealized gain of $0.2 million. For the year ended December 31, 2012, we recognized a gain of $0.4 million and an unrealized loss of $0.2 million.

Equity

In April 2010, we closed the issuance of 12,500,000 shares of common stock at $13.00 per share in our initial public offering and received net proceeds of $149.6 million, after deducting underwriters' discounts and offering expenses.

In May 2010, pursuant to the underwriters' exercise of their over-allotment option that we granted in connection with our initial public offering, we closed the issuance of 450,000 shares of common stock at $13.00 and received $5.2 million, after deducting underwriters' discounts.

In November 2010, we closed on a follow-on public offering of 4,575,000 shares of common stock at $9.80 per share. After deducting underwriters' discounts and paying offering expenses, the net proceeds were $41.8 million, and 510,204 shares were issued in a concurrent private placement to a member of the Lolli-Ghetti family for total proceeds of $5.0 million. On December 2, 2010, we closed the issuance of 686,250 shares of common stock at $9.80 per share and received $6.4 million, after deducting underwriters' discounts, when the underwriters in our follow-on public offering fully exercised their over-allotment option.

In May 2011, we closed on a follow-on public offering of 6,000,000 shares of common stock and also closed on the underwriters' over-allotment option to purchase 900,000 additional common shares at an offering price of $10.50 per share. We received net proceeds of $68.5 million, after deducting underwriters' discounts and offering expenses.

In December 2011, we closed on a follow-on public offering of 7,000,000 shares of common stock at an offering price of $5.50 per share. We received net proceeds of $36.5 million, after deducting underwriters' discounts and offering expenses.

In April 2012, we closed on the sale of 4,000,000 shares of common stock in a registered direct placement of common shares at an offering price of $6.75 per share. We received net proceeds of $25.9 million, after deducting placement agents' discounts and offering expenses.

In December 2012, we closed on the sale of 21,639,774 shares of common stock in a registered direct placement of common shares at an offering price of $6.10 per share. We received net proceeds of $127.2 million, after deducting placement agents' discounts and offering expenses.

In February 2013, we closed on the sale 30,672,000 shares of common stock in a registered direct placement of common shares at an offering price of $7.50 per share. We received net proceeds of $222.1 million, after deducting placement agents' discounts and offering expenses.

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In March 2013, we closed on the sale 29,012,000 shares of common stock in a registered direct placement of common shares at an offering price of $8.10 per share. We received net proceeds of $226.8 million, after deducting placement agents' discounts and offering expenses.
In May 2013, we closed on the sale of 36,144,578 newly issued shares of common stock in a registered direct placement of common shares at an offering price of $8.30 per share. We received net proceeds of $289.2 million, after deducting placement agents' discounts and offering expenses.
In August 2013, we closed on the sale of 20,000,000 newly issued shares of common stock in an underwritten offering of common shares at an offering price of $9.50 per share. In addition, the underwriters also fully exercised their over-allotment option to purchase 3,000,000 additional common shares at the offering price. We received aggregate net proceeds of $209.8 million after deducting underwriters' discounts and offering expenses.
In November 2013, we issued 3,611,809 common shares to unaffiliated third parties in connection with our acquisition of four MR vessel newbuilding contracts.
In December 2013, we issued 3,523,271 common shares to unaffiliated third parties in connection with our acquisition of four MR vessel newbuilding contracts.
In May 2014, our shareholders approved an amendment to our Amended and Restated Articles of Incorporation to increase our authorized common stock to 400,000,000 from 250,000,000. Accordingly, we currently have 425,000,000 registered shares of which 400,000,000 are designated as common shares with a par value of $0.01 and 25,000,000 designated as preferred shares with a par value of $0.01.

Capital Expenditures
Vessel acquisitions and disposals
2013 Activity

In January 2013, we reached an agreement with HMD for the construction of two MR product tankers for $32.5 million each.

In February 2013, we reached an agreement with HMD for the construction of four MR product tankers for $33.0 million each and six Handymax ice class-1A product tankers for $31.3 million each.

In February 2013, we reached an agreement with SPP for the construction of four MR product tankers for $32.5 million each.

In March 2013, we reached an agreement with HSHI for the construction of six LR2 product tankers for $50.5 million each.

In March 2013, we reached an agreement with DSME for the construction of two LR2 product tankers for $49.5 million each.

In April 2013, we reached an agreement with HMD for the construction of two Handymax ice class-1A vessels for $31.5 million each.

In April 2013, we reached an agreement with an unaffiliated third party for the purchase of four MR product tankers under construction at HMD for $36.5 million each.

In May 2013, we reached an agreement with HMD to construct four Handymax ice class-1A product tankers for $31.6 million each.

In May 2013, we reached an agreement with SPP to construct four MR product tankers for $33.0 million each.

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In May 2013, we reached agreements to construct four LR2 product tankers for $50.5 million each, consisting of two at HSHI and two at DSME.

In July and August 2013 we reached an agreement to construct nine Very Large Gas Carriers ("VLGCs") for $75.6 million each with HSHI and DSME.

In August 2013, we reached an agreement with HMD to construct four product tankers consisting of two MR product tankers for $35.0 million each and two Handymax ice class-1A product tankers for $32.0 million each.

In October 2013, we reached an agreement with HSHI to construct two VLGCs for $75.0 million each.

In November 2013, we contributed our VLGC business, which included 11 VLGC newbuilding contracts, options to purchase two additional VLGCs and a cash payment of $1.9 million to Dorian in exchange 30% of Dorian's outstanding shares.

In November 2013, we issued 3,611,809 shares in exchange for four MR product tankers under construction in South Korea with certain unaffiliated third parties for an aggregate purchase price of $150.2 million. Under the purchase and sale agreement, we agreed that if our share price was not maintained at or above the issuance price for 20 days in the 180 day period following the closing date, then we would issue additional shares or pay cash to increase the value of the consideration to the value received at the closing date. In May 2014, we paid $4.7 million, as described below.

In December 2013, we acquired contracts for the construction of four MR product tankers from unaffiliated third parties for a total purchase price of approximately $153.9 million. We paid $4.4 million in cash and issued 3,523,271 common shares, representing approximately 26% of the total purchase price, to affiliates of York Capital in 2013.

In December 2013, we reached agreements with DSME and HSHI for the construction of seven VLCCs for an aggregate purchase price of $662.2 million.

In December 2013, we designated Noemi, Senatore, Venice and STI Spirit as held for sale. As part of this designation, we recorded a $21.2 million write-down to remeasure these vessels at the lower of their carrying amount and fair value less estimated costs to sell. Noemi, Senatore and STI Spirit were sold in 2014.

2014 Activity
In March 2014, we sold seven VLCCs under construction to an unrelated third party. As a result of the sale, we received net proceeds of $141.7 million in cash, and recorded a gain of $51.4 million. The book value of these assets at the time of sale was $90.3 million.

In March and April 2014, respectively, we sold Noemi and Senatore for aggregate net proceeds of $42.5 million. As part of these sales, we repaid $22.5 million into our 2010 Revolving Credit Facility in March 2014.

In April 2014, we sold STI Spirit for net proceeds of $29.5 million. As part of this sale, we repaid all amounts due under the STI Spirit Credit Facility of $21.4 million.

In May 2014, we paid additional cash consideration of $4.7 million to the counterparties of the previously noted transaction to acquire four MR product tankers in exchange for 3,611,809 shares based on subsequent changes to our share price.

In August 2014, we reached an agreement with an unrelated third party to purchase a MR product tanker that was then under construction, STI St. Charles. The purchase price of the vessel was $37.1 million and we took delivery of this

vessel in September 2014.

In November 2014, we reached an agreement with an unrelated third party to purchase two LR2 product tankers under construction at DHSC for approximately $60.0 million each. These vessels, STI Rose and STI Alexis, were delivered in January and February 2015, respectively.

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In December 2014, we reached an agreement with Scorpio Bulkers, a related party, to purchase newbuilding contracts for four LR2 product tankers to be constructed at shipyards in South Korea and options to purchase two additional LR2 newbuilding contracts. The purchase price for each of the four LR2 newbuilding contracts was $51.0 million with scheduled vessel deliveries in the first three quarters of 2016. The purchase price for the two option contracts is fixed at $52.5 million for each contract with scheduled vessel deliveries in the fourth quarter of 2016. The options expire on May 31, 2015. We are working with the seller and the shipyards to novate the contracts to us. The independent members of our Board of Directors unanimously approved this transaction with Scorpio Bulkers.

In December 2014, we designated STI Heritage and STI Harmony as held for sale. As part of this designation, we recorded a $3.9 million write-down to remeasure these vessels at their fair value less estimated costs to sell. Their revised carrying amount of $59.0 million was then reclassified from ‘Vessels’ to ‘Vessels Held for Sale’ on the consolidated balance sheet as of December 31, 2014. In March 2015, we closed on the sale of Venice for $13.0 million. Additionally, we agreed to sell STI Harmony and STI Heritage for an aggregate selling price of $61.5 million. The sales of these vessels are expected to close in April 2015.

Newbuilding program

As of March 30, 2015, we had a total of 14 newbuilding product tanker orders with HMD, SPP, HSHI, DSME, DHSC and SSME which include six MR tankers and eight LR2 tankers for an aggregate purchase price of $620.6 million, of which $137.2 million in cash has been paid and $16.3 million of common stock has been issued. Additionally, we were still party to the performance guarantees of the seven VLCCs sold in March 2014 under the related construction contracts with the shipyards. We are working with the buyer and the shipyards to novate the contracts to the buyers. Should the counterparty to this transaction fail to fulfill the obligations set forth under each construction contract, then the shipyards have legal recourse to seek payment from us to fulfill these obligations.

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The following table sets forth vessel deliveries under our Newbuilding Program during 2014 and through March 30, 2015:

	Name	Month Delivered	Type
1	STI Duchessa	January 2014	MR
2	STI Opera	January 2014	MR
3	STI Texas City	March 2014	MR
4	STI Meraux	April 2014	MR
5	STI San Antonio	May 2014	MR
6	STI Chelsea	May 2014	MR
7	STI Lexington	May 2014	MR
8	STI Comandante	May 2014	Handymax
9	STI Brixton	June 2014	Handymax
10	STI Venere	June 2014	MR
11	STI Virtus	June 2014	MR
12	STI Pimlico	July 2014	Handymax
13	STI Powai	July 2014	MR
14	STI Aqua	July 2014	MR
15	STI Dama	July 2014	MR
16	STI Elysees	July 2014	LR2
17	STI Hackney	August 2014	Handymax
18	STI Olivia	August 2014	MR
19	STI Mythos	August 2014	MR
20	STI Acton	September 2014	Handymax
21	STI Fulham	September 2014	Handymax
22	STI Camden	September 2014	Handymax
23	STI Benicia	September 2014	MR
24	STI Regina	September 2014	MR
25	STI St. Charles	September 2014	MR
26	STI Park	September 2014	LR2
27	STI Madison	September 2014	LR2
28	STI Orchard	September 2014	LR2
29	STI Battersea	October 2014	Handymax
30	STI Wembley	October 2014	Handymax
31	STI Mayfair	October 2014	MR
32	STI Yorkville	October 2014	MR
33	STI Finchley	November 2014	Handymax
34	STI Clapham	November 2014	Handymax
35	STI Milwaukee	November 2014	MR
36	STI Battery	November 2014	MR
37	STI Sloane	November 2014	LR2
38	STI Broadway	November 2014	LR2
39	STI Condotti	November 2014	LR2
40	STI Poplar	December 2014	Handymax
41	STI Soho	December 2014	MR

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	Name	Month Delivered	Type
42	STI Tribeca	January 2015	MR
43	STI Hammersmith	January 2015	Handymax
44	STI Rotherhithe	January 2015	Handymax
45	STI Rose	January 2015	LR2
46	STI Gramercy	January 2015	MR
47	STI Veneto	January 2015	LR2
48	STI Alexis	February 2015	LR2
49	STI Bronx	February 2015	MR
50	STI Pontiac	March 2015	MR
51	STI Manhattan	March 2015	MR

Our remaining commitments under all newbuilding vessel agreements as of March 30, 2015, including the above mentioned vessels are as follows:*

	In millions of U.S. Dollars	
Q1 2015 - installment payments made	$167.2	**
Q1 2015 - remaining installment payment for delivery of STI Winnie	30.3	
Q2 2015	258.9	
Q3 2015	27.5	
Q4 2015	24.8	
Q1 2016	40.5	
Q2 2016	26.0	
Q3 2016	29.6	
Q4 2016	29.6	
Total	$634.4	

* These are estimates only and are subject to change as construction progresses.
** As of March 30, 2015, $167.2 million of installment payments have been paid, which includes $149.9 million in aggregate for the delivery installment payments on STI Gramercy and STI Veneto in January 2015, STI Bronx and STI Alexis in February 2015 and STI Pontiac and STI Manhattan in March 2015.

Drydock

During 2012, we drydocked two of our owned vessels, STI Heritage and STI Spirit, for an aggregated drydock cost of $2.9 million and a total of 38 off-hire days.

During 2013, no vessels were drydocked.

During 2014, Venice was drydocked for a cost $1.3 million and was off-hire for 26 days.

As our fleet matures and expands, our drydock expenses will likely increase. Ongoing costs for compliance with environmental regulations and society classification survey costs are a component of our vessel operating costs. We are not currently aware of any regulatory changes or environmental liabilities that we anticipate will have a material impact on our results of operations or financial condition.

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Dividends

The board of directors declared the following quarterly cash dividends in 2013, 2014 and through March 30, 2015:

Dividends per share	Date Paid
$0.025	June 25, 2013
$0.035	September 25, 2013
$0.07	December 18, 2013
$0.08	March 26, 2014
$0.09	June 12, 2014
$0.10	September 10, 2014
$0.12	December 12, 2014
$0.12	March 30, 2015

Stock Buyback Program

In April 2014, we resumed purchasing shares under our stock buyback program that was authorized in July 2010. Additionally, in April 2014, our board of directors approved a new stock buyback program with authorization to purchase up to $100 million of shares of our common stock, replacing the program announced in July 2010.
In June 2014, our board of directors approved a new stock buyback program with authorization to purchase up to $150 million of shares of our common stock. This program replaced our stock buyback program that was approved in April 2014.

In July 2014, our board of directors approved a new stock buyback program with authorization to purchase up to $150 million of shares of our common stock. This program replaced our stock buyback program that was approved in June 2014. As of December 31, 2014, the remaining authorization under this program was $75.2 million.

During 2014, we acquired an aggregate of 37,579,136 of our common shares that are being held as treasury shares, which include (i) 19,951,536 common shares that were purchased in the open market at an average price of $9.09 per share, (ii) 7,500,000 common shares that were acquired in exchange for 3,422,665 shares in Dorian and (iii) 10,127,600 common shares that were acquired using part of the proceeds we received from the issuance of our $360 million of Convertible Notes due 2019 in June 2014.

From January 1, 2015 through March 30, 2015, we acquired an aggregate of 746,639 of our common shares that are being held as treasury shares at an average price of $7.91 per share.

We had $69.3 million remaining under our stock buyback program as of March 30, 2015. We expect to repurchase these shares in the open market, at times and prices that are considered to be appropriate by us, but we are not obligated under the terms of the program to repurchase any shares.

As of December 31, 2014, we had 164,574,542 shares outstanding and as of March 30, 2015, we had 163,827,903 shares outstanding. These shares provide the holders with rights to dividends and voting rights.

C. Research and Development, Patents and Licenses, Etc.

Not applicable.

D. Trend Information

See "Item 4. Information on the Company—B. Business Overview—The International Oil Tanker Shipping Industry."

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E. Off-Balance Sheet Arrangements

As of December 31, 2014, we were committed to make charter-hire payments to third parties for certain chartered-in vessels. These arrangements are accounted for as operating leases. Additionally, we are committed to make payments on our newbuilding vessel orders. See "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources" for further information.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our total contractual obligations at December 31, 2014:

In thousands of U.S. dollars	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
Bank loans[1]	$122,633	$263,172	$462,852	$360,535
Estimated interest payments on bank loans[2]	42,524	93,222	75,592	19,250
Interest rate swap derivative contracts[3]	206	—	—	—
Bank loans - commitment fees[4]	3,139	—	—	—
Time charter-in commitments[5]	57,878	2,169	—	—
Technical management fees[6]	20,250	20,250	—	—
Commercial management fees[7]	8,888	8,888	—	—
Newbuilding installments [8]	508,658	125,718	—	—
Convertible notes[9]	—	—	360,000	—
Convertible notes - estimated interest payments[10]	12,849	17,100	12,801	—
Senior unsecured notes[11]	—	51,750	—	53,750
Senior unsecured notes - estimated interest payments[12]	8,631	14,199	7,256	1,330
Total	$785,656	$596,468	$918,501	$434,865

(1) Represents principal payments due on our 2010 Revolving Credit Facility, 2011 Credit Facility, Newbuilding Credit Facility, 2013 Credit Facility, KEXIM Credit Facility and K-Sure Credit Facility based on our outstanding borrowings as of December 31, 2014.

(2) Represents estimated interest payments on our credit facilities. These payments were estimated by taking into consideration (i) the margin on each credit facility, (ii) the amount of interest that is fixed based on our interest rate swap agreements and (iii) the forward curve calculated from the term structure of interest swap rates as published by the US Federal Reserve as of December 31, 2014.

The forward curve was calculated as follows as of December 31, 2014:

Year 1	0.44	%
Year 2	1.34	%
Year 3	2.09	%
Year 4	2.45	%
Year 5	2.63	%
Year 6	2.60	%(1)
Year 7	2.87	%

(1) The US Federal Reserve does not publish six year swap rates. As such, we interpolated the year six forward rate using an average of the five and seven year US Federal Reserve published swap rates.

The margins on each credit facility that have amounts outstanding at December 31, 2014 are as follows:

Facility	Margin	
2010 Revolving Credit Facility	3.25%	
2011 Credit Facility	3.25%	
Newbuilding Credit Facility	2.70%	
2013 Credit Facility	3.50%	
KEXIM	3.25%	
KEXIM Commercial Tranche	3.25%	(a)
KEXIM Notes	1.70%	
K-Sure	2.25%	
K-Sure Commercial Tranche	3.25%	(b)

(a) Borrowings under the KEXIM Commercial Tranche bear interest at LIBOR plus an applicable margin of 3.25% from the effective date of the agreement to the fifth anniversary thereof and 3.75% thereafter until the maturity date.
(b) Borrowings under the K-Sure Commercial Tranche bear interest at LIBOR plus an applicable margin of 3.25% from the effective date of the agreement to the fifth anniversary thereof and 3.75% thereafter until the maturity date in respect of the Commercial Tranche.
Interest was then estimated using the above mentioned rates multiplied by the amounts outstanding under our various credit facilities using the balance as of December 31, 2014 and taking into consideration the scheduled amortization of such facilities going forward until maturity.

(3) Represents estimated payments due under our interest rate swaps:

- The three swaps relating to the 2010 Revolving Credit Facility with a total notional amount of $30.0 million carry an average fixed interest rate of 1.27% during the time period the swap is outstanding (January 1, 2015 through June 2, 2015). The payments due were estimated by offsetting the fixed payments against the estimated interest received using the forward swap curve at December 31, 2014 for each of the swaps. These swaps were repaid in March 2015.
- The three swaps relating to the 2011 Credit Facility with a total notional amount of $15.0 million carry an average fixed interest rate of 1.30% during the time period the swap is outstanding (January 1, 2015 through June 30, 2015). The payments due were estimated by offsetting the fixed payments against the estimated interest received using the forward swap curve at December 31, 2014 for each of the swaps.

(4) As of December 31, 2014, a commitment fee equal to 40% of the applicable margin is payable on the unused daily portion of our 2013 Credit Facility and the commercial tranches of our KEXIM Credit Facility and K-Sure Credit Facility. The 2010 Revolving Credit Facility, 2011 Credit Facility and Newbuilding Credit Facility were fully drawn as of December 31, 2014.

(5) Represents amounts due under our time charter-in agreements as of December 31, 2014.

(6) We pay our technical manager, SSM, $685 per day per owned vessel, which are the same fees that SSM charges to third parties.

(7) We pay our commercial manager, SCM, $250 per vessel per day for LR2 vessels, $300 per vessel per day for LR1 vessels, $325 per vessel per day for MR and Handymax vessels plus 1.50% of gross revenue for vessels that are in one of the Scorpio Group Pools. When the vessels are not in the pools, SCM charges fees of $250 per vessel per day for the LR1 and LR2 vessels, $300 per vessel per day for the Handymax and MR vessels plus 1.25% of gross revenue.

(8) Represents obligations under our agreements with HMD, SPP, HSHI, DSME, DHSC and SSME for the construction of 24 newbuilding vessels under our Newbuilding Program as of December 31, 2014.

(9) Represents the principal due at maturity on our Convertible Notes as of December 31, 2014.

(10) Represents estimated interest payments on our Convertible Notes. The Convertible Notes bear interest at a coupon rate of 2.375% per annum and mature in July 2019.

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(11) Represents the principal due at maturity on our Senior Unsecured Notes Due 2020 and our Senior Unsecured Notes Due 2017 as of December 31, 2014.

(12) Represents estimated interest payments on our Senior Unsecured Notes Due 2020 and our Senior Unsecured Notes Due 2017 as of December 31, 2014. These notes bear interest at coupon rates of 6.75% and 7.50%, respectively.

G. Safe Harbor

See "Cautionary Statement Regarding Forward-Looking Statements" at the beginning of this annual report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors and executive officers. Our board of directors is elected annually, and each director elected holds office for a three-year term or until his successor shall have been duly elected and qualified, except in the event of his death, resignation, removal or the earlier termination of his term of office. The terms of our Class I directors expire at the 2017 annual meeting of shareholders, the terms of our Class II directors expire at the 2015 annual meeting of shareholders, and the terms of our Class III directors expire at the 2016 annual meeting of shareholders. Officers are elected from time to time by vote of our board of directors and hold office until a successor is elected. The business address for each director and executive officer is the address of our principal executive office which is Scorpio Tankers Inc., 9, Boulevard Charles III, Monaco 98000.

Certain of our officers participate in business activities not associated with us. As a result, they may devote less time to us than if they were not engaged in other business activities and may owe fiduciary duties to the shareholders of both us as well as shareholders of other companies which they may be affiliated, including other Scorpio Group companies. This may create conflicts of interest in matters involving or affecting us and our customers and it is not certain that any of these conflicts of interest will be resolved in our favor. While there will be no formal requirements or guidelines for the allocation of their time between our business and the business of members of the Scorpio Group, their performance of their duties will be subject to the ongoing oversight of our board of directors.

Name	Age	Position
Emanuele A. Lauro	36	Chairman, Class I Director, and Chief Executive Officer
Robert Bugbee	54	President and Class II Director
Brian Lee	48	Chief Financial Officer
Cameron Mackey	46	Chief Operating Officer and Class III Director
Luca Forgione	38	General Counsel
Sergio Gianfranchi	70	Vice President, Vessel Operations
Anoushka Kachelo	35	Secretary
Alexandre Albertini	38	Class III Director
Ademaro Lanzara	72	Class I Director
Donald C. Trauscht	81	Class II Director
Marianne Økland	52	Class III Director
Jose Tarruella	43	Class II Director

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Biographical information concerning the directors and executive officers listed above is set forth below.

Emanuele A. Lauro, Chairman and Chief Executive Officer

Emanuele A. Lauro, the Company's founder, has served as Chairman, and Chief Executive Officer since the closing of our initial public offering in April 2010. Mr. Lauro also co-founded and serves as Chairman and Chief Executive Officer of Scorpio Bulkers, which was formed in 2013. He joined the Scorpio group of companies, or the Scorpio Group, in 2003 and has continued to serve there in a senior management position since 2004. Under Mr. Lauro's leadership, Scorpio Group has grown from an owner of three vessels in 2003 to become a leading operator and manager of over 200 vessels in 2015. Over the course of the last several years, Mr. Lauro has founded and developed all of the Scorpio Group Pools in addition to several other ventures such as Scorpio Logistics, which owns and operates specialized assets engaged in the transshipment of dry cargo commodities and invests in coastal transportation and port infrastructure developments in Asia and Africa since 2007. Mr. Lauro has a degree in international business from the European Business School, London.

Robert Bugbee, President and Director

Robert Bugbee has served as a Director and President since the closing of our initial public offering in April 2010. He has more than 25 years of experience in the shipping industry. Mr. Bugbee also co-founded and serves as President and Director of Scorpio Bulkers. He joined the Scorpio Group in February 2009 and has continued to serve there in a senior management position. Prior to joining Scorpio Group, Mr. Bugbee was a partner at Ospraie Management LLP between 2007 and 2008, a company which advises and invests in commodities and basic industry. From 1995 to 2007, Mr. Bugbee was employed at OMI Corporation, or OMI, a NYSE-listed tanker company sold in 2007. While at OMI, Mr. Bugbee served as President from January 2002 until the sale of the company, and before that served as Executive Vice President since January 2001, Chief Operating Officer since March 2000, and Senior Vice President of OMI from August 1995 to June 1998. Mr. Bugbee joined OMI in February 1993. Prior to this, he was employed by Gotaas-Larsen Shipping Corporation since 1984. During this time he took a two year sabbatical beginning 1987 for the M.I.B. Program at the Norwegian School for Economics and Business administration in Bergen. He has a Fellowship from the International Shipbrokers Association and a B.A. (Honors) from London University.

Brian Lee, Chief Financial Officer

Brian Lee has served as Chief Financial Officer since the closing of our initial public offering in April 2010. He joined Scorpio Group in April 2009 where he continues to serve in a senior management position. He has been employed in the shipping industry since 1998. Prior to joining Scorpio Group, he was the Controller of OMI from 2001 until the sale of the company in 2007. Mr. Lee has an M.B.A. from the University of Connecticut and has B.S. in Business Administration from the University at Buffalo, State University of New York.

Cameron Mackey, Chief Operating Officer and Director

Cameron Mackey has served as Chief Operating Officer since the closing of our initial public offering in April 2010 and as a Director since May 2013. Mr. Mackey also serves as Chief Operating Officer of Scorpio Bulkers. He joined Scorpio Group in March 2009, where he continues to serve in a senior management position. Prior to joining Scorpio Group, he was an equity and commodity analyst at Ospraie Management LLC from 2007 to 2008. Prior to that, he was Senior Vice President of OMI Marine Services LLC from 2004 to 2007 and in Business Development at OMI from 2002 to 2004. He has been employed in the shipping industry since 1994 and, earlier in his career, was employed in unlicensed and licensed positions in the merchant navy, primarily on tankers in the international fleet of Mobil Oil Corporation, where he held the qualification of Master Mariner. He has an M.B.A. from the Sloan School of Management at the Massachusetts Institute of Technology, a B.S. from the Massachusetts Maritime Academy and a B.A. from Princeton University.

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Luca Forgione, General Counsel

Luca Forgione has served as General Counsel since the closing of our initial public offering in April 2010 and as Secretary until December 2, 2013. Mr. Forgione also serves as General Counsel of Scorpio Bulkers. He joined Scorpio Group in August 2009 where he continues to serve as General Counsel. He is licensed as a lawyer in his native Italy and as a Solicitor of the Supreme Court of England & Wales. Mr. Forgione has more than ten years of shipping industry experience and has worked in the fields of shipping, offshore logistics, commodity trading and energy since the beginning of his in-house career, most recently with Constellation Energy Commodities Group Ltd. in London, part of Constellation Energy Group Inc. then listed on the NYSE under "CEG," and now part of Exelon (NYSE: EXC) from 2007 to 2009, and previously with Coeclerici S.p.a. in Milan from 2004 to 2007. He has experience with all aspects of the supply chain of drybulk and energy commodities (upstream and downstream), and has developed considerable understanding of the regulatory and compliance regimes surrounding the trading of physical and financial commodities as well as the owning, managing and chartering of vessels. Mr. Forgione was a Tutor in International Trade Law and Admiralty Law at University College London (U.K.) and more recently a Visiting Lecturer in International Trade Law at King's College (U.K.). He has a Master's Degree in Maritime Law from the University of Southampton (U.K.) and a Law Degree from the University of Genoa (Italy).

Sergio Gianfranchi, Vice President, Vessel Operations

Sergio Gianfranchi has served as Vice President of Vessel Operations since the closing of our initial public offering in April 2010. Mr. Gianfranchi also serves as Vice President of Vessel Operations of Scorpio Bulkers. He served as Operations Manager of our technical manager, SSM, at its headquarters in Monaco from 2002 to 2004. He has been instrumental in launching and operating the Scorpio Group Pools, and was employed as the Fleet Manager of SCM, the Scorpio Group affiliate that manages the commercial operations of over 100 vessels grouped in the Scorpio Group Pools. Mr. Gianfranchi is currently employed as the Pool Fleet Manager of SCM. From 1999 to 2001, Mr. Gianfranchi served as the on-site owner's representative of the Scorpio Group affiliates named Doria Shipping, Tristan Shipping, Milan Shipping and Roma Shipping, to survey the construction of their Panamax and Post-Panamax newbuilding tankers being built at the 3Maj Shipyard in Rijeka, Croatia. When Mr. Gianfranchi joined SSM in 1989, he began as vessel master of its OBOs (multipurpose vessels that carry ore, heavy drybulk and oil). Upon obtaining his Master Mariner License in 1972, he served until 1989 as a vessel master with prominent Italian shipping companies, including NAI and Almare, initially a subsidiary of NAI but later controlled by Finmare, the Italian state shipping financial holding company. In this position he served mostly on OBOs, tankers and drybulk carriers. He graduated from La Spezia Nautical Institute in Italy in 1963.

Anoushka Kachelo, Secretary

Anoushka Kachelo has served as our Secretary since December 2, 2013. Mrs. Kachelo also serves as Secretary of Scorpio Bulkers. She joined Scorpio Group in September 2010 as Senior Legal Counsel. Mrs. Kachelo is a Solicitor of the Supreme Court of England & Wales and has worked in the fields of commodity trading, energy and asset finance. Prior to joining the Scorpio Group, Mrs. Kachelo was Legal Counsel for the Commodities Team at JPMorgan (London) and prior to that in private practice for the London office of McDermott Will & Emery and Linklaters. She has a BA in Jurisprudence from the University of Oxford (U.K.).

Alexandre Albertini, Director

Alexandre Albertini has served on our board of directors since the closing of our initial public offering in April 2010. Mr. Albertini has more than 11 years of experience in the shipping industry. He has been employed by Marfin Management SAM, a drybulk ship management company, since 1997 and has served as Managing Director there since 2009, working in fields related to crew and human resources, insurance, legal, financial, technical, commercial, and information technology. He is a director of eight drybulk ship owning companies and serves as President of Ant. Topic srl, a vessel and crewing agent based in Italy. The aggregate valuation of the drybulk shipping companies for which Mr. Albertini serves as a Secretary or director is approximately $300 million. In 2008, Mr. Albertini was elected as a member of the Executive Committee of InterManager. He is a founding member of the Chamber of Shipping of Monaco and has served as its Secretary General since 2006. Mr. Albertini also holds various board positions in several other local business and associations.

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Ademaro Lanzara, Director
Ademaro Lanzara has served on our board of directors since the closing of our initial public offering in April 2010. Mr. Lanzara has served as Chairman of BPV Finance (International) Plc Dublin, a subsidiary of Banca Popolare di Vicenza, Italy, since 2008. He has also served as the deputy Chairman and Chairman of the Audit Committee of Cattolica Life Inc. Dublin since 2011, Chairman of BPVI Fondi Sgr SpA, Milano from April 2012 until November 2013 and Chairman of NEM Sgr SpA Vicenza since November 2013. From 1963 to 2006, Mr. Lanzara held a number of positions with BNL spa Rome, a leading Italian banking group, including Deputy Group CEO, acting as the Chairman of the Credit Committee and Chairman of the Finance Committee. He also served as Chairman and/or director of a number of BNL controlled banks or financial companies in Europe, the United States and South America. He formerly served as a director of each of Istituto dell'Enciclopedia Italiana fondata da Giovanni Treccani Spa, Rome, Italy, the Institute of International Finance Inc. in Washington DC, Compagnie Financiere Edmond de Rothschild Banque, in Paris, France, ABI—Italian Banking Association in Rome, Italy, FITD—Interbank deposit Protection Fund, in Rome, Italy, ICC International Chamber of Commerce Italian section, Rome, Italy and Co-Chairman Round Table of Bankers and Small and Medium Enterprises, European Commission, in Brussels, Belgium. Mr. Lanzara has an economics degree (graduated magna cum laude) from the University of Naples, a law degree from the University of Naples and completed the Program for Management Development (PMD) at Harvard Business School.

Donald C. Trauscht, Director
Donald C. Trauscht has served on our board of directors since the closing of our initial public offering in April 2010. Mr. Trauscht has served as the Chairman of BW Capital Corporation, a private investment company, since 1996. From 1967 to 1995, Mr. Trauscht held a number of positions at Borg-Warner Corporation, including Chairman and Chief Executive Officer. While at Borg Warner, Mr. Trauscht supervised an annual capital budget of $250 million and was responsible for risk assessment decisions involving the company's investments. He has participated in acquisitions, divestments, financings, public offerings and other transactions whose combined value is over $30 billion. Mr. Trauscht is a director of Esco Technologies Inc., Hydac International Corporation and Bourns Inc. He formerly served as a director of Baker Hughes Inc., Cordant Technologies Inc., Blue Bird Corporation, Imo Industries Inc., Mannesmann Capital Corporation, Wynn International Inc., Recon Optical Inc., Global Motorsport Group Inc., OMI Corporation, IES Corporation, NSK-Warner Ltd. and Eyes for Learning LLC. He has served as the Chairman, Lead Director, and Audit Committee, Compensation Committee, and Governance Committee Chairman at numerous public and private companies.

Marianne Økland, Director
Marianne Økland has served on our board of directors since April 2013. Ms. Økland is also a Managing Director of Avista Partners, a London based consultancy company that provides advisory services and raises capital. In addition, she is a non-executive director at each of Islandsbanki (Iceland) and IDFC (India). Previously, she was a non-executive director at NLB (Slovenia). Between 1993 and 2008, Ms. Økland held various investment banking positions at JP Morgan Chase & Co. and UBS where she focused on debt capital raising and structuring. Ms. Økland has led many transactions for large Nordic banks and insurance companies, including some of the most significant mergers and acquisitions in these sectors. Between 1990 and 1993, Ms. Økland headed European operations of Marsoft, a Boston, Oslo and London based consulting firm that advises banks and large shipping, oil and raw material companies on shipping strategies and investments. Ms. Økland holds a M.Sc. degree in Finance and Economics from the Norwegian School of Economics and Business Administration where she also worked as a researcher and taught mathematics and statistics.

Jose Tarruella, Director
Jose Tarruella has served on our board since May 2013. Mr. Tarruella is also the founder and Chairman of Camino de Esles s.l., a high-end restaurant chain with franchises throughout Madrid, Spain, since 2007. Prior to forming Camino de Esles, Mr. Tarruella was a Director in Group Tragaluz, which owns and operates restaurants throughout Spain. Mr. Tarruella also acts as a consultant for the Spanish interests of Rank Group plc (LSE: RNK.L) a leading European gaming-based entertainment business. He has been involved in corporate relations for Esade Business School in Madrid. He earned an International MBA from Esade Business School in Barcelona and an MA from the University of Navarre in Spain.

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B. Compensation

We paid an aggregate compensation of $31.0 million, $15.7 million and $6.3 million to our senior executive officers in 2014, 2013, and 2012, respectively. Executive management remuneration was as follows during these periods:

	For the period ended December 31,		
In thousands of US dollars	2014	2013	2012
Short-term employee benefits (salaries)	$7,454	$5,433	$2,896
Share-based compensation [1]	23,553	10,274	3,368
Total	$31,007	$15,707	$6,264

(1) Represents the amortization of restricted stock issued under our equity incentive plans. See Note 14 to our consolidated financial statements for further description.

Each of our non-employee directors receive cash compensation in the aggregate amount of $60,000 annually, plus an additional fee of $10,000 for each committee on which a director serves plus an additional fee of $25,000 for each committee for which a director serves as Chairman, per year, plus an additional fee of $35,000 to the lead independent director, plus $2,000 for each meeting, plus reimbursements for actual expenses incurred while acting in their capacity as a director. During the year ended December 31, 2014 and 2013, we paid an aggregate compensation of $0.8 million and $0.8 million to our directors, respectively. Our officers and directors are eligible to receive awards under our equity incentive plan which is described below under "—2010 Equity Incentive Plan and 2013 Equity Incentive Plan." We believe that it is important to align the interests of our directors and management with that of our shareholders. In this regard, we have determined that it will generally be beneficial to us and to our shareholders for our directors and management to have a stake in our long-term performance. We expect to have a meaningful component of our compensation package for our directors and management consisted of equity interests in us in order to provide them on an on-going basis with a meaningful percentage of ownership in us.

We do not have a retirement plan for our officers or directors.

2010 Equity Incentive Plan

In 2010, we adopted an equity incentive plan, which we refer to as the 2010 Equity Incentive Plan, under which directors, officers, employees, consultants and service providers of us and our subsidiaries and affiliates are eligible to receive incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and unrestricted common stock. We reserved a total of 1,148,916 common shares for issuance under the plan, subject to adjustment for changes in capitalization as provided in the plan. The plan is administered by our compensation committee. We issued a total of 559,458 restricted shares under the plan to our executive officers in the second quarter of 2010 which vest in three equal installments on the third, fourth and fifth anniversaries, respectively, of the closing date of the initial public offering, which was April 6, 2010. In the second quarter of 2010, we also issued 9,000 restricted shares to our independent directors, which vested on April 6, 2011. We issued a total of 281,000 restricted shares under the plan to our executive officers in the first quarter of 2011 which vest ratably in three equal installments on the first, second and third anniversaries, respectively, of the grant date, which was January 31, 2011. In the first quarter of 2011, we also issued 9,000 restricted shares to our independent directors, which vested on January 31, 2012. In the first quarter of 2012, we issued a total of 281,000 restricted shares under the plan to our executive officers, which vest ratably in three equal installments on the first, second and third anniversaries of the grant date, which was January 31, 2012. In the first quarter of 2012, we also issued 9,000 restricted shares to our independent directors, which vested on January 31, 2013. There are no shares remaining available for issuance under the 2010 Plan.

Under the terms of the plan, stock options and stock appreciation rights granted under the plan will have an exercise price equal to the fair market value of a common share on the date of grant, unless otherwise determined by the plan administrator, but in no event will the exercise price be less than the fair market value of a common share on the date of grant. Options and stock appreciation rights will be exercisable at times and under conditions as determined by the plan administrator, but in no event will they be exercisable later than ten years from the date of grant.

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The plan administrator may grant shares of restricted stock and awards of restricted stock units subject to vesting, forfeiture and other terms and conditions as determined by the plan administrator. Following the vesting of a restricted stock unit, the award recipient will be paid an amount equal to the number of vested restricted stock units multiplied by the fair market value of a common share on the date of vesting, which payment may be paid in the form of cash or common shares or a combination of both, as determined by the plan administrator. The plan administrator may grant dividend equivalents with respect to grants of restricted stock units.

Adjustments may be made to outstanding awards in the event of a corporate transaction or change in capitalization or other extraordinary event. In the event of a "change in control" (as defined in the plan), unless otherwise provided by the plan administrator in an award agreement, awards then outstanding will become fully vested and exercisable in full.

Our board of directors may amend or terminate the plan and may amend outstanding awards, provided that no such amendment or termination may be made that would materially impair any rights, or materially increase any obligations, of a grantee under an outstanding award. Shareholder approval of plan amendments will be required under certain circumstances. Unless terminated earlier by our board of directors, the plan will expire ten years from the date the plan is adopted.

2013 Equity Incentive Plan

In April 2013, we adopted an equity incentive plan, which we refer to as the 2013 Equity Incentive Plan, under which directors, officers, employees, consultants and service providers of us and our subsidiaries and affiliates are eligible to receive incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and unrestricted common stock. We initially reserved a total of 5,000,000 common shares for issuance under the plan.

Under the terms of the plan, stock options and stock appreciation rights granted under the plan will have an exercise price equal to the fair market value of a common share on the date of grant, unless otherwise determined by the plan administrator, but in no event will the exercise price be less than the fair market value of a common share on the date of grant. Options and stock appreciation rights will be exercisable at times and under conditions as determined by the plan administrator, but in no event will they be exercisable later than ten years from the date of grant.

The plan administrator may grant shares of restricted stock and awards of restricted stock units subject to vesting, forfeiture and other terms and conditions as determined by the plan administrator. Following the vesting of a restricted stock unit, the award recipient will be paid an amount equal to the number of vested restricted stock units multiplied by the fair market value of a common share on the date of vesting, which payment may be paid in the form of cash or common shares or a combination of both, as determined by the plan administrator. The plan administrator may grant dividend equivalents with respect to grants of restricted stock units.

Adjustments may be made to outstanding awards in the event of a corporate transaction or change in capitalization or other extraordinary event. In the event of a "change in control" (as defined in the plan), unless otherwise provided by the plan administrator in an award agreement, awards then outstanding will become fully vested and exercisable in full.

Our board of directors may amend or terminate the plan and may amend outstanding awards, provided that no such amendment or termination may be made that would materially impair any rights, or materially increase any obligations, of a grantee under an outstanding award. Shareholder approval of plan amendments will be required under certain circumstances. Unless terminated earlier by our board of directors, the plan will expire ten years from the date the plan is adopted.

In March 2014, we amended the 2013 Equity Incentive Plan to clarify that the plan administrator has the ability to redeem restricted stock for fair market value (as defined in the plan) at the vesting date at its discretion.

In the second quarter of 2013, we issued 4,610,000 shares of restricted stock to our employees and 390,000 shares to our independent directors for no cash consideration. The weighted average share price on the issuance dates was $8.69 per share. The vesting schedule of the restricted stock to our employees is (i) one-third of the shares vest on March 10, 2016, (ii) one-third of the shares vest on March 10, 2017, and (iii) one-third of the shares vest on March 10, 2018. The vesting schedule of the restricted stock to our independent directors is (i) one-third of the shares vested on March 10, 2014, (ii) one-third of the shares vested on March 10, 2015, and (iii) one-third of the shares vest on March 10, 2016.

In October 2013, we amended the 2013 Equity Incentive Plan to increase the number of common shares eligible for issuance to 11,376,044. All other terms of the plan remained unchanged.

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In October 2013, we issued 3,749,998 shares of restricted stock to our employees and 250,000 shares to our independent directors for no cash consideration. The weighted average share price on the issuance date was $9.85 per share. The vesting schedule of the restricted stock to our employees is (i) one-third of the shares vest on October 11, 2016, (ii) one-third of the shares vest on October 11, 2017, and (iii) one-third of the shares vest on October 11, 2018. The vesting schedule of the restricted stock to our independent directors is (i) one-half of the shares vested on October 11, 2014 and (ii) one-half of the shares vest on October 11, 2015.
In February 2014, we issued 2,011,000 shares of restricted stock to our employees and 145,045 shares to our independent directors for no cash consideration. The weighted average share price on the issuance date was $9.30 per share. The vesting schedule of the restricted stock to our employees is (i) one-third of the shares vest on February 21, 2017, (ii) one-third of the shares vest on February 21, 2018, and (iii) one-third of the shares vest on February 21, 2019. The vesting schedule of the restricted stock to our independent directors is (i) one-third of the shares vested on February 21, 2015, (ii) one-third of the shares vest on February 21, 2016, and (iii) one-third of the shares vest on February 21, 2017.
In May and September 2014, we issued 213,000 and 5,000 shares of restricted stock to SSH employees, respectively, for no cash consideration. The share prices on the issuance dates were $8.89 per share and $9.13 per share, respectively. The vesting schedule of the restricted stock to SSH employees is (i) one-third of the shares vest on February 21, 2017, (ii) one-third of the shares vest on February 21, 2018, and (iii) one-third of the shares vest on February 21, 2019.

In September 2014, we reserved an additional 1,088,131 common shares, par value $0.01 per share, for issuance pursuant to the plan. All other terms of the plan remained unchanged.
In November 2014, we issued 938,131 shares of restricted stock to our employees and 50,000 shares to our independent directors for no cash consideration. The share price on the issuance date was $8.57 per share. The vesting schedule of the restricted stock to our employees is (i) one-third of the shares vest on November 18, 2017, (ii) one-third of the shares vest on November 18, 2018, and (iii) one-third of the shares vest on November 18, 2019. The restricted shares issued to our independent directors will vest on November 18, 2015. Compensation expense is recognized ratably over the vesting periods for each tranche using the straight-line method.

As of March 30, 2015, 102,001 shares remain eligible for issuance under this plan.

Employment Agreements
In April 2010, we entered into employment agreements with each of our executives. These employment agreements remain in effect until terminated in accordance with their terms upon not less than 24 months prior written notice. Pursuant to the terms of their respective employment agreements, our executives are prohibited from disclosing or unlawfully using any of our material confidential information.
Upon a change in control of us, the annual bonus provided under the employment agreement becomes a fixed bonus of up to 150% of the executive’s base salary and such employee may be entitled to receive upon termination an assurance bonus equal to such fixed bonus and an immediate lump-sum payment in an amount equal to three times the sum of the executive’s then current base salary and the assurance bonus, and he will continue to receive all salary, compensation payment and benefits, including additional bonus payments, otherwise due to him, to the extent permitted by applicable law, for the remaining balance of his then-existing employment period. If an executive’s employment is terminated for cause or voluntarily by the employee, he shall not be entitled to any salary, benefits or reimbursements beyond those accrued through the date of his termination, unless he voluntarily terminated his employment in connection with certain conditions. Those conditions include a change in control combined with a significant geographic relocation of his office, a material diminution of his duties and responsibilities, and other conditions identified in the employment agreement.

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C. Board Practices
Our board of directors currently consists of eight directors, five of whom have been determined by our board of directors to be independent under the rules of the NYSE and the rules and regulations of the SEC. Our board of directors has an Audit Committee, a Nominating Committee, a Compensation Committee and a Regulatory and Compliance Committee, each of which is comprised of certain of our independent directors, who are Messrs. Alexandre Albertini, Ademaro Lanzara, Donald Trauscht, Marianne Økland, and Jose Tarruella. The Audit Committee, among other things, reviews our external financial reporting, engages our external auditors and oversees our internal audit activities, procedures and the adequacy of our internal controls. In addition, provided that no member of the Audit Committee has a material interest in such transaction, the Audit Committee is responsible for reviewing transactions that we may enter into in the future with other members of the Scorpio Group that our board believes may present potential conflicts of interests between us and the Scorpio Group. The Nominating and Corporate Governance Committee is responsible for recommending to the board of directors nominees for director and directors for appointment to board committees and advising the board with regard to corporate governance practices. The Compensation Committee oversees our equity incentive plan and recommends director and senior employee compensation. The Regulatory and Compliance Committee oversees our operations to minimize the environmental impact by constant monitoring and measuring progresses of our vessels. Our shareholders may also nominate directors in accordance with procedures set forth in our bylaws.
D. Employees
As of December 31, 2014, we had 14 employees. SSM and SCM were responsible for our commercial and technical management.
E. Share Ownership
The following table sets forth information regarding the share ownership of our common stock as of the date of this annual report by our directors and officers, including the restricted shares issued to our executive officers and to our independent directors as well as shares purchased in the open market.

Name	No. of Shares	% Owned [5]	
Emanuele A. Lauro [1]	3,715,101	2.27	%
Robert Bugbee [2]	3,622,914	2.21	%
Cameron Mackey [3]	2,353,489	1.44	%
Brian M. Lee [4]	1,713,142	1.05	%
All other officers and directors individually	*	*	

(1) Includes 3,073,428 shares of restricted stock from the 2010 Equity Incentive Plan and the 2013 Equity Incentive Plan.
(2) Includes 3,073,428 shares of restricted stock from the 2010 Equity Incentive Plan and the 2013 Equity Incentive Plan.
(3) Includes 2,076,445 shares of restricted stock from the 2010 Equity Incentive Plan and the 2013 Equity Incentive Plan.
(4) Includes 1,559,574 shares of restricted stock from the 2010 Equity Incentive Plan and the 2013 Equity Incentive Plan.
(5) Based on 163,827,903 common shares outstanding as of March 30, 2015.
* The remaining officers and directors individually each own less than 1% of our outstanding shares of common stock.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS.
A. Major shareholders.
The following table sets forth information regarding beneficial ownership of our common stock for owners of more than five percent of our common stock, of which we are aware as of the date of this annual report.

Name	No. of Shares		% Owned [4]
Wellington Management Group LLP*	15,947,162	(1)	9.8%

York Capital Management Global Advisors, LLC*	15,148,603	(2)	9.3%
FMR LLC*	12,407,317	(3)	6.9%

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(1) This information is derived from Schedule 13G/A filed with the SEC on February 12, 2015.
(2) This information is derived from Schedule 13G/A filed with the SEC on February 17, 2015.
(3) This information is derived from Schedule 13G filed with the SEC on February 13, 2015.
(4) Based on 163,827,903 common shares outstanding as of March 30, 2015.
*Includes certain funds managed thereby.

B. Related Party Transactions

Management of Our Fleet
Commercial and Technical Management
Our vessels are commercially managed by SCM and technically managed by SSM pursuant to a Master Agreement (which may be terminated upon a two year notice). SCM and SSM are related parties of ours. We expect that additional vessels that we may acquire in the future will also be managed under the Master Agreement or on substantially similar terms.
SCM's services include securing employment, in the spot market and on time charters, for our vessels. SCM also manages the Scorpio Group Pools. When our vessels are in the Pools, SCM, the pool manager, charges fees of $300 per vessel per day with respect to our Panamax/LR1 vessels, $250 per vessel per day with respect to our LR2 vessels, and $325 per vessel per day with respect to each of our Handymax and MR vessels, plus 1.50% commission on gross revenues per charter fixture. These are the same fees that SCM charges other vessels in these pools, including third party owned vessels. For commercial management of our vessels that do not operate in any of the Scorpio Group Pools, we pay SCM a fee of $250 per vessel per day for each Panamax, LR1 and LR2 vessel and $300 per vessel per day for each Handymax and MR vessel, plus 1.25% commission on gross revenues per charter fixture.
SSM's services include day-to-day vessel operation, performing general maintenance, monitoring regulatory and classification society compliance, customer vetting procedures, supervising the maintenance and general efficiency of vessels, arranging the hiring of qualified officers and crew, arranging and supervising drydocking and repairs, purchasing supplies, spare parts and new equipment for vessels, appointing supervisors and technical consultants and providing technical support. We currently pay SSM $685 per vessel per day to provide technical management services for each of our vessels which is the same fee that SSM charges to third parties.
Administrative Services Agreement
We have an Administrative Services Agreement with SSH or our Administrator, for the provision of administrative staff and office space, and administrative services, including accounting, legal compliance, financial and information technology services. SSH is a related party of ours. Liberty Holding Company Ltd., or Liberty, a company affiliated with us, acted as our Administrator until March 13, 2012 when the Administrative Services Agreement was novated to SSH. The effective date of the novation was November 9, 2009, the date that we first entered into the agreement with Liberty. We reimburse our current Administrator for the reasonable direct or indirect expenses it incurs in providing us with the administrative services described above. The services provided to us by our Administrator may be sub-contracted to other entities within the Scorpio Group.
We also pay our Administrator a fee for arranging vessel purchases and sales for us, equal to 1% of the gross purchase or sale price, payable upon the consummation of any such purchase or sale. For the year ended December 31, 2014, we paid SSH $26.1 million in aggregate for arranging vessel sales and purchases, which consisted of $11.7 million related to the purchase and delivery of 33 newbuilding vessels, $14.0 million relating to the purchase and sale of our seven VLCCs under construction, and $0.4 million relating to the sales of Noemi and Senatore. We believe this 1% fee on purchases and sales is customary in the tanker industry.
Further, pursuant to our administrative services agreement, our Administrator, on behalf of itself and other members of the Scorpio Group, has agreed that it will not directly own product or crude tankers ranging in size from 35,000 dwt to 200,000 dwt.
Our Administrative Services Agreement, whose effective commencement began in December 2009, can be terminated upon two years notice.

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Tanker pools

To increase vessel utilization and thereby revenues, we participate in commercial pools with other shipowners of similar modern, well-maintained vessels. By operating a large number of vessels as an integrated transportation system, commercial pools offer customers greater flexibility and a higher level of service while achieving scheduling efficiencies. Pools employ experienced commercial charterers and operators who have close working relationships with customers and brokers, while technical management is performed by each shipowner. The managers of the pools negotiate charters with customers primarily in the spot market. The size and scope of these pools enable them to enhance utilization rates for pool vessels by securing backhaul voyages and COAs, thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market while providing a higher level of service offerings to customers. When we employ a vessel in the spot charter market, we generally place such vessel in a tanker pool managed by our commercial manager that pertains to that vessel's size class. The earnings allocated to vessels (charterhire expense for the pool) are aggregated and divided on the basis of a weighted scale, or Pool Points, which reflect comparative voyage results on hypothetical benchmark routes. The Pool Point system generally favors those vessels with greater cargo-carrying capacity and those with better fuel consumption. Pool Points are also awarded to vessels capable of carrying clean products and to vessels capable of trading in certain ice conditions. We currently participate in four pools: the Scorpio LR2 Pool, the Scorpio Panamax Tanker Pool, Scorpio MR Pool and the Scorpio Handymax Tanker Pool.

SCM is responsible for the commercial management of participating vessels in the pools, including the marketing, chartering, operating and bunker (fuel oil) purchases of the vessels. The Scorpio LR2 Pool is administered by Scorpio LR2 Pool Ltd., the Scorpio Panamax Tanker Pool is administered by Scorpio Panamax Tanker Pool Ltd., or SPTP, the Scorpio MR Pool is administered by Scorpio MR Pool Ltd, or SMRP and the Scorpio Handymax Tanker Pool is administered by Scorpio Handymax Tanker Pool Ltd., or SHTP. Our founder, Chairman and Chief Executive Officer is a member of the Lolli-Ghetti family which owns all issued and outstanding stock of SLR2P, SPTP, SMRP and SHTP. Taking into account the recommendations of a pool committee and a technical committee, each of which is comprised of representatives of each pool participant, SLR2P, SPTP, SMRP and SHTP set the respective pool policies and issues directives to the pool participants and SCM. The pool participants remain responsible for all other costs including the financing, insurance, manning and technical management of their vessels. The earnings of all of the vessels are aggregated and divided according to the relative performance capabilities of the vessel and the actual earning days each vessel is available.

Our Relationship with the Scorpio Group and its Affiliates

We were incorporated in the Republic of the Marshall Islands on July 1, 2009 by Simon Financial Limited, or Simon, which is owned by the Lolli-Ghetti family. On October 1, 2009, (i) Simon, through its wholly-owned subsidiary, Liberty transferred three operating subsidiary companies to us that owned the vessels in our initial fleet consisting of the Venice, Senatore and Noemi; (ii) Liberty became a wholly-owned subsidiary and operating vehicle of Simon; (iii) Scorpio Owning Holding Ltd. became a wholly-owned subsidiary of Liberty; and (iv) we became a wholly-owned subsidiary of Scorpio Owning Holding Ltd. Liberty's operations include chartered-in vessels, and interests in joint ventures and investments. Further, pursuant to our administrative services agreement, our Administrator, on behalf of itself and other members of the Scorpio Group has agreed that it will not directly own product or crude tankers ranging in size from 35,000 dwt to 200,000 dwt.

Our board of directors consists of eight individuals, five of whom are independent directors. Three of the independent directors form the board's Audit Committee and, pursuant to the Audit Committee charter, are required to review all potential conflicts of interest between us and related parties, including the Scorpio Group. Our three non-independent directors, Emanuele Lauro, Robert Bugbee and Cameron Mackey serve in senior management positions within the Scorpio Group, a member of which is also our Administrator.

The Scorpio Group is owned and controlled by the Lolli-Ghetti family, of which Mr. Lauro is a member. Mr. Lauro is Chief Executive Officer and Mr. Bugbee is President of the Scorpio Group. Mr. Lauro is employed by Scorpio Commercial Management and Mr. Bugbee is employed by Scorpio USA LLC, and both entities are affiliates within the Scorpio Group. Mr. Lauro, Mr. Bugbee and other senior management have a minority equity interest in Scorpio

Services Holding Limited. In addition, certain of our executive officers also serve as members of the management team of Scorpio Bulkers. We are not affiliated with any other entities in the shipping industry other than those that are members of the Scorpio Group.

SCM, SSM and SSH our commercial manager, technical manager and administrator, respectively, are affiliates of the Scorpio Group. For information regarding the details regarding our relationship with SCM, SSM and SSH, please see "– Management of our Fleet."

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Transactions with Related Parties

Transactions with entities controlled by the Lolli-Ghetti family (herein referred to as related party affiliates) in the consolidated statements of income or loss and balance sheet are as follows:

	For the year ended December 31,		
In thousands of US dollars	2014	2013	2012
Pool revenue[(1)]			
Scorpio MR Pool Limited	$112,826	$89,597	$9,558
Scorpio Handymax Tanker Pool Limited	54,052	36,199	31,280
Scorpio Panamax Tanker Pool Limited	46,925	36,018	26,884
Scorpio LR2 Pool Limited	67,054	28,203	4,540
Vessel operating costs[(2)]	(7,947)	(3,703)	(2,280)
Commissions[(3)]	(771)	(218)	(532)
Administrative expenses[(4)]	(4,823)	(1,944)	(1,862)

(1) These transactions relate to revenue earned in the Scorpio LR2, Scorpio Panamax, Scorpio MR, and Scorpio Handymax Tanker Pools (the Pools), which are owned by Scorpio LR2 Pool Limited, Scorpio Panamax Tanker Pool Limited, Scorpio MR Pool Limited and Scorpio Handymax Tanker Pool Limited, respectively. The Pools are related party affiliates.

(2) These transactions represent technical management fees charged by SSM, a related party affiliate, which are included in the vessel operating costs in the consolidated statement of income or loss. We believe our technical management fees for the years ended December 31, 2014, 2013 and 2012 were at arms-length rates as they were based on contracted rates that were the same as those charged to other vessels managed by SSM at the time the management agreements were entered into. In June 2013, this fee was increased to $685 per vessel per day from $548 per vessel per day for technical management.

(3) These transactions represent the expense due to SCM for commissions related to the commercial management services provided by SCM under the Commercial Management Agreement (see description below). Each vessel pays a commission of 1.25% of their gross revenue when not in the Pools. When our vessels are in the Pools, SCM, the pool manager, charges fees of $300 per vessel per day with respect to our Panamax/LR1 vessels, $250 per vessel per day with respect to our LR2 vessels, and $325 per vessel per day with respect to each of our Handymax and MR vessels, plus 1.50% commission on gross revenues per charter fixture. These are the same fees that SCM charges other vessels in these pools, including third party owned vessels, and they are and were included in voyage expenses in the consolidated statement of income or loss.

(4) We have an Administrative Services Agreement with SSH for the provision of administrative staff and office space, and administrative services, including accounting, legal compliance, financial and information technology services. SSH is a related party to us. We reimburse SSH for the reasonable direct or indirect expenses it incurs in providing us with the administrative services described above. SSH also arranges vessel sales and purchases for us. The services provided to us by SSH may be sub-contracted to other entities within the Scorpio Group.

Our Commercial Management Agreement with SCM includes a daily flat fee charged payable to SCM for the vessels that are not in one of the pools managed by SCM. The flat fee is $250 per day for Panamaxes/LR1 and LR2 vessels and $300 per day for Handymax and MR vessels.

- The expense for the year ended December 31, 2014 of $4.8 million included (i) the flat fee of $1.3 million charged by SCM, which was included in voyage expenses on the consolidated statement of income or loss (ii) administrative fees of $3.1 million charged by SSH which was included in general and administrative expenses in the consolidated statement of income or loss (iii) restricted stock amortization of $0.3 million, which relates to the issuance of an aggregate of 218,000 shares of restricted stock to SSH employees for no cash consideration in May 2014 (see Note 14 to our consolidated financial statements, included herein, for further description of these issuances and their vesting conditions) and (iv) reimbursement expenses of $0.1 million that were included in general and administrative expenses in the consolidated statement of income or loss.
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The expense for the year ended December 31, 2013 of $1.9 million included the flat fee of $0.3 million charged by SCM and administrative fees of $1.6 million charged by SSH and were included in voyage expenses and general and administrative expenses in the consolidated statement of income or loss.

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- The expense for the year ended December 31, 2012 of $1.9 million included the flat fee of $0.7 charged by SCM, and administrative fees of $1.2 million charged by SSH and were both included in voyage expenses and general and administrative expenses in the consolidated statement of income or loss.

In December 2014, we reached an agreement with Scorpio Bulkers Inc. or Scorpio Bulkers, a related party to purchase newbuilding contracts for four LR2 product tankers to be constructed at shipyards in South Korea and options to purchase two additional LR2 newbuilding contracts. The purchase price for each of the four LR2 newbuilding contracts was $51.0 million with scheduled vessel deliveries in the first three quarters of 2016. The purchase price for the two option contracts is fixed at $52.5 million for each contract with scheduled vessel deliveries in the fourth quarter of 2016. The options expire on May 31, 2015. We are working with the seller and the shipyards to novate the contracts to us.

The independent members of the Company's Board of Directors unanimously approved the transaction with Scorpio Bulkers described in the preceding paragraph.

We had the following balances with related parties, which have been included in the consolidated balance sheets:

	As of December 31,	
In thousands of US dollars	2014	2013
Assets:		
Accounts receivable (due from the Pools)	$74,125	$68,512
Accounts receivable (SSM)	121	—
Accounts receivable (SCM)	1	8
Liabilities:		
Accounts payable (owed to the Pools)	$3,894	$95
Accounts payable and accrued expenses (SSM)	276	1
Accounts payable and accrued expenses (SCM)	774	—
Accounts payable and accrued expenses (SSH) (1)	3,160	—
Deposit from Scorpio Bulkers (2)	31,277	—

(1) Commissions payable to SSH relating to the deliveries of STI Sloane, STI Broadway, STI Finchley, STI Condotti, STI Battery, STI Clapham, STI Poplar and STI Soho.

(2) In December 2014, we agreed to buy four LR2 tankers from Scorpio Bulkers and received an option to purchase two additional LR2 tankers. Pursuant to this agreement, we received $31.3 million as a security deposit for the scheduled installments on these vessels that are expected to occur prior to the closing date of the sale. This amount will be reimbursed to Scorpio Bulkers upon closing.

The Administrative Services Agreement with SSH includes a fee for arranging vessel purchases and sales, on our behalf, equal to 1% of the gross purchase or sale price, payable upon the consummation of any such purchase or sale. These fees are capitalized as part of the carrying value of the related vessel for a vessel purchase and are included as part of the gain or loss on sale for a vessel disposal.

- During the year ended December 31, 2014, we paid SSH an aggregate fee of $26.1 million, which consisted of $11.7 million related to the purchase and delivery of 33 newbuilding vessels, $14.0 million relating to the purchase and sale of our seven VLCCs under construction and $0.4 million relating to the sales of Noemi and Senatore.
- During the year ended December 31, 2013, we paid SSH an aggregate fee of $9.1 million, which consisted of $2.5 million related to the purchase and delivery of seven newbuilding vessels in 2013 and $6.6 million on the purchase and subsequent sale of our VLGC business to Dorian.

- During the year ended December 31, 2012, we paid SSH an aggregate fee of $2.4 million, which consisted of $0.5 million on the sales of three Handymax vessels and $1.9 million on the purchase and delivery of our first five newbuilding vessels.

In 2011, we also entered into an agreement to reimburse costs to SSM as part of its supervision agreement for newbuilding vessels. $0.02 million, $0.2 million and $0.1 million were charged under this agreement during the years ended December 31, 2014, 2013 and 2012, respectively.

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C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

See "Item 18. Financial Statements."

Legal Proceedings

To our knowledge, we are not currently a party to any lawsuit that, if adversely determined, would have a material adverse effect on our financial position, results of operations or liquidity. As such, we do not believe that pending legal proceedings, taken as a whole, should have any significant impact on our financial statements. From time to time in the future we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. While we expect that these claims would be covered by our existing insurance policies, those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources. We have not been involved in any legal proceedings which may have, or have had, a significant effect on our financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which may have a significant effect on our financial position, results of operations or liquidity.

Dividend Policy

The declaration and payment of dividends is subject at all times to the discretion of our board of directors. The timing and amount of dividends, if any, depends on our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in the loan agreements, the provisions of Marshall Islands law affecting the payment of dividends and other factors.

In addition, since we are a holding company with no material assets other than the shares of our subsidiaries through which we conduct our operations, our ability to pay dividends will depend on our subsidiaries' distributing to us their earnings and cash flow.

During the period from our initial public offering in April 2010 through April 2013, we did not declare or pay any dividends to our shareholders. For the years ended December 31, 2014 and 2013, we paid aggregate dividends to our shareholders in the amount of $70.5 million and $24.4 million, respectively. We have paid the following dividends per share in respect of the periods set forth below:

Payment Date	Amount per Share
June 25, 2013	$0.025
September 25, 2013	0.035
December 18, 2013	0.07
March 26, 2014	0.08
June 12, 2014	0.09
September 10, 2014	0.10
December 12, 2014	0.12
March 30, 2015	0.12

B. Significant Changes

There have been no significant changes since the date of the annual consolidated financial statements included in this report, other than as described in Note 24-Subsequent Events to our consolidated financial statements included herein.

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ITEM 9. OFFER AND THE LISTING

A. Offer and Listing Details

Since our initial public offering, our shares of common stock have traded on the NYSE under the symbol “STNG”. The high and low market prices for our shares of common stock on the NYSE are presented for the periods listed below:

For the Year Ended:	High	Low
December 31, 2010*	$13.01	$9.50
December 31, 2011	12.18	4.28
December 31, 2012	7.50	4.93
December 31, 2013	12.48	6.92
December 31, 2014	11.91	6.48

* For the period beginning March 31, 2010

For the Quarter Ended:	High	Low
March 31, 2013	$8.94	$6.92
June 30, 2013	9.60	7.55
September 30, 2013	10.51	8.87
December 31, 2013	12.48	9.37
March 31, 2014	11.91	9.01
June 30, 2014	10.21	9.99
September 30, 2014	10.19	8.21
December 31, 2014	9.09	6.48
March 31, 2015 (through and including March 30, 2015)	9.64	7.64

Most Recent Six Months:	High	Low
September 2014	$9.64	$8.21
October 2014	9.04	6.48
November 2014	9.09	8.17
December 2014	8.98	7.83
January 2015	9.64	7.64
February 2015	8.86	7.65
March 2015 (through and including March 30, 2015)	9.58	8.39

B. Plan of Distribution

Not applicable

C. Markets

Our common shares are listed for trading on the NYSE under the symbol “STNG.” In addition, our Senior Notes Due 2020 are listed for trading on the NYSE under the symbol “SBNA” and our Senior Notes Due 2017 are listed for trading on the NYSE under the symbol “SBNB.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

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F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

Our amended and restated articles of incorporation have been filed as exhibit 3.1 to Amendment No. 2 to our Registration Statement on Form F-1 (Registration No. 333-164940), filed with the SEC on March 18, 2010. Our amended and restated bylaws are filed as exhibit 1.2 to our Annual Report on Form 20-F filed with the SEC on June 29, 2010. The information contained in these exhibits is incorporated by reference herein.

In May 2014, our shareholders approved an amendment to our Amended and Restated Articles of Incorporation to increase our authorized common stock to 400,000,000 from 250,000,000. Accordingly, we currently have 425,000,000 registered shares of which 400,000,000 are designated as common shares with a par value of $0.01 and 25,000,000 designated as preferred shares with a par value of $0.01.

Information regarding the rights, preferences and restrictions attaching to each class of our shares of common stock is described in the section entitled “Description of Capital Stock” in the accompanying prospectus to our Registration Statement on Form F-3 (Registration No. 333-186815) with an effective date of February 25, 2013, provided that since the date of such Registration Statement, our total issued and outstanding common shares has increased to 163,827,903 as of the date of this annual report and our total authorized share capital has been increased as set forth above.

C. Material Contracts

Attached as exhibits to this annual report are the contracts we consider to be both material and outside the ordinary course of business during the two-year period immediately preceding the date of this annual report. We refer you to “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Long-Term Debt Obligations and Credit Arrangements” and “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions” for a discussion of these agreements.

Other than as set forth above, there were no material contracts, other than contracts entered into in the ordinary course of business, to which we were a party during the two year period immediately preceding the date of this annual report.

D. Exchange Controls

Under Marshall Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common shares.

E. Taxation

United States Federal Income Tax Considerations

The following are the material United States federal income tax consequences to us of our activities and to United States Holders and Non-United States Holders, each as defined below, of the ownership of common shares. The following discussion of United States federal income tax matters is based on the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the United States Department of the Treasury, or the Treasury Regulations, all of which are subject to change, possibly with retroactive effect. The discussion below is based, in part, on the description of our business in this Report and assumes that we conduct our business as described herein. References in the following discussion to the “Company,” “we,” “our” and “us” are to Scorpio Tankers Inc. and its subsidiaries on a consolidated basis.

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United States Federal Income Taxation of Operating Income: In General

We earn and anticipate that we will continue to earn substantially all our income from the hiring or leasing of vessels for use on a time charter basis, from participation in a pool or from the performance of services directly related to those uses, all of which we refer to as "shipping income."

Unless exempt from United States federal income taxation under the rules of Section 883 of the Code, or Section 883, as discussed below, a foreign corporation such as us will be subject to United States federal income taxation on its "shipping income" that is treated as derived from sources within the United States, which we refer to as "United States source shipping income." For United States federal income tax purposes, "United States source shipping income" includes 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States.

Shipping income attributable to transportation exclusively between non-United States ports will be considered to be 100% derived from sources entirely outside the United States. Shipping income derived from sources outside the United States will not be subject to any United States federal income tax.

Shipping income attributable to transportation exclusively between United States ports is considered to be 100% derived from United States sources. However, we are not permitted by United States law to engage in the transportation of cargoes that produces 100% United States source shipping income.

Unless exempt from tax under Section 883, our gross United States source shipping income would be subject to a 4% tax imposed without allowance for deductions, as described more fully below.

Exemption of Operating Income from United States Federal Income Taxation

Under Section 883 and the Treasury Regulations thereunder, a foreign corporation will be exempt from United States federal income taxation on its United States source shipping income if:

(1) it is organized in a "qualified foreign country," which is one that grants an "equivalent exemption" from tax to corporations organized in the United States in respect of each category of shipping income for which exemption is being claimed under Section 883; and

(2) one of the following tests is met:

(A) more than 50% of the value of its shares is beneficially owned, directly or indirectly, by "qualified shareholders," which as defined includes individuals who are "residents" of a qualified foreign country, which we refer to as the "50% Ownership Test"; or

(B) its shares are "primarily and regularly traded on an established securities market" in a qualified foreign country or in the United States, to which we refer as the "Publicly-Traded Test".

The Republic of the Marshall Islands, the jurisdiction where we and our ship-owning subsidiaries are incorporated, has been officially recognized by the IRS as a qualified foreign country that grants the requisite "equivalent exemption" from tax in respect of each category of shipping income we earn and currently expect to earn in the future. Therefore, we will be exempt from United States federal income taxation with respect to our United States source shipping income if we satisfy either the 50% Ownership Test or the Publicly-Traded Test.

For our 2014 taxable tax year, we intend to take the position that we satisfy the Publicly-Traded Test and we anticipate that we will continue to satisfy the Publicly-Traded Test for future taxable years. However, as discussed below, this is a factual determination made on an annual basis. We do not currently anticipate a circumstance under which we would be able to satisfy the 50% Ownership Test.

Publicly-Traded Test

The Treasury Regulations under Section 883 provide, in pertinent part, that shares of a foreign corporation will be considered to be "primarily traded" on an established securities market in a country if the number of shares of each class of stock that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. Our common shares, which constitute our sole class of issued and outstanding stock, are "primarily traded" on the NYSE.

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Under the Treasury Regulations, our common shares will be considered to be "regularly traded" on an established securities market if one or more classes of our stock representing more than 50% of our outstanding stock, by both total combined voting power of all classes of stock entitled to vote and total value, are listed on such market, to which we refer as the "Listing Threshold." Since our common shares are listed on the NYSE, we expect to satisfy the Listing Threshold.

It is further required that with respect to each class of stock relied upon to meet the Listing Threshold, (i) such class of stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or one-sixth of the days in a short taxable year, or the "Trading Frequency Test"; and (ii) the aggregate number of shares of such class of stock traded on such market during the taxable year is at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year, or the "Trading Volume Test." We currently satisfy and anticipate that it will continue to satisfy the Trading Frequency Test and Trading Volume Test. Even if this were not the case, the Treasury Regulations provide that the Trading Frequency Test and Trading Volume Tests will be deemed satisfied if, as is the case with our common shares, such class of stock is traded on an established securities market in the United States and such class of stock is regularly quoted by dealers making a market in such stock.

Notwithstanding the foregoing, the Treasury Regulations provide, in pertinent part, that a class of stock will not be considered to be "regularly traded" on an established securities market for any taxable year during which 50% or more of the vote and value of the outstanding shares of such class are owned, actually or constructively under specified attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of such class of outstanding shares, to which we refer as the "5% Override Rule."

For purposes of being able to determine the persons who actually or constructively own 5% or more of the vote and value of our common shares, or "5% Shareholders," the Treasury Regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the SEC as owning 5% or more of our common shares. The Treasury Regulations further provide that an investment company which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Shareholder for such purposes.

In the event the 5% Override Rule is triggered, the Treasury Regulations provide that the 5% Override Rule will nevertheless not apply if we can establish that within the group of 5% Shareholders, there are sufficient qualified shareholders for purposes of Section 883 to preclude non-qualified shareholders in such group from owning 50% or more of our common shares for more than half the number of days during the taxable year. In order to benefit from this exception to the 5% Override Rule, we must satisfy certain substantiation requirements in regards to the identity of its 5% Shareholders.

We believe that we currently satisfy the Publicly-Traded Test and intend to take this position on our United States federal income tax return for the 2014 taxable year. However, there are factual circumstances beyond our control that could cause us to lose the benefit of the Section 883 exemption. For example, if we trigger the 5% Override Rule for any future taxable year, there is no assurance that we will have sufficient qualified 5% Shareholders to preclude nonqualified 5% Shareholders from owning 50% or more of our common shares for more than half the number of days during such taxable year, or that we will be able to satisfy the substantiation requirements in regards to our 5% Shareholders.

United States Federal Income Taxation in Absence of Section 883 Exemption

If the benefits of Section 883 are unavailable, our United States source shipping income would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions, which we refer to as the "4% gross basis tax regime," to the extent that such income is not considered to be "effectively connected" with the conduct of a United States trade or business, as described below. Since under the sourcing rules described above, no more than 50% of our shipping income would be treated as being United States source shipping income, the maximum effective rate of United States federal income tax on our shipping income would never exceed 2% under the 4% gross basis tax regime.

To the extent our United States source shipping income is considered to be "effectively connected" with the conduct of a United States trade or business, as described below, any such "effectively connected" United States source shipping

income, net of applicable deductions, would be subject to United States federal income tax, currently imposed at rates of up to 35%. In addition, we would generally be subject to the 30% "branch profits" tax on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of our United States trade or business.

Our United States source shipping income would be considered "effectively connected" with the conduct of a United States trade or business only if:

- we have, or are considered to have, a fixed place of business in the United States involved in the earning of United States source shipping income; and
- substantially all of our United States source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States.

We do not currently have, intend to have, or permit circumstances that would result in having, any vessel sailing to or from the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, it is anticipated that none of our United States source shipping income will be "effectively connected" with the conduct of a United States trade or business.

United States Federal Income Taxation of Gain on Sale of Vessels

If we qualify for exemption from tax under Section 883 in respect of the shipping income derived from the international operation of our vessels, then gain from the sale of any such vessel should likewise be exempt from United States federal income tax under Section 883. If, however, our shipping income from such vessels does not for whatever reason qualify for exemption under Section 883, then any gain on the sale of a vessel will be subject to United States federal income tax if such sale occurs in the United States. To the extent possible, we intend to structure the sales of our vessels so that the gain therefrom is not subject to United States federal income tax. However, there is no assurance we will be able to do so.

United States Federal Income Taxation of United States Holders

The following is a discussion of the material United States federal income tax considerations relevant to an investment decision by a United States Holder, as defined below, with respect to our common shares. This discussion does not purport to deal with the tax consequences of owning common shares to all categories of investors, some of which may be subject to special rules. This discussion only addresses considerations relevant to those United States Holders who hold the common shares as capital assets, that is, generally for investment purposes. You are encouraged to consult your own tax advisors concerning the overall tax consequences arising in your own particular situation under United States federal, state, local or foreign law of the ownership of common shares.

As used herein, the term "United States Holder" means a beneficial owner of common shares that is an individual United States citizen or resident, a United States corporation or other United States entity taxable as a corporation, an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

If a partnership holds our common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding common shares, you are encouraged to consult your tax advisor.

Distributions

Subject to the discussion of passive foreign investment companies below, any distributions made by us with respect to our common shares to a United States Holder will generally constitute dividends to the extent of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of such earnings and profits will be treated first as a nontaxable return of capital to the extent of the United States Holder's tax basis in his common shares on a dollar-for-dollar basis and thereafter as capital gain. Because we are not a United States corporation, United States Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us. Dividends paid with respect to our common shares will generally be treated as "passive category income" for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

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Dividends paid on our common shares to a United States Holder who is an individual, trust or estate (a "United States Non-Corporate Holder") will generally be treated as "qualified dividend income" that is taxable to such United States Non-Corporate Holder at preferential tax rates provided that (1) the common shares are readily tradable on an established securities market in the United States (such as the NYSE, on which our common shares are traded); (2) we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which, as discussed below, we believe we have not been, we believe we are not and do not anticipate being in the future); (3) the United States Non-Corporate Holder has owned the common shares for more than 60 days in the 121-day period beginning 60 days before the date on which the common shares become ex-dividend; and (4) the United States Non-Corporate Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. Any distributions out of earnings and profits we pay which are not eligible for these preferential rates will be taxed as ordinary income to a United States Non-Corporate Holder.

Special rules may apply to any "extraordinary dividend"—generally, a dividend in an amount which is equal to or in excess of 10% of a shareholder's adjusted tax basis in his common shares—paid by us. If we pay an "extraordinary dividend" on our common shares that is treated as "qualified dividend income," then any loss derived by a United States Non-Corporate Holder from the sale or exchange of such common shares will be treated as long-term capital loss to the extent of such dividend.

Sale, Exchange or Other Disposition of Common Shares

Assuming we do not constitute a passive foreign investment company for any taxable year, a United States Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the United States Holder from such sale, exchange or other 94 disposition and the United States Holder's tax basis in such shares. Such gain or loss will be treated as long-term capital gain or loss if the United States Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as United States source income or loss, as applicable, for United States foreign tax credit purposes. Long-term capital gains of United States Non-Corporate Holders are currently eligible for reduced rates of taxation. A United States Holder's ability to deduct capital losses is subject to certain limitations.

Passive Foreign Investment Company Status and Significant Tax Consequences

Special United States federal income tax rules apply to a United States Holder that holds shares in a foreign corporation classified as a "passive foreign investment company", or a PFIC, for United States federal income tax purposes. In general, we will be treated as a PFIC with respect to a United States Holder if, for any taxable year in which such Holder holds our common shares, either:

- at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of our assets during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business.

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Based on our current operations and future projections, we do not believe that we have been, are, nor do we expect to become, a passive foreign investment company with respect to any taxable year. Although there is no legal authority directly on point, our belief is based principally on the position that, for purposes of determining whether we are a passive foreign investment company, the gross income we derive or are deemed to derive from the time chartering and voyage chartering activities of our wholly-owned subsidiaries should constitute services income, rather than rental income. Accordingly, such income should not constitute passive income, and the assets that we own and operate in connection with the production of such income, in particular, the vessels, should not constitute assets that produce or are held for the production of passive income for purposes of determining whether we are a PFIC. Therefore, based on our current operations and future projections, we should not be treated as a PFIC with respect to any taxable year. There is substantial legal authority supporting this position, consisting of case law and IRS pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, there is also authority that characterizes time charter income as rental income rather than services income for other tax purposes. It should be noted that in the absence of any legal authority specifically relating to the statutory provisions governing PFICs, the IRS or a court could disagree with our position. Furthermore, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations will not change in the future.

As discussed more fully below, if we were to be treated as a PFIC for any taxable year, a United States Holder would be subject to different United States federal income taxation rules depending on whether the United States Holder makes an election to treat us as a "Qualified Electing Fund," which election we refer to as a "QEF election." As an alternative to making a QEF election, a United States Holder should be able to make a "mark-to-market" election with respect to our common shares, as discussed below. In addition, if we were to be treated as a PFIC for any taxable year , a United States Holder will generally be required to file an annual report with the IRS for that year with respect to such Holder's common shares.

Taxation of United States Holders Making a Timely QEF Election

If a United States Holder makes a timely QEF election, which United States Holder we refer to as an "Electing Holder," the Electing Holder must report for United States federal income tax purposes his pro rata share of our ordinary earnings and net capital gain, if any, for each of our taxable years during which we are a PFIC that ends with or within the taxable year of the Electing Holder, regardless of whether distributions were received from us by the Electing Holder. No portion of any such inclusions of ordinary earnings will be treated as "qualified dividend income." Net capital gain inclusions of United States Non-Corporate Holders would be eligible for preferential capital gain tax rates. The Electing Holder's adjusted tax basis in the common shares will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the common shares and will not be taxed again once distributed. An Electing Holder would not, however, be entitled to a deduction for its pro rata share of any losses that we incur with respect to any taxable year. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common shares. A United States Holder would make a timely QEF election for our shares by filing one copy of IRS Form 8621 with his United States federal income tax return for the first year in which he held such shares when we were a PFIC. If we were to be treated as a PFIC for any taxable year, we would provide each United States Holder with all necessary information in order to make the QEF election described above.

Taxation of United States Holders Making a "Mark-to-Market" Election

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we anticipate will be the case, our common shares are treated as "marketable stock," a United States Holder would be allowed to make a "mark-to-market" election with respect to our common shares, provided the United States Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the United States Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common shares at the end of the taxable year over such Holder's adjusted tax basis in the common shares. The United States Holder would also be permitted an ordinary loss in respect of the excess, if any, of the United States

Holder’s adjusted tax basis in the common shares over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A United States Holder’s tax basis in his common shares would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our common shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the United States Holder.

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Taxation of United States Holders Not Making a Timely QEF or Mark-to-Market Election

Finally, if we were to be treated as a PFIC for any taxable year, a United States Holder who does not make either a QEF election or a "mark-to-market" election for that year, whom we refer to as a "Non-Electing Holder," would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the common shares in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common shares), and (2) any gain realized on the sale, exchange or other disposition of our common shares. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common shares;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, would be taxed as ordinary income and would not be "qualified dividend income"; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

United States Federal Income Taxation of "Non-United States Holders"

A beneficial owner of common shares (other than a partnership) that is not a United States Holder is referred to herein as a "Non-United States Holder."

If a partnership holds common shares, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding common shares, you are encouraged to consult your tax advisor.

Dividends on Common Stock

A Non-United States Holder generally will not be subject to United States federal income tax or withholding tax on dividends received from us with respect to his common shares, unless that income is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States. If the Non-United States Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income is subject to United Stated federal income tax only if it is attributable to a permanent establishment maintained by the Non-United States Holder in the United States.

Sale, Exchange or Other Disposition of Common Shares

Non-United States Holders generally will not be subject to United States federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common shares, unless:

- the gain is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States (and, if the Non-United States Holder is entitled to the benefits of a United States income tax treaty with respect to that gain, that gain is attributable to a permanent establishment maintained by the Non-United States Holder in the United States); or
- the Non-United States Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-United States Holder is engaged in a United States trade or business for United States federal income tax purposes, dividends on the common shares, and gains from the sale, exchange or other disposition of such shares, that are effectively connected with the conduct of that trade or business will generally be subject to regular United States federal income tax in the same manner as discussed in the previous section relating to the taxation of United States Holders. In addition, if you are a corporate Non-United States Holder, your earnings and profits that are attributable to the effectively connected income, subject to certain adjustments, may be subject to an additional "branch profits" tax at

a rate of 30%, or at a lower rate as may be specified by an applicable United States income tax treaty.

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Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to you will be subject to information reporting requirements if you are a non-corporate United States Holder. Such payments or distributions may also be subject to backup withholding if you are a non-corporate United States Holder and you:

- fail to provide an accurate taxpayer identification number;
- are notified by the IRS that you have failed to report all interest or dividends required to be shown on your United States federal income tax returns; or
- in certain circumstances, fail to comply with applicable certification requirements.

Non-United States Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on an appropriate IRS Form W-8.

If you are a Non-United States Holder and you sell your common shares to or through a United States office of a broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless you certify that you are a non-United States person, under penalties of perjury, or you otherwise establish an exemption. If you sell your common shares through a non-United States office of a non-United States broker and the sales proceeds are paid to you outside the United States, then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to you outside the United States, if you sell your common shares through a non-United States office of a broker that is a United States person or has some other contacts with the United States. Such information reporting requirements will not apply, however, if the broker has documentary evidence in its records that you are a non-United States person and certain other conditions are met, or you otherwise establish an exemption.

Backup withholding is not an additional tax. Rather, you generally may obtain a refund of any amounts withheld under backup withholding rules that exceed your United States federal income tax liability by filing a refund claim with the IRS.

Individuals who are United States Holders (and to the extent specified in applicable Treasury Regulations, certain individuals who are Non- United States Holders and certain United States entities) who hold “specified foreign financial assets” (as defined in Section 6038D of the Code) are required to file IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds $75,000 at any time during the taxable year or $50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury regulations). Specified foreign financial assets would include, among other assets, our common shares, unless the shares are held through an account maintained with a United States financial institution. Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event an individual United States Holder (and to the extent specified in applicable Treasury Regulations, an individual Non- United States Holder or a United States entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of United States federal income taxes of such holder for the related tax year may not close until three years after the date that the required IRS Form 8938 is filed. United States Holders (including United States entities) and Non- United States Holders are encouraged consult their own tax advisors regarding their reporting obligations under this legislation.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We file reports and other information with the SEC. These materials, including this annual report and the accompanying exhibits, may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E. Washington, D.C. 20549, or from its website http://www.sec.gov. You may obtain information on the

operation of the public reference room by calling 1 (800) SEC-0330, and you may obtain copies at prescribed rates.

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Shareholders may also request a copy of our filings at no cost, by writing or telephoning us at the following address: Scorpio Tankers Inc., 9, Boulevard Charles III Monaco 98000, +377-9898-5716.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are exposed to the impact of interest rate changes primarily through our unhedged variable-rate borrowings. Significant increases in interest rates could adversely affect our operating margins, results of operations and our ability to service our debt. From time to time, we will use interest rate swaps to reduce our exposure to market risk from changes in interest rates. The principal objective of these contracts is to minimize the risks and costs associated with our variable-rate debt and are not for speculative or trading purposes. We entered into six interest rate swaps in August 2011 and which went into effect on July 1, 2012 for an aggregate notional amount of $75.0 million, which was reduced to $66.0 million in September 2012 and further reduced to $45.0 million in March 2014. The fair market value of our interest rate swaps was a liability of $0.2 million and $0.9 million at December 31, 2014 and 2013, respectively. In March 2015, we terminated three of the interest rate swaps relating to our 2010 Revolving Credit Facility. As a result of this transaction, we will record a write-off of $0.1 million in the first quarter of 2015. As of the date of this report, we have three interest rate swaps with an aggregate notional value of $15.0 million relating to our 2011 Credit Facility.

Based on the floating rate debt at December 31, 2014, a one-percentage point increase in the floating interest rate would increase interest expense by $11.7 million per year. The following table presents the due dates for the principal payments on our fixed and floating rate debt:

	As of December 31,			
In thousands of U.S. dollars	2015	2016 -2017	2018-2019	Thereafter
Principal payments floating rate debt	$90,547	$263,172	$462,852	$360,535
Principal payments fixed rate debt	32,086	51,750	360,000	53,750
Total principal payments on outstanding debt	$122,633	$314,922	$822,852	$414,285

Spot Market Rate Risk

The cyclical nature of the tanker industry causes significant increases or decreases in the revenue that we earn from our vessels, particularly those vessels that operate in the spot market or participate in pools that are concentrated in the spot market such as the Scorpio Group Pools. We currently do not have any vessels on time charter contracts. Additionally, we have the ability to remove our vessels from the pools on relatively short notice if attractive time charter opportunities arise. A $1,000 per day increase or decrease in spot rates for all of our vessel classes would have increased or decreased our operating income / (loss) by $20.2 million and $14.1 million for the years ended December 31, 2014 and 2013, respectively.

Foreign Exchange Rate Risk

Our primary economic environment is the international shipping market. This market utilizes the US dollar as its functional currency. Consequently, virtually all of our revenues and the majority of our operating expenses are in US dollars. However, we incur some of our combined expenses in other currencies, particularly the Euro. The amount and frequency of some of these expenses (such as vessel repairs, supplies and stores) may fluctuate from period to period. Depreciation in the value of the US dollar relative to other currencies will increase the US dollar cost of us paying such expenses. The portion of our business conducted in other currencies could increase in the future, which could expand our exposure to losses arising from currency fluctuations.

There is a risk that currency fluctuations will have a negative effect on our cash flows. We have not entered into any hedging contracts to protect against currency fluctuations. However, we have some ability to shift the purchase of goods and services from one country to another and, thus, from one currency to another, on relatively short notice. We may seek to hedge this currency fluctuation risk in the future.

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Bunker Price Risk

Our operating results are affected by movement in the price of fuel oil consumed by the vessels – known in the industry as bunkers. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce the profitability. We do not hedge our exposure to bunker price risk.

Inflation

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

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

A. Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Our controls and procedures are designed to provide reasonable assurance of achieving their objectives.

We carried out an evaluation under the supervision, and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15e) as of December 31, 2014. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2014 to provide reasonable assurance that (1) information required to be disclosed by us in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and (2) that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

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B. Management's Annual Report on Internal Control Over Financial Reporting

In accordance with Rule 13a-15(f) of the Exchange Act, the management of the Company is responsible for the establishment and maintenance of adequate internal controls over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. The Company's system of internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements. Management has performed an assessment of the effectiveness of the Company's internal controls over financial reporting as of December 31, 2014 based on the provisions of Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, in 2013. Based on our assessment, management determined that the Company's internal controls over financial reporting was effective as of December 31, 2014 based on the criteria in Internal Control—Integrated Framework issued by COSO (2013).

The Company's internal control over financial reporting, at December 31, 2014, has been audited by PricewaterhouseCoopers Audit, an independent registered public accounting firm, who also audited the Company's consolidated financial statements for that year. Their audit report on the effectiveness of internal control over financial reporting is presented in "Item 18. Financial Statements."

C. Attestation Report of the Registered Public Accounting Firm

The attestation report of the Registered Public Accounting Firm is presented on page F-2 of the Financial Statements filed as part of this annual report.

D. Changes in Internal Control Over Financial Reporting

None

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Board of Directors has determined that Mr. Ademaro Lanzara, who serves on the Audit Committee, qualifies as an "audit committee financial expert" and that he is "independent" in accordance with SEC rules.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics applicable to officers, directors and employees, which complies with applicable guidelines issued by the SEC. Our code of ethics is filed as an exhibit to our annual report filed on March 31, 2014 on form 20-F for the year ended December 31, 2013 and can be found on our website at www.scorpiotankers.com. We will also provide a hard copy of our code of ethics free of charge upon written request to Scorpio Tankers Inc., 9 Boulevard Charles III, Monaco, 98000.

ITEM 16C. PRINCIPAL ACCOUNTING FEES AND SERVICES

A. Audit Fees

Our principal accountant for fiscal years ended December 31, 2014 and 2013 was PricewaterhouseCoopers Audit (Marseille, France) and the audit fee for those periods was $497,000 and $428,000, respectively.

During 2014, our principal accountant, PricewaterhouseCoopers Audit, provided services related to the issuance of our Senior Unsecured Notes Due 2020, Convertible Notes and Senior Unsecured Notes Due 2017 that were completed in May 2014, June 2014 and October 2014, respectively. The fees for these services were $48,000, $41,500 and $91,695, respectively.

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During 2013, our principal accountant, PricewaterhouseCoopers Audit, provided services related to follow-on offerings that were completed in May 2013 and August 2013 and two transactions related to issuance of shares for the acquisitions of vessels. The fees for these services were $38,500, $39,328 and $30,000, respectively.

B. Audit-Related Fees

None

C. Tax Fees

None

D. All Other Fees

None

E. Audit Committee's Pre-Approval Policies and Procedures

Our Audit Committee pre-approves all audit, audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees prior to the engagement of the independent auditor with respect to such services.

F. Audit Work Performed by Other Than Principal Accountant if Greater Than 50%

Not applicable.

ITEM 16D. EXEMPTIONS FROM LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On July 9, 2010, our board of directors authorized a share buyback program of $20 million, which was subsequently increased to $100.0 million in April 2014, which we refer to as the 2010 Share Buyback Program. On June 27, 2014, our board of directors authorized a new share buyback program of up to $150 million, which we refer to as the First 2014 Share Buyback Program, to replace the 2010 Share Buyback Program. On July 28, 2014, our board of directors authorized a new share buyback program of up to $150 million, which we refer to as the Second 2014 Share Buyback Program, to replace the First 2014 Share Buyback Program. We repurchase these shares in the open market at the time and prices that we consider to be appropriate.

During the year ended December 31, 2014, we repurchased an aggregate of 19,951,536 of our common shares at an average price of $9.09 per share under the 2010 Share Buyback Program, First 2014 Share Buyback Program, and Second 2014 Share Buyback Program.

In addition, in May 2014, in a privately negotiated transaction, we acquired 7,500,000 of our common shares from one of our existing shareholders in exchange for 3,422,665 shares in Dorian owned by us.

Furthermore, using a portion of the proceeds we received from our offering of Convertible Notes, we repurchased 10,127,600 of our common shares at $9.38 per share in a privately negotiated transaction.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

On April 2, 2013, our board of directors, upon recommendation of our audit committee, appointed PricewaterhouseCoopers Audit as our independent auditor for the fiscal year ending December 31, 2013, replacing Deloitte LLP, or Deloitte. On May 30, 2013, at our annual general meeting of shareholders, our shareholders passed a resolution ratifying such appointment. The Company dismissed Deloitte as its independent auditor effective April 2, 2013.

The information required to be disclosed pursuant to this Item 16F was previously reported on Form 6-K, filed with the SEC on April 8, 2013.

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ITEM 16G. CORPORATE GOVERNANCE

Pursuant to an exception for foreign private issuers, we, as a Marshall Islands company, are not required to comply with the corporate governance practices followed by U.S. companies under the NYSE listing standards. We believe that our established practices in the area of corporate governance are in line with the spirit of the NYSE standards and provide adequate protection to our shareholders. In this respect, we have voluntarily adopted NYSE required practices, such as (i) having a majority of independent directors, (ii) establishing audit, compensation and nominating committees and (iii) adopting a Code of Ethics.

There are two significant differences between our corporate governance practices and the practices required by the NYSE. The NYSE requires that non-management directors meet regularly in executive sessions without management. The NYSE also requires that all independent directors meet in an executive session at least once a year. The Marshall Islands law and our bylaws do not require our non-management directors to regularly hold executive sessions without management. During 2014 and through the date of this annual report, our non-management directors met in executive session five times. The NYSE requires companies to adopt and disclose corporate governance guidelines. The guidelines must address, among other things: director qualification standards, director responsibilities, director access to management and independent advisers, director compensation, director orientation and continuing education, management succession and an annual performance evaluation. We are not required to adopt such guidelines under Marshall Islands law and we have not adopted such guidelines.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

See “Item 18. Financial Statements.”

ITEM 18. FINANCIAL STATEMENTS

The financial information required by this Item is set forth on pages F-1 to F-64 and is filed as part of this annual report.

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ITEM 19. EXHIBITS

Exhibit Number	Description
1.1	Amended and Restated Articles of Incorporation of the Company (1)
1.2	Amended and Restated Bylaws of the Company (3)
1.3	Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company
2.1	Form of Stock Certificate (1)
2.3	Form of Senior Debt Securities Indenture (5)
2.4	Form of Subordinated Debt Securities Indenture (5)
2.5	Base Indenture, dated May 12, 2014, by and between the Company and Deutsche Bank Trust Company (9)
2.6	Supplemental Indenture to the Base Indenture, dated May 12, 2014, by and between the Company and Deutsche Bank Trust Company Americas, as trustee, relating to the Company’s 6.75% Senior Notes due 2020 (9)
2.7	Indenture, dated June 30, 2014, by and between the Company and Deutsche Bank Trust Company Americas, as trustee, relating to the Company’s 2.375% Convertible Notes due 2019
2.8	Second Supplemental Indenture to the Base Indenture, dated October 31, 2014, by and between the Company and Deutsche Bank Trust Company Americas, as trustee, relating to the Company’s 7.50% Senior Notes due 2017 (10)
4.1	Amended and Restated Loan Agreement for $150 Million Revolving Credit Facility, dated July 12, 2011 (6)
4.2	Letter Agreement to July 12, 2011 Amended and Restated Loan Agreement, dated September 22, 2011 (6)
4.3	First Amendatory Agreement to July 12, 2011 Amended and Restated Loan Agreement, dated December 22, 2011 (6)
4.4	2010 Equity Incentive Plan (3)
4.5	2013 Amended and Restated Equity Incentive Plan (8)
4.6	Administrative Services Agreement between the Company and Liberty Holding Company Ltd. (2)
4.7	Master Agreement between the Company, SSM and SCM dated January 24, 2013 (7)
4.8	STI Spirit Credit Facility, dated March 9, 2011 (4)
4.9	Letter Agreement to STI Spirit Credit Facility, dated September 28, 2011 (6)
4.10	First Amendatory Agreement to STI Spirit Credit Facility, dated December 30, 2011 (6)
4.11	2011 Credit Facility, dated May 3, 2011 (6)
4.12	Letter Agreement to 2011 Credit Facility, dated September 22, 2011 (6)
4.13	First Amendatory Agreement to 2011 Credit Facility, dated June 27, 2011 (6)
4.14	Second Amendatory Agreement to 2011 Credit Facility, dated December 22, 2011 (6)
4.15	Newbuilding Credit Facility, dated December 21, 2011 (6)
4.16	2013 Credit Facility, dated July 2, 2013 (8)
4.17	KEXIM Credit Facility, dated February 28, 2014 (8)
4.18	K-Sure Credit Facility, dated February 24, 2014 (8)
8.1	Subsidiaries of the Company
11.1	Code of Ethics (7)
11.2	Whistleblower Policy (8)
11.3	Whistleblower Policy - Environmental (8)
12.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
12.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
13.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Consent of Independent Registered Public Accounting Firm, PricewaterhouseCoopers Audit
15.2	Consent of Independent Registered Public Accounting Firm, Deloitte LLP

15.3 Consent of Drewry Shipping Consultants, Ltd.

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(1) Filed as an Exhibit to the Company’s Amended Registration Statement on Form F-1/A (Amendment No. 1) (File No. 333-164940) on March 10, 2010, and incorporated by reference herein.

(2) Filed as an Exhibit to the Company’s Amended Registration Statement on Form F-1/A (Amendment No. 2) (File No. 333-164940) on March 18, 2010, and incorporated by reference herein.

(3) Filed as an Exhibit to the Company’s Annual Report filed on Form 20-F on June 29, 2010, and incorporated by reference herein.

(4) Filed as an Exhibit to the Company’s Annual Report filed on Form 20-F on April 21, 2011, and incorporated by reference herein.

(5) Filed as an Exhibit to the Company’s Registration Statement on Form F-3 (File No. 333-173929) on May 4, 2011, and incorporated by reference herein.

(6) Filed as an Exhibit to the Company’s Annual Report on Form 20-F on April 13, 2012, as amended, and incorporated by reference herein.

(7) Filed as an Exhibit to the Company’s Annual Report on Form 20-F on March 29, 2013, and incorporated by reference herein.

(8) Filed as an Exhibit to the Company's Annual Report on Form 20-F on March 31, 2014, and incorporated by reference herein.

(9) Filed as an Exhibit to the Company’s Report on Form 6-K on May 13, 2014, and incorporated by reference herein.

(10) Filed as an Exhibit to the Company’s Report on Form 6-K on October 31, 2014, and incorporated by reference herein.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and has duly caused and authorized the undersigned to sign this annual report on its behalf.

Dated March 31, 2015

Scorpio Tankers Inc.
(Registrant)

/s/ Emanuele Lauro
Emanuele Lauro
Chief Executive Officer

SCORPIO TANKERS INC. AND SUBSIDIARIES
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Scorpio Tankers Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statement of income or loss, statement of comprehensive income or loss, statement of changes in shareholders' equity and cash flows present fairly, in all material respects, the financial position of Scorpio Tankers Inc and its subsidiaries at December 31, 2014 and December 31, 2013, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2014 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and International Standards on Auditing. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers Audit

Monaco, Principality of Monaco,
March 31, 2015

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Scorpio Tankers Inc.

Majuro, Marshall Island

We have audited the accompanying consolidated statement of income or loss, consolidated statement of comprehensive income or loss, consolidated statement of changes in shareholders' equity, and consolidated cash flow statement of Scorpio Tankers Inc. and subsidiaries (the "Company") for the year ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the results of operations and cash flows of Scorpio Tankers Inc. and subsidiaries for the year ended December 31, 2012, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ DELOITTE LLP

London, United Kingdom

March 28, 2013

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Scorpio Tankers Inc. and Subsidiaries
Consolidated Balance Sheets
December 31, 2014 and 2013

In thousands of U.S. dollars	Notes	As of December 31, 2014	December 31, 2013
Assets			
Current assets			
Cash and cash equivalents	2	$116,143	$78,845
Accounts receivable	3	78,201	72,542
Prepaid expenses and other current assets		2,420	2,277
Inventories		6,075	2,857
Vessels held for sale	4	70,865	82,649
Total current assets		273,704	239,170
Non-current assets			
Vessels and drydock	4	1,971,878	530,270
Vessels under construction	5	404,877	649,526
Other assets	7	23,728	17,907
Investment in associate	8	—	209,803
Available for sale investment	8	130,456	—
Total non-current assets		2,530,939	1,407,506
Total assets		$2,804,643	$1,646,676
Current liabilities			
Current portion of long term debt	11	87,163	10,453
Debt related to vessels held for sale	11	32,932	21,397
Accounts payable	9	14,929	20,696
Accrued expenses	10	55,139	7,251
Derivative financial instruments	12	205	689
Total current liabilities		190,368	60,486
Non-current liabilities			
Long term debt	11	1,451,427	135,279
Derivative financial instruments	12	—	188
Total non-current liabilities		1,451,427	135,467
Total liabilities		1,641,795	195,953
Shareholders' equity			
Issued, authorized and fully paid in share capital:			
Share capital	14	2,033	1,999
Additional paid in capital	14	1,550,956	1,536,945
Treasury shares		(351,283)	(7,938)
Accumulated other comprehensive loss		(10,878)	(212)
Accumulated deficit		(27,980)	(80,071)
Total shareholders' equity		1,162,848	1,450,723
Total liabilities and shareholders' equity		$2,804,643	$1,646,676

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

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Scorpio Tankers Inc. and Subsidiaries
Consolidated Statements of Income or Loss
For the years ended December 31, 2014, 2013 and 2012

In thousands of U.S. dollars except per share and share data	Notes	For the year ended December 31, 2014	2013	2012
Revenue				
Vessel revenue	16	$342,807	$207,580	$115,381
Operating expenses				
Vessel operating costs		(78,823)	(40,204)	(30,353)
Voyage expenses		(7,533)	(4,846)	(21,744)
Charterhire	17	(139,168)	(115,543)	(43,701)
Depreciation	4	(42,617)	(23,595)	(14,818)
General and administrative expenses	18	(48,129)	(25,788)	(11,536)
Write down of vessels held for sale and loss from sales of vessels	4	(3,978)	(21,187)	(10,404)
Gain on sale of VLGCs	8	—	41,375	—
Gain on sale of VLCCs	5	51,419	—	—
Gain on sale of Dorian shares	8	10,924	—	—
Re-measurement of investment in Dorian	8	(13,895)	—	—
Total operating expenses		(271,800)	(189,788)	(132,556)
Operating income / (loss)		71,007	17,792	(17,175)
Other (expense) and income, net				
Financial expenses	19	(20,770)	(2,705)	(8,512)
Realized gain on derivative financial instruments	12	17	3	443
Unrealized gain / (loss) on derivative financial instruments	12	264	567	(1,231)
Financial income		203	1,147	35
Share of income from associate	8	1,473	369	—
Other expenses, net		(103)	(158)	(97)
Total other expense, net		(18,916)	(777)	(9,362)
Net income / (loss)		52,091	17,015	(26,537)
Attributable to:				
Equity holders of the parent		$52,091	$17,015	$(26,537)
Earnings / (loss) per share				
Basic	21	$0.30	$0.12	$(0.64)
Diluted	21	$0.30	$0.11	$(0.64)
Basic weighted average shares outstanding	21	171,851,061	146,504,055	41,413,339
Diluted weighted average shares outstanding	21	176,292,802	148,339,378	41,413,339

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

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Scorpio Tankers Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income or Loss
For the years ended December 2014, 2013 and 2012

		For the year ended December 31,		
In thousands of U.S. dollars	Notes	2014	2013	2012
Net income / (loss)		$52,091	$17,015	$(26,537)
Other comprehensive income / (loss):				
Items that may be reclassified subsequently to income or loss				
Change in value of available for sale investment		(10,801)	—	—
Cash flow hedges				
Unrealized gain/(loss) on derivative financial instruments	12	135	117	(904)
Reclassification adjustment for derivative financial instruments included in net loss	12	—	—	1,276
Other comprehensive (loss) / income		(10,666)	117	372
Total comprehensive income / (loss)		$41,425	$17,132	$(26,165)
Attributable to:				
Equity holders of the parent		$41,425	$17,132	$(26,165)

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

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Scorpio Tankers Inc. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2014, 2013 and 2012

In thousands of U.S. dollars except share data	Number of shares outstanding	Share capital	Additional paid-in capital	Treasury shares	Accumulated deficit	Accumulated other comprehensive income/(loss)	Total
Balance as of January 1, 2012	38,345,394	$391	$363,210	(5,498)	$ (70,549)	$ (701)	$286,853
Net loss for the period	—	—	—	—	(26,537)	—	(26,537)
Other comprehensive income	—	—	—	—	—	372	372
Net proceeds from follow on offerings	25,639,774	256	152,796	—	—	—	153,052
Issuance of restricted stock	290,000	3	(3)	—	—	—	—
Amortization of restricted stock	—	—	3,490	—	—	—	3,490
Purchase of treasury shares	(447,322)	—	—	(2,440)	—	—	(2,440)
Balance as of December 31, 2012	63,827,846	$650	$519,493	$(7,938)	$ (97,086)	$ (329)	$414,790
Balance as of January 1, 2013	63,827,846	$650	$519,493	$(7,938)	$ (97,086)	$ (329)	$414,790
Net income for the period	—	—	—	—	17,015	—	17,015
Other comprehensive income	—	—	—	—	—	117	117
Net proceeds from follow on offerings	118,828,578	1,188	946,774	—	—	—	947,962
Issuance of restricted stock	8,999,998	90	(90)	—	—	—	—
Amortization of restricted stock	—	—	13,142	—	—	—	13,142
Dividends paid	—	—	(24,353)	—	—	—	(24,353)
Shares issued for acquisition of vessels (see Note 5)	7,135,080	71	81,979	—	—		82,050
Balance as of December 31, 2013	198,791,502	$1,999	$1,536,945	$(7,938)	$ (80,071)	$ (212)	$1,450,723
Balance as of January 1, 2014	198,791,502	$1,999	$1,536,945	$(7,938)	$ (80,071)	$ (212)	$1,450,723
Net income for the period	—	—	—	—	52,091	—	52,091
Other comprehensive loss	—	—	—	—	—	(10,666)	(10,666)
Issuance of restricted stock	3,362,176	34	(34)	—	—	—	—
Amortization of restricted stock	—	—	29,726	—	—	—	29,726
Dividends paid	—	—	(70,495)	—	—	—	(70,495)
Purchase of treasury shares	(37,579,136)	—	—	(343,345)	—	—	(343,345)
Equity component of Convertible Notes, net of issuance costs (See Note 11)	—	—	59,464	—	—	—	59,464

Shares issued for acquisition of vessels (see Note 5)	—	—	(4,650)	—	—	—	(4,650)
Balance as of December 31, 2014	164,574,542	$2,033	$1,550,956	$(351,283)	$ (27,980)	$ (10,878)	$1,162,848

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

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Scorpio Tankers Inc. and Subsidiaries
Consolidated Cash Flow Statements
For the years ended December 31, 2014, 2013 and 2012

		For the year ended December 31,		
In thousands of U.S. dollars	Notes	2014	2013	2012
Operating activities				
Net income / (loss)		$52,091	$17,015	$(26,537)
Gain on sale of VLGCs	8	—	(41,375)	—
Gain on sale of VLCCs	5	(51,419)	—	—
Gain on sale of Dorian shares	8	(10,924)	—	—
Re-measurement of investment in Dorian	8	13,895	—	—
Write down of vessels held for sale and loss from sales of vessels	4	3,978	21,187	10,404
Depreciation	4	42,617	23,595	14,818
Amortization of restricted stock	14	29,726	13,142	3,490
Amortization of deferred financing fees		4,834	332	4,093
Straight-line adjustment for charterhire expense		3	53	41
Share of profit from associate	8	(1,473)	(369)	—
Unrealized gain on derivative financial instruments	12	(264)	(567)	1,231
Amortization of acquired time charter contracts		478	—	—
Accretion of Convertible Notes	11	5,330	—	—
		88,872	33,013	7,540
Changes in assets and liabilities:				
Drydock payments		(1,290)	(1,469)	(1,702)
(Increase)/decrease in inventories		(3,218)	(687)	526
Increase in accounts receivable		(5,660)	(36,104)	(16,052)
(Increase)/decrease in prepaid expenses and other current assets		(154)	(823)	547
(Increase)/decrease in other assets		(2,901)	(1,849)	2,443
Increase/(decrease) in accounts payable		6,471	(2,021)	3,966
Increase in accrued expenses		12,070	4,285	804
Interest rate swap termination payment		(274)	—	—
		5,044	(38,668)	(9,468)
Net cash inflow/(outflow) from operating activities		93,916	(5,655)	(1,928)
Investing activities				
Acquisition of vessels and payments for vessels under construction		(1,403,181)	(767,448)	(191,490)
Proceeds from disposal of vessels		213,670	—	101,335
VLGC installment payments		—	(83,070)	—
Investment in associate		—	(84,583)	—
Deposit received for vessel purchases		31,277	—	—
Net cash outflow from investing activities		(1,158,234)	(935,101)	(90,155)
Financing activities				
Debt repayments		(74,674)	(28,410)	(129,076)
Issuance of debt		1,219,784	52,050	124,172
Debt issuance costs		(45,670)	(14,693)	(3,293)
Proceeds from issuance of Convertible Notes		360,000	—	—
Convertible Notes issuance costs		(10,993)	—	—

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Gross proceeds from issuance of common stock	—	983,537	159,002
Equity issuance costs	(42)	(35,695)	(5,950)
Dividends paid	(70,495)	(24,353)	—
Repurchase of common stock	(276,294)	—	(2,440)
Net cash inflow from financing activities	1,101,616	932,436	142,415
Increase/(decrease) in cash and cash equivalents	37,298	(8,320)	50,332
Cash and cash equivalents at January 1,	78,845	87,165	36,833
Cash and cash equivalents at December 31,	$116,143	$78,845	$87,165
Supplemental information:			
Interest paid	$24,507	$6,497	$6,618

In May 2014, we acquired 7,500,000 of our common shares from an existing shareholder in exchange for the sale to said shareholder of 3,422,665 common shares in Dorian in a privately negotiated transaction. The value of the acquired shares was $67.1 million and we recognized a gain of $10.9 million.

During the year ended December 31, 2013, we issued an aggregate of 7,135,080 common shares as partial consideration for the purchase of eight newbuilding MRs that were under construction in two separate transactions. These transactions are further described in Note 5.

As of December 31, 2013 and 2012, we accrued $15.0 million and $3.5 million, respectively, for installment payments on our newbuilding vessels. These payments were made in January 2014 and 2013, respectively.

These items represent significant non-cash transactions incurred during the years ended December 31, 2014, 2013 and 2012.
The accompanying notes are an integral part of these consolidated financial statements

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Notes to the consolidated financial statements

1. General information and significant accounting policies

Company

Scorpio Tankers Inc. and its subsidiaries (together "we", "our" or the "Company") are engaged in the seaborne transportation of refined petroleum products in the international shipping markets. Scorpio Tankers Inc. was incorporated in the Republic of the Marshall Islands on July 1, 2009. On April 6, 2010, we closed on our initial public offering, and the common stock currently trades on the New York Stock Exchange under the symbol STNG.

Our owned fleet at December 31, 2014 consisted of 57 owned tankers (seven LR2 tankers, two LR1 tankers, 13 Handymax tankers, 34 MR tankers, and one post-Panamax tanker), 24 time chartered-in tankers (eight LR2, five LR1, four MR and seven Handymax tankers), and 24 newbuilding product tankers under construction. We also owned 16.25% of Dorian LPG Ltd ("Dorian") at December 31, 2014. Dorian is a liquefied petroleum gas shipping company that owned five Very Large Gas Carriers ('VLGCs') and one pressurized gas carrier and had 17 VLGCs under construction at December 31, 2014.

Our vessels are commercially managed by Scorpio Commercial Management S.A.M. ("SCM"), which is majority owned by the Lolli-Ghetti family of which, Emanuele Lauro, our Chairman and Chief Executive Officer is a member. SCM's services include securing employment, in pools, in the spot market and on time charters.

Our vessels are technically managed by Scorpio Ship Management S.A.M. ("SSM"), which is majority owned by the Lolli-Ghetti family. SSM facilitates vessel support such as crew, provisions, deck and engine stores, insurance, maintenance and repairs, and other services as necessary to operate the vessels such as drydocks and vetting/inspection under a technical management agreement.

We also have an administrative services agreement with Scorpio Services Holding Limited ("SSH"), which is majority owned by the Lolli-Ghetti family. The administrative services provided under this agreement primarily include accounting, legal compliance, financial, information technology services, and the provision of administrative staff and office space, which are subcontracted to SCM. We pay our managers fees for these services and reimburse them for direct or indirect expenses that they incur in providing these services.

Basis of accounting

The consolidated financial statements incorporate the financial statements of Scorpio Tankers Inc. and its subsidiaries. The consolidated financial statements have been presented in United States dollars (USD or $), which is the functional currency of Scorpio Tankers Inc. and all its subsidiaries and have been authorized for issue by the Board of Directors on March 31, 2015. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and on a historical cost basis, except for the revaluation of certain financial instruments.

All inter-company transactions, balances, income and expenses were eliminated on consolidation.

Going concern

The financial statements have been prepared in accordance with the going concern basis of accounting as described further in the "Liquidity risk" section of Note 22.

Significant Accounting Policies

Revenue recognition

Vessel revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, and other sales-related or value

added taxes.

Vessel revenue is comprised of time charter revenue, voyage revenue, and pool revenue.

(1) Time charter revenue is recognized as services are performed based on the daily rates specified in the time charter contract.

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(2) Voyage charter agreements are charter hires, where a contract is made in the spot market for the use of a vessel for a specific voyage for a specified charter rate. Revenue from voyage charter agreements is recognized as voyage revenue on a pro-rata basis over the duration of the voyage on a discharge to discharge basis. In the application of this policy, we do not begin recognizing revenue until (i) the amount of revenue can be measured reliably, (ii) it is probable that the economic benefits associated with the transaction will flow to the entity, (iii) the transactions stage of completion at the balance sheet date can be measured reliably and (iv) the costs incurred and the costs to complete the transaction can be measured reliably.

(3) Pool revenue for each vessel is determined in accordance with the profit sharing terms specified within each pool agreement. In particular, the pool manager aggregates the revenues and expenses of all of the pool participants and distributes the net earnings to participants based on:

- the pool points (vessel attributes such as cargo carrying capacity, fuel consumption, and construction characteristics are taken into consideration); and
- the number of days the vessel participated in the pool in the period. We recognize pool revenue on a monthly basis, when the vessel has participated in a pool during the period and the amount of pool revenue for the month can be estimated reliably. We receive estimated vessel earnings based on the known number of days the vessel has participated in the pool, the contract terms, and the estimated monthly pool revenue. On a quarterly basis, we receive a report from the pool which identifies the number of days the vessel participated in the pool, the total pool points for the period, the total pool revenue for the period, and the calculated share of pool revenue for the vessel. We review the quarterly report for consistency with each vessel's pool agreement and vessel management records. The estimated pool revenue is reconciled quarterly, coinciding with our external reporting periods, to the actual pool revenue earned, per the pool report. Consequently, in our financial statements, reported revenues represent actual pooled revenues. While differences do arise in the performance of these quarterly reconciliations, such differences are not material to total reported revenues.

Acquired time charter contracts

Acquired time charter contracts arise from the purchase of time charter contracts from third parties and are stated at cost at the date of acquisition, less accumulated amortization. When the time charter contract is acquired along with a vessel, the cost of the acquisition is determined based on the relative fair values of each element acquired. Amortization expense is recognized on a straight line basis over the useful life of the asset, which has been determined to be the remaining contract life at the date of acquisition. The useful life and amortization method are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense related to the assets is recognized as an offset to revenue.

Voyage expenses

Voyage expenses, which primarily include bunkers, port charges, canal tolls, cargo handling operations and brokerage commissions paid by us under voyage charters are expensed ratably over the estimated length of each voyage, which can be allocated between reporting periods based on the timing of the voyage. The impact of recognizing voyage expenses ratably over the length of each voyage is not materially different on a quarterly and annual basis from a method of recognizing such costs as incurred. Consistent with our revenue recognition for voyage charters, voyage expenses are calculated on a discharge-to-discharge basis. The procurement of these services is managed on our behalf by our commercial manager, SCM (see Note 15).

Vessel operating costs

Vessel operating costs, which include crewing, repairs and maintenance, insurance, stores, lube oils, communication expenses, and technical management fees, are expensed as incurred. The procurement of these services is managed on our behalf by our technical manager, SSM (see Note 15).

Earnings / (loss) per share

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Basic earnings and loss per share is calculated by dividing the net income or loss attributable to equity holders of the common shares by the weighted average number of common shares outstanding. Diluted earnings per share are calculated by adjusting the net income or loss attributable to equity holders of the parent and the weighted average number of common shares used for calculating basic per share for the effects of all potentially dilutive shares. Such dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share. In the years ended December 31, 2014, 2013 and 2012, there were dilutive items as a result of our Equity Incentive Plans (see Note 14). During the year ended December 31, 2012, we were in a loss making position, therefore there was no impact of these dilutive items on loss per share.
Diluted earnings per share incorporates the potential dilutive impact of our Convertible Notes which were issued in June 2014 (as further described in Note 11). We apply the if-converted method when determining diluted earnings per share. This requires the assumption that all potential ordinary shares have been converted into ordinary shares at the beginning of the period or, if not in existence at the beginning of the period, the date of the issue of the financial instrument or the granting of the rights by which they are granted. Under this method, once potential ordinary shares are converted into ordinary shares during the period, the dividends, interest and other expense associated with those potential ordinary shares will no longer be incurred. The effect of conversion, therefore, is to increase income (or reduce losses) attributable to ordinary equity holders as well as the number of shares in issue. Conversion will not be assumed for purposes of computing diluted earnings per share if the effect would be anti-dilutive.

Charterhire expense

Charterhire expense is the amount we pay the owner for time chartered-in vessels. The amount is usually for a fixed period of time at rates that are generally fixed, but may contain a variable component based on inflation, interest rates, profit sharing or current market rates. The vessel’s owner is responsible for crewing and other vessel operating costs. Charterhire expense is recognized ratably over the charterhire period.

Operating leases

Costs in respect of operating leases are charged to the consolidated statement of income or loss on a straight line basis over the lease term.

Foreign currencies

The individual financial statements of Scorpio Tankers Inc. and each of its subsidiaries are presented in the currency of the primary economic environment in which we operate (its functional currency), which in all cases is US dollars. For the purpose of the consolidated financial statements, our results and financial position are also expressed in US dollars.

In preparing the financial statements of Scorpio Tankers Inc. and each of its subsidiaries, transactions in currencies other than the US dollar are recorded at the rate of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in other currencies are retranslated into the functional currency at rates ruling at that date. All resultant exchange differences have been recognized in the consolidated statement of income or loss. The amounts charged to the consolidated statements of income or loss during the years ended December 31, 2014, 2013 and 2012 were not material.

Segment reporting

During the years ended December 31, 2014, 2013 and 2012, we owned or chartered-in vessels spanning four different vessel classes, Handymax, MR, Panamax/LR1, and Aframax/LR2, all of which earn revenues in the seaborne transportation of refined petroleum products in the international shipping markets. Each vessel within its respective class qualifies as an operating segment under IFRS. However, each vessel also exhibits similar long-term financial

performance and similar economic characteristics to the other vessels within the respective vessel class, thereby meeting the aggregation criteria in IFRS. We have therefore chosen to present our segment information by vessel class using the aggregated information from the individual vessels.

Segment results are evaluated based on reported income or loss from each segment. The accounting policies applied to the reportable segments are the same as those used in the preparation of our consolidated financial statements.

It is not practical to report revenue or non-current assets on a geographical basis due to the international nature of the shipping market.

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Vessels held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Vessels under construction

As of December 31, 2014 and 2013, we had 24 and 65 vessels under construction, respectively. Vessels under construction are measured at cost and include costs incurred that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These costs include installment payments made to the shipyards, directly attributable financing costs, professional fees and other costs deemed directly attributable to the construction of the asset.

Vessels and drydock

Our fleet is measured at cost, which includes directly attributable financing costs and the cost of work undertaken to enhance the capabilities of the vessels, less accumulated depreciation and impairment losses.

Depreciation is calculated on a straight-line basis to the estimated residual value over the anticipated useful life of the vessel from date of delivery. Vessels under construction are not depreciated until such time as they are ready for use. The residual value is estimated as the lightweight tonnage of each vessel multiplied by scrap value per ton. The scrap value per ton is estimated taking into consideration the historical four year average scrap market rates at the balance sheet date with changes accounted for in the period of change and in future periods.

The vessels are required to undergo planned drydocks for replacement of certain components, major repairs and maintenance of other components, which cannot be carried out while the vessels are operating, approximately every 30 months or 60 months depending on the nature of work and external requirements. These drydock costs are capitalized and depreciated on a straight-line basis over the estimated period until the next drydock. We only include in deferred drydocking those direct costs that are incurred as part of the drydocking to meet regulatory requirements, or are expenditures that add economic life to the vessel, increase the vessel's earnings capacity or improve the vessel's efficiency. Direct costs include shipyard costs as well as the costs of placing the vessel in the shipyard. Expenditures for normal maintenance and repairs, whether incurred as part of the drydocking or not, are expensed as incurred.

For an acquired or newly built vessel, a notional drydock component is allocated from the vessel's cost. The notional drydock cost is estimated by us, based on the expected costs related to the next drydock, which is based on experience and past history of similar vessels, and carried separately from the cost of the vessel. Subsequent drydocks are recorded at actual cost incurred. The drydock component is depreciated on a straight-line basis to the next estimated drydock. The estimated amortization period for a drydock is based on the estimated period between drydocks. When the drydock expenditure is incurred prior to the expiry of the period, the remaining balance is expensed.

Impairment of vessels, drydock and vessels under construction

At each balance sheet date, we review the carrying amount of our vessels and drydock and vessels under construction to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication

exists, the recoverable amount of the vessels and drydock and vessels under construction is estimated in order to determine the extent of the impairment loss (if any). We treat each vessel and the related drydock as a cash generating unit.

Recoverable amount is the higher of the fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the cash generating unit is estimated to be less than its carrying amount, the carrying amount of the cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the cash generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the cash generating unit in the prior years. A reversal of impairment is recognized as income immediately.

Inventories

Inventories consist of lubricating oils and other items including stock provisions, and are stated at the lower of cost and net realizable value. Cost is determined using the first in first out method. Stores and spares are charged to vessel operating costs when purchased.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and released to income or loss when the qualifying asset impacts income or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in the consolidated statement of income or loss in the period in which they are incurred.

Equity method investments

We use the equity method to account for investments in associates over which we otherwise have significant influence (generally defined as investments in companies that correspond to holdings of between 20% and 50% of voting shares). Under the equity method, the investment is initially recognized at cost, and this amount will be adjusted in each subsequent period for the Company’s share of income or loss (adjusted for any fair value adjustments made upon initial recognition) and reduced by any distributions received. Investments in associates include goodwill identified on acquisition, if applicable.

We consider investments in associates for impairment testing whenever there is a quoted share price and when this has a fair value less than the carrying value per share for the investment. For unquoted investments in associates, the company recent financial information is taken into account to assess whether impairment testing is necessary. In a situation in which, based on the quoted share price, the fair value less cost to sell is considered to be below the carrying amount, the value in use is determined in order to test the investment for impairment. If the value in use is also below the carrying amount, an impairment loss is recognized for the difference between carrying amount and the higher of “value in use” or “fair value less costs to sell”.

We accounted for our investment in Dorian under the equity method from the date of our initial investment in November 2013 through October 29, 2014, the date we lost significant influence over Dorian's financial and operating policy decisions. Subsequent to that date, we accounted for this investment as an available for sale financial asset. See Note 8 for further description of the investment.

Financial instruments

Financial assets and financial liabilities are recognized in our balance sheet when we become a party to the contractual provisions of the instrument.

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Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "available-for-sale" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that we manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 22.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as "loans and receivables," "held-to-maturity" or financial assets at fair value through profit or loss. Available-for-sale financial assets are recognized initially at fair value. Subsequent to initial recognition, any change in fair value is recorded in other comprehensive income. Any dividends received or impairment losses are recorded directly in the statement of income or loss. Upon the sale of the assets, the difference between the carrying amount and the sum of (i) the consideration received and (ii) any cumulative gain / loss that had been recognized in other comprehensive income will be recognized in income or loss.

As of October 29, 2014, we began accounting for our investment in Dorian as an available-for-sale financial asset. See Note 8 for further description of this investment.

Loans and receivables

Amounts due from the Scorpio Group Pools and other receivables that have fixed or determinable payments and are not quoted in an active market are classified as accounts receivable. Accounts receivable are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred

after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

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Financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becomes probable that the borrower will enter bankruptcy or financial re-organization.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly-liquid investments with original maturities of three months or less, and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of cash and cash equivalents approximates fair value due to the short-term nature of these instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is held for trading, using the criteria set out above for financial assets.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognized in income or loss. The net gain or loss recognized in income or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in Note 22.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and a financial liability. It allocates interest income and interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) over the expected life of the financial asset and financial liability, or, where appropriate, a shorter period.

Convertible debt instruments

In June 2014, we completed an offering for $360.0 million in aggregate principal amount of convertible senior notes due 2019 (the "Convertible Notes") in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities' Act of 1933 (as further described in Note 11). Under International Accounting Standard 32 ('IAS 32'), we must separately account for the liability and equity components of convertible debt instruments (such as the Convertible Notes) in a manner that reflects the issuer's economic interest cost. Under this methodology, the instrument is split between its liability and equity components upon initial recognition. The fair value of the liability is measured first, by estimating the fair value of a similar liability that does not have any associated equity conversion option. This becomes the liability's carrying amount at initial recognition, which is recorded as part of Debt on the condensed consolidated balance sheet. The equity component (the conversion feature) is assigned the residual amount after deducting the amount separately determined for the liability component from the fair value of the instrument as a whole and is recorded as part of additional paid-in capital within stockholders' equity on the consolidated balance

sheet. Issuance costs are allocated proportionately between the liability and equity components.

The value of the equity component is treated as an original issue discount for purposes of accounting for the liability component of the Convertible Notes. Accordingly, we are required to record non-cash interest expense as a result of the amortization of the discounted carrying value of the Convertible Notes to their face amount over the term of the Convertible Notes. IAS 32 therefore requires interest to include both the current period's amortization of the debt discount and the instrument's coupon interest.

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Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. The resulting gain or loss is recognized in income or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in income or loss depends on the nature of the hedging relationship. We designate certain derivatives as hedges of highly probable forecast transactions (cash flow hedges) as described further below.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months, and it is not expected to be realized or settled within 12 months.

Our derivative financial instruments for the years ended December 31, 2014, 2013 and 2012 consisted of interest rate swaps and profit or loss sharing arrangements on time chartered-in vessels with third parties. See Note 12 for further description.

Hedge accounting for cash flow hedges

Our policy is to designate certain hedging instruments, which can include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. At the inception of the hedge relationship, we document the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, we document whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Derivative financial instruments are initially recognized in the balance sheet at fair value at the date the derivative contract is entered into and are subsequently measured at their fair value as other assets or other liabilities, respectively. Changes in fair value of derivative financial instruments, which are designated as cash flow hedges and deemed to be effective, are recognized directly in other comprehensive income. Changes in fair value of a portion of a hedge deemed to be ineffective are recognized in income or loss. Hedge effectiveness is measured quarterly.

Amounts previously recognized in other comprehensive income or loss are reclassified to income or loss in the periods when the hedged item is recognized in income or loss, in the same line of the statement of income or loss as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when we revoke the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income at that time is accumulated and recognized when the forecast transaction is ultimately recognized in income or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in other comprehensive income or loss is recognized immediately in statement of income or loss.

For the years ended December 31, 2014, 2013, and 2012 we were party to derivative financial instruments to manage our exposure to interest rate fluctuations. In August 2011, we entered into six interest rate swap agreements to manage interest costs and the risk associated with changing interest rates on our 2011 Credit Facility and 2010 Revolving Credit Facility. The swaps relating to the 2011 Credit Facility were designated and accounted for as cash flow hedges

as of December 31, 2014. The swaps relating to the 2010 Revolving Credit Facility were de-designated at December 31, 2012. See Note 12 for further description of these instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in our assets after deducting all of its liabilities. Equity instruments issued by us are recorded at the proceeds received, net of direct issue costs.

We had 164,574,542 registered shares authorized and issued with a par value of $0.01 per share at December 31, 2014. These shares provide the holders with the same rights to dividends and voting rights.

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Provisions

Provisions are recognized when we have a present obligation as a result of a past event, and it is probable that we will be required to settle that obligation. Provisions are measured at our best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Dividends

A provision for dividends payable is recognized when the dividend has been declared in accordance with the terms of the shareholder agreement.

Dividend per share presented in these consolidated financial statements is calculated by dividing the aggregate dividends declared by all of our subsidiaries by the number of our shares assuming these shares have been outstanding throughout the periods presented.

Restricted stock

The restricted stock awards granted to our employees and independent directors under our equity incentive plans as described in Note 14 contain only service conditions and are classified as equity settled. Accordingly, the fair value of our restricted stock awards was calculated by multiplying the average of the high and low share price on the grant date and the number of restricted stock shares granted that are expected to vest. In accordance with IFRS 2 “Share Based Payment,” the share price at the grant date serves as a proxy for the fair value of services to be provided by the employees and directors under the plan.

Compensation expense related to the awards is recognized ratably over the vesting period, based on our estimate of the number of awards that will eventually vest. The vesting period is the period during which an employee or director is required to provide service in exchange for an award and is updated at each balance sheet date to reflect any revisions in estimates of the number of awards expected to vest as a result of the effect of service vesting conditions. The impact of the revision of the original estimate, if any, is recognized in the consolidated statement of income or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the accounting policies, we are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgments and estimates are as follows:

Revenue recognition

We currently generate all revenue from time charters, spot voyages, or pools. Revenue recognition for time charters and pools is generally not as complex or as subjective as voyage charters (spot voyages). Time charters are for a

specific period of time at a specific rate per day. For long-term time charters, revenue is recognized on a straight-line basis over the term of the charter. Pool revenues are determined by the pool managers from the total revenues and expenses of the pool and allocated to pool participants using a mechanism set out in the pool agreement.

We generated revenue from spot voyages during the years ended December 31, 2014, 2013 and 2012. Within the shipping industry, there are two methods used to account for spot voyage revenue: (1) ratably over the estimated length of each voyage or (2) completed voyage. The recognition of voyage revenues ratably over the estimated length of each voyage is the most prevalent method of accounting for voyage revenues and the method used by us. Under each method, voyages may be calculated on either a load-to-load or discharge-to-discharge basis. In applying our revenue recognition method, we believe that the discharge-to-discharge basis of calculating voyages more accurately estimates voyage results than the load-to-load basis. In the application of this policy, we do not begin recognizing revenue until (i) the amount of revenue can be measured reliably, (ii) it is probable that the economic benefits associated with the transaction will flow to the entity, (iii) the transactions stage of completion at the balance sheet date can be measured reliably and (iv) the costs incurred and the costs to complete the transaction can be measured reliably.

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Vessel impairment

We evaluate the carrying amounts of our vessels and vessels under construction to determine whether there is any indication that those vessels have suffered an impairment loss. If any such indication exists, the recoverable amount of vessels is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The projection of cash flows related to vessels is complex and requires us to make various estimates including future freight rates, earnings from the vessels and discount rates. All of these items have been historically volatile. As part of our process of assessing fair value less costs to sell of the vessel, we obtain vessel valuations for our operating vessels from leading, independent and internationally recognized ship brokers on an annual basis or when there is an indication that an asset or assets may be impaired. We generally do not obtain vessel valuations for vessels under construction. If an indication of impairment is identified, the need for recognizing an impairment loss is assessed by comparing the carrying amount of the vessels to the higher of the fair value less costs to sell and the value in use. Likewise, if there is an indication that an impairment loss recognized in prior periods no longer exists or may have decreased, the need for recognizing an impairment reversal is assessed by comparing the carrying amount of the vessels to the latest estimate of recoverable amount.

For the period ended December 31, 2014, we reviewed the carrying amount of our vessels to determine whether there was an indication that these assets had suffered an impairment. First, we compared the carrying amount of our vessels to their fair values less costs to sell (determined by taking into consideration two independent broker valuations). If the carrying amount of our vessels was greater than the fair values less costs to sell, we prepared a value in use calculation where we estimated the vessel's future cash flows based on a combination of the latest, published, forecast time charter rates for the next three years, a growth rate of 3.0% in freight rates in each period and our best estimate of vessel operating expenses and drydock costs. These cash flows were then discounted to their present value, using an estimated weighted average cost of capital of 7.98%.

At December 31, 2014, we had 57 vessels in our fleet and 24 vessels under construction:

- Three vessels were held for sale and written down to their fair value less costs to sell (see Note 4).
- 36 vessels had fair values less costs to sell in excess of their carrying amount.
- 18 vessels had fair values less costs to sell less than their carrying amount. We prepared a value in use calculation for each these vessels which resulted in no impairment being recognized.
- We did not obtain independent broker valuations for our 24 vessels under construction. To assess their carrying values, we prepared value in use calculations which resulted in no impairment being recognized.

Vessel lives and residual value

The carrying value of each of our vessels represents its original cost at the time it was delivered or purchased less depreciation and impairment. We depreciate our vessels to their residual value on a straight-line basis over their estimated useful lives of 25 years. The estimated useful life of 25 years is management's best estimate and is also consistent with industry practice for similar vessels. The residual value is estimated as the lightweight tonnage of each vessel multiplied by a forecast scrap value per ton. The scrap value per ton is estimated taking into consideration the historical four year scrap market rate average at the balance sheet date.

An increase in the estimated useful life of a vessel or in its scrap value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a vessel or scrap value would

have the effect of increasing the annual depreciation charge.

When regulations place significant limitations over the ability of a vessel to trade on a worldwide basis, the vessel's useful life is adjusted to end at the date such regulations become effective. The estimated salvage value of the vessels may not represent the fair market value at any one time since market prices of scrap values tend to fluctuate.

Deferred drydock cost

We recognize drydock costs as a separate component of each vessel's carrying amount and amortize the drydock cost on a straight-line basis over the estimated period until the next drydock. We use judgment when estimating the period between drydocks performed, which can result in adjustments to the estimated amortization of the drydock expense. If the vessel is disposed of before the next drydock, the remaining balance of the deferred drydock is written-off and forms part of the gain or loss recognized upon disposal of vessels in the period when contracted. We expect that our vessels will be required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are operating. Costs capitalized as part of the drydock include actual costs incurred at the drydock yard and parts and supplies used in making such repairs.

Adoption of new and amended IFRS and IFRIC interpretations from January 1, 2014

Standards and interpretations adopted during the period

- Amendment to IAS 32 - Financial instruments: Recognition and measurement
- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities
- Amendment to IAS 36 - Impairment of assets - Recoverable amount disclosures for non-financial assets
- Amendment to IAS 39 - Financial instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting
- IFRIC 21 - Levies

The adoption of these standards did not have a material impact on these consolidated financial statements.

Standards and Interpretations in issue not yet adopted

At the date of authorization of these consolidated financial statements, the following Standards and Interpretations which have not been applied in these consolidated financial statements were in issue but not yet effective:

- Amendment to IAS 16 & IAS 38 - Clarification of acceptable methods of depreciation and amortization
- Amendments to IAS 19 - Employee benefits: Employee contributions
- Amendments to IFRS 11 - Joint arrangements
- Annual improvements to IFRSs 2010-2012
- Annual improvements to IFRSs 2011-2013
- Annual improvements to IFRSs 2012-2014
- IFRS 9 - Financial Instruments
- IFRS 14 - Regulatory deferral accounts
- IFRS 15 - Revenue from contracts with customers
- Amendments to IAS 16 and IAS 41 - Agriculture: Bearer plants
- Amendments to IAS 27 Separate financial statements - Equity method in separate financial statements
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associates or joint venture

We do not expect that the adoption of these standards in future periods will have a material impact on our financial statements.

Recent Accounting Pronouncement
IFRS 15, Revenue from Contracts with Customers, was issued by the International Accounting Standards Board on May 28, 2014. IFRS 15 amends the existing accounting standards for revenue recognition and is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products or services are

transferred to customers. IFRS 15 applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017. Early adoption is permitted and the standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of adoption. The Company is currently evaluating the impact of adopting the new revenue standard on its consolidated financial statements.

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2. Cash and cash equivalents

	At December 31,	
In thousands of U.S. dollars	2014	2013
Cash at banks	$115,695	$53,652
Deposits [1]	—	25,035
Cash on vessels	448	158
	$116,143	$78,845

[1] Represents bank deposits with original maturities of three months or less.

3. Accounts receivable

	At December 31,	
In thousands of US dollars	2014	2013
Scorpio MR Pool Limited	$28,289	$28,282
Scorpio LR2 Pool Limited	22,326	21,110
Scorpio Panamax Tanker Pool Limited	11,846	12,578
Scorpio Handymax Tanker Pool Limited	11,664	6,542
Receivables related to vessels under construction	1,647	—
Freight receivables	724	1,212
Insurance receivables	245	345
Other receivables	1,460	2,473
	$78,201	$72,542

Scorpio MR Pool Limited, Scorpio LR2 Pool Limited, Scorpio Panamax Tanker Pool Limited, and Scorpio Handymax Tanker Pool Limited are related parties, as described in Note 15.

Receivables related to vessels under construction relate to the difference between the drawdown amounts from our secured credit facilities and the final installment payments due for the deliveries of STI Tribeca, STI Rotherhithe, STI Hammersmith and STI Rose. These drawdowns occurred in December 2014 however the funds were not released until January 2015, when the vessels were delivered.

Freight receivables primarily represent amounts collectible from customers for our vessels operating in the spot market.

Insurance receivables primarily represent amounts collectible on our insurance policies in relation to vessel repairs.

We consider that the carrying amount of accounts receivable approximates their fair value due to the short maturity thereof. Accounts receivable are non-interest bearing. At December 31, 2014 and December 31, 2013, no material receivable balances were either past due or impaired.

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4. Vessels

Operating vessels and drydock

In thousands of U.S. dollars	Vessels	Drydock	Total
Cost			
As of January 1, 2014	$566,583	$12,102	$578,685
Additions [(1)]	1,515,888	31,200	1,547,088
Transfer to vessels held for sale [(2)]	(90,242)	(2,290)	(92,532)
As of December 31, 2014	1,992,229	41,012	2,033,241
Accumulated depreciation and impairment			
As of January 1, 2014	(45,021)	(3,394)	(48,415)
Charge for the period	(37,880)	(4,737)	(42,617)
Write-offs of vessels held for sale [(3)]	(3,276)	(702)	(3,978)
Transfer to vessels held for sale [(2)]	31,249	2,398	33,647
As of December 31, 2014	(54,928)	(6,435)	(61,363)
Net book value			
As of December 31, 2014	$1,937,301	$34,577	$1,971,878
Cost			
As of January 1, 2013	500,696	10,924	511,620
Additions [(4)]	256,858	5,433	262,291
Transfer to vessels held for sale [(5)]	(190,971)	(4,255)	(195,226)
As of December 31, 2013	566,583	12,102	578,685
Accumulated depreciation and impairment			
As of January 1, 2013	(112,575)	(3,634)	(116,209)
Charge for the period	(20,401)	(3,194)	(23,595)
Write-offs of vessels held for sale [(6)]	(20,367)	(821)	(21,188)
Transfer to vessels held for sale [(5)]	108,322	4,255	112,577
As of December 31, 2013	(45,021)	(3,394)	(48,415)
Net book value			
As of December 31, 2013	$521,562	$8,708	$530,270

(1) Additions in 2014 primarily relate to the deliveries of 41 newbuilding vessels and corresponding calculations of notional drydock on these vessels.

(2) Represents the reclassification of the net book value of STI Heritage and STI Harmony from “Vessels” to “Vessels Held for Sale” in December 2014.

(3) Represents the write-off to remeasure STI Heritage, STI Harmony and Venice at the lower of their carrying amount and fair value less costs to sell at December 31, 2014.

(4) Additions in 2013 primarily relate to the deliveries of seven newbuilding vessels and corresponding calculations of notional drydock on these vessels.

(5) Represents the reclassification of the net book value of Noemi, Senatore, Venice and STI Spirit from “Vessels” to “Vessels Held for Sale” at December 31, 2013.

(6) Represents the write-off to remeasure Noemi, Senatore, Venice and STI Spirit at the lower of their carrying amount and fair value less costs to sell at December 31, 2013.

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Newbuilding vessel deliveries

We took delivery of the following vessels during the year ended December 31, 2014 resulting in the reclassification of $1,542.4 million from Vessels under construction to Vessels:

	Name	Month Delivered	Vessel Type
1	STI Duchessa	January 2014	MR
2	STI Opera	January 2014	MR
3	STI Texas City	March 2014	MR
4	STI Meraux	April 2014	MR
5	STI San Antonio	May 2014	MR
6	STI Chelsea	May 2014	MR
7	STI Lexington	May 2014	MR
8	STI Comandante	May 2014	Handymax
9	STI Brixton	June 2014	Handymax
10	STI Venere	June 2014	MR
11	STI Virtus	June 2014	MR
12	STI Pimlico	July 2014	Handymax
13	STI Powai	July 2014	MR
14	STI Aqua	July 2014	MR
15	STI Dama	July 2014	MR
16	STI Elysees	July 2014	LR2
17	STI Hackney	August 2014	Handymax
18	STI Olivia	August 2014	MR
19	STI Mythos	August 2014	MR
20	STI Acton	September 2014	Handymax
21	STI Fulham	September 2014	Handymax
22	STI Camden	September 2014	Handymax
23	STI Benicia	September 2014	MR
24	STI Regina	September 2014	MR
25	STI St. Charles	September 2014	MR
26	STI Park	September 2014	LR2
27	STI Madison	September 2014	LR2
28	STI Orchard	October 2014	LR2
29	STI Battersea	October 2014	Handymax
30	STI Wembley	October 2014	Handymax
31	STI Mayfair	October 2014	MR
32	STI Yorkville	October 2014	MR
33	STI Finchley	November 2014	Handymax
34	STI Clapham	November 2014	Handymax
35	STI Milwaukee	November 2014	MR
36	STI Battery	December 2014	MR
37	STI Sloane	November 2014	LR2
38	STI Broadway	November 2014	LR2
39	STI Condotti	November 2014	LR2
40	STI Poplar	December 2014	Handymax
41	STI Soho	December 2014	MR

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Vessels Held for Sale

In December 2013, we designated Noemi, Senatore, Venice and STI Spirit as held for sale. As part of this designation, we recorded a $21.2 million write-down to remeasure these vessels at the lower of their carrying amount and fair value less estimated costs to sell. Their revised carrying amount of $82.6 million was then reclassified from “Vessels” to “Vessels held for sale” on the consolidated balance sheet as of December 31, 2013.

In January 2014, we agreed to sell Noemi and Senatore for aggregate net proceeds of $42.5 million. The sale of Noemi closed in March 2014, and the sale of Senatore closed in April 2014. These sales resulted in a $42.5 million reduction in 'Vessels held for sale.” As part of these sales, we repaid $22.5 million into our 2010 Revolving Credit Facility in March 2014, as further described in Note 11.

In April 2014, we closed on the sale of STI Spirit for net proceeds of $29.5 million which resulted in the commensurate reduction in “Vessels held for sale.” As part of this sale, we repaid $21.4 million into our STI Spirit Credit Facility in April 2014.

In April 2014, Venice incurred $1.3 million of drydock costs that were capitalized as part of the carrying amount of that vessel as of December 31, 2014. The vessel was sold in March 2015, as further described in Note 24.

In December 2014, we designated STI Heritage and STI Harmony as held for sale. As part of this designation, we recorded a $3.9 million write-down to remeasure these vessels at their fair value less costs to sell. Fair value was determined by taking into consideration agreements to sell these vessels, which were supported by two independent broker valuations. These independent broker valuations were based on each broker’s knowledge of current sale and purchase market conditions and take into consideration vessel age, size, the shipyard where it was built and any other specifications unique to such vessel (such as ice class capabilities). As such, we consider these values to be within Level 2 of the fair value hierarchy under IFRS 13. Their revised carrying amount of $59.0 million was then reclassified from “Vessels” to “Vessels held for sale” on the consolidated balance sheet as of December 31, 2014. The sales of these vessels are expected to close in April 2015 as further described in Note 24.

Collateral agreements

The following table represents vessels provided as collateral under our loan agreements as of December 31, 2014.

Credit Facility	Vessel Name	Net Book Value (In millions of U.S. Dollars)
2010 Revolving Credit Facility	STI Highlander	20.7
2010 Revolving Credit Facility	STI Heritage	30.2
2010 Revolving Credit Facility	STI Harmony	28.8
2010 Revolving Credit Facility	Venice	11.9
2011 Credit Facility	STI Onyx	35.8
2011 Credit Facility	STI Sapphire	35.6
2011 Credit Facility	STI Emerald	35.4
2011 Credit Facility	STI Beryl	34.6
2011 Credit Facility	STI Le Rocher	35.1
2011 Credit Facility	STI Larvotto	35.1
2011 Credit Facility	STI Duchessa	33.5
Newbuilding Credit Facility	STI Amber	35.5
Newbuilding Credit Facility	STI Topaz	35.7
Newbuilding Credit Facility	STI Ruby	35.7

Newbuilding Credit Facility	STI Garnet	35.8
2013 Credit Facility	STI Fontvieille	35.1
2013 Credit Facility	STI Ville	35.5
2013 Credit Facility	STI Wembley	32.7

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2013 Credit Facility	STI Opera	33.3
2013 Credit Facility	STI Texas City	37.9
2013 Credit Facility	STI Meraux	38.3
2013 Credit Facility	STI San Antonio	38.4
2013 Credit Facility	STI Venere	33.3
2013 Credit Facility	STI Virtus	33.4
2013 Credit Facility	STI Aqua	33.6
2013 Credit Facility	STI Dama	33.6
2013 Credit Facility	STI Mythos	33.5
2013 Credit Facility	STI Benicia	39.2
2013 Credit Facility	STI Regina	33.8
2013 Credit Facility	STI St. Charles	37.7
2013 Credit Facility	STI Yorkville	34.2
2013 Credit Facility	STI Milwaukee	40.3
2013 Credit Facility	STI Battery	34.3
KEXIM Credit Facility	STI Brixton	32.2
KEXIM Credit Facility	STI Comandante	32.0
KEXIM Credit Facility	STI Pimlico	32.4
KEXIM Credit Facility	STI Hackney	32.3
KEXIM Credit Facility	STI Acton	32.7
KEXIM Credit Facility	STI Fulham	32.5
KEXIM Credit Facility	STI Camden	32.5
KEXIM Credit Facility	STI Finchley	32.6
KEXIM Credit Facility	STI Clapham	32.7
KEXIM Credit Facility	STI Poplar	32.7
KEXIM Credit Facility	STI Elysees	52.0
KEXIM Credit Facility	STI Madison	52.3
KEXIM Credit Facility	STI Park	52.3
KEXIM Credit Facility	STI Orchard	51.8
KEXIM Credit Facility	STI Sloane	52.6
KEXIM Credit Facility	STI Broadway	51.7
KEXIM Credit Facility	STI Condotti	52.8
K-Sure Credit Facility	STI Battersea	32.4
K-Sure Credit Facility	STI Chelsea	33.6
K-Sure Credit Facility	STI Lexington	33.5
K-Sure Credit Facility	STI Powai	33.5
K-Sure Credit Facility	STI Mayfair	34.6
K-Sure Credit Facility	STI Soho	33.9
K-Sure Credit Facility	STI Olivia	33.7

The vessels which collateralize the 2011 Credit Facility and 2010 Revolving Credit Facility also serve as collateral for the designated interest rate swap agreements (as described in Note 12), subordinated to the outstanding borrowings under each credit facility.

5. Vessels under construction

2013 Activity

In January 2013, we reached an agreement with Hyundai Mipo Dockyard Co. Ltd of South Korea ("HMD") for the construction of two MR product tankers for $32.5 million each.

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In February 2013, we reached an agreement with HMD for the construction of four MR product tankers for $33.0 million each and six Handymax ice class-1A product tankers for $31.3 million each.

In February 2013, we reached an agreement with SPP Shipbuilding Co. Ltd of South Korea, (“SPP”) for the construction of four MR product tankers for $32.5 million each.

In March 2013, we reached an agreement with Hyundai Samho Heavy Industries Co. Ltd., (“HSHI”) for the construction of six LR2 product tankers for $50.5 million each.

In March 2013, we reached an agreement with Daewoo Shipbuilding & Marine Engineering Co., Ltd (“DSME”) for the construction of two LR2 product tankers for $49.5 million each.

In April 2013, we reached an agreement with HMD for the construction of two Handymax ice class-1A product tankers for $31.5 million each.

In April 2013, we reached an agreement with an unaffiliated third party for the purchase of four MR product tankers under construction at HMD for $36.5 million each.

In May 2013, we reached an agreement with HMD to construct four Handymax ice class-1A product tankers for $31.6 million each.

In May 2013, we reached an agreement with SPP to construct four MR product tankers for $33.0 million each.

In May 2013, we reached agreements to construct four LR2 product tankers for $50.5 million each, consisting of two at HSHI and two at DSME.

In July and August 2013 we reached an agreement to construct nine Very Large Gas Carriers ("VLGCs") for $75.6 million each with HSHI and DSME.

In August 2013, we reached an agreement with HMD to construct four product tankers consisting of two MR product tankers for $35.0 million each and two Handymax ice class-1A product tankers for $32.0 million each.

In October 2013, we reached an agreement with HSHI to construct two VLGCs for $75.0 million each.

In November 2013, we contributed our VLGC business, which included 11 VLGC newbuilding contracts, options to purchase two additional VLGCs and a cash payment of $1.9 million to Dorian in exchange 30% of Dorian's outstanding shares.

In November 2013, we issued 3,611,809 shares in exchange for four MR product tankers under construction in South Korea with certain unaffiliated third parties for an aggregate purchase price of $150.2 million. Under the purchase and sale agreement, we agreed that if our share price was not maintained at or above the issuance price for 20 days in the 180 day period following the closing date, then we will issue additional shares or pay cash to increase the value of the consideration to the value received at the closing date.

In December 2013, we acquired contracts for the construction of four MR product tankers from unaffiliated third parties for a total purchase price of approximately $153.9 million. We paid $4.4 million in cash and issued 3,523,271 common shares, representing approximately 26% of the total purchase price, to affiliates of York Capital in 2013.

In December 2013, we reached agreements with DSME and HSHI for the construction of seven Very Large Crude Carriers ("VLCCs") for an aggregate purchase price of $662.2 million.

2014 Activity

In March 2014, we sold seven VLCCs under construction to an unrelated third party. As a result of the sale, we received net proceeds of $141.7 million in cash, and recorded a gain of $51.4 million. The book value of these assets at the time of sale was $90.3 million.

In May 2014, we paid additional cash consideration of $4.7 million to the counterparties of the previously noted transaction to acquire four MR product tankers in exchange for 3,611,809 of our common shares based on subsequent changes to our share price. This one-time adjustment was recorded against additional paid-in capital.

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In August 2014, we reached an agreement with an unrelated third party to purchase an MR product tanker that was then under construction, STI St. Charles. The purchase price of the vessel was $37.1 million, and we took delivery of this vessel in September 2014.
In November 2014, we reached an agreement with an unrelated third party to purchase two LR2 product tankers under construction at Daehan Shipbuilding Company ("DHSC") for approximately $60.0 million each. These vessels, STI Rose and STI Alexis, were delivered in January and February 2015, respectively.
In December 2014, we reached an agreement with Scorpio Bulkers Inc., or Scorpio Bulkers, a related party, to purchase newbuilding contracts for four LR2 product tankers to be constructed at DHSC and Sungdong Shipbuilding & Marine Engineering ("SSME") and options to purchase two additional LR2 newbuilding contracts. The purchase price for each of the four LR2 newbuilding contracts was $51.0 million with scheduled vessel deliveries throughout 2016. The purchase price for the two option contracts is fixed at $52.5 million for each contract with scheduled vessel deliveries in the fourth quarter of 2016. The options expire on May 31, 2015. We are working with the seller and the shipyards to novate the contracts to us. The independent members of our Board of Directors unanimously approved this transaction with Scorpio Bulkers.

As of December 31, 2014, we had a total of 24 newbuilding product tanker orders with HMD, SPP, HSHI, DSME, DHSC and SSME which include 11 MRs, two Handymax ice class-1A vessels and 11 LR2s for an aggregate purchase price of $1,023.9 million, of which $363.3 million in cash has been paid and $26.2 million in common stock has been issued as of that date. Additionally, we were still party to the performance guarantees of the seven VLCCs sold in March 2014 under the related construction contracts with the shipyards. We are working with the buyer and the shipyards to novate the contracts to the buyers. Should the counterparty to this transaction fail to fulfill the obligations set forth under each construction contract, then the shipyards have legal recourse to seek payment from us to fulfill these obligations.

Capitalized interest

In accordance with IAS 23 “Borrowing Costs,” applicable interest costs are capitalized during the period that vessels are under construction. For the years ended December 31, 2014 and 2013, we capitalized interest expense for the vessels under construction of $17.5 million and $6.4 million, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 3.3%. We cease capitalizing interest when the vessels reach the location and condition necessary to operate in the manner intended by management.

A roll-forward of activity within Vessels under construction is as follows:

In thousands of US dollars		
Balance as of January 1, 2013	$50,251	
Installment payments and other capitalized expenses	856,959	
Sale of VLGC business [1]	(83,070	)
Value of common shares issued for vessel purchases [2]	81,114	
Capitalized interest	6,379	
Transferred to operating vessels and drydock	(262,107	)
Balance as of December 31, 2013	$649,526	
Installment payments and other capitalized expenses	1,370,565	
Sale of VLCCs [3]	(90,293	)
Capitalized interest	17,500	
Transferred to operating vessels and drydock	(1,542,421	)
Balance as of December 31, 2014	$404,877	

(1) Represents installment payments on the 11 VLGC newbuilding contracts which were part of the transaction to sell our VLGC business to Dorian in exchange for newly issued shares representing 30% of the Dorian's outstanding shares immediately following the transaction in November 2013. See Note 8 for further description.

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(2) Represents the consideration of newly issued common shares of (i) approximately 28% of the purchase price for four MRs under construction which were delivered in 2014; and (ii) approximately 26% of the purchase price for four MRs under construction one of which was delivered in 2014 and the remaining are scheduled for delivery in Q2 2015. These shares were issued in the fourth quarter of 2013.

(3) Represents installment payments and other capitalized costs on seven VLCC newbuilding contracts that were sold in March 2014.

The following table is a timeline of future expected payments and dates for our vessels under construction as of December 31, 2014:*

	In millions of U.S. Dollars
Q1 2015 - installment payments made	$167.2
Q1 2015 - remaining installment payment for delivery of STI Winnie	30.3
Q2 2015	258.9
Q3 2015	27.5
Q4 2015	24.8
Q1 2016	40.5
Q2 2016	26.0
Q3 2016	29.6
Q4 2016	29.6
Total	$634.4

*These are estimates only and are subject to change as construction progresses.

6. Carrying values of vessels and vessels under construction

At each balance sheet date, we review the carrying amounts of vessels and related drydock costs to determine if there is any indication that those vessels and related drydock costs have suffered an impairment loss. If such indication exists, the recoverable amount of the vessels and related drydock costs is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. As part of this evaluation, we consider certain indicators of potential impairment, such as market conditions including forecast time charter rates and values for second hand product tankers, discounted projected vessel operating cash flows and the Company's overall business plans.

At December 31, 2014, we reviewed the carrying amount of our vessels to determine whether there was an indication that these assets had suffered an impairment. First, we compared the carrying amount of our vessels to their fair values less costs to sell (determined by taking into consideration two independent broker valuations). If the carrying amount of our vessels was greater than the fair values less costs to sell, we prepared a value in use calculation where we estimated the vessel's future cash flows based on a combination of the latest forecast, published time charter rates for the next three years, a 3.0% growth rate in freight rates in each period thereafter and our best estimate of vessel operating expenses and drydock costs. These cash flows were then discounted to their present value using an estimated weighted average cost of capital of 7.98%. The results of these tests were as follows:

At December 31, 2014, we had 57 vessels in our fleet and 24 vessels under construction:

- Three vessels were held for sale and written down to their fair value less estimated costs to sell
- 36 vessels had fair values less costs to sell in excess of their carrying amount.
- 18 vessels had fair values less costs to sell less than their carrying amount. We prepared a value in use calculation for each these vessels which resulted in no impairment being recognized.

- We did not obtain independent broker valuations for the remaining 24 vessels under construction. To assess their carrying values, we prepared value in use calculations which resulted in no impairment being recognized.

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At December 31, 2013, we had 19 vessels in our fleet and 65 vessels under construction:

- Four vessels were held for sale and written down to their fair value less costs to sell
- Eight vessels had fair values less costs to sell in excess of their carrying amount.
- Seven vessels had fair values less costs to sell less than their carrying amount. We prepared a value in use calculation for each these vessels which resulted in no impairment being recognized.
- Two vessels under construction (that were delivered in January 2014) had fair values less costs to sell exceeding their carrying amount.
- We did not obtain independent broker valuations for the remaining 63 vessels under construction. To assess their carrying values, we prepared value in use calculations which resulted in no impairment being recognized.

7. Other non-current assets

	At December 31,	
In thousands of US dollars	2014	2013
Capitalized loan fees [1]	$19,548	$16,168
Scorpio Handymax Tanker Pool Ltd. pool working capital contributions[2]	4,115	1,207
Non-current portion of acquired time charter contracts [3]	65	532
	$23,728	$17,907

[1] Primarily represents upfront loan fees on our credit facilities being used to finance our newbuilding vessels. These are reclassified to debt when the tranche of the loan to which the newbuilding vessel relates is drawn.

[2] Upon entrance into the Scorpio Handymax Tanker Pool ("SHTP"), all vessels are required to make working capital contributions of both cash and bunkers. The contribution amount is repaid, without interest, upon a vessel's exit from the SHTP no later than six months after the exit date. Bunkers on board a vessel exiting the SHTP are credited against such repayment at the actual invoice price of the bunkers. For all owned vessels we assume that these contributions will not be repaid within 12 months and for time chartered-in vessels we classify the amounts according to the expiration of the contract.

[3] Represents the non-current portion of the value of time charter contracts acquired in November 2013 as part of the acquisition of four MRs in exchange for common shares.

8. Investment in Dorian LPG Ltd.

In November 2013, we contributed our VLGC business, which included 11 VLGC newbuilding contracts, options to purchase two additional VLGCs and a cash payment of $1.9 million (together our "initial investment") to Dorian LPG Ltd. ("Dorian") in exchange for newly issued shares representing 30% of Dorian's outstanding shares immediately following the transaction. As of the closing date of the transaction, we paid $83.1 million in installment payments for the 11 VLGC contracts. Additionally, in November 2013, we purchased 24,121,621 new shares of Dorian's common stock as part of a private placement of shares for total consideration of $75.0 million.

As of December 31, 2013, we owned 64,073,744, shares or approximately 30% of the outstanding shares of Dorian. As part of the shareholder's agreement, we are entitled to appoint one member to Dorian's eight member board until we cease to beneficially own at least 10% of Dorian's issued and outstanding common shares.
In February 2014, Dorian completed a follow on offering of common shares which resulted in the dilution of our ownership percentage to 26.5% from 30.0%.
In April 2014, Dorian effected a one for five reverse stock split of its common shares, reducing our total number of shares held in Dorian. Concurrently with this reverse stock split, Dorian issued 1,412,698 shares in a private placement to an investor that is unrelated to us. Accordingly, our ownership percentage in Dorian was reduced to

25.7% from 26.5% after giving effect to this private placement.
In May 2014, Dorian completed its initial public offering of common shares in the United States and commenced trading on the NYSE under the symbol “LPG.” As a result, our ownership percentage in Dorian decreased 22.1% from 25.7% after giving effect to this transaction.

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In June 2014, we acquired 7,500,000 of our common shares from an existing shareholder in exchange for 3,422,665 common shares of Dorian in a privately negotiated transaction. As a result, we recognized a gain of $10.9 million. Accordingly, our ownership percentage in Dorian decreased to 16.3% from 22.1% after giving effect to this transaction.

On October 29, 2014, Robert Bugbee, our President, resigned from the board of directors of Dorian. Accordingly, we determined that we no longer have significant influence over Dorian's financial and operating decisions, and we therefore ceased equity accounting of this investment as of that date. As a result, we remeasured our investment in Dorian to its fair market value as of October 29, 2014, resulting in a write-down of $13.9 million.
Subsequent to October 29, 2014, our investment in Dorian is being accounted for as "available for sale." When a financial asset is classified as "available for sale," changes in its fair market value are recorded within equity, through other comprehensive income. If all or a portion of the investment is sold, changes in fair market value previously recorded to other comprehensive income will be reclassified to the statement of income or loss at the date of sale. Any dividends received or impairment losses recognized are recorded to the statement of income or loss in the period they are incurred.
In November 2014, we exercised our rights under the shareholders agreement with Dorian to cause Dorian to register for re-sale under the Securities Act of 1933, as amended, or the Securities Act, all of the shares of Dorian that we own.

The following is a rollforward of the carrying value of our investment in Dorian:

In thousands of US dollars	Rollforward of carrying value of investment in Dorian	
Value of initial shares received at closing	$134,435	(1)
Investment in private placement	75,000	(2)
Our share of net income for the period ended December 31, 2013	368	
Carrying value at December 31, 2013	$209,803	
Disposal of shares	(56,124	) (3)
Our share of net income through October 29, 2014	1,473	
Loss recognized upon change in accounting method	(13,895	) (4)
Carrying value at October 29, 2014	141,257	
Other comprehensive loss	(10,801	) (5)
Carrying value at December 31, 2014	$130,456	

(1) At the time of our initial investment, Dorian was listed on the Norwegian Over the Counter Exchange ("NOTC"). The value of our initial investment was determined based on the closing price of Dorian on the NOTC at November 26, 2013 of NOK 20.5, using an NOK/USD exchange rate of 6.0923 NOK/USD at that date.

(2) We purchased 24,121,621 new shares of Dorian's common stock as part of a private placement of shares for total consideration of $75.0 million in November 2013.

(3) In May 2014, we acquired 7,500,000 of our common shares from an existing shareholder in exchange for the sale to said shareholder of 3,422,665 common shares in Dorian in a privately negotiated transaction. As a result, we recognized a gain of $10.9 million. Accordingly, our ownership percentage in Dorian reduced to 16.3% from 25.7% after giving effect to this transaction.

(4) Calculated based on the difference between the carrying value as of October 28, 2014 and the opening share price on October 29, 2014.

(5) Amount recorded within equity, through other comprehensive income. Calculated based on the difference between the carrying value as of October 29, 2014 and closing share price on December 31, 2014.

Our share of Dorian's results

Dorian LPG Ltd. was incorporated on July 1, 2013, under the laws of the Republic of the Marshall Islands, and has a fiscal year end of March 31. Dorian’s stock currently trades on the New York Stock Exchange under the symbol LPG. The results for 2014 included herein are derived from Dorian’s unaudited financial statements for the three months ended March 31, 2014 and the nine months ended December 31, 2014. Furthermore, Dorian prepares its financial statements in accordance with Generally Accepted Accounting Principles in the United States (“US GAAP”). As such adjustments were made to convert our share of Dorian’s results from US GAAP to IFRS.

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2014 Results

In thousands of US dollars	Dorian LPG Ltd. for the calendar year ended December 31, 2014 [1]	Adjustments Impact of conversion to IFRS [2]	Adjusted Dorian LPG Ltd. for the calendar year ended December 31, 2014
Revenue	$78,575	—	$78,575
Operating income	20,712	(614)	20,098
Net income	15,459	(614)	14,845
Our share of net income [3]	$1,604	$(131)	$1,473

(1) Prepared in accordance with US GAAP using Dorian's unaudited financial statements for the three months ended March 31, 2014 and the nine months ended December 31, 2014.

(2) This represents the (i) excess depreciation calculated as a result of our stepped up basis recorded upon our initial investment and (ii) our conversion of depreciation expense from US GAAP to IFRS.

(3) Our share of net income captures Dorian's financial results from January 1, 2014 through October 29, 2014, the date we ceased equity method accounting.

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2013 Results

In thousands of US dollars	Dorian LPG Ltd. for the three months ended December 31, 2013 [1]	Adjustments Impact of revaluation and conversion to IFRS [4]	Adjusted Dorian LPG Ltd. for the three months ended December 31, 2013
Revenue	$13,800	—	$13,800
Operating income	3,700	(48)	3,652
Net income	5,243	(48)	5,195
Our share of net income	$383	$(14)	$369 [2]

In thousands of US dollars	Dorian LPG Ltd. as of December 31, 2013 [1]	Adjustments Revaluation of initial interest to fair value [3]	Impact of revaluation and conversion to IFRS [4]	Adjusted Dorian LPG Ltd. as of December 31, 2013
Current assets	337,026	—	—	337,026
Non-current assets	413,054	103,391	(48)	516,397
Total assets	750,080	103,391	(48)	853,423
Current liabilities	22,166	—	—	22,166
Non-current liabilities	131,911	—	—	131,911
Total liabilities	154,077	—	—	154,077
Net assets	596,003	103,391	(48)	699,346
STI's share of net assets	$178,801	$31,017	$(14)	$209,803 [5]

(1) Prepared in accordance with US GAAP.
(2) We estimated our share of Dorian’s net income for the 35 day period beginning with the closing date of our initial investment in Dorian, November 26, 2013 and ending on December 31, 2013 by pro-rating Dorian’s results for quarter ending December 31, 2013 and adjusting for any material transactions occurring before or after the closing date.
(3) Represents the step-up adjustment to revalue Dorian's balance sheet to fair value as of the closing date of November 26, 2013. We mainly attributed this step up to Dorian's fleet of vessels which was based on third party vessel valuations.
(4) This represents the (i) excess depreciation calculated as a result of our stepped up basis and (ii) our conversion of depreciation expense from US GAAP to IFRS.
(5) Calculated as 30% of Dorian's adjusted net assets at December 31, 2013.

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9. Accounts payable

	At December 31,	
In thousands of US dollars	2014	2013
Progress payments due for vessels under construction	$—	$14,969
Suppliers	10,004	5,631
Scorpio MR Pool Ltd	1,790	63
Scorpio Handymax Tanker Pool Ltd	737	32
Scorpio Panamax Tanker Pool Ltd	661	—
Scorpio LR2 Pool Ltd	706	—
Accounts payable to SCM	759	—
Accounts payable to SSM	241	1
Accounts payable to SSH	31	—
	$14,929	$20,696

The majority of accounts payable are settled with a cash payment within 90 days. No interest is charged on accounts payable. We consider that the carrying amount of accounts payable approximates fair value.

10. Accrued expenses

	At December 31,	
In thousands of US dollars	2014	2013
Deposit from Scorpio Bulkers [1]	$31,277	$—
Accrued interest	7,751	1,015
Suppliers	6,542	2,552
Accrued short term employee benefits	5,226	3,256
Accrued vessel purchase commissions [2]	3,115	—
Accrued expenses to SSM	35	—
Accrued expenses to SCM	15	—
Accrued expenses to SSH	13	—
Other accrued expenses	1,165	428
	$55,139	$7,251

[1] In December 2014, we agreed to buy four LR2 tankers from Scorpio Bulkers and received an option to purchase two additional LR2 tankers. Pursuant to this agreement, we received $31.3 million as a security deposit for scheduled installments that are expected to occur prior to the closing date of the sale. This amount will be reimbursed to Scorpio Bulkers upon closing.

[2] Represent commissions payable to SSH relating to the deliveries of eight newbuilding vessels.

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11. Current and long term debt

The following is a breakdown of the current and non-current portion of our debt outstanding at December 31, 2014 and December 31, 2013.

In thousands of US dollars	As of December 31, 2014	2013
Current portion [(1)]	$87,163	$10,453
Debt related to vessels held for sale [(2)]	32,932	21,397
Current portion of long term debt	120,095	31,850
Non-current portion [(3)]	1,451,477	135,279
	$1,571,572	$167,129

(1) The current portion at December 31, 2014 was net of unamortized deferred financing fees of $2.5 million. The current portion at December 31, 2013 was net of unamortized deferred financing fees of $0.2 million.

(2) This relates to amounts due relating to three vessels held for sale under our 2010 Revolving Credit Facility at December 31, 2014 and is shown net of unamortized deferred financing fees of $0.1 million. STI Harmony and STI Heritage were designated as held for sale at December 31, 2014. Venice was designated as held for sale as of December 31, 2013. Accordingly, all assets and liabilities related to these vessels have been classified as current.

(3) The non-current portion at December 31, 2014 was net of unamortized deferred financing fees of $44.6 million. The non-current portion at December 31, 2013 was net of unamortized deferred financing fees of $2.0 million.

2010 Revolving Credit Facility

On June 2, 2010, we executed a credit facility with Nordea Bank Finland plc, acting through its New York branch, DNB Bank ASA, acting through its New York branch, and ABN AMRO Bank N.V, for a senior secured term loan facility of up to $150 million. On July 12, 2011, we amended and restated the credit facility to convert it from a term loan to a reducing revolving credit facility. This gave us the ability to pay down and re-borrow from the total available commitments under the loan. Our subsidiaries that own vessels that are collateralized by this loan act as guarantors under the amended and restated credit facility. All terms mentioned are defined in the agreement.

Drawdowns under the credit facility bear interest as follows: (1) through December 29, 2011, at LIBOR plus an applicable margin of 3.00% per annum when our debt to capitalization (total debt plus equity) ratio is equal to or less than 50% and 3.50% per annum when our debt to capitalization ratio is greater than 50%; (2) from December 30, 2011 through September 30, 2013, at LIBOR plus an applicable margin of 3.50% per annum; and (3) from October 1, 2013 and at all times thereafter, at LIBOR plus an applicable margin of 3.25% per annum when our debt to capitalization (total debt plus equity) ratio is equal to or less than 50% and 3.50% per annum when our debt to capitalization ratio is greater than 50%. A commitment fee equal to 40% of the applicable margin is payable on the unused daily portion of the credit facility. The credit facility matures on June 2, 2015 and can only be used to refinance amounts outstanding from the original loan agreement and for general corporate purposes.

The credit facility requires us to comply with a number of covenants, including financial covenants; delivery of quarterly and annual financial statements and annual projections; maintaining adequate insurances; compliance with laws (including environmental); compliance with ERISA (Employee Retirement Income Security Act); maintenance of flag and class of the initial vessels; restrictions on consolidations, mergers or sales of assets; approval on changes in the Manager of our initial vessels; limitations on liens; limitations on additional indebtedness; prohibitions on paying dividends if a covenant breach or an event of default has occurred or would occur as a result of payment of a dividend; prohibitions on transactions with affiliates; and other customary covenants.

The financial covenants include:

- The ratio of net debt to capitalization shall be no greater than 0.60 to 1.00.
- Consolidated tangible net worth (i.e. total shareholders' equity) shall be no less than $150.0 million plus 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter from July 1, 2010 going forward and 50% of the value of any new equity issues from July 1, 2010 going forward.

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- The ratio of EBITDA to interest expense shall be no less than 1.25 to 1.00 commencing with the fourth fiscal quarter of 2011 until the fourth quarter of 2012, at which point it increased to 1.50 to 1.00 for the first quarter of 2013, 1.75 to 1.00 for the second quarter of 2013 and 2.00 to 1.00 at all times thereafter. Such ratio shall be calculated quarterly on a trailing four quarter basis. In addition, we are restricted from paying dividends until our EBITDA to interest expense ratio is 2.00 to 1.00 or greater. EBITDA, as defined in the loan agreement, excludes non-cash charges such as impairment.
- Consolidated liquidity (cash, cash equivalents, and availability under the 2010 Revolving Credit Facility) needs to be not less than $25.0 million, of which unrestricted cash and cash equivalents shall be not less than $15.0 million, until we own, directly or indirectly, more than 15 vessels, at which time the amount increases by $750,000 per each additional vessel.
- The aggregate fair market value of the collateral vessels shall at all times be no less than 150% of the then aggregate outstanding principal amount of loans under the credit facility.

In January 2014, we drew down $72.4 million from the 2010 Revolving Credit Facility. In March 2014, we paid $22.5 million into this facility as a result of the sales of Noemi and Senatore. As a result of this repayment, the availability of this facility was reduced by such amount and the quarterly reduction was reduced to $2.1 million from $3.1 million per quarter. We also wrote-off a total of $0.2 million of deferred financing fees as part of these debt repayments.
The outstanding balance at December 31, 2014 was $41.5 million and the facility was fully drawn. As of December 31, 2013, there was no outstanding balance, and there was $72.4 million available to draw. We were in compliance with the financial covenants relating to this facility as of December 31, 2014.
In February 2015, we repaid $6.1 million into this facility as part of the sale of Venice and the quarterly reduction was reduced to $1.8 million from $2.1 million per quarter. See Note 24 for further discussion of this transaction.

STI Spirit Credit Facility

On March 9, 2011, we executed a credit facility with DVB Bank SE for a senior secured term loan facility of $27.3 million for STI Spirit, which was acquired in November 2010. The credit facility was drawn on March 17, 2011 and had a maturity date of March 17, 2018 with repayments over 28 equal quarterly installments and a lump sum payment at maturity. The quarterly installments commenced three months after the drawdown and were calculated using an 18 year amortization profile. Our subsidiary, STI Spirit Shipping Company Limited, which owned the vessel, was the borrower and Scorpio Tankers Inc. was the guarantor.

In April 2014, we sold STI Spirit and repaid the outstanding amount due under the STI Spirit Credit Facility of $21.4 million.

2011 Credit Facility

On May 3, 2011, we executed a credit facility with Nordea Bank Finland plc, acting through its New York branch, DnB NOR Bank ASA, acting through its New York branch, and ABN AMRO Bank N.V., for a senior secured term loan facility of up to $150.0 million.

Drawdowns under this credit facility were available until January 31, 2014 and bear interest as follows: (1) until December 29, 2011, at LIBOR plus an applicable margin of (i) 2.75% per annum when our debt to capitalization (total debt plus equity) ratio is less than 45%, (ii) 3.00% per annum when our debt to capitalization ratio is greater than or equal to 45% but less than or equal to 50% and (iii) 3.25% when our debt to capitalization ratio is greater than 50%; (2) from December 30, 2011 through September 30, 2013, at LIBOR plus an applicable margin of 3.50% per annum and (3) from October 1, 2013 and at all times thereafter, at LIBOR plus an applicable margin of (i) 3.25% per annum when our debt to capitalization (total debt plus equity) ratio is equal to or less than 50% and (ii) 3.50% per annum when our debt to capitalization ratio is greater than 50%. A commitment fee equal to 40% of the applicable margin was payable on the unused daily portion of the credit facility. The credit facility matures on May 3, 2017 and can only

be used to finance up to 50% of the cost of future vessel acquisitions, which vessels would be the collateral for the credit facility.

Borrowings for each vessel financed under this facility represent a separate tranche, with repayment terms dependent on the age of the vessel at acquisition. Each tranche under the credit facility is repayable in equal quarterly installments, with a lump sum payment at maturity, based on a full repayment of such tranche when the vessel to which it relates is 16 years of age. Our subsidiaries, which may at any time, own one or more of our vessels, will act as guarantors under the credit facility.

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The credit facility requires us to comply with a number of covenants, including financial covenants; delivery of quarterly and annual financial statements and annual projections; maintaining adequate insurances; compliance with laws (including environmental); compliance with ERISA ; maintenance of flag and class of the initial vessels; restrictions on consolidations, mergers or sales of assets; approvals on changes in the Manager of our initial vessels; limitations on liens; limitations on additional indebtedness; prohibitions on paying dividends if a covenant breach or an event of default has occurred or would occur as a result of payment of a dividend; prohibitions on transactions with affiliates; and other customary covenants.

The financial covenants include:

- The ratio of net debt to capitalization shall be no greater than 0.60 to 1.00.
- Consolidated tangible net worth (i.e. shareholders' equity) shall be no less than $150.0 million plus 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter from July 1, 2010 going forward and 50% of the value of any new equity issues from July 1, 2010 going forward.
- The ratio of EBITDA to interest expense shall be no less than 1.25 to 1.00 commencing with the fourth fiscal quarter of 2011 until the fourth quarter of 2012, at which point it increased to 1.50 to 1.00 for the first quarter of 2013, 1.75 to 1.00 for the second quarter of 2013 and 2.00 to 1.00 at all times thereafter. Such ratio shall be calculated quarterly on a trailing four quarter basis. In addition, we are restricted from paying dividends until our EBITDA to interest expense ratio is 2.00 to 1.00 or greater. EBITDA, as defined in the loan agreement, excludes non-cash charges such as impairment.
- Consolidated liquidity (cash, cash equivalents, and availability under the 2010 Revolving Credit Facility) needs to be not less than $25 million, of which unrestricted cash and cash equivalents shall be not less than $15.0 million, until we own, directly or indirectly, more than 15 vessels, at which time the amount increases by $750,000 per each additional vessel.
- The aggregate fair market value of the collateral vessels shall at all times be no less than 150% of the then aggregate outstanding principal amount of loans under the credit facility.

In January 2014, we drew down $52.0 million from the 2011 Credit Facility. In connection with this drawdown, STI Duchessa, STI Le Rocher and STI Larvotto were provided as collateral under the facility. The outstanding balance at December 31, 2014 and December 31, 2013 was $108.9 million and $64.0 million, respectively, and the availability under this credit facility expired on January 31, 2014. We were in compliance with the financial covenants relating to this facility as of December 31, 2014.

Newbuilding Credit Facility

On December 21, 2011, we executed a credit facility agreement with Credit Agricole Corporate and Investment Bank and Skandinaviska Enskilda Banken AB for a senior secured term loan facility of up to $92.0 million. During the year ended December 31, 2012, we drew down an aggregate of $92.0 million from this facility to partially finance the deliveries of STI Amber, STI Topaz, STI Ruby and STI Garnet ($23.0 million per vessel). These vessels are owned individually by certain of our subsidiaries, who together are the borrowers under this credit facility, and Scorpio Tankers Inc. is the guarantor. Borrowings under the credit facility bear interest at LIBOR plus an applicable margin of 2.70% per annum. A commitment fee equal to 1.10% per annum was payable on the unused daily portion of the credit facility, and the facility was fully drawn as of December 31, 2012. All terms mentioned in this section are defined in the agreement.

The facility is separated into four tranches (one per each vessel) and repayment of the tranche relating to the respective vessel commenced after delivery of that vessel in quarterly installments of $375,000, which equates to a repayment profile of 15.33 years. Each tranche is scheduled to mature approximately seven years after delivery of the relevant vessel from the shipyard.

The credit facility requires us to comply with a number of covenants, including financial covenants; delivery of quarterly and annual financial statements and annual projections; maintaining adequate insurances; compliance with laws (including environmental); compliance with ERISA; maintenance of flag and class of the initial vessels; restrictions on consolidations, mergers or sales of assets; approvals on changes in the Manager of our initial vessels; limitations on liens; limitations on additional indebtedness; prohibitions on paying dividends if a covenant breach or an event of default has occurred or would occur as a result of payment of a dividend; prohibitions on transactions with affiliates; and other customary covenants.

The financial covenants include:

• The ratio of net debt to capitalization shall be no greater than 0.60 to 1.00.

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- Consolidated tangible net worth (i.e. shareholders equity) shall be no less than $150.0 million plus 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter from July 1, 2010 going forward and 50% of the value of any new equity issues from July 2, 2010 going forward.
- The ratio of EBITDA to interest expense shall be no less than 2.00 to 1.00 commencing with the third fiscal quarter of 2011 until the fourth quarter of 2012, and 2.50 to 1.00 for all times thereafter. Such ratio shall be calculated quarterly on a trailing four quarter basis. EBITDA, as defined in the loan agreement, excludes non-cash charges such as impairment.
- Unrestricted cash and cash equivalents shall at all times be no less than $15.0 million, until we own, directly or indirectly, more than 15 vessels, at which time the amount increases by $750,000 per each additional vessel.
- The aggregate fair market value of the collateral vessels shall at all times be no less than 140% (120% if the vessel is subject to acceptable long term employment) of the aggregate principal amount outstanding plus a pro rata amount of any allocable swap exposure for the credit facility.

In March 2014, we converted the Newbuilding Credit Facility from a term loan to a reducing revolving credit facility. This gives us the ability to draw down and repay the available commitments under the facility when needed. All other terms and definitions remain unchanged. The amount available is reduced by $1.5 million each quarter until the maturity date in June 2019. This transaction has been accounted for as a debt modification and accordingly, no deferred financing fees were written off.

The amount outstanding under this facility was $77.8 million and was fully drawn as of December 31, 2014. The outstanding balance at December 31, 2013 was $83.8 million. We were in compliance with the financial covenants relating to this facility as of December 31, 2014.

2013 Credit Facility

On July 2, 2013, we entered into a senior secured revolving credit facility and term loan facility with Nordea Bank Finland plc and the other lenders named therein of up to $525.0 million to finance the acquisition of the Firm Vessels (defined below), the Option Vessels (defined below) and certain other vessels and for general corporate purposes, including working capital. This credit facility is secured by, among other things, a first-priority cross-collateralized mortgage on certain vessels for which we have entered into newbuilding contracts, or the Firm Vessels, and certain vessels for which we have exercised construction options, or the Option Vessels, and together with the Firm Vessels, the Collateral Vessels. Our subsidiaries that own the Collateral Vessels act as joint and several guarantors under our 2013 Credit Facility. We refer to this credit facility as our 2013 Credit Facility.

Our 2013 Credit Facility consists of a $260.0 million delayed draw term loan facility to finance the acquisition of the Firm Vessels and a $265.0 million revolving credit facility (which was reduced by $2.1 million in November 2014 as described below) to finance the acquisition of the Option Vessels and certain other vessels built on January 1, 2012 or later, and for general corporate purposes, including working capital.

Drawdowns of the term loan may occur in connection with the delivery of a Firm Vessel in an amount equal to the lesser of 60% of (i) the contract price for such vessel or (ii) such vessel's fair market value. Drawdowns of the revolving credit facility may occur in connection with the delivery of an Option Vessel and are also capped at the lesser of 60% of (i) the contract price for such vessel or (ii) such vessel's fair market value, with such amount, once drawn, available on a revolving basis. Drawdowns under the term loan are available until the earlier of the delivery of each Firm Vessel and January 31, 2015 and drawdowns under the revolving loan are available until July 31, 2015 and bear interest at LIBOR plus an applicable margin of 3.50%.

The term loan is repayable and the revolving loans reduced, in each case, in an amount equal to 1/60th of such loan on a consecutive quarterly basis until final maturity on the sixth anniversary of the facility. In addition to restrictions imposed upon the owners of the Collateral Vessels (such as, limitations on liens and limitations on the incurrence of additional indebtedness), our 2013 Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth no less than (i) $150.0 million plus 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter beginning on July 1, 2010 and (ii) 50% of the value of any new equity issues from July 1, 2010 going forward.
- The ratio of EBITDA to net interest expense greater than 2.00 to 1.00 through December 31, 2013 and 2.50 to 1.00 thereafter.
- Minimum liquidity of not less than the greater of $25.0 million or 5% of total indebtedness.
- The aggregate fair market value of the Collateral Vessels shall at all times be no less than 140% of the then aggregate outstanding principal amount of loans under the credit facility.

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In November 2014, we signed a First Amendatory Agreement to the 2013 Credit Facility to replace four Option Vessels with two LR2 product tankers that were under construction. As a result of this agreement, the availability under the revolving credit facility was reduced by $2.1 million to $262.9 million.

We made the following drawdowns from our 2013 Credit Facility during the year ended December 31, 2014:

Drawdown amount (In millions of U.S. Dollars)	Drawdown date	Collateral
$20.5	February 2014	STI Opera
21.8	February 2014	STI Fontvieille
21.8	February 2014	STI Ville
20.5	March 2014	STI Texas City
19.3	May 2014	STI Meraux
19.3	June 2014	STI San Antonio
19.8	June 2014	STI Virtus
19.5	June 2014	STI Venere
19.8	July 2014	STI Aqua
19.8	August 2014	STI Dama
19.5	August 2014	STI Mythos
19.5	August 2014	STI Benicia
19.8	September 2014	STI Regina
19.5	September 2014	STI St. Charles
19.5	October 2014	STI Yorkville
18.0	October 2014	STI Wembley
20.5	November 2014	STI Milwaukee
19.5	December 2014	STI Battery
35.4	December 2014	STI Rose (1)

(1) Delivered in January 2015.

The outstanding balance at December 31, 2014 was $384.5 million and there was $129.5 million available for drawdown which can be used to finance the lesser of 60% of the contract price for a qualifying newbuilding vessel and such vessel's fair market value at the date of drawdown. There was no outstanding balance at December 31, 2013. We were in compliance with the financial covenants relating to this facility as of December 31, 2014.

K-Sure Credit Facility

In February 2014, we entered into a $458.3 million senior secured term loan facility which consists of a $358.3 million tranche with a group of financial institutions that is being 95% covered by Korea Trade Insurance Corporation (the “K-Sure Tranche”) and a $100.0 million commercial tranche with a group of financial institutions led by DNB Bank SA (the “Commercial Tranche”). We refer to this credit facility as our K-Sure Credit Facility.

Drawdowns under the K-Sure Credit Facility may occur in connection with the delivery of certain of our newbuilding vessels as specified in the agreement. The amount of each drawdown shall not exceed the lesser of 60% of the newbuilding contract price and 74% of the fair market value of the relevant vessel. Drawdowns are available until the earlier of (i) the delivery date of the last vessel specified in the agreement to be acquired, (ii) September 30, 2015 and (iii) the date on which the total commitments under the loan are fully borrowed, cancelled or terminated.

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Repayments will be made in equal consecutive six month repayment installments in accordance with a 15 year repayment profile under the Commercial Tranche and a 12 year repayment profile under the K-Sure Tranche. Repayments will commence in July 2015 for the K-Sure Tranche and six months after the delivery of the last vessel to be acquired for the Commercial Tranche. The Commercial Tranche matures on the sixth anniversary of the delivery date of the last vessel to be acquired and the K-Sure Tranche matures in January 2027 assuming the Commercial Tranche is refinanced through that date.

Borrowings under the K-Sure tranche bear interest at LIBOR plus an applicable margin of 2.25%. Borrowings under the Commercial Tranche bear interest at LIBOR plus an applicable margin of 3.25% from the effective date of the agreement to the fifth anniversary thereof and 3.75% thereafter until the maturity date in respect of the Commercial Tranche. A commitment fee equal to 40% of the applicable margin is payable on the unused daily portion of the credit facility.

In addition to restrictions imposed upon the owners of the vessels that are collateralized under this credit facility (such as, limitations on liens and limitations on the incurrence of additional indebtedness), our K-Sure Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth no less than $677.3 million plus (i) 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after October 1, 2013 and (ii) 50% of the value of any new equity issues occurring on or after October 1, 2013.
- The ratio of EBITDA to net interest expense greater than 2.50 to 1.00 calculated on a trailing four quarter basis.
- Minimum liquidity of not less than the greater of $25.0 million or 5% of total indebtedness.
- The aggregate fair market value of the vessels provided as collateral under the facility shall at all times be no less than 135% of the then aggregate outstanding principal amount of loans under the credit facility.

We made the following drawdowns from our K-Sure Credit Facility during the year ended December 31, 2014:

Drawdown amount (In millions of U.S. Dollars)	Drawdown date	Collateral	
$19.8	June 2014	STI Lexington	
19.8	June 2014	STI Chelsea	
19.8	July 2014	STI Powai	
19.8	August 2014	STI Olivia	
20.4	October 2014	STI Mayfair	
18.9	October 2014	STI Battersea	
19.9	December 2014	STI Soho	
20.4	December 2014	STI Tribeca	(1)
19.2	December 2014	STI Hammersmith	(1)
19.2	December 2014	STI Rotherhithe	(1)

(1) Delivered in January 2015.

The outstanding balance at December 31, 2014 was $197.2 million and there was $261.1 million available for drawdown which can be used to finance the lesser of 60% of the contract price for a specified newbuilding vessel or 74% of such vessel's fair market value. We were in compliance with the financial covenants relating to this facility as of December 31, 2014.

KEXIM Credit Facility

In February 2014, we executed a senior secured term loan facility for $429.6 million, or the KEXIM Credit Facility, with a group of financial institutions led by DNB Bank ASA and Skandinaviska Enskilda Banken AB (publ) and from the Export-Import Bank of Korea, or KEXIM, a statutory juridical entity established under The Export-Import Bank of Korea Act of 1969, as amended, in the Republic of Korea. This KEXIM Credit Facility includes commitments from KEXIM of up to $300.6 million (the “KEXIM Tranche”) and a group of financial institutions led by DNB Bank ASA and Skandinaviska Enskilda Banken AB (publ) of up to $129.0 million (the “Commercial Tranche”).

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Drawdowns under the KEXIM Credit Facility may occur in connection with the delivery of 18 of our newbuilding vessels as specified in the loan agreement. The amount of each drawdown shall not exceed the lesser of 60% of the newbuilding contract price and 74% of the fair market value of the relevant vessel. Drawdowns are available until the earlier of (i) the delivery date of the last vessel specified in the agreement to be acquired, (ii) March 31, 2015 and (iii) the date on which the total commitments under the loan are fully borrowed, cancelled or terminated.

Repayments will be made in equal consecutive semi-annual repayment installments in accordance with a 15 year repayment profile under the Commercial Tranche and a 12 year repayment profile under the KEXIM Tranche. Repayments will commence on the next semi-annual date falling after the weighted average delivery date of the vessels specified under the facility for the KEXIM Tranche and on the next semi-annual date falling after the final delivery date of the vessels specified under the facility for the Commercial Tranche.

The Commercial Tranche matures on the sixth anniversary of the delivery date of the last vessel specified under the loan and the KEXIM Tranche matures on the twelfth anniversary of the weighted average delivery date of the vessels specified under the loan assuming the Commercial Tranche is refinanced through that date.

Borrowings under the KEXIM Tranche bear interest at LIBOR plus an applicable margin of 3.25%. Borrowings under the Commercial Tranche bear interest at LIBOR plus an applicable margin of 3.25% from the effective date of the agreement to the fifth anniversary thereof and 3.75% thereafter until the maturity date in respect of the Commercial Tranche. A commitment fee equal to 40% of the applicable margin is payable on the unused daily portion of the credit facility.

In addition to restrictions imposed upon the owners of the vessels that are collateralized under this credit facility (such as, limitations on liens and limitations on the incurrence of additional indebtedness), our KEXIM Credit Facility includes financial covenants that require us to maintain:

- The ratio of net debt to total capitalization no greater than 0.60 to 1.00.
- Consolidated tangible net worth no less than $677.3 million plus (i) 25% of cumulative positive net income (on a consolidated basis) for each fiscal quarter commencing on or after October 1, 2013 and (ii) 50% of the value of any new equity issues occurring on or after October 1, 2013.
- The ratio of EBITDA to net interest expense greater than 2.50 to 1.00 calculated on a trailing four quarter basis.
- Minimum liquidity of not less than the greater of $25.0 million or 5% of total indebtedness.
- The aggregate fair market value of the vessels provided as collateral under the facility shall at all times be no less than 135% of the then aggregate outstanding principal amount of loans under the credit facility.

In addition to KEXIM’s commitment of up to $300.6 million, KEXIM also provided an optional guarantee for a five year amortizing note of $125.25 million, the proceeds of which reduce the $300.6 million KEXIM Tranche. These notes were issued on July 18, 2014 when Seven and Seven Ltd., an exempted company incorporated with limited liability under the laws of the Cayman Islands (the “Issuer”), completed an offering of $125,250,000 in aggregate principal amount of floating rate guaranteed notes due 2019 (the “KEXIM Notes”) in a private offering to qualified institutional buyers pursuant to the Securities Act and in offshore transactions complying with Regulation S under the Securities Act. The KEXIM Notes were issued in connection with the KEXIM Tranche and reduced KEXIM's funding obligations and our borrowing costs under KEXIM Tranche by 1.55% per year. Seven and Seven Ltd. is an unaffiliated company that was incorporated for the purpose of facilitating this transaction and servicing the bonds until maturity.
Payment of 100% of all regularly scheduled installments of principal of, and interest on, the KEXIM Notes are guaranteed by KEXIM. The vessels in the loan are the collateral for the KEXIM Credit Facility, which includes the KEXIM Notes.
The KEXIM Notes are currently listed to the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The KEXIM Notes are not listed on any other securities exchange, listing authority or quotation system.

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We made the following drawdowns from our KEXIM Credit Facility during the year ended December 31, 2014:

Drawdown amount (In millions of U.S. Dollars)	Drawdown date	Collateral
18.8	June 2014	STI Comandante
18.8	June 2014	STI Brixton
18.8	July 2014	STI Pimlico
30.3	July 2014	STI Elysees
30.3	August 2014	STI Madison
18.8	September 2014	STI Hackney
19.0	September 2014	STI Acton
18.8	September 2014	STI Fulham
30.3	September 2014	STI Park
29.7	September 2014	STI Orchard
18.8	September 2014	STI Camden
30.3	November 2014	STI Sloane
29.7	November 2014	STI Broadway
19.0	November 2014	STI Finchley
30.3	November 2014	STI Condotti
19.0	November 2014	STI Clapham
19.0	November 2014	STI Poplar

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The outstanding balance under the KEXIM Credit Facility (which includes the KEXIM Notes) at December 31, 2014 was $399.3 million and there was $30.3 million available to draw which can be used to finance the lesser of 60% of the contract price for a specified newbuilding vessel or 74% of such vessel's fair market value. We were in compliance with the financial covenants relating to this facility as of December 31, 2014.

Unsecured Senior Notes Due 2020

On May 12, 2014, we issued $50.0 million in aggregate principal amount of 6.75% Senior Notes due May 2020, or our Senior Notes Due 2020, and on June 9, 2014, we issued an additional $3.75 million aggregate principal amount of Senior Notes Due 2020 when the underwriters partially exercised their option to purchase additional Senior Notes Due 2020 on the same terms and conditions. The net proceeds from the issuance of the Senior Notes Due 2020 were $51.8 million after deducting the underwriters' discounts, commissions and offering expenses.

The Senior Notes Due 2020 bear interest at the rate of 6.75% per year, payable quarterly in arrears on the 15th day of February, May, August and November of each year, commencing on August 15, 2014. The Senior Notes Due 2020 are redeemable at our option, in whole or in part, at any time on or after May 15, 2017 at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The Senior Notes Due 2020 are our senior unsecured obligations and rank equally with all of our existing and future senior unsecured and unsubordinated debt and are effectively subordinated to our existing and future secured debt, to the extent of the value of the assets securing such debt, and will be structurally subordinated to all existing and future debt and other liabilities of our subsidiaries. No sinking fund is provided for the Senior Notes Due 2020. The Senior Notes Due 2020 were issued in minimum denominations of $25.00 and integral multiples of $25.00 in excess thereof and are listed on the NYSE under the symbol "SBNA."

The Senior Notes Due 2020 require us to comply with certain covenants, including financial covenants; restrictions on consolidations, mergers or sales of assets and prohibitions on paying dividends or returning capital to equity holders if a covenant breach or an event of default has occurred or would occur as a result of such payment. If we undergo a change of control, holders may require us to repurchase for cash all or any portion of their notes at a change of control repurchase price equal to 101% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the change of control purchase date.

The financial covenants under our Senior Notes Due 2020 include:

- Net borrowings shall not equal or exceed 70% of total assets.
- Net worth shall always exceed $650.0 million.

The outstanding balance at December 31, 2014 was $53.75 million, and we were in compliance with the financial covenants relating to the Senior Notes Due 2020 as of that date.

Convertible Senior Notes Due 2019

In June 2014, we issued $360.0 million in aggregate principal amount of convertible senior notes due 2019, or the Convertible Notes, in a private offering to qualified institutional buyers pursuant to Rule 144A under the Securities Act. This amount includes the full exercise of the initial purchasers' option to purchase an additional $60.0 million in aggregate principal amount of the Convertible Notes in connection with the offering. The net proceeds we received from the issuance of the Convertible Notes after the exercise of the initial purchasers' option to purchase additional Convertible Notes were $349.0 million after deducting the initial purchasers' discounts, commissions and offering expenses of $11.0 million. We used a portion of the net proceeds to repurchase $95.0 million of our common stock, or 10,127,600 shares, at $9.38 per share in a privately negotiated transaction.

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The Convertible Notes bear interest at a rate of 2.375% per annum, and are payable semi-annually in arrears on January 1 and July 1 of each year beginning on January 1, 2015. The Convertible Notes will mature on July 1, 2019, unless earlier converted, redeemed or repurchased. The Convertible Notes are convertible in certain circumstances and during certain periods at an initial conversion rate of 82.0075 shares of common stock per $1,000 (which represents an initial conversion price of approximately $12.19 per share of common stock), subject to adjustment in certain circumstances as set forth in the indenture governing the Convertible Notes.
Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding January 1, 2019 only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on September 30, 2014 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 15 trading days (whether or not consecutive) during a period of 25 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period (the “measurement period”) in which the trading price (as defined below) per $1,000 principal amount of Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of our common stock and the conversion rate on each such trading day;
- if the Company calls any or all of the Convertible Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events.

We may not redeem the Convertible Notes prior to July 6, 2017. We may redeem for cash all or any portion of the notes, at our option, on or after July 6, 2017 if the last reported sale price of our common stock has been at least 130% of the conversion price then in effect for at least 15 trading days (whether or not consecutive) during any 25 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the Convertible Notes.
The Convertible Notes require us to comply with certain covenants such as restrictions on consolidations, mergers or sales of assets. Additionally, if we undergo a fundamental change, holders may require us to repurchase for cash all or any portion of their notes at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date.
We determined the initial carrying value of the liability component of the Convertible Notes to be $298.7 million based on the fair value of a similar liability that does not have any associated conversion feature. We used our Senior Notes Due 2020 issued in May 2014 as the basis for this determination. The difference between the fair value of the liability component and the face value of the Convertible Notes will be amortized over the term of the Convertible Notes under the effective interest method and recorded as part of financial expenses. The residual value of $61.3 million (the conversion feature) has been recorded to additional paid-in capital. The carrying value of the liability component of the Convertible Notes was $304.0 million as of December 31, 2014.

The conversion rate of the Convertible Notes is subject to change upon the issuance of a dividend. The table below details the dividends issued during 2014 and their corresponding effect to the conversion rate of the Convertible Notes. The conversion rate as of December 31, 2014 was 84.0184 and 85.2216 as of the date of this report.

Date	Dividends per share	Adjusted conversion rate [(1)]
August 22, 2014	$0.10	82.8556
November 25, 2014	$0.12	84.0184
March 13, 2015	$0.12	85.2216

(1) Per $1,000 principal amount of the Convertible Notes.

Unsecured Senior Notes Due 2017

On October 31, 2014, we issued $45.0 million aggregate principal amount of 7.50% Unsecured Senior Notes due October 15, 2017 (the “Senior Notes Due 2017”) and on November 17, 2014, we issued an additional $6.75 million aggregate principal amount of Senior Notes Due 2017 when the underwriters exercised their option to purchase additional Senior Notes Due 2017 on the same terms and conditions. The net proceeds from the issuance of the Senior Notes Due 2017 were approximately $49.9 million after deducting the underwriters’ discounts, commissions and offering expenses.

All terms mentioned are defined in the indenture.

The Senior Notes Due 2017 bear interest at the rate of 7.50% per year, payable quarterly in arrears on the 15th day of January, April, July and October of each year, commencing on January 15, 2015. The Senior Notes Due 2017 are redeemable at our option, in whole but not in part, at any time at our option, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The Senior Notes Due 2017 are our senior unsecured obligations and rank equally with all of our existing and future senior unsecured and unsubordinated debt. The Senior Notes Due 2017 are effectively subordinated to our existing and future secured debt, to the extent of the value of the assets securing such debt, and structurally subordinated to all existing and future debt and other liabilities of our subsidiaries. The Senior Notes Due 2017 were issued in minimum denominations of $25.00 and integral multiples of $25.00 in excess thereof and are listed on the NYSE under the symbol “SBNB.”

The Senior Notes Due 2017 require us to comply with certain covenants, including financial covenants; restrictions on consolidations, mergers or sales of assets and prohibitions on paying dividends or returning capital to equity holders if a covenant breach or an event of default has occurred or would occur as a result of such payment. If we undergo a change of control, holders may require us to repurchase for cash all or any portion of their notes at a change of control repurchase price equal to 101% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the change of control purchase date.

The financial covenants include:

- Net borrowings shall not equal or exceed 70% of total assets.
- Net worth shall always exceed $650.0 million.

The outstanding balance was $51.75 million as of December 31, 2014 and we were in compliance with the financial covenants relating to the Senior Notes Due 2017.

12. Derivative financial instruments

In August 2011, we entered into six interest rate swap agreements to manage interest costs and the risk associated with changing interest rates on our 2011 and 2010 Revolving Credit Facilities with three different banks. Pursuant to these interest rate swap contracts, we agreed to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable us to partially mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held. We determined the estimated fair value of our derivatives by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract. These swaps have been designated and accounted for as cash flow hedges.

In September 2012, as a result of the sales of two vessels and corresponding debt repayment, we reduced the notional amount on the interest rate swaps relating to the 2011 Credit Facility to $15.0 million from $24.0 million in aggregate. As a result of the reduction, we recognized a realized loss of $0.2 million, which was reclassified out of other comprehensive loss and recorded as a component of loss from sale of vessels.

In March 2014, as a result of the sales of Noemi and Senatore and corresponding debt repayment, we reduced the notional amount on three interest rate swaps relating to the 2010 Revolving Credit Facility to $30.0 million from $51.0 million. As a result of the reduction, we made a repayment of $0.3 million to settle the liability outstanding as of the date of settlement and we recognized a realized gain on derivative financial instruments of $0.02 million.

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The notional principal amounts of these swaps aggregate $45.0 million, the details of which are as follows as of December 31, 2014:

Hedged item	Notional amount	Start Date	Expiration date	Fixed interest rate	Floating interest rate
2010 Revolving Credit Facility	$30 million	July 2, 2012	June 2, 2015	1.27 %	3 mo. LIBOR
2011 Credit Facility	$15 million	July 2, 2012	June 30, 2015	1.30 %	3 mo. LIBOR

The vessels which collateralize the 2011 Credit Facility and 2010 Revolving Credit Facility also serve as collateral for the designated interest rate swap agreements, subordinated to the outstanding borrowings under each credit facility.

In December 2012, we voluntarily repaid $50.0 million into our 2010 Revolving Credit Facility. After the payment, we had $17.2 million of debt outstanding under the 2010 Revolving Credit Facility, which was less than the total notional amount of $51.0 million for the three interest rate swaps related to the facility. As such, the swaps related to the 2010 Revolving Credit Facility no longer met the criteria for hedge accounting and we therefore de-designated the hedge relationship prospectively and reclassified all amounts accumulated in other comprehensive income ($1.0 million) to the statement of income or loss for the year ended December 31, 2012 as a component of Financial Expenses.

The interest rate swaps relating to the 2011 Credit Facility continue to qualify for hedge accounting. Accordingly, changes in their fair value, which the hedge is deemed to be effective, are recognized directly in other comprehensive income. Changes in their fair value for any portion deemed to be ineffective are recognized in the consolidated statement of income or loss.

In March 2015, we terminated the swaps relating to the 2010 Credit Facility as further described in Note 24.

Profit or loss sharing agreements

In July 2012, we entered into a profit or loss sharing arrangement on the earnings of an LR1 vessel that was not owned or operated by us. The agreement stipulated that 50% of the profits and losses were shared with the counterparty. The counterparty to this agreement was time chartering-in this vessel for a period of six months at $12,750 per day and this agreement expired in January 2013.

In September 2012, we took delivery of an LR1, FPMC P Eagle, on a time charter-in arrangement for one year at $12,800 per day. We also entered into a profit and loss sharing arrangement whereby 50% of the profits and losses relating to this vessel above or below the charterhire rate were shared with a third party who neither owns nor operates FPMC P Eagle. The profit or loss agreement expired on October 2013.

These agreements were treated as derivatives, recorded at fair value with any resultant gain or loss recognized in the statement of income or loss. Changes in fair value were recorded as unrealized gains and losses on derivative financial instruments and actual earnings were recorded as realized gains or losses on derivative financial instruments, within the consolidated statement of income or loss. The fair value of these instruments was determined by comparing published time charter rates to the charterhire rate and discounting those cash flows to their estimated present value.

The following table summarizes the fair value of our derivative financial instruments as of December 31, 2014 and 2013, which are included in the consolidated balance sheet:

	At December 31,	
In thousands of U.S. dollars	2014	2013
Derivative financial instrument (interest rate swap - current)	$(205)	$(689)
Derivative financial instrument (interest rate swap - non-current)	—	(188)
Total	$(205)	$(877)

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The following has been recorded as realized and unrealized gains or losses on our derivative financial instruments:

In thousands of U.S. dollars	Fair value adjustments Statement of income or loss Realized gain/ (loss)	Unrealized gain/(loss)	Recognized in equity
Interest rate swap	17	264	135
Total period ended December 31, 2014	$17	$264	$135
Profit and loss agreements	$3	$185	$—
Interest rate swap	—	382	117
Total period ended December 31, 2013	$3	$567	$117
Profit and loss agreements	$443	$(184)	$—
Interest rate swap	(229)(1)	(1,047)	(904)
Total period ended December 31, 2012	$214	$(1,231)	$(904)

(1) The realized loss on our interest rate swap in 2012 was recorded as a component of the loss from sale of vessels on the consolidated statement of income or loss.

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13. Segment reporting

Information about our reportable segments for the years ended December 31, 2014, 2013 and 2012 is as a follows:

For the year ended December 31, 2014

In thousands of U.S. dollars	Panamax/LR1	Handymax	Aframax/LR2	MR	Reportable segments subtotal	Corporate and eliminations	Total
Vessel revenue	$ 57,901	$65,766	$ 67,124	$151,716	$342,507	$ 300	$342,807
Vessel operating costs	(10,530)	(10,902)	(4,830)	(52,561)	(78,823)	—	(78,823)
Voyage expenses	(4,826)	(671)	(73)	(1,963)	(7,533)	—	(7,533)
Charterhire	(27,250)	(38,390)	(45,756)	(27,772)	(139,168)	—	(139,168)
Depreciation	(3,194)	(5,436)	(3,067)	(30,920)	(42,617)	—	(42,617)
General and administrative expenses	(409)	(450)	(237)	(2,315)	(3,411)	(44,718)	(48,129)
Write down of vessels held for sale	(3,978)	—	—	—	(3,978)	—	(3,978)
Gain on sale of VLCCs	—	—	—	—	—	51,419	51,419
Gain on sale of Dorian shares	—	—	—	—	—	10,924	10,924
Re-measurement of investment in Dorian	—	—	—	—	—	(13,895)	(13,895)
Financial expenses	—	—	(509)	—	(509)	(20,261)	(20,770)
Realized gain on derivative financial instruments	—	—	—	—	—	17	17
Unrealized gain on derivative financial instruments	—	—	—	—	—	264	264
Financial income	—	2	1	8	11	192	203
Share of income from associate	—	—	—	—	—	1,473	1,473
Other expenses, net	—	—	—	(51)	(51)	(52)	(103)
Segment income or loss	$ 7,714	$9,919	$ 12,653	$36,142	$66,428	$ (14,337)	$52,091

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For the year ended December 31, 2013

In thousands of U.S. dollars	Panamax/LR1	Handymax	Aframax/LR2	MR	Reportable segments subtotal	Corporate and eliminations	Total
Vessel revenue	$ 41,683	$36,205	$ 28,204	$101,488	$207,580	$ —	$207,580
Vessel operating costs	(14,276)	(2,648)	(3,211)	(20,069)	(40,204)	—	(40,204)
Voyage expenses	(3,858)	(11)	—	(977)	(4,846)	—	(4,846)
Charterhire	(14,363)	(31,086)	(29,341)	(40,753)	(115,543)	—	(115,543)
Depreciation	(7,275)	(1,292)	(1,750)	(13,278)	(23,595)	—	(23,595)
General and administrative expenses	(536)	(118)	(154)	(1,030)	(1,838)	(23,950)	(25,788)
Write down of vessels held for sale	(15,002)	—	(6,185)	—	(21,187)	—	(21,187)
Gain on sale of VLGCs	—	—	—	—	—	41,375	41,375
Financial expenses	—	—	(847)	—	(847)	(1,858)	(2,705)
Realized gain on derivative financial instruments	3	—	—	—	3	—	3
Unrealized gain on derivative financial instruments	186	—	—	—	186	381	567
Financial income	—	—	—	4	4	1,143	1,147
Share of income from associate	—	—	—	—	—	369	369
Other expenses, net	—	—	(10)	(21)	(31)	(127)	(158)
Segment income or loss	$ (13,438)	$1,050	$ (13,294)	$25,364	$(318)	$ 17,333	$17,015

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For the year ended December 31, 2012

In thousands of U.S. dollars	Panamax/LR1	Handymax	Aframax/LR2	MR	Reportable segments subtotal	Corporate and eliminations	Total
Vessel revenue	$ 28,602	$35,381	$ 4,541	$46,857	$115,381	$ —	$115,381
Vessel operating costs	(14,137)	(5,428)	(3,304)	(7,484)	(30,353)	—	(30,353)
Voyage expenses	(999)	(2,741)	(25)	(17,979)	(21,744)	—	(21,744)
Charterhire	(1,629)	(23,192)	(1,287)	(17,593)	(43,701)	—	(43,701)
Depreciation	(7,352)	(1,716)	(1,735)	(4,015)	(14,818)	—	(14,818)
General and administrative expenses	(495)	(195)	(100)	(398)	(1,188)	(10,348)	(11,536)
Loss from sales of vessels	—	(4,525)	—	(5,879)	(10,404)	—	(10,404)
Financial expenses	—	—	(1,086)	—	(1,086)	(7,426)	(8,512)
Realized gain on derivative financial instruments	443	—	—	—	443	—	443
Unrealized loss on derivative financial instruments	(184)	—	—	—	(184)	(1,047)	(1,231)
Financial income	—	—	—	6	6	29	35
Other expense, net	—	—	(11)	(51)	(62)	(35)	(97)
Segment income or loss	$ 4,249	$(2,416)	$ (3,007)	$(6,536)	$(7,710)	$ (18,827)	$(26,537)

All of our operating segments contained revenue from at least one major customer representing greater than 10% of total revenue. The revenue from those customers within their respective segments was as follows:

Amounts in thousands of US dollars		For the year ended December 31,		
Segment	Customer	2014	2013	2012
MR	Scorpio MR Pool Ltd (1)	$112,826	$89,597	$9,558
Handymax	Scorpio Handymax Tanker Pool Ltd (1)	54,052	36,199	31,280
Panamax/LR1	Scorpio Panamax Tanker Pool Ltd (1)	46,925	36,018	26,884
LR2	Scorpio LR2 Pool Ltd (1)	67,054	28,203	4,540
		$280,857	$190,017	$72,262

(1) These customers are related parties (see note 15)

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14. Common shares

February 2013 Shelf Registration Statement

On February 22, 2013, we filed a Form F-3 with the Securities and Exchange Commission, with an effective date of February 25, 2013, which can be used to issue common shares, preferred shares, debt securities, warrants, purchase contracts, and units. If a debt security is issued, all of our subsidiaries may guarantee the securities issued by the parent company. Each subsidiary is 100% owned and each guarantee of the registered security will be full, unconditional, and joint and several with all other subsidiary guarantees.

Share issuances

In February 2013, we closed on the sale of 30,672,000 newly issued shares of common stock in a registered direct placement of common shares at an offering price of $7.50 per share. We received net proceeds of $222.1 million, after deducting placement agent discounts and offering expenses of $7.9 million.

In March 2013, we closed on the sale of 29,012,000 newly issued shares of common stock in a registered direct placement of common shares at an offering price of $8.10 per share. We received net proceeds of $226.8 million, after deducting placement agent discounts and offering expenses of $8.2 million.

In May 2013, we closed on the sale of 36,144,578 newly issued shares of common stock in a registered direct placement of common shares at an offering price of $8.30 per share. We received net proceeds of $289.2 million, after deducting placement agent discounts and offering expenses of $10.8 million.

In August 2013, we closed on the sale of 20,000,000 newly issued shares of common stock in an underwritten offering of common shares at an offering price of $9.50 per share. In addition, the underwriters also fully exercised their over-allotment option to purchase 3,000,000 additional common shares at the offering price. We received aggregate net proceeds of $209.8 million after deducting underwriters' discounts and offering expenses of $8.7 million.

In November 2013, we issued 3,611,809 common shares to unaffiliated third parties in connection with our acquisition of four MR vessel newbuilding contracts. See Note 5 for further description of this transaction.

In December 2013, we issued 3,523,271 common shares to unaffiliated third parties in connection with our acquisition of four MR vessel newbuilding contracts. See Note 5 for further description of this transaction.

2010 Equity Incentive Plan Issuances

On June 18, 2010, we issued 559,458 shares of restricted stock to our employees for no cash consideration. The share price at the date of issue was $10.99 per share. The vesting schedule of the restricted stock is (i) one-third of the shares vested on April 6, 2013, (ii) one-third of the shares vested on April 6, 2014, and (iii) one-third of the shares vest on April 6, 2015.

On June 18, 2010, we issued 9,000 shares of restricted stock to our independent directors for no cash consideration. The share price at the date of issue was $10.85 per share and these shares vested on April 6, 2011.

On January 31, 2011, we issued 281,000 shares of restricted stock to our employees for no cash consideration. The share price at the date of issue was $9.83 per share. The vesting schedule of the restricted stock is (i) one-third of the shares vested on January 31, 2012, (ii) one-third of the shares vested on January 31, 2013, and (iii) one-third of the shares vested on January 31, 2014.

On January 31, 2011, we issued 9,000 shares of restricted stock to our independent directors for no cash consideration. The share price at the date of issue was $9.83 per share. These shares vested on January 31, 2012.

On January 31, 2012, we issued 281,000 shares of restricted stock to employees for no cash consideration. The share price at the date of issue was $5.65 per share. The vesting schedule of the restricted stock is (i) one-third of the shares vested on January 31, 2013, (ii) one-third of the shares vested on January 31, 2014, and (iii) one-third of the shares vest on January 31, 2015.

On January 31, 2012, we issued 9,000 shares of restricted stock to our independent directors for no cash consideration. The share price at the date of issue was $5.65 per share. These shares vested on January 31, 2013.

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2013 Equity Incentive Plan

In April 2013, we adopted an equity incentive plan, which we refer to as the 2013 Equity Incentive Plan, under which directors, officers, employees, consultants and service providers of us and our subsidiaries and affiliates are eligible to receive incentive stock options and non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and unrestricted common stock. We reserved a total of 5,000,000 common shares for issuance under the plan.

Under the terms of the plan, stock options and stock appreciation rights granted under the plan will have an exercise price equal to the fair market value of a common share on the date of grant, unless otherwise determined by the plan administrator, but in no event will the exercise price be less than the fair market value of a common share on the date of grant. Options and stock appreciation rights will be exercisable at times and under conditions as determined by the plan administrator, but in no event will they be exercisable later than ten years from the date of grant.

The plan administrator may grant shares of restricted stock and awards of restricted stock units subject to vesting, forfeiture and other terms and conditions as determined by the plan administrator. Following the vesting of a restricted stock unit, the award recipient will be paid an amount equal to the number of vested restricted stock units multiplied by the fair market value of a common share on the date of vesting, which payment may be paid in the form of cash or common shares or a combination of both, as determined by the plan administrator. The plan administrator may grant dividend equivalents with respect to grants of restricted stock units.

Adjustments may be made to outstanding awards in the event of a corporate transaction or change in capitalization or other extraordinary event. In the event of a “change in control” (as defined in the plan), unless otherwise provided by the plan administrator in an award agreement, awards then outstanding will become fully vested and exercisable in full.

Our board of directors may amend or terminate the plan and may amend outstanding awards, provided that no such amendment or termination may be made that would materially impair any rights, or materially increase any obligations, of a grantee under an outstanding award. Shareholder approval of plan amendments will be required under certain circumstances. Unless terminated earlier by our board of directors, the plan will expire ten years from the date the plan is adopted.

In the second quarter of 2013, we issued 4,610,000 shares of restricted stock to our employees and 390,000 shares to our independent directors for no cash consideration. The weighted average share price on the issuance dates was $8.69 per share. The vesting schedule of the restricted stock to our employees is (i) one-third of the shares vest on March 10, 2016, (ii) one-third of the shares vest on March 10, 2017, and (iii) one-third of the shares vest on March 10, 2018. The vesting schedule of the restricted stock to our independent directors is (i) one-third of the shares vested on March 10, 2014, (ii) one-third of the shares vest on March 10, 2015, and (iii) one-third of the shares vest on March 10, 2016.

In October 2013, we amended the 2013 Equity Incentive Plan to increase the number of common shares eligible for issuance to 11,376,044. All other terms of the plan remained unchanged.

In October 2013, we issued 3,749,998 shares of restricted stock to our employees and 250,000 shares to our independent directors for no cash consideration. The weighted average share price on the issuance date was $9.85 per share. The vesting schedule of the restricted stock to our employees is (i) one-third of the shares vest on October 11, 2016, (ii) one-third of the shares vest on October 11, 2017, and (iii) one-third of the shares vest on October 11, 2018. The vesting schedule of the restricted stock to our independent directors is (i) one-half of the shares vested on October 11, 2014 and (ii) one-half of the shares vest on October 11, 2015.

In February 2014, we issued 2,011,000 shares of restricted stock to our employees and 145,045 shares to our independent directors for no cash consideration. The weighted average share price on the issuance date was $9.30 per share. The vesting schedule of the restricted stock to our employees is (i) one-third of the shares vest on February 21, 2017, (ii) one-third of the shares vest on February 21, 2018, and (iii) one-third of the shares vest on February 21, 2019. The vesting schedule of the restricted stock to our independent directors is (i) one-third of the shares vest on February 21, 2015, (ii) one-third of the shares vest on February 21, 2016, and (iii) one-third of the shares vest on February 21, 2017.

In September 2014, we reserved an additional 1,088,131 common shares, par value $0.01 per share, for issuance pursuant to the plan. All other terms of the plan remained unchanged.

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In May and September 2014, we issued 213,000 and 5,000 shares of restricted stock to SSH employees, respectively, for no cash consideration. The share prices on the issuance dates were $8.89 per share and $9.13 per share, respectively. The vesting schedule of the restricted stock to SSH employees is (i) one-third of the shares vest on February 21, 2017, (ii) one-third of the shares vest on February 21, 2018, and (iii) one-third of the shares vest on February 21, 2019.

In November 2014, we issued 938,131 shares of restricted stock to our employees and 50,000 shares to our independent directors for no cash consideration. The share price on the issuance date was $8.57 per share. The vesting schedule of the restricted stock to our employees is (i) one-third of the shares vest on November 18, 2017, (ii) one-third of the shares vest on November 18, 2018, and (iii) one-third of the shares vest on November 18, 2019. The restricted shares issued to our independent directors will vest on November 18, 2015.

Compensation expense is recognized ratably over the vesting periods for each tranche using the straight-line method. Assuming that all the restricted stock will vest, the stock compensation expense in future periods, including that related to restricted stock issued in prior periods will be:

In thousands of U.S. dollars	Employees	Directors	Total
For the year ending December 31, 2015	28,217	1,814	30,031
For the year ending December 31, 2016	23,444	259	23,703
For the year ending December 31, 2017	13,700	21	13,721
For the year ending December 31, 2018	5,190	—	5,190
For the year ending December 31, 2019	669	—	669
	$71,220	$2,094	$73,314

Dividend Payments

The following dividends were paid in the years ended December 31, 2014 and 2013:

Dividends per share	Date Paid
$0.025	June 25, 2013
$0.035	September 25, 2013
$0.07	December 18, 2013
$0.08	March 26, 2014
$0.09	June 12, 2014
$0.10	September 10, 2014
$0.12	December 12, 2014

Stock Buyback Program

In April 2014, we resumed purchasing shares under our stock buyback program that was authorized in July 2010. Additionally, in April 2014, our board of directors approved a new stock buyback program with authorization to purchase up to $100.0 million of shares of our common stock, replacing the program announced in July 2010.

In June 2014, our board of directors approved a new stock buyback program with authorization to purchase up to $150 million of shares of the Company's common stock. This program replaced our stock buyback program that was approved in April 2014.

In July 2014, our board of directors approved a new stock buyback program with authorization to purchase up to $150 million of shares of the Company’s common stock. This program replaced our stock buyback program that was approved in June 2014. As of December 31, 2014, the remaining authorization under this was $75.2 million.

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During 2014, the Company acquired an aggregate of 37,579,136 of its common shares that are being held as treasury shares, which include (i) 19,951,536 common shares that were purchased in the open market at an average price of $9.09 per share, (ii) 7,500,000 common shares that were acquired in exchange for 3,422,665 shares in Dorian and (iii) 10,127,600 common shares that were acquired using part of the proceeds we received from the issuance of our $360 million of Convertible Notes in June 2014.

Shares outstanding

In May 2014, our shareholders approved an amendment to our Amended and Restated Articles of Incorporation to increase our authorized common stock to 400,000,000 from 250,000,000. Accordingly, we currently have 425,000,000 registered shares of which 400,000,000 are designated as common shares with a par value of $0.01 and 25,000,000 designated as preferred shares with a par value of $0.01.
As of December 31, 2014, we had 164,574,542 shares outstanding. These shares provide the holders with rights to dividends and voting rights.

15. Related party transactions

Transactions with entities controlled by the Lolli-Ghetti family (herein referred to as related party affiliates) in the consolidated statement of income or loss and balance sheet are as follows:

	For the year ended December 31,		
In thousands of U.S. dollars	2014	2013	2012
Pool revenue[1]			
Scorpio MR Pool Ltd	$112,826	$89,597	$9,558
Scorpio Handymax Tanker Pool Ltd	54,052	36,199	31,280
Scorpio Panamax Tanker Pool Ltd	46,925	36,018	26,884
Scorpio LR2 Pool Ltd	67,054	28,203	4,540
Vessel operating costs[2]	(7,947)	(3,703)	(2,280)
Commissions[3]	(771)	(218)	(532)
Administrative expenses[4]	(4,823)	(1,944)	(1,862)

(1) These transactions relate to revenue earned in the Scorpio LR2, Scorpio Panamax, Scorpio MR, and Scorpio Handymax Tanker Pools (the Pools), which are owned by Scorpio LR2 Pool Limited, Scorpio Panamax Tanker Pool Limited, Scorpio MR Pool Limited, and Scorpio Handymax Tanker Pool Limited, respectively. The Pools are related party affiliates.

(2) These transactions represent technical management fees charged by SSM, a related party affiliate, which are included in vessel operating costs in the consolidated statement of income or loss. We believe our technical management fees for the years ended December 31, 2014, 2013 and 2012 were at arms-length rates as they were based on contracted rates that were the same as those charged to other vessels managed by SSM at the time the management agreements were entered into. In June 2013, this fee was increased to $685 per vessel per day from $548 per vessel per day for technical management.

(3) These transactions represent the expense due to SCM for commissions related to the commercial management services provided by SCM under the Commercial Management Agreement (see description below). Each vessel pays a commission of 1.25% of their gross revenue when not in the Pools. These expenses are included in voyage expenses in the consolidated statement of income or loss.

When our vessels are in the Pools, SCM, the pool manager, charges fees of $300 per vessel per day with respect to our Panamax/LR1 vessels, $250 per vessel per day with respect to our LR2 vessels, and $325 per vessel per day with respect to each of our Handymax and MR vessels, plus 1.50% commission on gross revenues per charter fixture. These are the same fees that SCM charges other vessels in these pools, including third party owned vessels.

(4) We have an Administrative Services Agreement with Scorpio Services Holding Limited, or SSH, for the provision of administrative staff and office space, and administrative services, including accounting, legal compliance, financial and information technology services. SSH is a related party to us. We reimburse SSH for the reasonable direct or indirect expenses it incurs in providing us with the administrative services described above. SSH also arranges vessel sales and purchases for us. The services provided to us by SSH may be sub-contracted to other entities within the Scorpio Group.

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Additionally, our Commercial Management Agreement with SCM includes a daily flat fee charged payable to SCM for the vessels that are not in one of the pools managed by SCM. The flat fee is $250 per day for Panamaxes/LR1 and LR2 vessels and $300 per day for Handymax and MR vessels.

- The expense for the year ended December 31, 2014 of $4.8 million included (i) the flat fee of $1.3 million charged by SCM, which was included in voyage expenses on the consolidated statement of income or loss (ii) administrative fees of $3.1 million charged by SSH which was included in general and administrative expenses in the consolidated statement of income or loss (iii) restricted stock amortization of $0.3 million, which relates to the issuance of an aggregate 218,000 shares of restricted stock to SSH employees for no cash consideration in May 2014 (see Note 14 for further description of these issuances and their vesting conditions) and (iv) reimbursement expenses of $0.1 million that were included in general and administrative expenses in the consolidated statement of income or loss.
- The expense for the year ended December 31, 2013 of $1.9 million included the flat fee of $0.3 million charged by SCM and administrative fees of $1.6 million charged by SSH and were included in voyage expenses and general and administrative expenses in the consolidated statement of income or loss.
- The expense for the year ended December 31, 2012 of $1.9 million included the flat fee of $0.7 charged by SCM, and administrative fees of $1.2 million charged by SSH and were both included in voyage expenses and general and administrative expenses in the consolidated statement of income or loss.

In December 2014, we reached an agreement with Scorpio Bulkers Inc. or Scorpio Bulkers, a related party to purchase newbuilding contracts for four LR2 product tankers to be constructed at shipyards in South Korea and options to purchase two additional LR2 newbuilding contracts. The purchase price for each of the four LR2 newbuilding contracts was $51.0 million with scheduled vessel deliveries in the first three quarters of 2016. The purchase price for the two option contracts is fixed at $52.5 million for each contract with scheduled vessel deliveries in the fourth quarter of 2016. The options expire on May 31, 2015. We are working with the seller and the shipyards to novate the contracts to us.

The independent members of the Company's Board of Directors unanimously approved the transaction with Scorpio Bulkers described in the preceding paragraph.

We had the following balances with related parties, which have been included in the consolidated balance sheets:

	As of December 31,	
In thousands of U.S. dollars	2014	2013
Assets:		
Accounts receivable (due from the Pools)	$74,125	$68,512
Accounts receivable (SSM)	121	—
Accounts receivable (SCM)	1	8
Liabilities:		
Accounts payable (owed to the Pools)	$3,894	$95
Accounts payable and accrued expenses (SSM)	276	1
Accounts payable and accrued expenses (SCM)	774	—
Accounts payable and accrued expenses (SSH) [1]	3,160	—
Deposit from Scorpio Bulkers [2]	31,277	—

(1) Commission payable to SSH relating to the deliveries of STI Sloane, STI Broadway, STI Finchley, STI Condotti, STI Battery, STI Clapham, STI Poplar and STI Soho newbuilding vessels.

(2) In December 2014, we agreed to buy four LR2 tankers from Scorpio Bulkers and received an option to purchase two additional LR2 tankers. Pursuant to this agreement, we received $31.3 million as a security deposit for the scheduled installments on these vessels that are expected to occur prior to the closing date of the sale. This amount will be reimbursed to Scorpio Bulkers upon closing. See Note 5 for further description of this transaction.

The Administrative Services Agreement with SSH includes a fee for arranging vessel purchases and sales, on our behalf, equal to 1% of the gross purchase or sale price, payable upon the consummation of any such purchase or sale. These fees are capitalized as part of the carrying value of the related vessel for a vessel purchase and are included as part of the gain or loss on sale for a vessel disposal.

- During the year ended December 31, 2014, we paid SSH an aggregate fee of $26.1 million, which consisted of $11.7 million related to the purchase and delivery of 33 newbuilding vessels, $14.0 million relating to the purchase and sale of our seven VLCCs under construction, and $0.4 million relating to the sales of Noemi and Senatore.

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- During the year ended December 31, 2013, we paid SSH an aggregate fee of $9.1 million, which consisted of $2.5 million related to the purchase and delivery of seven newbuilding vessels in 2013 and $6.6 million on the purchase and subsequent sale of our VLGC business to Dorian in November 2013.
- During the year ended December 31, 2012, we paid SSH an aggregate fee of $2.4 million, which consisted of $0.5 million on the sales of three Handymax vessels and $1.9 million on the purchase and delivery of our first five newbuilding vessels.

In 2011, we also entered into an agreement to reimburse costs to SSM as part of its supervision agreement for newbuilding vessels. $0.02 million, $0.2 million and $0.1 million were charged under this agreement during the years ended December 31, 2014, 2013 and 2012, respectively.

Key management remuneration

The table below shows key management remuneration for the years ended December 31, 2014, 2013 and 2012:

	For the period ended December 31,		
In thousands of U.S. dollars	2014	2013	2012
Short-term employee benefits (salaries)	$7,454	$5,433	$2,896
Share-based compensation [(1)]	23,553	10,274	3,368
Total	$31,007	$15,707	$6,264

[(1)] Represents the amortization of restricted stock issued under our equity incentive plans as described in note 14.

There are no post-employment benefits.

16. Vessel revenue

During the year ended December 31, 2014, we had four vessels that earned revenue through long-term time-charter contracts (with initial terms of one year or greater). The remaining vessels earned revenue from the Scorpio Group Pools or in the spot market. During the years ended December 31, 2013 and December 31, 2012, all revenue was generated from vessels operating in the Scorpio Group Pools or in the spot market.

Revenue Sources

	For the year ended December 31,		
In thousands of U.S. dollars	2014	2013	2012
Pool revenue	$280,857	$190,017	$72,262
Voyage revenue (spot market)	48,112	17,563	43,119
Time charter revenue	13,538	—	—
Other revenue	300	—	—
	$342,807	$207,580	$115,381

17. Charterhire

The following table depicts our time chartered-in vessel commitments during the year ended December 31, 2014.

Name	Year built	Type	Delivery [(1)]	Charter Expiration	Rate ($/ day)

Active as of December 31, 2014							
1	Kraslava	2007	Handymax	January-11	May-15	13,650	
2	Krisjanis Valdemars	2007	Handymax	February-11	April-15	13,650	(2)
3	Jinan	2003	Handymax	April-13	April-15	12,600	
4	Iver Prosperity	2007	Handymax	September-13	April-16	12,500	(3)
5	Histria Azure	2007	Handymax	April-12	April-15	13,550	
6	Histria Coral	2006	Handymax	July-11	July-15	13,550	
7	Histria Perla	2005	Handymax	July-11	July-15	13,550	
8	Targale	2007	MR	May-12	May-15	14,850	(4)
9	Nave Orion	2013	MR	March-13	April-15	14,300	(5)
10	Gan-Trust	2013	MR	January-13	January-16	16,250	(6)
11	USMA	2007	MR	January-13	January-15	14,500	
12	SN Federica	2003	LR1	February-13	May-15	11,250	(7)
13	SN Azzurra	2003	LR1	December-13	August-15	13,600	
14	King Douglas	2008	LR1	August-13	November-15	15,000	
15	Hellespont Progress	2006	LR1	March-14	March-15	15,000	(8)
16	FPMC P Eagle	2009	LR1	September-12	September-15	14,525	
17	FPMC P Hero	2011	LR2	April-13	May-15	15,500	
18	FPMC P Ideal	2012	LR2	January-13	January-15	15,500	
19	Swarna Jayanti	2010	LR2	March-14	March-15	15,000	(9)
20	Densa Alligator	2013	LR2	September-13	September-15	17,550	
21	Densa Crocodile	2015	LR2	February-15	February-16	21,050	(10)
22	Khawr Aladid	2006	LR2	July-13	July-15	15,400	
23	Fair Seas	2008	LR2	January-13	March-15	17,500	
24	Southport	2008	LR2	December-13	February-15	15,700	
Time Charters That Expired In 2014							
1	Freja Polaris	2004	Handymax	April-13	April-14	12,700	
2	Iver Progress	2007	Handymax	October-13	September-14	12,500	
3	Ugale	2007	MR	January-13	January-14	14,000	
4	STX Ace 6	2007	MR	May-12	May-14	14,150	
5	Gan-Triumph	2010	MR	May-13	June-14	14,150	
6	Hafnia Lupus	2012	MR	April-12	April-14	14,760	
7	Hellespont Promise	2007	LR1	December-12	August-14	14,250	
8	Orange Stars	2011	LR2	April-13	April-14	16,125	
9	Pink Stars	2010	LR2	April-13	April-14	16,125	
10	Four Sky	2010	LR2	September-13	September-14	16,250	

(1) Represents delivery date or estimated delivery date.
(2) The agreement also contains a 50% profit and loss sharing provision whereby we split all of the vessel's profits and losses above or below the daily base rate with the vessel’s owner.
(3) In September 2014, we declared an option to extend the charter for an additional year at $13,500 per day effective March 2015.
(4) In March 2015, we declared an option to extend the charter for an additional year at $15,200 per day effective May 17, 2015. We also have an option to extend the charter for an additional year at $16,200 per day.

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(5) We have an option to extend the charter for an additional year at $15,700 per day.
(6) The daily base rate for the first year was $15,750 per day, the rate for the second year is $16,250 per day, and the rate for the third year is $16,750 per day. We have options to extend the charter for up to two consecutive one year periods at $17,500 per day and $18,000 per day, respectively.
(7) We have an option to extend the charter for an additional year at $12,500 per day. We have also entered into an agreement with the vessel owner whereby we split all of the vessel's profits above the daily base rate.
(8) In February 2015, we declared an option to extend the charter for an additional year at $16,250 per day effective March 2015. We have an option to extend the charter for an additional year at $17,250 per day.
(9) In February 2015, we declared an option to extend the charter for an additional six months at $16,250 per day effective March 2015.
(10) This vessel was delivered in February 2015. We have an option to extend the charter for an additional year at $22,600 per day.

The undiscounted remaining future minimum lease payments under these arrangements as of December 31, 2014 are $60.0 million. The obligations under these agreements will be repaid as follows:

	As of December 31,	
In thousands of U.S. dollars	2014	2013
Less than 1 year	$57,878	$96,103
1 - 5 years	2,169	17,854
Total	$60,047	$113,957

The total expense recognized under charterhire agreements during the years ended December 31, 2014, 2013 and 2012 was $139.2 million, $115.5 million and $43.7 million, respectively.

18. General and administrative expenses

General and administrative expenses primarily represent employee benefit expenses, professional fees and administration/commercial management fees (see note 15).

Employee benefit expenses consist of:

	For the year ended December 31,		
In thousands of US dollars	2014	2013	2012
Short term employee benefits (salaries)	$9,268	$6,673	$4,066
Share based compensation (see note 14)	29,726	13,142	3,490
	$38,994	$19,815	$7,556

19. Financial expenses

Financial expenses consist of:

	For the year ended December 31,		
In thousands of U.S. dollars	2014	2013	2012
Interest payable on debt (1)	$15,888	$982	$3,421
Amortization of deferred financing fees (2)	4,834	332	4,093
Commitment fees on undrawn portions of debt	48	1,391	998
Total financial expenses	$20,770	$2,705	$8,512

(1) The increase in interest payable from the year ended December 31, 2013 was primarily driven by an overall increase in the Company's debt balance during the year ended December 31 2014. Total debt outstanding, net of deferred financing fees, was $1.6 billion at December 31, 2014 compared to $167.1 million at December 31, 2013.The decrease in interest payable from the year ended December 31, 2012 was primarily driven by an increase in interest capitalized during the year ended December 31, 2013 which was the result of the significant growth in our Newbuilding Program.

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(2) The increase in amortization of deferred financing fees from the year December 31, 2013 was primarily due to an increase in financing fees incurred on the vessels delivered under our Newbuilding Program in 2014. The amortization of deferred financing fees in the year ended December 31, 2012 includes a $3.0 million charge arising from the amendment of the 2011 Credit Facility to extend its availability period from May 2013 to January 2014.

20. Tax

Scorpio Tankers Inc. and its subsidiaries are incorporated in the Republic of the Marshall Islands, and in accordance with the income tax laws of the Marshall Islands, are not subject to Marshall Islands' income tax. Based upon review of applicable laws and regulations, and after consultation with counsel, we do not believe we are subject to material income taxes in any jurisdiction, including the United States of America. Therefore, we did not have any tax charges, benefits, or balances as of or for the periods ended December 31, 2014, 2013 and 2012.

21. Earnings/loss per share

The calculation of both basic and diluted earnings/loss per share is based on net income/loss attributable to equity holders of the parent and weighted average outstanding shares of:

	For the year ended December 31,		
In thousands of U.S. dollars except for share data	2014	2013	2012
Net income / (loss) attributable to equity holders of the parent	$52,091	$17,015	$(26,537)
Basic weighted average number of shares	171,851,061	146,504,055	41,413,339
Effect of dilutive potential basic shares:			
Restricted stock	4,441,741	1,835,323	—
Diluted weighted average number of shares	176,292,802	148,339,378	41,413,339

The dilutive effect of 4,441,741 and 1,835,323 shares of restricted stock for the years ended December 31, 2014 and 2013 is related to 12,387,327 and 9,653,970 unvested restricted shares, respectively. During the year ended December 31, 2012, we incurred a loss and as a result, the inclusion of potentially dilutive shares in the diluted loss per share calculation would have an antidilutive effect on the loss per share for the period. Therefore, all restricted shares of 1,036,791 for the year ended December 31, 2012 have been excluded from the diluted loss per share calculation for these periods.

Potentially dilutive securities (relating to the conversion of the $360.0 million of Convertible Notes) representing 15,015,451 shares of common stock for the year ended December 31, 2014 were excluded from the computation of diluted earnings per share because their effect would have been antidilutive under the if-converted method. These common shares represent the pro-rated amount of 30,246,624 potential common shares for the year ended December 31, 2014. See Note 11 for further description of the Convertible Notes.

22. Financial instruments

Funding and capital risk management

We manage our funding and capital resources to ensure our ability to continue as a going concern while maximizing the return to the shareholder through optimization of the debt and equity balance.

IFRS 13 requires classifications of fair value measures into Levels 1, 2 and 3. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values and carrying values of the Company's financial instruments at December 31, 2014 and 2013, respectively, are shown in the table below.

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Categories of financial instruments

	As of December 31, 2014		As of December 31, 2013	
In thousands of U.S. dollars	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Cash and cash equivalents[(1)]	$116,143	$116,143	$78,845	$78,845
Loans and receivables [(2)]	78,201	78,201	72,542	72,542
Available for sale investment [(3)]	130,456	130,456	—	—
Financial liabilities				
Accounts payable [(4)]	$14,929	$14,929	$20,696	$20,696
Accrued expenses [(4)]	55,139	55,139	7,251	7,251
Derivatives designated in a cash flow hedge [(5)]	77	77	212	212
Derivatives at fair value through profit or loss [(5)]	128	128	665	665
Secured bank loans [(6)]	1,173,672	1,173,672	167,129	167,129
Unsecured Senior Notes Due 2020 [(7)]	46,591	53,750	N/A	N/A
Unsecured Senior Notes Due 2017 [(7)]	49,577	51,750	N/A	N/A
Convertible Notes [(8)]	347,292	360,000	N/A	N/A

(1) Cash and cash equivalents are considered Level 1 items as they represent liquid assets with short-term maturities.

(2) We consider that the carrying amount of accounts receivable approximate their fair value due to the relative short maturity of these instruments.

(3) The available for sale investment relates to our investment in Dorian. We consider this investment as a Level 1 item as its share price is quoted on an active market under the symbol 'LPG' on the New York Stock Exchange.

(4) We consider that the carrying amount of the accounts payable and accrued expenses approximate the fair value due to the relative short maturity of these instruments.

(5) Derivative financial instruments in 2014 and 2013 consisted of interest rate swaps, recorded at the present value of future cash flows estimated and discounted based on the applicable yield curves which are derived from observable, quoted interest rates to determine the fair value. As such, we classify these liabilities as Level 2 fair value measurements.

(6) The carrying value of our secured bank loans are measured at amortized cost using the effective interest method. We consider that their carrying value approximates fair value. These amounts are shown net of $35.5 million and $2.5 million of unamortized deferred financing fees as of December 31, 2014 and 2013, respectively.

(7) The carrying value of our Unsecured Senior Notes Due 2020 and 2017 are measured at amortized cost using the effective interest method. The carrying values shown in the table are the face value of the notes. These notes have been recorded net of $1.7 million and $1.7 million of unamortized deferred financing fees, respectively, on our consolidated balance sheet. Our Senior Notes Due 2020 and 2017 are quoted on the New York Stock Exchange under the symbols 'SBNA' and 'SBNB', respectively. We consider their fair values to be Level 1 measurements due to their quotation on an active exchange.

(8) The carrying value of our Convertible Notes shown in the table above is their face value. The liability component of the Convertible Notes has been recorded within Long term debt on the consolidated balance sheet, net of $8.3 million of unamortized deferred financing fees. The equity component of the Convertible notes has been recorded within Additional paid in capital on the consolidated balance sheet, net of $1.9 million of deferred financing fees. We

consider their fair value to be a Level 2 measurement.

Financial risk management objectives

We identify and evaluate significant risks on an ongoing basis with the objective of managing the sensitivity of our results and financial position to those risks. These risks include market risk, credit risk, liquidity risk and foreign exchange risk.

The use of financial derivatives is governed by our policies as approved by the board of directors.

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Market risk

Our activities expose us to the financial risks of changes in interest rates.

In the years ended December 31, 2014, 2013, and 2012, we were party to interest rate swaps to mitigate the risk of rising interest rates. In August 2011, we entered into six interest rate swap agreements to manage interest costs and the risk associated with changing interest rates on our 2011 Credit Facility and 2010 Revolving Credit Facility with three different banks.

Details of the amounts recorded in the consolidated statement of income or loss and statement of other comprehensive income in respect of such instruments are provided in Note 12.

Sensitivity analysis - Interest rate risk

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year.

If interest rates had been 1% higher/lower and all other variables were held constant, our net income for the year ended December 31, 2014 would have decreased/increased by $2.5 million. This is mainly attributable to our exposure to interest rate movements on our 2011 Credit Facility, Newbuilding Credit Facility, 2013 Credit Facility, KEXIM Credit Facility and K-Sure Credit Facility.

If interest rates had been 1% higher/lower and all other variables were held constant, our net income for the year ended December 31, 2013 would have decreased/increased by $0.2 million. This is mainly attributable to our exposure to interest rate movements on our 2011 Credit Facility, STI Spirit Credit Facility and Newbuilding Credit Facility.

If interest rates had been 1% higher/lower and all other variables were held constant, our net income for the year ended December 31, 2012 would have decreased/increased by $1.6 million. This is mainly attributable to our exposure to interest rate movements on our 2010 Revolving Credit Facility, 2011 Credit Facility, STI Spirit Credit Facility and Newbuilding Credit Facility.

Credit risk

Credit risk is the potential exposure of loss in the event of non-performance by customers and derivative instrument counterparties.

We only place cash deposits with major banks covered with strong and acceptable credit ratings.

Accounts receivable are generally not collateralized; however, we believe that the credit risk is partially offset by the creditworthiness of our counterparties including the commercial and technical managers. We did not experience material credit losses on our accounts receivables portfolio in the years ended December 31, 2014, 2013, and 2012.

The carrying amount of financial assets recognized in the consolidated financial statements represents the maximum exposure to credit risk without taking account of the value of any collateral obtained. We did not experience any impairment losses on financial assets in the years ended December 31, 2014, 2013, and 2012.

We monitor exposure to credit risk, and believe that there is no substantial credit risk arising from counterparties.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

We manage liquidity risk by maintaining adequate reserves and borrowing facilities and by continuously monitoring forecast and actual cash flows.

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Current economic conditions make forecasting difficult, and there is the possibility that our actual trading performance during the coming year may be materially different from expectations. Based on internal forecasts and projections that take into account reasonably possible changes in our trading performance, we believe that we have adequate financial resources to continue in operation and meet our financial commitments (including but not limited to newbuilding installments, debt service obligations and charterhire commitments) for a period of at least twelve months from the date of approval of these consolidated financial statements. Accordingly, we continue to adopt the going concern basis in preparing our financial statements.

Remaining contractual maturity on secured and unsecured credit facilities (Note 11)

The following table details our remaining contractual maturity for our secured and unsecured credit facilities. The amounts represent the future undiscounted cash flows of the financial liability based on the earliest date on which we can be required to pay. The table includes both interest and principal cash flows and takes into consideration the amount fixed via the interest rate swap discussed above.

As the interest cash flows are not fixed, the interest amount included has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

To be repaid as follows:

	As of December 31,	
In thousands of U.S. dollars	2014	2013
Less than 1 month	$5,001	$—
1-3 months	45,932	5,137
3 months to 1 year	135,909	15,309
1-5 years	1,357,945	124,919
5+ years	434,865	55,135
Total	$1,979,652	$200,500

The following table details our remaining contractual maturity for our interest rate swaps. The amounts represent the future undiscounted cash flows of the financial liability based on the earliest date on which we can be required to pay.

	As of December 31,	
In thousands of U.S. dollars	2014	2013
Less than 1 month	$—	$—
1 - 3 months	125	207
3 months to 1 year	81	484
1 - 5 years	—	190
Total	$206	$881

All other current liabilities fall due within less than one month.

Foreign Exchange Rate Risk

Our primary economic environment is the international shipping market. This market utilizes the U.S. Dollar as its functional currency. Consequently, virtually all of our revenues and the majority of our operating expenses are in U.S. Dollars. However, we incur some of our combined expenses in other currencies, particularly the Euro. The amount and frequency of some of these expenses (such as vessel repairs, supplies and stores) may fluctuate from period to

period. Depreciation in the value of the U.S. dollar relative to other currencies will increase the U.S. dollar cost of us paying such expenses. The portion of our business conducted in other currencies could increase in the future, which could expand our exposure to losses arising from currency fluctuations.

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There is a risk that currency fluctuations will have a negative effect on our cash flows. We have not entered into any hedging contracts to protect against currency fluctuations. However, we have some ability to shift the purchase of goods and services from one country to another and, thus, from one currency to another, on relatively short notice. We may seek to hedge this currency fluctuation risk in the future.

23. Replacement of Auditor

In April 2013, the Board, upon recommendation from our audit committee, appointed PricewaterhouseCoopers Audit as our independent auditor for the fiscal year ending December 31, 2013, replacing Deloitte LLP.

24. Subsequent events

Delivery of Newbuilding Vessels

We took delivery of the following vessels under our Newbuilding Program in January, February and through March 30, 2015.

Name	Month Delivered	Type
STI Tribeca	January 2015	MR
STI Hammersmith	January 2015	Handymax
STI Rotherhithe	January 2015	Handymax
STI Rose	January 2015	LR2
STI Gramercy	January 2015	MR
STI Veneto	January 2015	LR2
STI Alexis	February 2015	LR2
STI Bronx	February 2015	MR
STI Pontiac	March 2015	MR
STI Manhattan	March 2015	MR

As of March 30, 2015, we have 14 vessels under construction, ten vessels are scheduled for delivery for the remainder of 2015 and four vessels throughout 2016. These remaining 14 vessels under construction have an aggregate purchase price of $620.6 million. Of this amount, $137.2 million in cash has been paid and $16.3 million in common stock has been issued, as of that date.

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Debt Drawdowns
We made the following drawdowns from our credit facilities in January, February and March 2015.

Credit facility	Drawdown amount (in millions of U.S. dollars)	Drawdown date	Collateral	
K-Sure Credit Facility	$ 19.9	January 2015	STI Gramercy	
KEXIM Credit Facility	30.3	January 2015	STI Veneto	
2013 Credit Facility	35.4	January 2015	STI Alexis	
K-Sure Credit Facility	19.5	February 2015	STI Bronx	
2013 Credit Facility	19.5	March 2015	STI Pontiac	
K-Sure Credit Facility	19.5	March 2015	STI Manhattan	
K-Sure Credit Facility	30.3	March 2015	STI Winnie	(1)

(1) Amount drawn on March 26, 2015 to finance the delivery of STI Winnie, which is scheduled to be delivered on March 31, 2015.

The debt drawdowns relating to STI Tribeca, STI Hammersmith, STI Rotherhithe and STI Rose occurred in December 2014 to finance the deliveries of these vessels in early January 2015.

Time Chartered-in Vessels

In February 2015, the Company took delivery of a previously announced time chartered-in LR2 tanker that was under construction in South Korea. The vessel is chartered-in for one year at $21,050 per day and the Company also has an option to extend the charter for one year at $22,600 per day.

In February 2015, the Company extended the time charter on an LR2 tanker that is currently time chartered-in. The term of the agreement is for six months at $16,250 per day beginning in March 2015.

In February 2015, the Company extended the time charter on an LR1 tanker that is currently time chartered-in. The term of the agreement is for one year at $16,250 per day beginning in March 2015.

In March 2015, the Company extended the time charter on an MR tanker that is currently time chartered-in. The term of the agreement is for one year at $15,200 per day beginning in May 2015.

Dividend Declaration

In February 2015, the board of directors declared a quarterly cash dividend of $0.12 per share, payable on March 30, 2015 to all shareholders of record as of March 13, 2015.

Convertible Notes due 2019
On March 13, 2015, the conversion rate of our Convertible Notes was adjusted to reflect a cash dividend with respect to our common shares. The new conversion rate for the Convertible Notes was adjusted to 85.2216 of our common shares per $1,000 principal amount of the Convertible Notes, representing an increase of the prior conversion rate of 1.2031 shares for each $1,000 principal amount of the Convertible Notes.

Stock Buyback Program

From January 1, 2015 to March 30, 2015, the Company acquired an aggregate of 746,639 of our common shares that are being held as treasury shares at an average price of $7.91 per share.

The Company has $69.3 million remaining under its stock buyback program as of the date of this report. The Company expects to repurchase these shares in the open market, at times and prices that are considered to be appropriate by the Company, but is not obligated under the terms of the program to repurchase any shares.

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There are 163,827,903 shares outstanding as of the date of this report.

Vessel Sales

Venice was sold in March 2015 for a selling price of $13.0 million and as part of the sale, we repaid $6.1 million into our 2010 Revolving Credit Facility. As a result of this repayment, the availability of this facility is reduced by such amount and the quarterly reduction is reduced to $1.8 million from $2.1 million per quarter.

The Company also reached agreements to sell STI Harmony and STI Heritage for $61.5 million in aggregate. The sales of these vessels are expected to close in April 2015.

Interest Rate Swaps

In March 2015, we terminated the three interest rate swaps under our 2010 Revolving Credit Facility. As a result of this transaction, we will record a write-off of $0.1 million in the first quarter of 2015.

$52.0 Million Loan Facility and $61.2 Million Loan Facility
In March 2015, we received commitments from two European financial institutions for two separate loan facilities of up to $113.2 million in aggregate to partially finance the purchase of four LR2 product tankers from Scorpio Bulkers, a related party, that was agreed to in December 2014.
The first proposed facility is a $52.0 million loan facility that will be used to finance a portion of the purchase price of two LR2 product tankers currently under construction at DHSC with expected deliveries in the first and second quarters of 2016. This loan facility has a final maturity of seven years from the date of signing and bears interest at LIBOR plus a margin of 1.95% per annum.

The second proposed facility is a $61.2 million loan facility that will be used to finance a portion of the purchase price of two LR2 product tankers currently under construction at SSME with expected deliveries in the third and fourth quarters of 2016. This loan facility has a final maturity of five years from the date of delivery of each vessel and bears interest at LIBOR plus a margin ranging between 1.95% and 2.40% per annum (depending on the advance ratio).
These loan facilities are subject to customary conditions precedent and the execution of definitive documentation.
$30.0 Million Term Margin Loan Facility

In March 2015, we entered into a term margin loan facility with Nomura Securities International, Inc., or Nomura for up to $30.0 million. The 9,392,083 shares that we own in Dorian have been pledged as collateral under this facility, and we are subject to certain covenants, including a loan to value ratio based on the amount outstanding and the market value of the shares that are collateral. Interest on the facility is LIBOR plus 4.50% per annum and the facility matures in March 2016, which can be extended to March 2017 at Nomura's option, at which time a balloon payment will be due. The outstanding balance was $30.0 million as of March 30, 2015, and the facility was fully drawn.