NAVIGATOR HOLDINGS LTD

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2012

Navigator Holdings Ltd

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REPORT OF INDEPENDENT AUDITOR

To the Board of Directors and Stockholders
of Navigator Holdings Ltd.

We have audited the accompanying consolidated financial statements of Navigator Holdings Ltd. which comprise the consolidated balance sheets as of December 31, 2012, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 2012 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Navigator Holdings Ltd. as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of Navigator Holdings Ltd. as of December 31, 2011 and for the year then ended, were audited by other auditors whose report dated March 1, 2012, expressed an unmodified opinion on those statements.

Grassi & Co, CPAs, P.C.

GRASSI & CO., CPAs, P.C.

New York, New York
March 12, 2013

Navigator Holdings Ltd

Consolidated Balance Sheets

		December 31, 2012		December 31, 2011
Assets				
Current assets				
Cash and cash equivalents	$	140,870,317	$	26,734,435
Short term investments		10,000,000		-
Accounts receivable, net		3,873,849		1,303,445
Prepaid expenses and other current assets		11,809,203		5,427,643
Inventories		4,821,346		4,448,830
Total current assets		171,374,715		37,914,353
Vessels in operation, net		586,660,699		455,268,366
Deposit on vessel acquisitions		47,000,000		-
Vessels under construction		20,110,888		30,183,159
Property, plant and equipment, net		497,362		202,881
Deferred finance costs, net		6,610,820		1,224,375
Total assets	$	832,254,484	$	524,793,134
Liabilities and stockholders' equity				
Current liabilities				
Current portion of long-term debt	$	26,842,508	$	14,827,696
Accounts payable		7,943,797		4,351,463
Accrued expenses and other liabilities		5,368,092		2,087,847
Deferred income		2,883,352		1,968,225
Total current liabilities		43,037,749		23,235,231
Non-current liabilities				
Long-term debt, net of current portion		216,393,245		129,529,712
9% Senior unsecured bond issue		125,000,000		-
Total non-current liabilities		341,393,245		129,529,712
Commitments and contingencies				
Stockholders' equity				
Common stock – $.01 par value; 20,000,000 shares authorized; 12,898,216 shares issued and outstanding, (2011: 10,996,450)		128,982		109,965
Additional paid-in capital		352,636,997		305,009,507
Accumulated other comprehensive loss		(114,507)		(146,673)
Retained earnings		95,172,018		67,055,392
Total stockholders' equity		447,823,490		372,028,191
Total liabilities and stockholders' equity	$	832,254,484	$	524,793,134

See accompanying notes to consolidated financial statements.

Navigator Holdings Ltd

Consolidated Statements of Income

	Year ended December 31, 2012	Year ended December 31, 2011
Revenues		
Operating revenue	$ 146,716,403	$ 88,874,595
Expenses		
Address and brokerage commissions	4,233,794	2,664,461
Voyage expenses	27,790,816	17,660,991
Charter in costs	11,287,831	343,710
Vessel operating expenses	32,826,651	22,938,934
Depreciation and amortization	24,179,633	18,677,574
General and administrative costs	5,273,540	4,232,103
Other corporate expenses	1,401,808	1,165,838
	106,994,073	67,683,611
Operating income	39,722,330	21,190,984
Other income/(expense)		
Interest expense	(8,735,952)	(2,442,182)
Interest income	64,590	8,978
Income before income taxes	31,050,968	18,757,780
Income taxes	(515,123)	(107,501)
Net income	$ 30,535,845	$ 18,650,279
Earnings per share:		
Basic and diluted	$ 2.46	$ 1.79
Weighted average number of shares outstanding:		
Basic and diluted	12,431,654	10,398,581

See accompanying notes to consolidated financial statements.

Navigator Holdings Ltd

Consolidated Statements of Comprehensive Income

	Year ended December 31, 2012	Year ended December 31, 2011
Net income	$ 30,535,845	$ 18,650,279
Other Comprehensive Income/(Loss):		
Foreign currency translation gain / (loss)	32,166	(8,152)
Total Comprehensive Income	$ 30,568,011	$ 18,642,127

Consolidated Statements of Stockholders' Equity

	Common Stock at 0.01 par value	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
January 1, 2011	$ 103,510	$ 288,905,478	$ (138,521)	$ 58,045,449	$ 346,915,916
Issuance of common stock	6,250	15,262,200	-	-	15,268,450
Restricted shares issued March 31, 2011	53	-	-	-	53
Restricted shares issued April 10, 2011	152	-	-	-	152
Net income	-	-	-	18,650,279	18,650,279
Dividends paid	-	-	-	(9,640,336)	(9,640,336)
Foreign currency translation	-	-	(8,152)	-	(8,152)
Share-based compensation plan	-	841,829	-	-	841,829
December 31, 2011	109,965	305,009,507	(146,673)	67,055,392	372,028,191
Issuance of common stock	18,750	46,830,997	-	-	46,849,747
Restricted shares issued February 22, 2012	167	-	-	-	167
Restricted shares issued April 24, 2012	100	-	-	-	100
Net income	-	-	-	30,535,845	30,535,845
Dividends paid	-	-	-	(2,419,219)	(2,419,219)
Foreign currency translation	-	-	32,166	-	32,166
Share-based compensation plan	-	796,493	-	-	796,493
December 31, 2012	$ 128,982	$ 352,636,997	$ (114,507)	$ 95,172,018	$ 447,823,490

See accompanying notes to consolidated financial statements.

Navigator Holdings Ltd

Consolidated Statements of Cash Flows

	Year ended December 31, 2012	Year ended December 31, 2011
Cash flows from operating activities		
Net income	$ 30,535,845	$ 18,650,279
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	24,179,633	18,667,574
Share based compensation	796,760	842,034
Amortization of deferred financing costs	959,210	275,625
Unrealized foreign exchange	27,489	(11,031)
Changes in operating assets and liabilities		
Accounts receivable	(2,570,404)	2,115,829
Inventories	(372,516)	(855,116)
Prepaid expenses and other current assets	(6,381,560)	2,761,269
Accounts payable and other liabilities	7,787,706	2,532,954
Net cash provided by operating activities	54,962,163	44,989,417
Cash flows from investing activities		
Payment to acquire vessels	(147,454,659)	-
Payment for vessels under construction	(44,931,101)	(85,526,666)
Payment of dry docking costs	-	(6,780)
Purchase of other property, plant and equipment	(403,739)	(50,170)
Placement of short-term investments	(10,000,000)	-
Net cash used in investing activities	(202,789,499)	(85,583,616)
Cash flows from financing activities		
Proceeds from long-term debt	206,528,261	52,571,739
Direct financing costs of long-term debt	(2,700,000)	-
Repayment of long-term debt	(107,649,916)	(7,114,331)
Proceeds from 9% bond issue	125,000,000	-
Issuance costs of 9% bond issue	(3,645,655)	-
Proceeds from issuance of stock	46,875,000	15,268,450
Issuance costs of stock	(25,253)	-
Dividends paid	(2,419,219)	(9,640,336)
Net cash provided by financing activities	261,963,218	51,085,522
Net increase in cash and cash equivalents	114,135,882	10,491,323
Cash and cash equivalents at beginning of year	26,734,435	16,243,112
Cash and cash equivalents at end of year	$ 140,870,317	$ 26,734,435
Supplemental Information		
Total interest paid during the year	$ 6,322,658	$ 2,093,833
Total tax paid during the year	$ 165,105	$ 73,361

See accompanying notes to consolidated financial statements.

Navigator Holdings Ltd

Notes to the Consolidated Financial Statements

December 31, 2012 and 2011

1. Description of Business

Navigator Holdings Ltd, ("the Company") the ultimate parent company of the Navigator Group of companies, is registered in the Republic of the Marshall Islands. The Company has a business of owning and operating a fleet of gas carriers. At December 31, 2012, the Company owned and operated twelve gas carriers, (the "Vessels") having a cargo capacity of between 20,600 cbm and 22,100 cbm, all of which are semi-refrigerated and of those, five are capable of transporting ethylene.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. (See Note 7) All intercompany accounts and transactions have been eliminated in consolidation.

(b) Vessels in Operation

The cost of the vessels (excluding the estimated initial dry-docking cost) less their estimated residual value is depreciated on a straight-line basis over the vessel's estimated economic life. Management estimates the useful life of each of the Company's vessels to be 30 years from the date of its original construction.

(c) Vessels Under Construction

Vessels under construction are stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

(d) Impairment of Vessels

The Company reviews the carrying value of its vessels for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets.

(e) Dry Docking Costs

Each vessel is required to be dry-docked every 30 to 60 months for classification society surveys and inspections of, among other things, the underwater parts of the vessel. These works include, but are not limited to hull coatings, seawater valves, steelworks and piping works, propeller servicing, anchor chain winch calibrations, all of which cannot be performed while the vessels are operating. The Company capitalizes costs associated with the dry-dockings in accordance with ASC Topic 360 "Fixed Assets" and amortizes these costs on a straight-line basis over the period to the next expected dry-docking. Amortization of dry-docking costs is included in depreciation and amortization in the Statement of Income. Costs incurred during the dry-docking period which relate to routine repairs and maintenance are expensed.

Navigator Holdings Ltd

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012 and 2011

2. **Summary of Significant Accounting Policies *(Continued)***

(f) Cash and Cash Equivalents

The Company considers highly liquid investments, such as time deposits and certificates of deposit, with an original maturity of three months or less when purchased, to be cash equivalents. The Company has cash in a U.S. financial institution which is insured by the Federal Deposit Insurance Corporation ("FDIC") for up to $250,000. At December 31, 2012 and throughout 2012 and 2011, the Company had balances in this financial institution in excess of the insured amount. The Company also maintains cash balances in foreign financial institutions which are not covered by the FDIC.

(g) Short-Term Investments

Short-term investments represent funds deposited on the money markets with an original maturity of more than three months when purchased. The Company records its short-term investments in accordance with the accounting standards for investments and fair value measurements. Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or a liability. The fair value accounting standard establishes a three tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company's short-term investments are classified within Level 1 of the fair value hierarchy.

(h) Accounts Receivable

The Company carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs, collections and current credit conditions. The Company does not generally charge interest on past-due accounts (unless the accounts are subject to legal action), and accounts are written off as uncollectible when all reasonable collection efforts have failed. Accounts are deemed past-due based on contractual terms.

(i) Inventories

Inventories include bunkers (fuel), for those vessels under voyage charter, and lubricants. Under a time charter, the cost of bunkers is borne by and remains the property of the charterer. Inventories are accounted for on a first in, first out basis and are valued at the lower of cost and market value.

2. Summary of Significant Accounting Policies *(Continued)*

(j) Deferred Finance Costs

Costs incurred in connection with obtaining long-term debt are recorded as deferred financing costs and are amortized to interest expense over the estimated duration of the related debt on a straight-line basis. Such costs include fees paid to the lenders or on the lenders' behalf and associated legal and other professional fees.

(k) Deferred Income

Deferred income is the balance of unearned revenues received and represents that portion received under a time charter or voyage charter arrangement as of the balance sheet date for revenue applicable to a period of time subsequent to the balance sheet date.

(l) Revenue Recognition

The Company employs its vessels on time charters or voyage charters. With time charters, the Company receives a fixed charter hire per on-hire day and revenue is recognized on an accrual basis and is recorded over the term of the charter as service is provided. In the case of voyage charters, the vessel is contracted for a voyage between two or several ports and the Company is paid for the cargo transported. Voyage charter revenue is recorded based on the percentage of service completed at the balance sheet date. A voyage is deemed to commence when a vessel is available for loading at the load port and is deemed to end upon the completion of the discharge of the current cargo.

(m) Other Comprehensive Income/(Loss)

The Company follows the provisions of ASC Topic 220 "Comprehensive Income", which requires separate presentation of certain transactions, which are recorded directly as components of stockholders' equity. Comprehensive income is comprised of net income and foreign currency translation gains and losses.

(n) Voyage Expenses and Vessel Operating Expenses

When the Company employs its vessels on time charter, it is responsible for all the operating expenses of the vessels, such as crew costs, stores, insurance, repairs and maintenance. In the case of voyage charters, the vessel is contracted only for a voyage between two or several ports and the Company pays for all voyage expenses in addition to the vessel operating expenses. Voyage expenses consist mainly of in port expenses and bunker (fuel) consumption and are recognized as incurred.

(o) Repairs and Maintenance

All expenditures relating to routine maintenance and repairs are expensed when incurred.

Navigator Holdings Ltd

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012 and 2011

2. **Summary of Significant Accounting Policies *(Continued)***

(p) Insurance

The Company maintains hull and machinery insurance, war risk insurance, protection and indemnity insurance coverage, increased value insurance, demurrage and defense insurance coverage in amounts considered prudent to cover normal risks in the ordinary course of its operations. Premiums paid in advance to insurance companies are recognized as prepaid expenses and expensed over the period covered by the insurance contract.

(q) Share-Based Compensation

The Company accounts for share-based compensation in accordance with ASC Topic 718 "Compensation-Stock Compensation", which requires the Company to record as an expense in its financial statements the fair value of all stock-based compensation awards. The terms and vesting schedules for share-based awards vary by type of grant. Generally, the awards vest based on time-based (immediate to five years) and/or performance-based conditions. Compensation expense is recognized ratably over the service period.

(r) Accounting Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(s) Foreign Currency Transactions

Substantially all of the Company's cash receipts are in U.S. Dollars. The Company's disbursements, however, are in the currency invoiced by the supplier. The Company remits funds in the various currencies invoiced. The non U.S. Dollar invoices received and their subsequent payments are converted into U.S. Dollars when the transactions occur. The movement in exchange rates between these two dates is transferred to an exchange difference account and is expensed each month. The exchange risk resulting from these transactions is not expected to be material.

(t) Income Taxes

Navigator Holdings Ltd and its Marshall Islands subsidiaries are not subject to taxation in the Republic of the Marshall Islands.

The Company has two subsidiaries incorporated in the United Kingdom where the base tax rate is 24.5%. One subsidiary earns management and other fees from fellow subsidiary companies, and for the year ended December 31, 2012, the estimated tax charge is $193,554 (2011: $107,501). The second subsidiary earned no income during 2012.

Navigator Holdings Ltd

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012 and 2011

2. **Summary of Significant Accounting Policies *(Continued)***

(t) Income Taxes *(continued)*

The Company considered the income tax disclosure requirements of ASC Topic 740 “Income Taxes”, in regards to disclosing material unrecognized tax benefits; none were identified. The Company’s policy is to recognize accrued interest and penalties for unrecognized tax benefits as a component of tax expense. At December 31, 2012 and 2011, there were no accrued interest and penalties for unrecognized tax benefits.

(u) Earnings Per Share

In accordance with ASC Topic 260 “Earnings Per Share”, basic earnings per common share (“Basic EPS”) is computed by dividing the net income available to common stockholders by the weighted-average number of shares outstanding. Diluted earnings per common share (“Diluted EPS”) are computed by dividing the net income available to common stockholders by the weighted average number of common shares and dilutive common share equivalents then outstanding. ASC Topic 260 requires presentation of both Basic EPS and Diluted EPS on the face of the Company’s Statement of Income.

Shares granted pursuant to the 2008 Restricted Stock Plan are the only dilutive shares and these shares have been considered as outstanding since their respective grant dates for purposes of computing diluted earnings per share.

(v) Recent Accounting Pronouncements

The following accounting standards issued as of December 31, 2012, may affect the future financial reporting by Navigator Holdings Ltd:

ASU (“Accounting Standards Update No.”) 2013-02 Comprehensive Income (Topic 220) – Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (February 2013)

The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. These amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, the entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross reference to other disclosures required under U.S. GAAP that provide additional details about those amounts.

For non-public entities, the amendments are effective prospectively for fiscal years beginning after December 15, 2013, and interim and annual periods thereafter. Early adoption is permitted.

Navigator Holdings Ltd

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012 and 2011

3. Fair Value of Financial Instruments

The principal financial assets of the Company at December 31, 2012 and 2011 consist of cash and cash equivalents and accounts receivable. The principal financial liabilities of the Company consist of accounts payable, accrued expenses and other liabilities and long-term debt.

The carrying values of cash and cash equivalents and accrued expenses and other liabilities are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

The fair value of the Company's long-term debt approximates its carrying value due to the variable interest rates associated with the loan facilities (Note 8). The carrying value of the 9% unsecured bond issue is deemed to approximate its carrying value due to the fact that the issuance of the bond occurred on December 18, 2012, close to the end of the Company's fiscal year.

4. Accounts Receivable, Net

It is a condition of time charter parties that payments of hire are received monthly in advance. Voyage charter contracts require payment upon completion of each discharge, with subsequent demurrage claims payable on submission of invoices. At December 31, 2012, management has provided a provision for doubtful accounts of $302,024 relating to outstanding demurrage claims (2011: $62,531).

5. Vessels in Operation

	Vessel	Dry-docking	Total
Cost			
December 31, 2011	$ 522,918,357	$ 9,405,902	$ 532,324,259
Transfer in from vessels under construction	54,503,372	500,000	55,003,372
Additions	99,996,325	458,334	100,454,659
December 31, 2012	$ 677,418,054	$ 10,364,236	$ 687,782,290
Accumulated Depreciation			
December 31, 2011	$ 73,465,967	$ 3,589,926	$ 77,055,893
Charge for the period	21,959,518	2,106,180	24,065,698
December 31, 2012	$ 95,425,485	$ 5,696,106	$ 101,121,591
Net Book Value			
December 31, 2012	$ 581,992,569	$ 4,668,130	$ 586,660,699
December 31, 2011	$ 449,452,390	$ 5,815,976	$ 455,268,366

The net book value of vessels that serve as collateral for the Company's bank loans (Note 8) was $488,858,551 at December 31, 2012.

6. Vessels Under Construction

Vessels under construction at December 31, 2011	$	30,183,159
Payments to shipyard		43,850,300
Other payments including initial stores, capitalized interest and site costs		1,080,801
Transfer to vessels in operation		(55,003,372)
Vessels under construction at December 31, 2012	$	20,110,888

The Company took delivery of Navigator Libra, a 20,600 cbm semi-refrigerated gas carrier from Hyundai Mipo Dockyard in South Korea, on February 9, 2012. At December 31, 2012, the Company had committed to construct four 21,000 cbm ethylene capable semi-refrigerated gas carriers at Jiangnan, China and has paid a deposit of $4,985,000 per vessel.

7. Group Subsidiaries

Company Name	Percentage Ownership	Country of Incorporation	
Navigator Holdings Ltd		Marshall Islands	Holding company
- Navigator Gas US L.L.C.	100%	Delaware (USA)	Service company
- Navigator Gas L.L.C.	100%	Marshall Islands	Holding company
~ Navigator Gemini L.L.C.	100%	Marshall Islands	Vessel owning company
~ Navigator Leo L.L.C.	100%	Marshall Islands	Vessel owning company
~ Navigator Libra L.L.C.	100%	Marshall Islands	Vessel owning company
~ Navigator Mars L.L.C.	100%	Marshall Islands	Vessel owning company
~ Navigator Neptune L.L.C.	100%	Marshall Islands	Vessel owning company
~ Navigator Pegasus L.L.C.	100%	Marshall Islands	Vessel owning company
~ Navigator Phoenix L.L.C.	100%	Marshall Islands	Vessel owning company
~ Navigator Saturn L.L.C.	100%	Marshall Islands	Vessel owning company
~ Navigator Taurus L.L.C.	100%	Marshall Islands	Vessel owning company
~ Navigator Venus L.L.C.	100%	Marshall Islands	Vessel owning company
~ NGT Services (UK) Ltd	100%	England	Service company
~ Falcon Funding PTE Ltd	100%	Singapore	Service company
~ Navigator Gas Invest Ltd	100%	England	Investment company
- PT Navigator Khatulistiwa	49%	Indonesia	Vessel owning company

Navigator Holdings Ltd

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012 and 2011

8. **Long-Term Debt**

	December 31, 2012	December 31, 2011
Due within one year	$ 26,842,508	$ 14,827,694
Due in two years	26,842,508	87,864,730
Due in three years	26,842,508	6,225,363
Due in four years	26,842,508	3,864,732
Due in five years	135,865,721	3,864,732
Due in more than five years	-	27,710,157
Total Debt	$ 243,235,753	$ 144,357,408
Less: current portion	26,842,508	14,827,696
Long-term debt	$ 216,393,245	$ 129,529,712

The Company has an $80,000,000 secured term loan facility with Skandinaviska Enskilda Banken AB and Nordea Bank Finland Plc dated April 1, 2011. Interest is payable under the credit facility at U.S. LIBOR (0.3% for three month U.S. LIBOR at December 31, 2012) plus 3%, payable periodically. The Company also paid a commitment fee of 1.05% per annum based on any undrawn portion of the facility. The facility is divided into three parts; Tranche A of $16,000,000; Tranche B and Tranche C at $32,000,000 each. The loan was fully drawn in February 2012 when the balance of Tranche C was drawn down to finance the delivery installment of Navigator Libra and partly for general corporate purposes. At December 31, 2012, the total outstanding amount of the loan was $73,835,753, of which Tranche A is repayable by 17 quarterly amounts of $521,739 followed by a final payment of $4,521,742; Tranche B is repayable by 16 quarterly amounts of $444,444 followed by a final payment of $22,666,676 and Tranche C is repayable by 17 quarterly amounts of $444,444 followed by a final payment of $23,111,120.

This term loan facility is secured by first priority mortgages on each of the vessels; Navigator Saturn, Navigator Leo and Navigator Libra as well as assignments of earnings and insurances on these secured vessels. The financial covenants each as defined within the credit facility are: a) liquidity of $10,000,000 including undrawn available lines of credit with a maturity exceeding 12 months; b) net debt to total capitalization ratio not to exceed 60%; c) EBITDA to interest expense, on a trailing four-quarter basis, to be no less than three to one; and d) a loan to value maintenance of no less than 130%. At December 31, 2012, the Company was in compliance with all covenants contained in this term loan.

During the year, the Company entered into a $180,000,000 loan facility with Nordea Bank Finland Plc, Skandinaviska Enskilda Banken AB and DVB Bank SE dated April 18, 2012, for the purpose of refinancing a $150,000,000 secured revolving credit facility dated July 31, 2008, as well as providing finance for the acquisition of two vessels from within our operating segment, Navigator Pegasus and Navigator Phoenix, and for general corporate purposes.

8. Long-Term Debt *(Continued)*

Interest is payable under the loan facility at three-month U.S. LIBOR plus 3.375%, payable on a quarterly basis. The Company also pays a commitment fee of 1.35% per annum based on any undrawn portion of the loan facility. The loan facility is comprised of two tranches being Tranche A for $120,000,000 and Tranche B for $60,000,000. Tranche A is repayable in quarterly installments of $4,150,000 commencing on July 18, 2012 and Tranche B is repayable in quarterly installments of $1,150,000 commencing on July 27, 2012. Quarterly installments are payable until the maturity date of the loan which is April 18, 2017 when the loan becomes fully repayable. At December 31, 2012, the total outstanding amount of the loan was $169,400,000 which is repayable by 17 quarterly installments each of Tranche A and Tranche B followed by a final combined repayment of $79,300,000 on April 18, 2017.

This loan facility is secured by first priority mortgages on each of the vessels; Navigator Gemini, Navigator Mars, Navigator Neptune, Navigator Pegasus, Navigator Phoenix, Navigator Taurus and Navigator Venus as well as assignments of earnings and insurances on these secured vessels. The financial covenants each as defined within the credit facility are: a) the maintenance at all times of cash and cash equivalents in an amount equal to or greater than (i) $12,500,000 and (ii) 5 per cent of the total indebtedness; b) a ratio of EBITDA to interest expense of not less than 3.00:1.00; c) maintain consolidated working capital of not less than $0 and d) maintain a ratio of total stockholders' equity to total assets of not less than 30 per cent. At December 31, 2012, the Company was in compliance with all covenants contained in this credit facility.

9. Senior Unsecured Bond

On December 18, 2012 (the "settlement date"), the Company issued a $125,000,000 9% Senior Unsecured Bond on the Oslo Markets. The bond will mature five years after the settlement date on December 18, 2017. Interest is payable semi-annually in arrears on June 18 and December 18.

The financial covenants each as defined within the bond agreement are: a) The issuer shall ensure that the Group (meaning "the Company and its subsidiaries") maintains a minimum liquidity of the greater of (i) $12,500,000 and (ii) 5 per cent of total interest bearing debt; b) the Group to maintain a positive working capital c) to maintain an interest coverage ratio of not less than 3.00:1.00; d) maintain a Group equity ratio of minimum 30%, and e) the issuer shall ensure that the aggregate market value of the Group's vessels is at least 120% of the total interest bearing debt of the Group. At December 31, 2012, the Company was in compliance with all covenants contained in this credit facility.

10. Share-Based Compensation

During 2008, the Company's Board adopted the 2008 Restricted Stock Plan (the "Plan"), which entitles officers, employees, consultants and directors of the Company to receive grants of restricted stock of the Company's common stock.

The Plan is administered by the Board or a committee of the Board. The maximum aggregate number of common shares that may be delivered pursuant to awards granted under the Plan during the ten year term of the Plan is 3,000,000 shares of common stock.

10. Share-Based Compensation *(Continued)*

A holder of restricted stock, awarded under the Plan, shall have the same voting and dividend rights as the Company's other common stockholders in relation to those shares.

The fair value of the restricted stock is calculated by multiplying the number of shares by the deemed calculated share value at the grant date.

Under the Plan, the Company granted 13,066 shares to the Chief Executive of the Company and 3,700 shares to the officers and management of the Company, all of which were issued on February 22, 2012 with a weighted average estimated value of $22.76. All of these shares vest on the third anniversary of the grant date. A further 5,000 shares each were granted to two Board members of the Company with a weighted average estimated value of $21.60 on April 24, 2012. These shares vest on the first anniversary of the grant date.

Using a combination of the graded vesting method and the straight-line method of expensing the restricted stock grants, the weighted average estimated value of the shares calculated at the date of grant thereon is recognized as compensation costs in the Statement of Income over the vesting period. During 2012, the Company recognized $796,760 in share-based compensation costs (2011: $842,034). At December 31, 2012, there was a total of $653,908 unrecognized compensation costs relating to the expected future vesting of share-based awards (2011: $853,082) which are expected to be recognized over the next two to three years.

11. Commitments and Contingencies

The Company occupies office space in London, the lease for which was entered into on March 30, 2012 for a period of ten years, with a mutual break clause after five years, and paying approximately $515,000 (£321,850) per calendar year.

The Company also occupies property in New York with the lease being renewed during the year and paying approximately $231,990 per year. The new lease is for a period of five years ending June 30, 2017.

The Company has chartered in a vessel for a period ending in December 2014 at a fixed monthly rate commensurate with the market rate at the time of fixing the charter.

The Company entered into an agreement on April 25, 2012 to purchase up to six 21,000 cbm, semi refrigerated ethylene gas carriers which will be built at Jiangnan Shipyard (Group) Co. Ltd in China for an aggregate price of approximately $300,000,000. At the balance sheet date, the Company had committed to build four of these new build vessels. A further option on the remaining two vessels is exercisable in February 2013. The first vessel is scheduled to be delivered in April 2014 followed by a vessel delivery each two months thereafter.

On November 14, 2012, the Company signed an agreement to purchase the fleet of eleven semi-refrigerated and fully refrigerated handysized vessels from Maersk Tankers for a total purchase price of $470,000,000. The Company paid a 10% deposit upon signing of the agreement and the vessels will be delivered charter free during 2013.

11. Commitments and Contingencies *(Continued)*

To assist with the financing of the Maersk Tankers acquisition the Company has secured lending commitments of a $270,000,000 acquisition loan, a $120,000,000 new build loan, and committed equity finance of $75,000,000, together with a bond issue of $125,000,000 (See Note 9).

12. Concentration of Credit Risks

The Company's vessels are chartered under either a time charter arrangement or voyage charter arrangement. Under a time charter arrangement, no security is provided for the payment of charter hire. However, payment is usually required monthly in advance. Under a voyage charter arrangement, a lien may sometimes be placed on the cargo to secure the payment of the accounts receivable, as permitted by the prevailing charter party agreement.

At December 31, 2012, ten of the Company's 14 vessels, which include two chartered in vessels, were on time charter, eight of which will expire within 12 months. The remaining two vessels on time charter are scheduled to expire between one and two years and two and three years of the balance sheet date. The committed charter income for 2013 is $70,559,428; 2014 is $33,555,168 and 2015 is $20,519,655.

During 2012 three charterers contributed 48% of the operating revenue, comprising 23%, 14% and 11% (2011: total of 60% comprising 25%, 18% and 17%).

At December 31, 2012 and 2011, all of the Company's cash and cash equivalents and short-term investments were held by large financial institutions, highly rated by a recognized rating agency.

13. Subsequent Events

Since the year end, the Company has taken delivery of three of the Maersk Tankers handysize vessels being Navigator Galaxy on February 1, 2013; Navigator Genesis on February 21, 2013 and Navigator Gusto on February 26, 2013 (See Note 11).

An agreement with affiliates of WL Ross & Co L.L.C. and others was entered into on February 15, 2013 to subscribe for common shares to the value of $75,000,000. These shares were issued and the funds received by the Company on February 25, 2013.

A loan facility agreement for $270,000,000 was entered into on February 12, 2013 between Navigator Gas L.L.C. and Nordea Bank Finland Plc London branch, Skandinaviska Enskilda Banken AB, DVB Bank SE Nordic Branch, ABN Amro Bank N.V. and HSH Nordbank AG.

The documentation pertaining to the secured lending commitment of $120,000,000 to assist with the financing of the four new build vessels in China is awaiting completion.

The option to build a further two vessels at the Jiangnan shipyard in China was not exercised.

The Company has evaluated all events or transactions that occurred after December 31, 2012 through the date of these financial statements, which is the date that the financial statements were available to be issued. During this period, there were no material subsequent events requiring disclosure other than detailed above.

Navigator Holdings Ltd

Notes to the Consolidated Financial Statements (Continued)

December 31, 2012 and 2011

14. **Unaudited quarterly financial data**

	Three months ended December 31		Year ended December 31	
	2012	2011	2012	2011
Revenues				
Operating revenue	$ 40,228,093	$ 24,712,706	$146,716,403	$ 88,874,595
Expenses				
Address and brokerage commissions	1,072,735	664,705	4,233,794	2,664,461
Voyage expenses	6,476,699	5,588,463	27,790,816	17,660,991
Charter in costs	4,192,500	343,710	11,287,831	343,710
Vessel operating expenses	8,556,967	6,331,421	32,826,651	22,938,934
Depreciation and amortization	6,334,558	5,004,802	24,179,633	18,677,574
General and administrative costs	1,565,127	1,046,287	5,273,540	4,232,103
Other corporate expenses	308,861	217,432	1,401,808	1,165,838
	28,507,447	19,196,820	106,994,073	67,683,611
Operating income	11,720,646	5,515,886	39,722,330	21,190,984
Other income/(expense)				
Interest expense	(2,789,819)	(880,508)	(8,735,952)	(2,442,182)
Interest income	28,954	2,663	64,590	8,978
Income before income taxes	8,959,781	4,638,041	31,050,968	18,757,780
Income taxes	(138,418)	(27,675)	(515,123)	(107,501)
Net income	$ 8,821,363	$4,610,366	$ 30,535,845	$ 18,650,279
Earnings per share:				
Basic and diluted	$ 0.68	$ 0.44	$ 2.46	$ 1.79
Weighted average number of shares outstanding:				
Basic and diluted	12,898,216	10,500,526	12,431,654	10,398,581