Ardmore Shipping Corp
Form 6-K
November 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the nine months ended September 30, 2018

Commission file number 001-36028

ARDMORE SHIPPING CORPORATION

(Exact name of Registrant as specified in its charter)

Belvedere Building,

Ground Floor,

69 Pitts Bay Road,

Pembroke,

HM08,

Bermuda

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40- F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1).

Yes ¨ No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7).

Yes ¨ No x

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached to this Report on Form 6-K are (1) Management's Discussion and Analysis of Financial Condition and Results of Operations and (2) the unaudited condensed interim consolidated financial statements and related notes of Ardmore Shipping Corporation (the "Company"), as at and for the three and nine months ended September 30, 2018 and 2017.

This Report is hereby incorporated by reference into the following registration statements of the Company:

- Registration Statement on Form F-3D (Registration No. 333-203205) filed with the U.S. Securities and Exchange Commission on April 2, 2015;

- Registration Statement on Form F-3 (Registration No. 333-213343) filed with the U.S. Securities and Exchange Commission on August 26, 2016;

- Registration Statement on Form S-8 (Registration No. 333-213344) filed with the U.S. Securities and Exchange Commission on August 26, 2016; and

- Registration Statement on Form F-3 (Registration No. 333-227129) filed with the U.S. Securities and Exchange Commission on August 31, 2018.

FORWARD LOOKING STATEMENTS

Matters discussed in this report may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words “believe”, “anticipate”, “intend”, “estimate”, “forecast”, “plan”, “poten “should”, “may”, “will”, “expect” and similar expressions are among those that identify forward-looking statements.

The forward-looking statements in this report are based upon various assumptions, including, among others, the Company’s examination of historical operating trends, data contained in the Company’s records and other data available from third parties. Although the Company believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond the Company’s control, the Company cannot assure you that it will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors, other important factors that, in the Company’s view, could cause actual results to differ materially from those discussed in the forward-looking statements include: the strength of world economies and currencies; general market conditions, including fluctuations in charter rates and vessel values; changes in demand for and the supply of tanker vessel capacity; changes in the Company’s operating expenses, including bunker prices, drydocking and insurance costs; changes in the projections of spot and time charter or pool trading of the Company’s vessels; fluctuations in oil prices; the market for the Company’s vessels; competition in the tanker industry; availability of financing and refinancing; charter counterparty performance; ability to obtain financing and comply with covenants in such financing arrangements; changes in governmental rules and regulations or actions taken by regulatory authorities; new or revised accounting pronouncements general domestic and international political conditions; potential disruption of shipping routes due to accidents, piracy or political events; vessel breakdowns and instances of off-hires; and other factors. Please see the Company’s filings with the U.S. Securities and Exchange Commission for a more complete discussion of these and other risks and uncertainties. The Company cautions readers of this report not to place undue reliance on these forward-looking statements, which speak only as of their dates. The Company undertakes no obligation to update or revise any forward-looking statements. These forward-looking statements are not guarantees of the Company’s future performance, and actual results and future developments may vary materially from those projected in the forward-looking statements.

SIGNATURES

Pursuant to the requirements 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.

ARDMORE SHIPPING CORPORATION

Date: November 7, 2018 By: /s/ Paul Tivnan
Paul Tivnan
Chief Financial Officer, Treasurer and Secretary

ARDMORE SHIPPING CORPORATION

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes contained in this Report on Form 6-K and with our audited consolidated financial statements contained in "Item 18. Financial Statements" and "Item 5. Operating and Financial Review and Prospects" of our Annual Report on Form 20-F for the year ended December 31, 2017. The unaudited condensed interim consolidated financial statements included in this report have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and are presented in U.S. dollars as at and for the three and nine months ended September 30, 2018 and 2017. Unless the context otherwise requires, the terms "Ardmore," the "Company", "we," "our" and "us" refer to Ardmore Shipping Corporation (NYSE: ASC) and its consolidated subsidiaries.

GENERAL

Ardmore owns and operates a fleet of MR (Medium Range) product and chemical tankers ranging from 25,000 to 50,000 deadweight tonnes (Dwt). Ardmore provides seaborne transportation of petroleum products and chemicals worldwide to oil majors, national oil companies, oil and chemical traders, and chemical companies, with its modern, fuel-efficient fleet of mid-size tankers.

We are strategically focused on modern, fuel-efficient, mid-size product and chemical tankers. We actively pursue opportunities to exploit the overlap we believe exists between the clean petroleum product ("CPP") and chemical sectors in order to enhance earnings, and also seek to engage in more complex CPP trades, such as multi-grade and multi-port loading and discharging operations, where our knowledge of chemical operations is beneficial to our CPP customers.

Our fuel-efficient operations are designed to enhance our investment returns and provide value-added service to our customers. We believe we are at the forefront of fuel efficiency and emissions reduction trends and are well positioned to capitalize on these developments with our fleet of Eco-design and Eco-mod vessels. Our acquisition strategy is to continue to build our fleet with Eco-design newbuildings and modern second-hand vessels that can be upgraded to Eco-mod.

We are an integrated shipping company. The majority of our fleet is technically managed by a combination of Ardmore Shipping Services (Ireland) Limited and Anglo Ardmore Ship Management Limited, a joint venture entity that is 50% owned by us, and we also retain a third-party technical manager for some of our vessels. We have a resolute focus on both high-quality service and efficient operations, and we believe that our corporate overhead and operating expenses are among the lowest of our peers.

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

As of September 30, 2018, our fleet consisted of 28 vessels, which are reflected in the following table:

Vessel Name	Type	Dwt Tonnes	IMO	Built	Country	Flag	Specification
Ardmore Seavaliant	Product/Chemical	49,998	2/3	Feb-13	Korea	MI	Eco-design
Ardmore Seaventure	Product/Chemical	49,998	2/3	Jun-13	Korea	MI	Eco-design
Ardmore Seavantage	Product/Chemical	49,997	2/3	Jan-14	Korea	MI	Eco-design
Ardmore Seavanguard	Product/Chemical	49,998	2/3	Feb-14	Korea	MI	Eco-design
Ardmore Sealion	Product/Chemical	49,999	2/3	May-15	Korea	MI	Eco-design
Ardmore Seafox	Product/Chemical	49,999	2/3	Jun-15	Korea	MI	Eco-design
Ardmore Seawolf	Product/Chemical	49,999	2/3	Aug-15	Korea	MI	Eco-design
Ardmore Seahawk	Product/Chemical	49,999	2/3	Nov-15	Korea	MI	Eco-design
Ardmore Endeavour	Product/Chemical	49,997	2/3	Jul-13	Korea	MI	Eco-design
Ardmore Enterprise	Product/Chemical	49,453	2/3	Sep-13	Korea	MI	Eco-design
Ardmore Endurance	Product/Chemical	49,466	2/3	Dec-13	Korea	MI	Eco-design
Ardmore Encounter	Product/Chemical	49,478	2/3	Jan-14	Korea	MI	Eco-design
Ardmore Explorer	Product/Chemical	49,494	2/3	Jan-14	Korea	MI	Eco-design
Ardmore Exporter	Product/Chemical	49,466	2/3	Feb-14	Korea	MI	Eco-design
Ardmore Engineer	Product/Chemical	49,420	2/3	Mar-14	Korea	MI	Eco-design
Ardmore Seafarer	Product/Chemical	45,744	3	Aug-04	Japan	MI	Eco-mod
Ardmore Seatrader	Product	47,141	—	Dec-02	Japan	MI	Eco-mod
Ardmore Seamaster	Product/Chemical	45,840	3	Sep-04	Japan	MI	Eco-mod
Ardmore Seamariner	Product/Chemical	45,726	3	Oct-06	Japan	MI	Eco-mod
Ardmore Sealancer	Product	47,451	—	Jun-08	Japan	MI	Eco-mod
Ardmore Sealeader	Product	47,463	—	Aug-08	Japan	MI	Eco-mod
Ardmore Sealifter	Product	47,472	—	Jul-08	Japan	MI	Eco-mod
Ardmore Dauntless	Product/Chemical	37,764	2	Feb-15	Korea	MI	Eco-design
Ardmore Defender	Product/Chemical	37,791	2	Feb-15	Korea	MI	Eco-design
Ardmore Cherokee	Product/Chemical	25,215	2	Jan-15	Japan	MI	Eco-design
Ardmore Cheyenne	Product/Chemical	25,217	2	Mar-15	Japan	MI	Eco-design
Ardmore Chinook	Product/Chemical	25,217	2	Jul-15	Japan	MI	Eco-design
Ardmore Chippewa	Product/Chemical	25,217	2	Nov-15	Japan	MI	Eco-design
Total	28	1,250,019					

SIGNIFICANT DEVELOPMENTS

On October 25, 2018, two of Ardmore's subsidiaries signed agreements for the sale and leaseback (under a finance lease arrangement) of the *Ardmore Dauntless* and *Ardmore Defender*, two 2015 built 37,000 Dwt Eco-design IMO 2 product / chemical tankers, with Ocean Yield ASA ("Ocean Yield"). The lease agreements are for a period of 12 years and the Company has options to repurchase each vessel at various stages prior to maturity. The other terms and conditions of the lease arrangement are generally in line with Ardmore's existing debt facilities.

Additionally, two of Ardmore's other subsidiaries signed agreements for the sale and leaseback (under a finance lease arrangement) of the *Ardmore Explorer* and *Ardmore Encounter*, two 2014 built 50,000 Dwt Eco-design MR tankers, with a top tier Asian Financier. The lease agreements are for a period of seven years and the Company has options to repurchase each vessel at various stages prior to maturity. The other terms and conditions of the lease arrangements are generally in line with Ardmore's existing debt facilities.

The total net cash proceeds to the Company of these transactions, net of fees and prepayment of senior debt secured by the vessels, were $19.7 million.

RESULTS OF OPERATIONS

Factors You Should Consider When Evaluating Our Results

There are a number of factors that should be considered when evaluating our historical financial performance and assessing our future prospects and we use a variety of financial and operational terms and concepts when analyzing our results of operations. Please read "Item 5. Operating and Financial Review and Prospects" in our Annual Report on Form 20-F for the year ended December 31, 2017 for additional information.

In accordance with U.S. GAAP, we report gross revenues in our income statement and include voyage operating expenses among our operating expenses. Ship-owners base economic decisions regarding the deployment of their vessels upon actual and anticipated time charter equivalent, or TCE rates, (which represent net revenues divided by revenue days) and industry analysts typically measure rates in terms of TCE rates. This is because under time charters and pooling arrangements the customer typically pays the voyage operating expenses, while under voyage charters, also known as spot market charters, the shipowner usually pays the voyage operating expenses. As a result, for vessels employed directly in the spot market, revenue is recognized on a gross freight basis, while under time chartering and pool arrangements, the charterer typically pays voyage operating expenses and revenue is recognized on a net basis. To normalize these differences, the discussion of revenue below focuses on TCE rates where applicable. Net revenues, a non-U.S. GAAP financial measure, represents revenues less commission and voyage related expenses. Commission and voyage related expenses, are all expenses unique to a particular voyage, including any bunker fuel expenses, port fees, cargo loading and unloading expenses, canal tolls, agency fees and commissions.

Statement of Operations for the Three Months Ended September 30, 2018 and September 30, 2017

The following table presents our operating results for the three months ended September 30, 2018 and September 30, 2017.

INCOME STATEMENT DATA	Three months ended			
	Sep 30, 2018	Sep 30, 2017	Variance	Variance (%)
REVENUE				
Revenue	$48,923,231	$48,652,951	$270,280	1 %
OPERATING EXPENSES				
Commissions and voyage related costs	24,360,806	18,299,117	(6,061,689)	(33)%
Vessel operating expenses	16,255,279	16,330,356	75,077	1 %
Depreciation	8,910,486	8,638,739	(271,747)	(3)%
Amortization of deferred drydock expenditure	943,926	771,037	(172,889)	(22)%
General and administrative expenses				
Corporate	3,432,622	3,244,179	(188,443)	(6)%
Commercial and chartering	1,012,236	703,583	(308,653)	(44)%
Total operating expenses	54,915,355	47,987,011	(6,928,344)	(14)%
(Loss) / profit from operations	(5,992,124)	665,940	(6,658,064)	(1,000)%
Interest expense and finance costs	(6,317,760)	(5,425,243)	(892,517)	(16)%
Interest income	144,760	136,198	8,562	6 %
Loss before taxes	(12,165,124)	(4,623,105)	(7,542,019)	(163)%
Income tax	(60,197)	(16,500)	(43,697)	(265)%
Net loss	$(12,225,321)	$(4,639,605)	$(7,585,716)	(163)%

Revenue. Revenue for the three months ended September 30, 2018 was $48.9 million, an increase of $0.2 million from $48.7 million for the three months ended September 30, 2017.

The Company's average number of owned vessels increased to 28 for the three months ended September 30, 2018 from 27 for the three months ended September 30, 2017, resulting in revenue days of 2,471 for the three months ended September 30, 2018 as compared to 2,467 for the three months ended September 30, 2017.

The Company had 28 and 19 vessels employed directly in the spot market as at September 30, 2018 and September 30, 2017, respectively. For spot chartering arrangements, the Company had 2,288 revenue days for the three months ended September 30, 2018 as compared to 1,731 for the three months ended September 30, 2017. This increase in revenue days derived from spot chartering arrangements resulted in an increase in revenue of $12.5 million, while changes in spot rates resulted in a decrease in revenue of $4.1 million.

The Company had zero and eight vessels employed under pool arrangements as at September 30, 2018 and September 30, 2017, respectively. Revenue days derived from pool arrangements were 183 for the three months ended September 30, 2018, as compared to 736 for the three months ended September 30, 2017. The decrease in revenue days in pool arrangements resulted in a decrease in revenue of $7.2 million for the three months ended September 30, 2018, while changes in market conditions for the three months ended September 30, 2018 compared to the three months ended September 30, 2017 resulted in an additional decrease in revenue from pool arrangements of $1.0 million.

For vessels employed directly in the spot market, the Company typically pays all voyage expenses and revenue is recognized on a gross freight basis, while under pool arrangements, the charterer typically pays voyage expenses and revenue is recognized on a net basis.

Commissions and Voyage Related Costs. Commissions and voyage related costs were $24.4 million for the three months ended September 30, 2018, an increase of $6.1 million from $18.3 million for the three months ended September 30, 2017. Commissions and voyage related costs increased due to the increased number of revenue days derived from spot charter arrangements for the three months ended September 30, 2018.

Total revenue days increased to 2,471 for the three months ended September 30, 2018 as compared to 2,467 for the three months ended September 30, 2017. For spot chartering arrangements, we had 2,288 revenue days for the three months ended September 30, 2018, as compared to 1,731 for the three months ended September 30, 2017.

TCE Rate. The average TCE rate for our fleet was $10,261 per day for the three months ended September 30, 2018, a decrease of $2,115 per day from $12,376 per day for the three months ended September 30, 2017. The decrease in average TCE rate was primarily the result of lower spot rates for the three months ended September 30, 2018.

Vessel Operating Expenses. Vessel operating expenses were $16.3 million for the three months ended September 30, 2018, consistent with $16.3 million for the three months ended September 30, 2017. Fleet operating costs per day, including technical management fees, were $6,176 for the three months ended September 30, 2018 as compared to $6,538 for the three months ended September 30, 2017.

Depreciation. Depreciation expense for the three months ended September 30, 2018 was $8.9 million, an increase of $0.3 million from $8.6 million for the three months ended September 30, 2017. This increase is primarily due to an increase in the average number of owned vessels to 28.0 for the three months ended September 30, 2018, from 27.0 for the three months ended September 30, 2017.

Amortization of Deferred Drydock Expenditure. Amortization of deferred drydock expenditure for the three months ended September 30, 2018 was $0.9 million, an increase of $0.1 million from $0.8 million for the three months ended September 30, 2017. The capitalized costs of drydockings for a given vessel are amortized on a straight-line basis to the next scheduled drydocking of the vessel.

General and Administrative Expenses: Corporate. Corporate-related general and administrative expenses for the three months ended September 30, 2018 were $3.4 million, an increase of $0.2 million from $3.2 million for the three months ended September 30, 2017. The increase is primarily due to the issuance of new stock appreciation awards in the second quarter of 2018.

General and Administrative Expenses: Commercial and Chartering. Commercial and chartering expenses are the expenses attributable to the Company's chartering and commercial operations departments in connection with the Company's spot trading activities. Commercial and chartering expenses for the three months ended September 30, 2018 were $1.0 million, an increase of $0.3 million from $0.7 million for the three months ended September 30, 2017 as a result of the increased number of vessels trading directly in the spot market by the Company's chartering and commercial operations departments.

Interest Expense and Finance Costs. Interest expense and finance costs include loan interest, finance lease interest, and amortization of deferred finance fees. Interest expense and finance costs for the three months ended September 30, 2018 were $6.3 million, as compared to $5.4 million for the three months ended September 30, 2017. Cash interest expense increased by $0.9 million to $5.7 million for the three months ended September 30, 2018, from $4.8 million for the three months ended September 30, 2017. These increases in interest expense and finance costs are attributable to an increased average LIBOR during the three months ended September 30, 2018, compared to the three months ended September 30, 2017 as well as a change in our debt structure due to new finance leases entered into during 2018. Amortization of deferred finance fees for the three months ended September 30, 2018 was $0.6 million, consistent with $0.6 million for the three months ended September 30, 2017.

Statement of Operations for the Nine Months Ended September 30, 2018 and September 30, 2017

The following table presents our operating results for the nine months ended September 30, 2018 and September 30, 2017.

INCOME STATEMENT DATA	Nine months ended			
	Sep 30, 2018	Sep 30, 2017	Variance	Variance (%)
REVENUE				
Revenue	$151,758,162	$148,168,757	$3,589,405	2 %
OPERATING EXPENSES				
Commissions and voyage related costs	68,048,930	55,199,927	(12,849,003)	(23)%
Vessel operating expenses	49,667,147	46,786,299	(2,880,848)	(6)%
Depreciation	26,343,052	25,625,382	(717,670)	(3)%
Amortization of deferred drydock expenditure	2,595,076	1,971,213	(623,863)	(32)%
General and administrative expenses				
Corporate	10,098,644	9,484,195	(614,449)	(6)%
Commercial and chartering	2,594,364	2,012,334	(582,030)	(29)%
Total operating expenses	159,347,213	141,079,350	(18,267,863)	(13)%
(Loss) / profit from operations	(7,589,051)	7,089,407	(14,678,458)	(207)%
Interest expense and finance costs	(18,659,848)	(16,029,527)	(2,630,321)	(16)%
Interest income	411,749	327,016	84,733	26 %
Loss before taxes	(25,837,150)	(8,613,104)	(17,224,046)	(200)%
Income tax	(137,923)	(47,839)	(90,084)	(188)%
Net loss	$(25,975,073)	$(8,660,943)	$(17,314,130)	(200)%

Revenue. Revenue for the nine months ended September 30, 2018 was $151.8 million, an increase of $3.6 million from $148.2 million for the nine months ended September 30, 2017.

The Company’s average number of owned vessels increased to 28 for the nine months ended September 30, 2018 from 27 for the nine months ended September 30, 2017, resulting in revenue days of 7,392 for the nine months ended September 30, 2018 as compared to 7,303 for the nine months ended September 30, 2017.

The Company had 28 and 19 vessels employed directly in the spot market as at September 30, 2018 and September 30, 2017, respectively. For spot chartering arrangements, the Company had 6,213 revenue days for the nine months ended September 30, 2018 as compared to 4,987 for the nine months ended September 30, 2017. This increase in revenue days derived from spot chartering arrangements resulted in an increase in revenue of $28.9 million, while changes in spot rates resulted in a decrease in revenue of $8.7 million.

The Company had zero and eight vessels employed under pool arrangements as at September 30, 2018 and September 30, 2017, respectively. Revenue days derived from pool arrangements were 1,179 for the nine months ended September 30, 2018, as compared to 2,315 for the nine months ended September 30, 2017. The decrease in revenue days in pool arrangements resulted in a decrease in revenue of $15.0 million for the nine months ended September 30, 2018, while changes in market conditions for the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017, resulted in an additional decrease in revenue from pool arrangements of $1.6 million.

For vessels employed directly in the spot market, the Company typically pays all voyage expenses and revenue is recognized on a gross freight basis, while under pool arrangements, the charterer typically pays voyage expenses, and revenue is recognized on a net basis.

Commissions and Voyage Related Costs. Commissions and voyage related costs were $68.0 million for the nine months ended September 30, 2018, an increase of $12.8 million from $55.2 million for the nine months ended September 30, 2017. Commissions and voyage related costs increased due to the increased number of revenue days derived from spot charter arrangements for the nine months ended September 30, 2018.

Total revenue days increased to 7,392 for the nine months ended September 30, 2018 as compared to 7,303 for the nine months ended September 30, 2017. For spot chartering arrangements, we had 6,213 revenue days for the nine months ended September 30, 2018 as compared to 4,987 for the nine months ended September 30, 2017.

TCE Rate. The average TCE rate for our fleet was $11,816 per day for the nine months ended September 30, 2018, a decrease of $935 per day from $12,751 per day for the nine months ended September 30, 2017. The decrease in average TCE rate was primarily the result of lower spot rates for the nine months ended September 30, 2018.

Vessel Operating Expenses. Vessel operating expenses were $49.7 million for the nine months ended September 30, 2018, an increase of $2.9 million from $46.8 million for the nine months ended September 30, 2017. This increase is due to an increase in the number of vessels in operation for the nine months ended September 30, 2018, increased crewing costs due to differing crewing locations, and the timing of vessel operating expenses between quarters. Fleet operating costs per day, including technical management fees, were $6,426 for the nine months ended September 30, 2018 as compared to $6,308 for the nine months ended September 30, 2017.

Depreciation. Depreciation expense for the nine months ended September 30, 2018 was $26.3 million, an increase of $0.7 million from $25.6 million for the nine months ended September 30, 2017. This increase is primarily due to an increase in the average number of owned vessels to 28.0 for the nine months ended September 30, 2018, from 27.0 for the nine months ended September 30, 2017.

Amortization of Deferred Drydock Expenditure. Amortization of deferred drydock expenditure for the nine months ended September 30, 2018 was $2.6 million, an increase of $0.6 million from $2.0 million for the nine months ended September 30, 2017. The capitalized costs of drydockings for a given vessel are amortized on a straight-line basis to the next scheduled drydocking of the vessel.

General and Administrative Expenses: Corporate. Corporate-related general and administrative expenses for the nine months ended September 30, 2018 were $10.1 million, an increase of $0.6 million from $9.5 million for the nine months ended September 30, 2017. The increase is primarily due to the issuance of new stock appreciation awards in the second quarter of 2018.

General and Administrative Expenses: Commercial and Chartering. Commercial and chartering expenses are the expenses attributable to our chartering and commercial operations departments in connection with our spot trading activities. Commercial and chartering expenses for the nine months ended September 30, 2018 were $2.6 million, an increase of $0.6 million from $2.0 million for the nine months ended September 30, 2017 as a result of the increased number of vessels trading directly in the spot market by the Company’s chartering and commercial operations departments.

Interest Expense and Finance Costs. Interest expense and finance costs include loan interest, finance lease interest, and amortization of deferred finance fees. Interest expense and finance costs for the nine months ended September 30, 2018 were $18.7 million, as compared to $16.0 million for the nine months ended September 30, 2017. Cash interest expense increased by $2.8 million to $16.4 million for the nine months ended September 30, 2018, from $13.6 million for the nine months ended September 30, 2017. These increases in interest expense and finance costs are attributable to an increased average LIBOR during the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 as well as a change in our debt structure due to new finance leases entered into during 2018. Amortization of deferred finance fees for the nine months ended September 30, 2018 was $2.3 million, a decrease of $0.1 million from $2.4 million for the nine months ended September 30, 2017. Included in the amortization of deferred finance fees for the nine months ended September 30, 2018, is the write-off of deferred finance fees in relation to sale and leaseback transactions of $0.4 million.

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash and cash equivalents, cash flows provided by our operations, our undrawn credit facilities and capital raised through financing transactions. As at September 30, 2018, our total cash and cash equivalents were $33.3 million, a decrease of $6.2 million from $39.5 million as at December 31, 2017. We believe that our working capital, together with expected cash flows from operations and availability under credit facilities, will be sufficient for our present requirements.

Our short-term liquidity requirements include the payment of operating expenses, drydocking expenditures, debt servicing costs, any dividends on our shares of common stock, scheduled repayments of long-term debt, as well as funding our other working capital requirements. Our short-term spot charters, including our participation in spot charter pooling arrangements, contribute to the volatility of our net operating cash flow, and thus our ability to generate sufficient cash flows to meet our short-term liquidity needs. Historically, the tanker industry has been cyclical, experiencing volatility in profitability and asset values resulting from changes in the supply of, and demand for, vessel capacity. In addition, tanker spot markets historically have exhibited seasonal variations in charter rates. Tanker spot markets are typically stronger in the winter months as a result of increased oil consumption in the northern hemisphere and unpredictable weather patterns that tend to disrupt vessel scheduling. Spot charters preserve flexibility to take advantage of increasing rate environments, but also expose the ship-owner to decreasing rate environments.

Our long-term capital needs are primarily for capital expenditures and debt repayment. Generally, we expect that our long-term sources of funds will be cash balances, long-term bank borrowings, finance leases and other debt or equity financings. We expect that we will rely upon these financing sources, to fund acquisitions and expansion capital expenditures.

Our credit facilities and finance leases are described in Notes 2 (“Debt”) and 3 (“Finance Leases”), respectively, to our condensed interim consolidated financial statements included in this Report on Form 6-K. Our financing facilities contain covenants and other restrictions we believe are typical of debt financing collateralized by vessels, including among others covenants that restrict the relevant subsidiaries from incurring or guaranteeing additional indebtedness, granting certain liens, and selling, transferring, assigning or conveying assets. Our financing facilities do not impose a restriction on dividends, distributions, or returns of capital unless an event of default has occurred, is continuing or will result from such payment. Our financing facilities require us to maintain various financial covenants. Should we not meet these financial covenants or other covenants, the lenders may declare our obligations under the applicable agreements immediately due and payable, and terminate any further loan commitments, which would significantly affect our short-term liquidity requirements. As at September 30, 2018, we were in compliance with all covenants relating to our financing facilities.

CASH FLOW DATA

Cash Flow Data for the Three and Nine Months Ended September 30, 2018 and September 30, 2017

CASH FLOW DATA	Three months ended		Nine months ended	
	Sep 30, 2018	Sep 30, 2017	Sep 30, 2018	Sep 30, 2017
Net cash (used in) / provided by operating activities	$(2,409,166)	$ 2,236,518	$7,472,914	$ 11,959,149
Net cash used in investing activities	(1,340,227)	(167,777)		