

# PETROGRESS, INC.

## FORM 10-K (Annual Report)

Filed 04/13/17 for the Period Ending 12/31/16

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Telephone	212 376 5228
CIK	0001558465
Symbol	PGAS
SIC Code	4412 - Deep Sea Foreign Transportation of Freight
Industry	IT Services & Consulting
Sector	Technology
Fiscal Year	12/31

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2016

OR

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

Commission File Number: 333-184459

**PETROGRESS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**27-2019626**

(I.R.S. Employer Identification No.)

**757 Third Avenue, Suite 2110  
New York, NY**

(Address of principal executive offices)

**10017**

(Zip Code)

**(212) 376-5228**

(Registrant's telephone number, including area code)

Securities registered under Section 12(b) of the Act: **None**

Securities registered under Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

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

Indicate by check mark whether the issuer (1) 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 has 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. Yes  No

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). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the common stock held by non-affiliates of the registrant, based upon the last sale price of the common stock of the Company as of the last business day of its most recently completed second fiscal quarter, or June 30, 2016, was approximately \$406,505.

The number of shares outstanding of the registrant's \$0.001 par value Common Stock as of April 6, 2017, was 166,795,807 shares.

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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (including the section regarding Management's Discussion and Analysis and Results of Operation) contains forward-looking statements. These statements are based on our management's belief and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Various factors, certain of which are discussed elsewhere in this document could affect the future results of the Company and could cause actual results to differ materially from those expressed in such forward-looking statements, including:

- material adverse changes in general economic conditions or in the markets served by the Company, including changes in the prices of oil, natural gas, refined products, petrochemical products and other chemicals;
- changes in currency exchange rates and currency devaluations;
- the success and the economic efficiency of oil and natural gas exploration, development and production programs, including, without limitation, those that are not controlled and/or operated by us
- uncertainties about estimates of changes in proven and potential reserves and the capabilities of production facilities;
- uncertainties about the ability to control unit costs in exploration, production, refining and marketing (including refining margins) and chemicals;
- changes in the current capital expenditure plans of the Company;
- the ability of the Company to realize anticipated cost savings, synergies and operating efficiencies;
- the financial resources of competitors;
- changes in laws and regulations, including tax and environmental laws and industrial safety regulations;
- the quality of future opportunities that may be presented to or pursued by the Company;
- the ability to generate cash flow or obtain financing to fund growth and the cost of such financing and liquidity conditions in the capital markets generally;
- the ability to obtain governmental or regulatory approvals;
- the ability to respond to challenges in international markets, including political or economic conditions (including national and international armed conflict) and trade and regulatory matters (including actual or proposed sanctions on companies that conduct business in certain countries);
- the ability to complete and integrate appropriate acquisitions, strategic alliances and joint ventures;
- changes in the political environment that adversely affect exploration, production licenses and contractual rights or impose minimum drilling obligations, price controls, nationalization or expropriation, and regulation of refining and marketing, chemicals and power generating activities;
- the possibility that other unpredictable events such as labor disputes or industrial accidents will adversely affect the business of the Company; and
- the risk that the Company will inadequately hedge the price of crude oil or finished products

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements, because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under "Risk Factors" in this Annual Report on Form 10-K and the reports we file with the SEC. Actual events or results may vary significantly from those implied or projected by the forward-looking statements due to these risk factors. No forward-looking statement is a guarantee of future performance. You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed as exhibits thereto with the Securities and Exchange Commission, or "SEC," with the understanding that our actual future results and circumstances may be materially different from what we expect.

Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as may be required by applicable law. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

Unless the context otherwise requires, the terms “Petrogress,” “the Company,” “we,” “us,” and “our” in this Report refer to Petrogress, Inc., a Delaware corporation and its wholly-owned subsidiaries.

## PART I

### ITEM 1. DESCRIPTION OF BUSINESS.

#### General Business Development

##### Overview

Petrogress, Inc. (the “Company” or “Petrogress”) operates a fully integrated oil commodity business, including upstream, midstream and downstream operations, primarily serving West African and Mediterranean countries. The Company operates primarily as a holding company and provides its services through three wholly-owned subsidiaries: Petrogres Co. Limited, which provides management of crude oil purchases and sales; Petronav Carriers LLC, which manages day-to-day operations of the tanker fleet currently consisting of four vessels; and Petrogress Oil & Gas Energy Inc., which is primarily focused on purchasing interests in oil fields in Texas and exporting liquefied natural gas.

The Company’s main operations are managed by an experienced team located in Piraeus, Greece.

##### Corporate History

We were originally incorporated in the State of Florida on February 10, 2010 under the name 800 Commerce, Inc. for the purpose of marketing credit card processing services on behalf of merchant payment processing service providers. Effective March 25, 2016, we changed our name from 800 Commerce, Inc. to Petrogress, Inc. and effective November 30, 2016, we changed our state of domicile from the State of Florida to the State of Delaware.

##### Securities Exchange Agreement

On February 29, 2016, we entered into a Securities Exchange Agreement (the “SEA”) with Petrogres Co. Limited, a Marshall Islands corporation (“Petrogres”), and its sole shareholder. Pursuant to the terms of the SEA, the Company acquired 100% of Petrogres and its affiliated companies. In exchange, the Company issued to the sole shareholder of Petrogres 136,000,000 shares of restricted common stock, representing 85% of the issued and outstanding shares of the Company’s common stock at the closing of the transaction. As part of the transaction, the sole shareholder and chief executive officer (“CEO”) of Petrogres, Christos Traios, was appointed as CEO and as a director of the Company and B. Michael Friedman resigned as an officer and director. In addition, the Company’s Board of Directors (the “Board”) approved an amendment to the Company’s Articles of Incorporation, increasing the authorized capital to 490,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of preferred stock, par value \$0.001 per share.

The SEA has been accounted for as a reverse acquisition and recapitalization of the Company whereby Petrogres effectively became a public company, which has allowed us to increase our operational efficiency and continue to expand our operations. As a result of this transaction, we acquired both the assets and operations of Petrogres and its wholly-owned subsidiaries.

##### Description of Business

We operate primarily as a holding company for our three wholly-owned subsidiaries: Petrogres, Co. Limited; Petronav Carriers LLC; and Petrogress Oil & Gas Energy, Inc.

*Petrogres Co. Limited*, a Marshall Islands corporation (“Petrogres”), was incorporated in 2009 with the purpose of supplying crude oil and other oil products in West Africa.

Since its inception, Petrogres has evolved its business from focusing solely on fleet and tanker ship operations to expand into the oil and gas industry as a trader and merchant of oil. Over the last five years, Petrogres has strengthened its position in the oil and gas industry by combining its regional market knowledge with over 25 years of experience to successfully establish both its midstream and downstream operations to serve markets primarily located in West Africa and the Mediterranean.

In 2014, Petrogres entered into a Joint Venture Agreement (the “JV Agreement”) with Platon Gas Oil Ghana Limited, an oil refinery and importer of various petroleum products based in Ghana (“Platon”). Pursuant to the terms of the JV Agreement, Platon processes crude oil and other products while Petrogres sells those products and other raw materials directly to local refineries in Ghana.

Since consummation of the SEA, Petrogres has successfully negotiated several new operational affiliations and partnerships to strengthen its existing oil operating platform. In November 2016, Petrogres entered into an alliance agreement with Prometheus Maritime Ltd., a Nigerian corporation (“PML”), a crude oil and gas trading company (the “Alliance Agreement”). Pursuant to the terms of the Alliance Agreement, Petrogres and PML agreed to cooperate towards a petroleum project in Nigeria, including the supply and transportation of oil commodities to various end-buyers throughout West Africa (the “Nigeria Petroleum Project”), with Petrogres acting as the lead party.

Today, Petrogres operates as an international merchant of petroleum products specializing in crude oil and refined products trade within West African and Mediterranean countries, with a focus on the supply and trade of light petroleum fuel oil (“LPFO”), refined oil products and other petrochemical commodities to local refineries in Ghana. Such products are shipped and delivered to these refineries by its four beneficially-owned affiliated vessels.

**Petronav Carriers LLC**, a Delaware corporation (“Petronav”), was incorporated in March 2016 with the purpose of managing the day-to-day operations of its four vessels, which are used to transport the Company’s petroleum products within various countries in West Africa. Petronav is currently exploring opportunities to expand its operations by identifying and acquiring additional vessels to expand its tanker fleet under management.

In December 2016, Petronav executed a non-binding memorandum of understanding (the “MOU”) with West Africa Fenders Ltd., a Nigerian company that provides ship-to-ship services to the oil and shipping industries (“WA Fenders”). The MOU contemplates that Petronav may purchase a 25% interest in the capital of WA Fenders, subject to execution of definitive agreements and customary closing conditions. As of the date of this annual report, we are conducting due diligence.

**Petrogress Oil & Gas Energy Inc.**, a Texas corporation (“Petrogress Energy”), was incorporated in December 2015 and is focused on identifying and acquiring suitable interests in oil fields in Texas to allow for the Company’s expansion of its operations to include oil refinery production based within the United States and to export liquefied natural gas (“LNG”) to Mediterranean markets.

Our business structure affords us with full control of the logistics involved in oil sourcing and the transportation of our products by our affiliated vessels, which we believe to be a competitive advantage in West African markets. By directly controlling all aspects of our operations, as opposed to engaging the services of third-parties at potentially higher costs, we are able to keep costs low and thus generate revenue from a number of different sources.

## **Competition**

International seaborne transportation of LPFO and the supply of petroleum products is mainly conducted by two types of operators: independent fleet-owning companies and fleets operated by both private and state owned oil companies. Many oil companies and other oil trading companies also operate their own vessels and transport oil for themselves and third-party charterers in direct competition with independent owners and operators. Competition for charters is intense and is based upon price, vessel location, the size, age, condition and acceptability of the vessel, and the quality and reputation of the vessel’s operator.

The Company will compete in the transportation of petroleum products with much larger companies that have significantly longer operating histories and are much better capitalized. Most of these other operators are larger in size and with more vessels either under management or owned. They may also operate in a larger geographical area than the Company does at present and have significantly more capital and other resources from which to conduct their operations and as a result, face less risk in their operations.

## **Employees**

As of April 6, 2017, we currently have 8 employees located in Greece, 3 located in Ghana and 1 located in Cyprus, all of which are employed on a full-time basis. Additionally, we have approximately 75 full-time laborers and crew members that operate our vessels.

## **ITEM 1A. RISK FACTORS**

*An investment in our common stock involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information contained in this Annual Report on Form 10-K, before investing in our common stock. Our results of operations and financial condition could be adversely affected by any of these risks, which could result in a decline in the market price of our common stock, causing you to lose all or part of your investment.*

### **Risks Related to our Business**

***We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations.***

We are a holding company, and our subsidiaries, which are all wholly-owned by us, may conduct all of our operations and may own operating assets we may acquire in the future. We have no significant assets other than the equity interests in our wholly-owned subsidiaries. As a result, our ability to satisfy our financial obligations depends on the ability of our subsidiaries to distribute funds to us.

***Our operating results may fluctuate seasonally.***

The market in which we operate our vessels may be affected by seasonal factors. As a result, historically we have exhibited a fluctuation in the demand for our products. The containership market is typically stronger in the autumn and winter in anticipation of increased consumption of consumer products, including various oil commodities, during the holiday peak seasons. In addition, unpredictable weather patterns during these periods tend to disrupt vessel scheduling and supplies of certain commodities. Thus to the extent that seasonal variations have the effect of reducing prevailing charter rates, our operating results may be adversely affected.

***We generate all of our revenues in U.S. dollars but may also incur a portion of our expenses in other currencies, and therefore exchange rate fluctuations could have an adverse impact on our results of operations.***

We generate all of our revenues in U.S. dollars and but may also incur a portion of our expenses in currencies other than the U.S. dollar. This difference could lead to fluctuations in our net income due to changes in the value of the dollar relative to the other currencies, in particular the Euro. Expenses incurred in foreign currencies against which the U.S. dollar falls in value could increase, further decreasing our net income or increasing our net loss and decreasing our cash flows from operations. Any declines in the value of the U.S. dollar could also lead to higher expenses payable by us.

***An increase in operating costs could adversely affect our cash flows and financial condition.***

Vessel operating expenses include the costs of crew, provisions, deck and engine stores, lubricating oil, insurance, security and maintenance and repairs, which depend on a variety of factors, many of which are beyond our control. Some of these costs, primarily relating to insurance and enhanced security measures implemented after September 11, 2001 and as a result of acts of piracy, have been increasing. In addition, in the event any of our vessels suffer damage, we our insurance may not cover the costs of repair. Such repair and maintenance costs are difficult to predict with certainty and may be substantial. Increases in any of these costs could have a material adverse effect on our business, results of operations, cash flows and financial condition.

***Change to the price of fuel, or bunkers, may adversely affect profits.***

An increase in the price of fuel beyond our expectations may adversely affect our future profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geo-political developments, supply of and demand for oil, actions by members of the Organization of the Petroleum Exporting Countries (OPEC) and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations. Further, despite the recent low fuel prices, fuel may become much more expensive in the future, which may reduce the potential profitability and competitiveness of our business compared to other forms of transportation, such as pipelines. Alternatively, a prolonged downturn in oil prices may cause oil companies to cut down production which could negatively impact market demand for global transportation of petroleum products. Changes in the price of fuel may adversely affect our profitability.

***The shipping industry is inherently risky and we may not have adequate insurance to compensate us or to compensate third parties if we damage or lose our vessels.***

There are a number of risks associated with the operation of ocean-going vessels, including mechanical failure, collision, human error, war, terrorism, piracy, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. Any of these events may result in loss of revenues, increased costs and decreased cash flows. In addition, the operation of any vessel is subject to the inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade.

Changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These hazards may result in death or injury to persons, loss of revenues or property, environmental damage, higher insurance rates, damage to our customer relationships, market disruptions, delay or rerouting. In addition, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, protection and indemnity insurance against risks of environmental damage or pollution. Any uninsured or underinsured loss could harm our business, results of operations, cash flows and financial condition. In addition, any insurance we may acquire may be voidable by the insurers as a result of certain of our actions, such as ships we may acquire failing to maintain certification with applicable maritime self-regulatory organizations. Further, we cannot assure you that insurance policies we may have will cover all losses that we may incur, or that disputes over insurance claims will not arise with our future insurance carriers. Any claims covered by insurance would likely be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material. In addition, insurance policies that we may have may be subject to limitations and exclusions, which may increase our costs or lower our revenues in the future, thereby possibly having a material adverse effect on our business, results of operations, cash flows and financial condition.

In particular, the operation of tankers has unique operational risks associated with the transportation of oil. An oil spill may cause significant environmental damage, and the associated costs could exceed the insurance coverage available to us. Compared to other types of vessels, tankers are exposed to a higher risk of damage and loss by fire, whether ignited by a terrorist attack, collision, or other cause, due to the high inflammability and high volume of the oil transported in tankers.

We carry insurance to protect against most of the accident-related risks involved in the conduct of our business. We currently maintain \$25,000,000 in coverage for each of our vessels for liability for spillage or leakage of oil or pollution, and also carry insurance covering lost revenue resulting from vessel off-hire for all of our operating vessels. Nonetheless, risks may arise against which we are not adequately insured. For example, a catastrophic spill could exceed our insurance coverage and have a material adverse effect on our financial condition. In addition, we may not be able to procure adequate insurance coverage at commercially reasonable rates in the future and we cannot guarantee that any particular claim will be paid. In the past, new and stricter environmental regulations have led to higher costs for insurance covering environmental damage or pollution, and new regulations could lead to similar increases or even make this type of insurance unavailable. Furthermore, even if insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement ship in the event of a loss. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage for tort liability. In addition, our protection and indemnity associations may not have enough resources to cover our insurance claims. Our payment of these calls could result in significant expenses to us which could reduce our cash flows and place strains on our liquidity and capital resources.

***Our results of operations could be affected by natural events in the locations in which our customers operate.***

Many of our customers have operations in locations that are subject to natural disasters, such as severe weather and geological events, which could disrupt the operations of those customers and suppliers as well as our operations. Such geological events can cause significant damage and can adversely affect the infrastructure and economy of regions subject to such events, and could cause our customers located in such regions to experience shutdowns or otherwise negatively impact their operations. Upon such an event, some or all of those customers may reduce their orders for crude oil, which could adversely affect our revenue and results of operations. In addition to any negative direct economic effects of such natural disasters on the economy of the affected areas and on our customers and suppliers located in such regions, economic conditions in such regions could also adversely affect broader regional and global economic conditions. The degree to which natural disasters will adversely affect regional and global economies is uncertain at this time. However, if these events cause a decrease in demand for crude oil, our financial condition and operations could be adversely affected.

***We are subject to international safety regulations and requirements imposed by classification societies and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.***

The operation of our vessels is affected by the requirements set forth in the United Nations' International Maritime Organization's International Management Code for the Safe Operation of Ships and Pollution Prevention, or "ISM Code." The ISM Code requires ship owners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. We expect that any vessels that we acquire in the future will be ISM Code-certified when delivered to us. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports, including United States and European Union ports.

In addition, the hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention. If a vessel does not maintain its class and/or fails any annual survey, intermediate survey or special survey, the vessel will be unable to trade between ports and will be unemployable, which will negatively impact our revenues and results from operations.

***The risks associated with older vessels could adversely affect our operations.***

In general, the costs to maintain a vessel in good operating condition increase as the vessel ages. As of March 15, 2016, 4 of the 4 operating vessels we own were built prior to 1995. Due to improvements in engine technology, older vessels typically are less fuel-efficient than more recently constructed vessels. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers.

Governmental regulations, safety or other equipment standards related to the age of tankers may require expenditures for alterations or the addition of new equipment to our vessels, and may restrict the type of activities in which our vessels may engage. There is no assurance that, as our vessels age, market conditions will justify any required expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

If we do not set aside funds and are unable to borrow or raise funds for vessel replacement, we will be unable to replace the vessels in our fleet upon the expiration of their remaining useful lives, which we estimate to be 10 years from their build dates. Our cash flows and income are dependent on the revenues earned by our vessels. If we are unable to replace the vessels in our fleet upon the expiration of their useful lives, our revenue will decline and our business, results of operations, financial condition, and cash flow would be adversely affected.

***Consolidation and governmental regulation of suppliers may increase the cost of obtaining supplies or restrict our ability to obtain needed supplies, which may have a material adverse effect on our results of operations and financial condition.***

We rely on third-parties to provide supplies and services necessary for our operations, including brokers, equipment suppliers, caterers and machinery suppliers. Various mergers have reduced the number of available suppliers, resulting in fewer alternatives for sourcing key supplies. With respect to certain items, we are generally dependent upon the original equipment manufacturer for repair and replacement of the item or its spare parts. Such consolidation may result in a shortage of supplies and services thereby increasing the cost of supplies and/or potentially inhibiting the ability of suppliers to deliver on time. These cost increases or delays could have a material adverse effect on our results of operations and result in downtime, and delays in the repair and maintenance of our vessels.

***We could be adversely affected by violations of the U.S. Foreign Corrupt Practices Act, U.K. Bribery Act, and other applicable worldwide anti-corruption laws.***

The U.S. Foreign Corrupt Practices Act, or “FCPA,” and other applicable worldwide anti-corruption laws generally prohibit companies and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. These laws include the U.K. Bribery Act which is broader in scope than the FCPA, as it contains no facilitating payments exception. We charter our vessels into some jurisdictions that international corruption monitoring groups have identified as having high levels of corruption. Our activities create the risk of unauthorized payments or offers of payments by one of our employees or agents that could be in violation of the FCPA or other applicable anti-corruption laws. Although we have policies, procedures and internal controls in place to monitor compliance, we cannot assure that our policies and procedures will protect us from governmental investigations or inquiries surrounding actions of our employees or agents. If we are found to be liable for violations of the FCPA or other applicable anti-corruption laws (either due to our own acts or our inadvertence, or due to the acts or inadvertence of others), we could suffer from civil and criminal penalties or other sanctions.

***We could be negatively impacted by future changes in applicable tax laws, or our inability to take advantage of favorable tax regimes.***

We may be subject to income or non-income taxes in various jurisdictions, including those in which we transact business, own property or reside. We may be required to file tax returns in some or all of those jurisdictions. We may be required to pay non U.S. taxes on dispositions of non U.S. property, or operations involving non U.S. property may give rise to non U.S. income or other tax liabilities in amounts that could be substantial.

Our tax position could be adversely impacted by changes in tax laws, tax treaties or tax regulations or the interpretation or enforcement thereof by any tax authority. The various tax regimes to which we are currently subject result in a relatively low effective tax rate on our worldwide income. These tax regimes, however, are subject to change, possibly with retroactive effect. Moreover, we may become subject to new tax regimes and may be unable to take advantage of favorable tax provisions afforded by current or future law. For example, there have been legislative proposals that, if enacted, could change the circumstances under which we would be treated as a U.S. person for U.S. federal income tax purposes, which could materially and adversely affect our effective tax rate and cash tax position and require us to take action, at potentially significant expense, to seek to preserve our effective tax rate and cash tax position. We cannot predict the outcome of any specific legislative proposals.

***We may be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.***

We may be, from time to time, involved in various litigation matters. These matters may include, among other things, contract disputes, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment matters, governmental claims for taxes or duties, securities litigation, and other litigation that arises in the ordinary course of our business. Although we intend to defend these matters vigorously, we cannot predict with certainty the outcome or effect of any claim or other litigation matter, and the ultimate outcome of any litigation or the potential costs to resolve them may have a material adverse effect on us. Insurance may not be applicable or sufficient in all cases and/or insurers may not remain solvent, which may have a material adverse effect on our financial condition.

## Risks Relating to Ownership of Our Common Stock

*We are an “emerging growth company,” and the reduced disclosure requirements applicable to “emerging growth companies” may make our common stock less attractive to investors.*

We qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we intend to take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include:

- allowance to provide only two years of audited financial statements in addition to any required unaudited interim financial statements with correspondingly Operations” disclosure; reduced “Management’s Discussion and Analysis of Financial Condition and Results of
- reduced disclosure about our executive compensation arrangements;
- no non-binding advisory votes on executive compensation or golden parachute arrangements; and
- exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

We may take advantage of these provisions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company on the date that is the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of our initial public offering (our “IPO”); (iii) the date on which we have issued more than \$1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission. We have taken advantage of reduced reporting requirements in this report. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you have beneficial ownership. In addition, we have elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the Exchange Act. As a result, our financial statements may not be comparable to those of companies that comply with public company effective dates.

We cannot predict whether investors will find investing in our common stock to be less attractive to the extent we rely on the exemptions available to emerging growth companies. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Notwithstanding the above, we are also currently a “smaller reporting company,” meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company and have a public float of less than \$75 million and annual revenues of less than \$50 million during the most recently completed fiscal year. In the event that we are still considered a “smaller reporting company,” at such time as we cease being an “emerging growth company,” the disclosure we will be required to provide in our SEC filings will increase, but will still be less than it would be if we were not considered either an “emerging growth company,” or a “smaller reporting company.” Specifically, similar to “emerging growth companies,” “smaller reporting companies” are able to provide simplified executive compensation disclosures in their filings, are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting, and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports. Decreased disclosures in our SEC filings due to our status as an “emerging growth company” or “smaller reporting company” may make it harder for investors to analyze the Company’s results of operations and financial prospects.

Because we have elected to defer compliance with new or revised accounting standards, our financial statement disclosure may not be comparable to similar companies.

We have elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the JOBS Act. This allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of our election, our financial statements may not be comparable to companies that comply with public company effective dates.

***The rights of the holders of common stock may be impaired by the potential issuance of preferred stock.***

Our board of directors has the right, without stockholder approval, to issue preferred stock with voting, dividend, conversion, liquidation or other rights which could adversely affect the voting power and equity interest of the holders of common stock, which could be issued with the right to more than one vote per share, and could be utilized as a method of discouraging, delaying or preventing a change of control. The possible negative impact on takeover attempts could adversely affect the price of our common stock. Although we have no present intention to issue any shares of preferred stock or to create any series of preferred stock, we may issue such shares in the future.

***We will incur increased costs as a result of being a public company. These costs will adversely impact our results of operations.***

As a public company, we incur significant legal, accounting and other expenses that a private company does not incur. We estimate these costs to be approximately \$200,000 annually and include the costs associated with having our financial statements prepared, audited and filed with the Securities and Exchange Commission ("SEC") via EDGAR (the Electronic Data Gathering, Analysis, and Retrieval system) and XBRL (eXtensible Business Reporting Language) costs. In addition, we have costs associated with corporate counsel and our transfer agent. The Sarbanes-Oxley Act of 2002 (SOX) and related rules resulted in an increase in costs of maintaining compliance with the public reporting requirements, as well as making it more difficult and more expensive for us to obtain directors' and officers' liability insurance. These added costs will delay the time in which we may expect to achieve profitability, if at all.

***If you invest in our stock, your investment may be disadvantaged by future funding, if we are able to obtain it.***

To the extent we obtain equity funding by issuance of convertible securities or common stock, or common stock purchase warrants in connection with either type of funding, you may suffer significant dilution in percentage of ownership and, if such issuances are below the then value of stockholder equity, in stockholder equity per share. Future increases in the number of our shares outstanding will have a negative impact on earnings per share; increasing the earnings we must achieve to sustain higher prices for our common stock. In addition, any debt financing we may secure could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital with which to pursue our business plan, and to pay dividends. You have no assurance we will be able to obtain any additional financing on terms favorable to us, if at all.

***The majority of our common stock is beneficially owned by management, which means other stockholders will have little influence over our management.***

Currently, our CEO and sole Director holds approximately 81.5% of our common stock. Each issued and outstanding share of common stock is entitled to one vote on each nominee for a directorship and on other matters presented to stockholders for approval. Our Certificate of Incorporation does not authorize cumulative voting for the election of directors. Any person or group who controls or can obtain more than fifty percent of the votes cast for the election of each director will control the election of all directors and other stockholders will not be able to elect any directors or exert any influence over management decisions. Removal of a director for any reason requires a majority vote of our issued and outstanding shares of common stock.

***U.S. investors may experience difficulties in attempting to effect service of process and to enforce judgments based upon U.S. federal securities laws against the company and its non-U.S. resident officer and sole director.***

Our CEO and sole Director, Christos Traios, is not resident of the United States. Consequently, it may be difficult for investors to effect service of process on Mr. Traios in the United States and to enforce in the United States judgments obtained in United States courts against Mr. Traios based on the civil liability provisions of the United States securities laws. Since substantially all of our tangible assets are located in Europe and Africa, it may be difficult or impossible for U.S. investors to collect a judgment against us. Further, any judgment obtained in the United States against us may not be enforceable in those foreign jurisdictions.

***We have assessed the effectiveness of our disclosure controls and procedures and our internal control over financial reporting and management concluded they are not effective. If there is a material weakness in either, there are no assurances that our financial statements will not contain errors which could require us to restate our financial statements.***

The Sarbanes-Oxley Act of 2002 (SOX) requires public companies to establish disclosure controls and procedures and controls over financial reporting and to periodically assess the effectiveness of the controls and procedures. We are required to maintain “disclosure controls and procedures” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 and to report on a quarterly basis, in our quarterly and annual reports which we file with the SEC, our management’s conclusion regarding the effectiveness of our disclosure controls and procedures. As of December 31, 2016, we conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act). Based upon this evaluation our Chief Executive Officer and Chief Financial Officer concluded that, at December 31, 2016, our disclosure controls and procedures are not effective.

There is a more than remote likelihood that misstatements which could be material to the annual or interim financial statements could occur that would not be prevented or detected.

***We are not subject to certain corporate governance requirements applicable to listed companies.***

Because our securities are not listed on a national securities exchange, we are not subject to corporate governance requirements that are applicable to listed companies. For instance, we are not required to have a majority of independent directors, a separate audit committee comprised entirely of independent directors or a separate compensation committee comprised entirely of independent directors. In addition, we are not required to have our board nominees selected, or recommended for the board’s selection, either by a nominating committee comprised entirely of independent directors or by a majority of our independent directors. Accordingly, our stockholders may not have the same protections afforded to stockholders of companies that are subject to the corporate governance requirements applicable to listed companies.

***The price of our common stock may be volatile as a result of factors that are beyond our control and if the price of our common stock fluctuates, you could lose a significant part of your investment.***

The trading price of our common stock may be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. The stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies with securities traded in those markets. Broad market and industry factors may seriously affect the market price of companies’ stock, including ours, regardless of actual operating performance. All of these factors could adversely affect your ability to sell your shares of common stock or, if you are able to sell your shares, to sell your shares at a price that you determine to be fair or favorable.

***Our Common Stock is categorized as “penny stock,” which may make it more difficult for investors to sell their shares of Common Stock due to suitability requirements.***

Our common stock is categorized as “penny stock”. The SEC has adopted Rule 15g-9 which generally defines “penny stock” to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. The price of our common stock is significantly less than \$5.00 per share, and is therefore considered “penny stock.” This designation imposes additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The penny stock rules require a broker-dealer buying our securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities given the increased risks generally inherent in penny stocks. These rules may restrict the ability and/or willingness of brokers or dealers to buy or sell our common stock, either directly or on behalf of their clients, may discourage potential stockholders from purchasing our common stock, or may adversely affect the ability of stockholders to sell their shares.

***Financial Industry Regulatory Authority, Inc. (“FINRA”) sales practice requirements may also limit a stockholder’s ability to buy and sell our Common Stock, which could depress the price of our Common Stock.***

In addition to the “penny stock” rules described above, the FINRA has adopted rules that require a broker-dealer to have reasonable grounds for believing that the investment is suitable for that customer before recommending an investment to a customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer’s financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. Thus, the FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our shares of common stock, have an adverse effect on the market for our shares of common stock, and thereby depress our price per share of common stock.

***We have raised capital through the use of convertible debt instruments that causes substantial dilution to our stockholders.***

Prior to the consummation of the Securities Exchange Agreement on February 29, 2016, it was difficult for us to raise capital or find adequate sources of financing due to the size of our company, operations, and “penny stock” status. As a result, we were forced to raise capital through the issuance of convertible notes and other debt instruments. These debt instruments carry favorable conversion terms to their holders of up to 50% discounts to the market price of our common stock on conversion and in some cases provide for the immediate sale of our securities into the open market. Accordingly, this has caused and will continue to cause dilution to our stockholders in 2016 and may for the foreseeable future. As of December 31, 2016, we had approximately \$44,887 in convertible debt and potential convertible debt outstanding. This convertible debt balance as well as additional convertible debt we incur in the future will cause substantial dilution to our stockholders.

***There is a limited trading market for our common stock and there is no guarantee of a liquid public market for you to resell our common shares.***

Our common stock trades under the symbol “PGAS” on the OTC Pink of the OTC Markets. OTC Pink is often highly illiquid, in part because it does not have a national quotation system by which potential investors can follow the market price of shares except through information received and generated by a limited number of broker-dealers that make markets in particular stocks. There is a greater chance of volatility for securities that are quoted on the OTC Pink compared to a national exchange or quotation system. This volatility may be caused by a variety of factors, including the lack of readily available price quotations, the absence of consistent administrative supervision of bid and ask quotations, lower trading volume, and market conditions. Investors in our common stock may experience high fluctuations in the market price and volume of the trading market for our securities. These fluctuations, when they occur, have a negative effect on the market price for our securities. Accordingly, our stockholders may not be able to realize a fair price from their shares when they determine to sell them or may have to hold them for a substantial period of time until the market for our common stock improves.

***Because we do not intend to pay any cash dividends on our common stock, our stockholders will not be able to receive a return on their shares unless they sell them.***

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying cash dividends on our common stock in the foreseeable future. Declaring and paying future dividends, if any, will be determined by our Board, based upon earnings, financial condition, capital resources, capital requirements, restrictions in our Certificate of Incorporation, contractual restrictions, and such other factors as our Board in its sole discretion deems relevant. There is no assurance that we will pay any dividends in the future, and, if dividends are paid, there is no assurance with respect to the amount of any such dividend. Unless we pay dividends, our stockholders will not be able to receive a return on their shares unless they sell them.

*The market price for our common shares is particularly volatile given our status as a relatively unknown company with a small and thinly traded public float.*

The market for our common shares is characterized by significant price volatility when compared to seasoned issuers, and we expect that our share price will continue to be more volatile than a seasoned issuer for the indefinite future. The volatility in our share price is attributable to a number of factors. First, our common shares are sporadically and thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of shares by our stockholders may disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously in the event that a large number of our common shares are sold on the market without commensurate demand, as compared to a seasoned issuer which could better absorb those sales without adverse impact on its share price. Secondly, we are a speculative or “risky” investment due to our limited operating history and lack of profits to date, and uncertainty of future market acceptance for our potential products. As a consequence of this enhanced risk, more risk-adverse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the stock of a seasoned issuer. Many of these factors are beyond our control and may decrease the market price of our common shares, regardless of our operating performance. We cannot make any predictions or projections as to what the prevailing market price for our common shares will be at any time, including as to whether our common shares will sustain their current market prices, or as to what effect that the sale of shares or the availability of common shares for sale at any time will have on the prevailing market price.

Stockholders should be aware that, according to SEC Release No. 34-29093, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (1) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (2) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (3) boiler room practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (4) excessive and undisclosed bid-ask differential and markups by selling broker-dealers; and (5) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the resulting inevitable collapse of those prices and with consequent investor losses. Our management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities. The occurrence of these patterns or practices could increase the volatility of our share price.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

Not required for a smaller reporting company.

#### **ITEM 2. PROPERTIES.**

Petrogres leases office space in Piraeus, Greece for monthly rent of €2,500 (approximately USD\$2,658) (the “Piraeus Lease”). The Piraeus Lease expires on May 31, 2018. We believe that this office space is adequate for Petrogres’ current operations.

Effective June 13, 2016, the Company entered into a thirteen (13) month lease for a corporate apartment in New York City, to be used by the Company’s CEO during his travel to New York. Mr. Traios spends approximately 35% of his time in New York on business matters. The monthly lease is for \$4,575 and expires July 12, 2017.

Effective October 1, 2016, the Company entered into a one year Office Services Agreement for office space and other services for a total base monthly fee of \$2,800. The Company utilizes the New York office space for administrative purposes.

#### **ITEM 3. LEGAL PROCEEDINGS.**

No officer, director, or persons nominated for these positions, and no promoter or significant employee of our corporation has been involved in legal proceedings that would be material to an evaluation of our management. We are not aware of any pending or threatened legal proceedings which involve the Company, its directors or officers.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.****(a) Market Information**

Our common stock is quoted on the OTC Pink under the symbol "PGAS". The following table sets forth for the periods indicated the high and low bid quotations for our common stock. These quotations represent inter-dealer quotations, without adjustment for retail markup, markdown, or commission and may not represent actual transactions.

<b>Period</b>	<b>High</b>	<b>Low</b>
<b>Fiscal Year 2016</b>		
First Quarter (January 1, 2016 – March 31, 2016)	\$0.05	\$0.01
Second Quarter (April 1, 2016 – June 30, 2016)	\$0.09	\$0.01
Third Quarter (July 1, 2016 – September 30, 2016)	\$0.05	\$0.01
Fourth Quarter (October 1, 2016 – December 31, 2016)	\$0.07	\$0.01
<b>Fiscal Year 2015</b>		
First Quarter (January 1, 2015 – March 31, 2015)	\$0.05	\$0.01
Second Quarter (April 1, 2015 – June 30, 2015)	\$0.04	\$0.02
Third Quarter (July 1, 2015 - September 30, 2015)	\$0.02	\$0.01
Fourth Quarter (October 1, 2015 – December 31, 2015)	\$0.03	\$0.01

**(b) Holders.**

As of April 6, 2017, we had 52 holders of record. One holder of record is CEDE & CO., a nominee of The Depository Trust Company, which held 23,329,240 shares of our common stock as of April 6, 2017. We estimate that there are over 9,000 stockholders who hold their shares of common stock in street name.

**(c) Dividends**

Petrogress, Inc. did not declare any cash dividends for the year ended December 31, 2016. Our Board of Directors does not intend to distribute any cash dividends in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of the Board of Directors, and will depend upon, among other things, the results of our operations, cash flows and financial condition, operating and capital requirements, and other factors as the Board of Directors considers relevant. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend.

**(d) Securities authorized for issuance under equity compensation plans**

None.

**Recent Sales of Unregistered Equity Securities**

None.

**ITEM 6. SELECTED FINANCIAL DATA.**

Not required for a smaller reporting company.

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

*The following is management's discussion and analysis of certain significant factors that have affected our financial position and operating results during the periods included in the accompanying consolidated financial statements, as well as information relating to the plans of our current management. This report includes forward-looking statements. Generally, the words "believes," "anticipates," "may," "will," "should," "expect," "intend," "estimate," "continue," and similar expressions or the negative thereof or comparable terminology are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, including the matters set forth in this report or other reports or documents we file with the Securities and Exchange Commission from time to time, which could cause actual results or outcomes to differ materially from those projected. Undue reliance should not be placed on these forward-looking statements which speak only as of the date hereof. We undertake no obligation to update these forward-looking statements, except as may be required under applicable law.*

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and notes thereto for the years ended December 31, 2016 and 2015.

### (a) Liquidity and Capital Resources

For the year ended December 31, 2016, net cash provided by operating activities was \$730,369 compared to \$1,335,649 for the year ended December 31, 2015. The Company had net income of \$223,144 for the year ended December 31, 2016 compared to \$1,082,203 for the year ended December 31, 2015. Cash flows for the year ended December 31, 2016 was a result of the net income, depreciation expense of \$676,328, non-cash interest expense of \$48,974 reduced by the change in the fair value of derivative liabilities of \$152,169 and the net change in operating assets and liabilities of \$66,426. Cash flows for the year ended December 31, 2015 was a result of the net income and depreciation expense of \$663,500 offset by the change in operating assets and liabilities of \$390,054.

During the year ended December 31, 2016, cash used in investing activities was primarily a result of capital improvements of vessels and other property and equipment purchases of \$450,591. There were no investing activities for the year ended December 31, 2015.

Prior to the SEA in February 2016, Petrogres Co. Limited paid a dividend of \$1,800,000 to its sole shareholder.

For the year ended December 31, 2016, cash and cash equivalents decreased by \$1,520,222 compared to an increase of \$1,355,649 for the year ended December 31, 2015. Ending cash and cash equivalents at December 31, 2016 was \$362,083 compared to \$31,882,305 at December 31, 2015.

Since the reverse acquisition of Petrogres on February 29, 2016, the Company's principal sources of cash are net cash provided by operating activities, which includes the sale and shipment of petroleum products. Our need for capital resources is driven by our expansion plans, ongoing maintenance of our vessels and support of our operational expenses and corporate overhead and infrastructure. Based on our current plan, we believe our expected cash flows from operations will be sufficient to finance our present activities and capital expenditures for at least the next ten months. Our intention to expand our operations or increase the oil sales or go into new projects-operations will be subject to extra financing support through individual sources.

Our liquidity may be adversely affected as described in "Risks Related to our Business" as described in Item 1A. "Risk Factors."

## (b) Results of Operations

### Overview

We operate a fully integrated oil commodity business, including upstream, midstream and downstream operations, primarily serving West African and Mediterranean countries. The Company operates primarily as a holding company and provides its services through three wholly-owned subsidiaries: Petrogres Co. Ltd., which provides management of crude oil purchases and sales; Petronav Carriers LLC, which manages day-to-day operations of the tanker fleet currently consisting of four vessels; and Petrogress Oil & Gas Energy Inc., which is primarily focused on purchasing interests in oil fields in Texas and exporting liquefied natural gas.

The Company's main operations are managed by an experienced team, located in Piraeus, Greece.

### Results of operations for the year ended December 31, 2016 vs. December 31, 2015

#### Net Sales

Net sales for the year ended December 31, 2016 and 2015 was \$18,075,328 and \$21,579,013, respectively, a decrease of \$3,503,685 or approximately 16.2%. Sales were comprised of the following:

	Year ended December 31,	
	2016	2015
Crude oil gross sales	\$ 9,226,800	\$ 14,358,941
Gas oil gross sales	7,697,600	5,346,000
Other	1,150,927	1,874,072
Total	<u>\$ 18,075,327</u>	<u>\$ 21,759,013</u>

The decrease in sales resulted primarily from the increase in dry-docking expenses incurred as a result of the repair and maintenance of two of our vessels, which consequently caused a reduction in shipments and deliveries of our products.

#### Cost of Sales

Cost of goods sold for the year ended December 31, 2016 and 2015, were \$12,497,214 and \$15,705,806, respectively, a decrease of \$3,208,592 or approximately 20.4%, and were comprised of the following:

	Year ended December 31,	
	2016	2015
Oil purchase costs	\$ 9,349,473	\$ 11,417,014
Shipping and handling costs	2,986,388	4,053,217
Other	161,353	235,575
Total	<u>\$ 12,497,214</u>	<u>\$ 15,705,806</u>

#### Operating Expenses

Total operating expenses for the year ended December 31, 2016 and 2015 were \$5,402,265 and \$4,709,548, respectively, an increase of \$692,716, or approximately 14.7%. The increase in operating expenses is primarily due to increased administrative, US travel, legal and accounting expenses in the aggregate of approximately \$524,000 as a result of the merger transaction and public company expenses. This increase was offset by lower fleet operating expenses due to the decrease in shipment of barrels from the 2015 period compared to 2016 period.

### *Net Income*

Net income for the year ended December 31, 2016 was \$223,143 compared to \$1,082,203 for the ended December 31, 2015 as a result of the decrease in gross profit and increase in operating costs.

### **Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

### **Critical Accounting Policies**

#### ***Emerging Growth Company***

We qualify as an “emerging growth company” under the 2012 JOBS Act. Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. As an emerging growth company, we can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period.

#### ***Use of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

The Company considers all highly liquid investments with an original term of three months or less to be cash equivalents.

#### ***Accounts Receivable***

The Company records accounts receivable from amounts due from its processors. The Company charges certain merchants for processing services at a bundled rate based on a percentage of the dollar amount of each transaction and, in some instances, additional fees are charged for each transaction. The Company charges other merchant customers a flat fee per transaction, and may also charge miscellaneous fees to customers, including fees for returns, monthly minimums, and other miscellaneous services. All the charges and collections thereon flow through processors who then remit the fee due the Company within the month following the actual charges.

#### ***Marketable Securities***

The Company classifies its marketable securities as available-for-sale securities, which are carried at their fair value based on the quoted market prices of the securities with unrealized gains and losses, net of deferred income taxes, reported as accumulated other comprehensive income (loss), a separate component of stockholders' equity. Realized gains and losses on available-for-sale securities are included in net earnings in the period earned or incurred.

#### ***Property and Equipment***

Fixed assets consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Vessels	\$ 9,999,380	\$ 9,550,000
Furniture and equipment	89,328	85,000
	10,088,708	9,635,000
Less: accumulated depreciation	(4,169,641)	(3,491,000)
	<u>\$ 5,919,067</u>	<u>\$ 6,144,000</u>

Property and equipment are stated at cost, and depreciation is provided by use of straight-line methods over the estimated useful lives of the assets. The estimated useful lives of property and equipment are as follows:

Vessels	10 years
Office equipment and furniture	10 years
Computer hardware	5 years

### ***Revenue Recognition***

The Company recognizes revenue in accordance with FASB ASC 605, Revenue Recognition. ASC 605 requires that four basic criteria are met (1) persuasive evidence of an arrangement exists, (2) delivery of products and services has occurred, (3) the fee is fixed or determinable and (4) collectability is reasonably assured. The Company recognizes revenue during the month in which commissions are earned.

### ***Fair Value of Financial Instruments***

Pursuant to ASC 820, *Fair Value Measurements and Disclosures*, an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Credit risk adjustments are applied to reflect the Company's own credit risk when valuing all liabilities measured at fair value. The methodology is consistent with that applied in developing counterparty credit risk adjustments, but incorporates the Company's own credit risk as observed in the credit default swap market.

The Company's financial instruments consist principally of marketable securities, the fair value of which is determined based on "Level 1" inputs. "Level 1" inputs consist of quoted prices in active markets for identical assets. The recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The Company's derivative liability resulting from the issuance of convertible debt is adjusted to fair value based on recent sales of the underlying common stock and the use of an option pricing model, which are consistent with "Level 3" inputs. See Note 6.

The following table represents the Company's financial instruments that are measured at fair value on a recurring basis as of December 31, 2016 for each fair value hierarchy level:

December 31, 2016	Derivative Liability	Marketable Securities	Total
Level I	\$ —	\$ 20,940	\$ 20,940
Level II	\$ —	\$ —	\$ —
Level III	\$ 65,499	\$ —	\$ 65,499

### ***Income Taxes***

The Company accounts for income taxes in accordance with ASC 740-10, Income Taxes. The Company recognizes deferred tax assets and liabilities to reflect the estimated future tax effects, calculated at the tax rate expected to be in effect at the time of realization. The Company records a valuation allowance related to a deferred tax asset when it is more likely than not that some portion of the deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

ASC 740-10 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. The Company classifies interest and penalties as a component of interest and other expenses. To date, the Company has not been assessed, nor has the Company paid, any interest or penalties.

The Company measures and records uncertain tax positions by establishing a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Only tax positions meeting the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized. The Company's tax years subsequent to 2010 remain subject to examination by federal and state tax jurisdictions.

### ***Earnings (Loss) Per Share***

The Company reports earnings (loss) per share in accordance with ASC 260, "Earnings per Share." Basic earnings (loss) per share is computed by dividing net income (loss), after deducting preferred stock dividends accumulated during the period, by the weighted-average number of shares of common stock outstanding during each period. Diluted earnings per share is computed by dividing net income by the weighted-average number of shares of common stock, common stock equivalents and other potentially dilutive securities outstanding during the period. Potentially dilutive securities for the year ended December 31, 2016 including outstanding convertible debt that is convertible into approximately 2,380,266 shares of common stock were not included in the calculation of diluted loss per share because their impact was anti-dilutive.

### ***Accounting for Stock-Based Compensation***

The Company accounts for stock awards issued to non-employees in accordance with ASC 505-50, Equity-Based Payments to Non-Employees. The measurement date is the earlier of (1) the date at which a commitment for performance by the counterparty to earn the equity instruments is reached, or (2) the date at which the counterparty's performance is complete. Stock awards granted to non-employees are valued at their respective measurement dates based on the trading price of the Company's common stock and recognized as expense during the period in which services are provided.

### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

## ***Comprehensive Income***

The Company has adopted ASC Topic 220, "Comprehensive Income." This statement establishes standards for reporting comprehensive income and its components in a financial statement. Comprehensive income as defined includes all changes in equity (net assets) during a period from non-owner sources. Items included in the Company's comprehensive gain consist of unrealized gains on available-for-sale securities.

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

Not required for smaller reporting companies.

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

See Index to Financial Statements and Financial Statement Schedules appearing on pages F-1 to F-12 of this annual report on Form 10-K.

### **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

A review and evaluation was performed by the Company's management, including the Company's Principal Executive Officer and Chief Financial Officer (the "CFO"), as of the end of the period covered by this annual report on Form 10-K, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that review and evaluation, the Principal Executive Officer and CFO have concluded that as of December 31, 2016 disclosure controls and procedures were not effective at ensuring that the material information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported as required in the application of SEC rules and forms.

#### Management's Report on Internal Controls over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a set of processes designed by, or under the supervision of, a company's principal executive and principal financial officers, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and disposition of our assets;
- Provide reasonable assurance our transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our 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. It should be noted that any system of internal control, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. 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.

Our Principal Executive Officer and Chief Financial Officer have evaluated the effectiveness of our internal control over financial reporting as described in Exchange Act Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this report based upon criteria established in “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013). As a result of this evaluation, we concluded that our internal control over financial reporting was not effective as of December 31, 2016 as described below.

We assessed the effectiveness of the Company’s internal control over financial reporting as of evaluation date and identified the following material weaknesses:

*Insufficient Resources:* We have an inadequate number of personnel with requisite expertise in the key functional areas of finance and accounting.

*Inadequate Segregation of Duties :* We have an inadequate number of personnel to properly implement control procedures.

*Lack of Audit Committee:* We do not have a functioning audit committee, resulting in lack of independent oversight in the establishment and monitoring of required internal controls and procedures.

We are committed to improving the internal controls and (1) will consider using third party specialists to address shortfalls in staffing and to assist us with accounting and finance responsibilities, (2) will increase the frequency of independent reconciliations of significant accounts which will mitigate the lack of segregation of duties until there are sufficient personnel and (3) may consider appointing additional outside directors and audit committee members in the future.

We have discussed the material weakness noted above with our independent registered public accounting firm. Due to the nature of these material weaknesses, there is a more than remote likelihood that misstatements which could be material to the annual or interim financial statements could occur that would not be prevented or detected.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our independent registered public accounting firm pursuant to the rules of the SEC that permit us to provide only management’s report in this annual report.

#### Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2016, there have been no changes in the Company’s internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal controls over financial reporting.

#### **ITEM 9B. OTHER INFORMATION**

None.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

##### **Identification of directors and executive officers**

Set forth below is information regarding the Company’s current directors and executive officers. There are no family relationships between any of our directors or executive officers. The directors are elected annually by stockholders. The executive officers serve at the pleasure of the Board of Directors:

<b>Name</b>	<b>Age</b>	<b>Positions Held</b>
Christos Traios	56	President, Chief Executive Officer, Chief Financial Officer and Director
John Moraites	65	Executive Vice President and Secretary

**Christos Traios, President, Chief Executive Officer, Chief Financial Officer and Director.** Mr. Traios became our President, Chief Executive Officer, Chief Financial Officer and Director on February 29, 2016. Mr. Traios has been in the maritime industry for more than 25 years and has been in the oil business for eight years. Since the incorporation of Petrogres, Mr. Traios has served as its sole director and CEO. He currently serves as Chief Executive Officer and Managing Director of Navigas Carriers Inc., a sea transporter of liquefied natural gas, and Oceanus Natfiki LLC, a provider of vessel management services within the dry-bulk industry. Mr. Traios attended Master Mariner & Law Maritime School for three years and served as second captain in the shipping industry for three years. Mr. Traios is a citizen of Greece.

Mr. Traios's experience as our President and in management generally, as well as his extensive experience in the areas crude oil purchasing and selling, and tanker vessel shipping and management of operations qualify him to serve as a director of our Company.

**John Moraites, Executive Vice President and Secretary.** Mr. Moraites joined us as Secretary on June 15, 2016, and is presently employed as a Regional Vice President for Capacity Marine Corporation. Capacity Marine specializes in marine insurance nationally and internationally. Mr. Moraites has been at Capacity Marine for the past five years. Mr. Moraites has been involved in marine insurance for more than 40 years and has an extensive background and knowledge concerning all aspects of marine insurance and the marine industry as well. Mr. Moraites has Bachelor of Science degrees in history and government.

#### **Involvement in Certain Legal Proceedings**

No director, executive officer, significant employee or control person of the Company has been involved in any legal proceeding listed in Item 401(f) of Regulation S-K in the past 10 years.

#### **Code of Ethics**

We adopted a Code of Ethics for Senior Financial Management to promote honest and ethical conduct and to deter wrongdoing. This Code applies to our Chief Executive Officer, Chief Financial Officer, controller, principal accounting officer and other employees performing similar functions. Our Code of Ethics is available on our website ([www.petrogressinc.com](http://www.petrogressinc.com)).

#### **Corporate Governance**

There have been no material changes to procedures by which security holders may recommend nominees to our Board of Directors.

We currently have no standing audit or nominating committees of our Board of Directors. Our entire Board of Directors currently performs these functions. We do not have an audit committee financial expert because we do not currently have the resources to retain one.

#### **Board Leadership Structure and Role in Risk Oversight**

We have not adopted a formal policy on whether the Chairman and Chief Executive Officer positions should be separate or combined. Christos Traios currently serves as our Chief Executive Office and sole director.

Our Board of Directors is primarily responsible for overseeing our risk management processes. The Board of Directors receives and reviews periodic reports from management, auditors, legal counsel, and others, as considered appropriate regarding our company's assessment of risks. The Board of Directors focuses on the most significant risks facing our company and our company's general risk management strategy, and also ensures that risks undertaken by our company are consistent with the Board's appetite for risk. While the Board oversees our company, our company's management is responsible for day-to-day risk management processes. We believe this division of responsibilities is the most effective approach for addressing the risks facing our company and that our Board leadership structure supports this approach.

## Director Independence

The sole director of our Board of Directors does not qualify as an independent director in accordance with the published listing requirements of the NASDAQ Global Market. The NASDAQ independence definition includes a series of objective tests, such as that the director is not, and has not been for at least three years, one of our employees and that neither the director, nor any of his family members has engaged in various types of business dealings with us.

## Section 16(a) Beneficial Ownership Report Compliance

Because we do not have a class of equity securities registered pursuant to Section 12 of the Exchange Act, we are not subject to Section 16(a) of the Exchange Act.

## ITEM 11. EXECUTIVE COMPENSATION.

The following tables set forth all of the compensation awarded to, earned by or paid to: (i) each individual serving as our principal executive officer; (ii) each other individual that served as an executive officer at the conclusion of the fiscal year ended December 31, 2016 and who received in excess of \$100,000.

### 2016 Summary Compensation of Executive Officers

Name & Principal Position	Year	Salary	Restricted Stock Awards	Option Awards	All Other Compensation	Total
Christos Traios	2016	\$ 100,000	\$ —	\$ —	\$ —	\$ 100,000
President, Chief Executive Officer and Chief Financial Officer	2015	\$ —	\$ —	\$ —	\$ —	\$ —

(1) Beginning on April 1, 2016, the Company has agreed to monthly compensation of \$10,000 per month for Christos Traios.

We do not presently have pension, health, annuity, insurance, profit sharing, or similar benefit plans; however, we may adopt plans in the future. There are presently no personal benefits available to our directors and officers.

### Outstanding Equity Awards at Fiscal Year-End

There were no outstanding equity awards as of December 31, 2016.

### Director Compensation

We do not pay fees to our directors for attendance at meetings of the board; however, we may adopt a policy of making such payments in the future. We will reimburse out-of-pocket expenses incurred by directors in attending board and committee meetings.

### Employment Agreements with Executive Officers

Effective April 1, 2016, we entered into an employment agreement with Christos Traios who serves as our President, Chief Executive Officer and Chief Financial Officer. Pursuant to our employment agreement with Mr. Traios, we agreed to pay Mr. Traios an annual salary of \$120,000, which is payable in monthly installments of \$10,000.

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

The following table sets forth information known to the Company with respect to the beneficial ownership (as such term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) of the outstanding common stock of the Company as of April 6, 2017, by: (1) each person known by the Company to beneficially own 5% or more of the Company's outstanding common stock; (2) each of the named executive officers as defined in Item 402(a)(3); (3) each of the Company's directors; and (4) all of the Company's named executive officers and directors as a group. The number of shares beneficially owned is determined under rules promulgated by the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Including those shares in the tables does not, however, constitute an admission that the named stockholder is a direct or indirect beneficial owner of those shares.

Name and Address of Beneficial Owner		Common Stock Number of Shares Beneficially Owned	Common Stock Percentage of Shares Beneficially Owned (1)
Christos Traios, Chief Executive Officer	(2)	136,000,000	81.5%
John Moraites, Secretary	(2)	—	—
All directors and officers as a group – 2 persons		136,000,000	81.5%

(1) Based on 166,795,807 shares of common stock outstanding as of April 6, 2017.

(2) The address for Mr. Traios and Mr. Moraites is c/o Petrogress, Inc., 757 Third Avenue, Suite 2110, New York, New York 10017.

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

#### Related Party Transactions

In connection with the SEA, Christos Traios was appointed as sole director, Chief Executive Officer and Chief Financial Officer of the Company. During the years ended December 31, 2016 and 2015 the Company has incurred a total of \$100,000 and \$0, respectively, representing Mr. Traios' services to the Company. This amount, which is accrued and unpaid, is included within accrued expenses in the consolidated balance sheet.

During 2016, Mr. Traios made advances to the Company in the amount of \$172,100. As of December 31, 2016, the Company has repaid Mr. Traios a total of \$37,500. The remaining balance of \$134,600 due to Mr. Traios is included within accrued expenses in the consolidated balance sheet.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table shows the fees that were billed to the Company for the audit and other services provided by L & L CPA's, RBSM LLP and David S Friedkin CPA.

	2016	2015
Audit Fees	\$ 38,250	\$ 13,363
Audit-Related Fees	—	—
Tax Fees	—	2,108
All Other Fees	—	—
Total	<u>\$ 38,250</u>	<u>\$ 15,471</u>

*Audit Fees* — This category includes the audit of our annual financial statements, review of financial statements included in our Quarterly Reports on Form 10-Q and services that are normally provided by the independent registered public accounting firm in connection with engagements for those fiscal years. This category also includes advice on audit and accounting matters that arose during, or as a result of, the audit or the review of interim financial statements.

*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."

*Tax Fees* — This category consists of professional services rendered for tax compliance and tax advice. The services for the fees disclosed under this category include tax return preparation and technical tax advice.

*All Other Fees* — This category consists of fees for other miscellaneous items.

Our board of directors has adopted a procedure for pre-approval of all fees charged by our independent registered public accounting firm. Under the procedure, the board approves the engagement letter with respect to audit, tax and review services. Other fees are subject to pre-approval by the board.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) 1. Financial Statements

The financial statements and Reports of Independent Registered Public Accounting Firms are included on pages F-1 through F-12.

2. Financial Statement Schedules

All schedules for which provisions 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 Number	Description of Exhibit
2.1	Certificate of Conversion filed with the State of Florida, dated November 18, 2016 (Incorporated herein by reference to Exhibit 2.1 to the Company’s Current Report on Form 8-K as filed with the Commission on December 1, 2016).
2.2	Certificate of Conversion filed with the State of Delaware, dated November 18, 2016 (Incorporated herein by reference to Exhibit 2.2 to the Company’s Current Report on Form 8-K as filed with the Commission on December 1, 2016).
3.1	Articles of Incorporation (Incorporated herein by reference to Exhibit 3.1 as part of the Company’s Registration Statement on Form S-1 as filed with the Commission on October 17, 2012).
3.2	Articles of Amendment to the Articles of Incorporation filed October 11, 2011 (Incorporated herein by reference to Exhibit 3.2 as part of the Company’s Registration Statement on Form S-1 as filed with the Commission on October 17, 2012).
3.3	Articles of Amendment to the Articles of Incorporation filed February 29, 2016 (Incorporated herein by reference to Exhibit 3.1 as part of the Company’s Current Report on Form 8-K as filed with the Commission on March 3, 2016).
3.4	Articles of Amendment to the Articles of Incorporation filed March 10, 2016 (Incorporated herein by reference to Exhibit 3.3 as part of the Company’s Current Report on Form 8-K as filed with the Commission on April 1, 2016).
3.5	Certificate of Incorporation filed on November 16, 2016 with the State of Delaware (Incorporated herein by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K as filed with the Commission on December 1, 2016).
3.6	By-Laws of Petrogress, Inc., effective November 30, 2016 (Incorporated herein by reference to Exhibit 3.2 to the Company’s Current Report on Form 8-K as filed with the Commission on December 1, 2016).
10.1	Securities Exchange Agreement, dated February 29, 2016, by and among the Company, Petrogres Co. Ltd., and the sole shareholder of Petrogres Co. Ltd. (Incorporated herein by reference to Exhibit 10.3 to the Company’s Current Report on Form 8-K filed with the Commission on March 3, 2016).
10.2*	Employment Agreement, dated April 1, 2016, by and between Petrogress, Inc. and Christos Traios
14.1*	Code of Business Conduct and Ethics (Incorporated herein by reference to Exhibit 14.1 as part of the Company’s Registration Statement on Form S-1 as filed with the Commission on October 17, 2012).
21*	Subsidiaries
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive and Financial Officer
32.1*	Certification of Principal Executive and Financial Officer pursuant to Section 1350
101.INS*	XBRL Instance
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 Labels Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

\* Filed herewith.



PETROGRESS, INC. AND SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015  
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**David S. Friedkin CPA**  
CERTIFIED PUBLIC ACCOUNTANT  
601 Haring Farm Court  
River Vale, NJ 07675

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders

**Petrogress, Inc.**

We have audited the accompanying consolidated balance sheets of Petrogress, Inc. and subsidiaries as of December 31, 2016 and 2015, and the related consolidated statements of income, changes in stockholder's equity, and cash flows for the years then ended. 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 the 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 audit 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, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Petrogress, Inc. and subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

David S. Friedkin CPA  
River Vale, New Jersey  
March 31st, 2017

**PETROGRESS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 362,083	\$ 1,882,305
Accounts receivable	2,427,668	2,650,171
Accounts receivable, related party		—
Prepaid expenses and other current assets, including advances to shareholder of \$395,009 in 2016 and \$331,877 in 2015	1,058,088	1,209,960
Marketable securities	20,940	—
<b>Total current assets</b>	<u>3,868,779</u>	<u>5,742,436</u>
Property and equipment, net	5,919,067	6,144,000
Security deposit	8,775	—
<b>Total Assets</b>	<u>\$ 9,796,621</u>	<u>\$ 11,886,436</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 148,269	\$ 809,473
Due to related party	234,600	—
Convertible promissory note	44,887	—
Derivative liability	65,499	—
<b>Total current liabilities</b>	<u>493,255</u>	<u>809,473</u>
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity:</b>		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized, none issued		
Common stock, \$0.001 par value; 490,000,000 shares authorized; 166,795,807 (2016) and 136,000,000 (2015) issued and outstanding	166,796	136,000
Additional paid-in capital	8,423,641	8,666,838
Accumulated comprehensive loss	15,660	—
Retained earnings	697,269	2,274,125
<b>Total stockholders' equity</b>	<u>9,303,366</u>	<u>11,076,963</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 9,796,621</u>	<u>\$ 11,886,436</u>

*See independent auditor's report and accompany notes to consolidated financial statements.*

**PETROGRESS, INC. and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF NET INCOME**

	Year Ended December 31,	
	2016	2015
Revenues	\$ 18,075,327	\$ 21,579,013
Costs of goods sold	12,497,214	15,705,806
<b>Gross profit</b>	<b>5,578,113</b>	<b>5,873,207</b>
<b>Operating expenses:</b>		
Operating Costs	2,715,835	3,034,938
Administration Costs	2,010,101	1,011,110
Depreciation	676,328	663,500
<b>Total operating expenses</b>	<b>5,402,265</b>	<b>4,709,548</b>
<b>Operating income before other expenses and income taxes</b>	<b>175,848</b>	<b>1,163,659</b>
<b>Other income (expense):</b>		
Amortization of note discount	(48,974)	—
Change in fair market value of derivative liabilities	152,169	—
<b>Total other income, net</b>	<b>103,195</b>	<b>—</b>
<b>Income before income taxes</b>	<b>279,043</b>	<b>1,163,659</b>
Income tax expense	55,900	81,456
<b>Net Income</b>	<b>223,143</b>	<b>1,082,203</b>
Other comprehensive loss, net of tax		
Unrealized loss on marketable securities	—	—
Comprehensive income (loss)	\$ 223,143	\$ 1,082,203
Net income per share	\$ 0.002	\$ 0.009
<b>Weighted average number of common shares outstanding</b>		
Basic and fully diluted	161,016,555	136,000,000

*See independent auditor's report and accompany notes to consolidated financial statements.*

**PETROGRESS, INC. and SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**For the Years Ended December 31, 2016 and 2015**

	Common Stock		Common Stock to be issued		Additional Paid-in Capital	Accumulated Comprehensive Loss	Accumulated Deficit	Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balances, January 1, 2015	136,000,000	\$ 136,000	—	\$ —	\$ 8,666,838	\$ —	\$ 1,191,922	\$ 9,994,760
Net income for year ended December 31, 2015	—	—	—	—	—	—	1,082,203	1,082,203
Balances, December 31, 2015	136,000,000	136,000	—	—	8,666,838	—	2,274,125	11,076,963
Reorganization due to recapitalization	23,000,000	23,000	1,000,000	1,000	(343,784)	—	—	(319,784)
Reclassification of derivative liability upon conversion of convertible note	—	—	—	82,651	—	—	82,651	—
Unrealized gain on marketable securities	—	—	—	—	—	15,660	—	15,660
Common stock shares cancelled	(4,193)	(4)	—	—	4	—	—	—
Reclassification of note discount upon conversion of convertible note	—	—	—	—	2,700	—	—	2,700
Common stock issued for convertible notes	7,800,000	7,800	(1,000,000)	(1,000)	15,232	—	—	22,032
Dividend paid	—	—	—	—	—	—	(1,800,000)	(1,800,000)
Net income for year ended December 31, 2016	—	—	—	—	—	—	223,144	223,144
	<u>166,795,807</u>	<u>166,796</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 8,423,641</u>	<u>\$ 15,660</u>	<u>\$ 697,269</u>	<u>\$ 9,303,366</u>

*See independent auditor's report and accompany notes to consolidated financial statements.*

**PETROGRESS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<u><b>2016</b></u>	<u><b>2015</b></u>
<b>Cash Flows from operating activities:</b>		
Net income	\$ 223,143	\$ 1,082,203
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	676,328	663,500
Amortization of discount on convertible note	35,006	—
Interest expense on converted notes payable	13,968	—
Net cash acquired in recapitalization	517	—
Change in fair value of derivative liabilities	(152,169)	—
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	223,080	(869,560)
Decrease (increase) in prepaid assets	151,872	95,040
Increase in amount due to shareholders	234,600	—
(Decrease) increase in accounts payable and accrued expenses	(667,203)	384,466
Increase in security deposits	(8,775)	—
<b>Net cash provided by (used in) operating activities</b>	<u><b>730,369</b></u>	<u><b>1,355,649</b></u>
<b>Cash flows from investing activities:</b>		
Purchase of property plant and equipment	(450,591)	—
<b>Net cash used in investing activities</b>	<u><b>(450,591)</b></u>	<u><b>—</b></u>
<b>Cash flows from financing activities:</b>		
Dividends paid	(1,800,000)	—
<b>Net cash used in financing activities</b>	<u><b>(1,800,000)</b></u>	<u><b>—</b></u>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,520,222)</b>	<b>1,355,649</b>
<b>Cash and cash equivalents, Beginning of Period</b>	<u><b>1,882,305</b></u>	<u><b>526,656</b></u>
<b>Cash and cash equivalents, End of Period</b>	<u><u><b>\$ 362,083</b></u></u>	<u><u><b>\$ 1,882,305</b></u></u>
<b>Supplemental disclosure of cash flow information:</b>		
<b>Schedule of non-cash investing and financing activities:</b>		
Reclassification of derivative liability upon repayment of convertible debt	\$ 48,523	—
Common stock issued for conversion of notes and interest payable	\$ 24,732	—
Change in fair value for available for sale marketable securities	\$ (1,860)	—

*See independent auditor's report and accompany notes to consolidated financial statements.*

**PETROGRESS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Organization**

Petrogress, Inc. (the “Company” or “Petrogress”) operates a fully integrated oil commodity business, including upstream, midstream and downstream operations, primarily serving West African and Mediterranean countries. The Company operates primarily as a holding company and provides its services through three wholly-owned subsidiaries: Petrogres Co. Limited, which provides management of crude oil purchases and sales; Petronav Carriers LLC, which manages day-to-day operations of the tanker fleet currently consisting of four vessels; and Petrogress Oil & Gas Energy Inc., which is primarily focused on purchasing interests in oil fields in Texas and exporting liquefied natural gas.

We were originally incorporated in the State of Florida on February 10, 2010 under the name 800 Commerce, Inc. for the purpose of marketing credit card processing services on behalf of merchant payment processing service providers. Effective March 25, 2016, we changed our name from 800 Commerce, Inc. to Petrogress, Inc. and effective November 30, 2016, we changed our state of domicile from the State of Florida to the State of Delaware.

*Securities Exchange Agreement*

On February 29, 2016, we entered into a Securities Exchange Agreement (the “SEA”) with Petrogres Co. Limited, a Marshall Islands corporation (“Petrogres”), and its sole shareholder. Pursuant to the terms of the SEA, the Company acquired 100% of Petrogres and its affiliated companies. In exchange, the Company issued to the sole shareholder of Petrogres 136,000,000 shares of restricted common stock, representing 85% of the issued and outstanding shares of the Company’s common stock at the closing of the transaction. As part of the transaction, the sole shareholder and chief executive officer (“CEO”) of Petrogres, Christos Traios, was appointed as CEO and as a director of the Company and B. Michael Friedman resigned as an officer and director. In addition, the Company’s Board of Directors (the “Board”) approved an amendment to the Company’s Articles of Incorporation, increasing the authorized capital to 490,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of preferred stock, par value \$0.001 per share.

The SEA has been accounted for as a reverse acquisition and recapitalization of the Company whereby Petrogres effectively became a public company, which has allowed us to increase our operational efficiency and continue to expand our operations. As a result of this transaction, we acquired both the assets and operations of Petrogres and its wholly-owned subsidiaries.

*Description of Business*

We operate primarily as a holding company for our three wholly-owned subsidiaries: Petrogres, Co. Limited; Petronav Carriers LLC; and Petrogress Oil & Gas Energy, Inc.

**Note 2 - Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles in the United States of America (“US GAAP”). The consolidated financial statements of the Company include the consolidated accounts of the Company and its’ wholly owned subsidiaries listed below. All intercompany accounts and transactions have been eliminated in consolidation.

Petrogres Co. Limited (Marshall Islands)  
Petrogress Oil & Gas Energy, Inc. (Texas)  
Petronav Carriers LLC (Delaware)

### ***Emerging Growth Company***

We qualify as an “emerging growth company” under the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933 as amended (the “Securities Act”) for complying with new or revised accounting standards. As an emerging growth company, we can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period.

### ***Cash and Cash Equivalents***

The Company considers all highly liquid investments with an original term of three months or less to be cash equivalents.

### ***Accounts Receivable /Concentrations of Credit Risk***

The Company and its affiliates are engaged primarily in the purchase, transport and processing of oil and petroleum products. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables. The Company places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to the short payment terms dictated by the industry and operating environment. As of December 31, 2016 and 2015, the Company had no significant concentrations of credit risk.

### ***Marketable Securities***

The Company classifies its marketable securities as available-for-sale securities, which are carried at their fair value based on the quoted market prices of the securities with unrealized gains and losses, net of deferred income taxes, reported as accumulated other comprehensive income (loss), a separate component of stockholders' equity. Realized gains and losses on available-for-sale securities are included in net earnings in the period earned or incurred.

### ***Depreciation***

The Company's vessels and other assets are depreciated using primarily the straight-line method over the estimated useful lives.

### ***Inventory***

The Company's inventory, which consists primarily of crude oil purchases on the vessel in transport, is valued at the lower of cost or market using the mark-to-market method of valuation.

### ***Revenue Recognition***

The Company recognizes revenues after products are delivered to contracted customers. Products in transit at the end of an accounting period are recorded at an estimated value which is adjusted upon load certification. The Company recognizes revenue in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 605, Revenue Recognition. ASC 605 requires that the following four basic criteria are met (1) persuasive evidence of an arrangement exists, (2) delivery of products and services has occurred, (3) the fee is fixed or determinable and (4) collectability is reasonably assured.

### ***Fair Value of Financial Instruments***

Pursuant to ASC 820, *Fair Value Measurements and Disclosures*, an entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

- Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.
- Level 2 applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- Level 3 applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

Credit risk adjustments are applied to reflect the Company's own credit risk when valuing all liabilities measured at fair value. The methodology is consistent with that applied in developing counterparty credit risk adjustments, but incorporates the Company's own credit risk as observed in the credit default swap market.

The Company's financial instruments consist principally of marketable securities, the fair value of which is determined based on "Level 1" inputs. "Level 1" inputs consist of quoted prices in active markets for identical assets. The recorded values of all other financial instruments approximate their current fair values because of their nature and respective maturity dates or durations.

The Company's derivative liability resulting from the issuance of convertible debt is adjusted to fair value based on recent sales of the underlying common stock and the use of an option pricing model, which are consistent with "Level 3" inputs. See Note 6.

The following table represents the Company's financial instruments that are measured at fair value on a recurring basis as of December 31, 2016 for each fair value hierarchy level:

December 31, 2016	Derivative Liability	Marketable Securities	Total
Level I	\$ —	\$ 20,940	\$ 20,940
Level II	\$ —	\$ —	\$ —
Level III	\$ 65,499	\$ —	\$ 65,499

The carrying amount of the Company's accounts payable approximate fair value to their short term.

### ***Income Taxes***

The Company accounts for income taxes in accordance with ASC 740-10, Income Taxes. The Company recognizes deferred tax assets and liabilities to reflect the estimated future tax effects, calculated at the tax rate expected to be in effect at the time of realization. The Company records a valuation allowance related to a deferred tax asset when it is more likely than not that some portion of the deferred tax asset will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates of the date of enactment.

ASC 740-10 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues. The Company classifies interest and penalties as a component of interest and other expenses. To date, the Company has not been assessed, nor has the Company paid, any interest or penalties.

The Company measures and records uncertain tax positions by establishing a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Only tax positions meeting the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized. The Company's tax years subsequent to 2010 remain subject to examination by federal and state tax jurisdictions.

### ***Earnings (Loss) Per Share***

The Company reports earnings (loss) per share in accordance with ASC 260, "Earnings per Share." Basic earnings (loss) per share is computed by dividing net income (loss), after deducting preferred stock dividends accumulated during the period, by the weighted-average number of shares of common stock outstanding during each period. Diluted earnings per share is computed by dividing income by the weighted-average number of shares of common stock, common stock equivalents and other potentially dilutive securities outstanding during the period. Potentially dilutive securities for the periods ended December 31, 2016 includes the Company's outstanding convertible debt that is convertible into approximately 2,380,266 shares of common stock were not included in the calculation of diluted income per share because their impact was anti-dilutive.

### ***Accounting for Stock-based Compensation***

The Company accounts for stock awards issued to non-employees in accordance with ASC 505-50, Equity-Based Payments to Non-Employees. The measurement date is the earlier of (1) the date at which a commitment for performance by the counterparty to earn the equity instruments is reached, or (2) the date at which the counterparty's performance is complete. Stock awards granted to non-employees are valued at their respective measurement dates based on the trading price of the Company's common stock and recognized as expense during the period in which services are provided.

### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from those estimates.

### ***Comprehensive Income***

The Company has adopted ASC Topic 220, "Comprehensive Income." This statement establishes standards for reporting comprehensive income and its components in a financial statement. Comprehensive income as defined includes all changes in equity (net assets) during a period from non-owner sources. Items included in the Company's comprehensive loss consist of unrealized losses on available-for-sale securities.

### ***Date of Management's Review***

Management has evaluated subsequent events through March 31st, 2017, the date on which the financial statements were available to be issued.

### **Note 3 – Fixed Assets**

Fixed assets consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Vessels	\$ 9,999,380	\$ 9,550,000
Furniture and equipment	89,328	85,000
	<u>10,088,708</u>	<u>9,635,000</u>
Less: accumulated depreciation	(4,169,641)	(3,491,000)
	<u>\$ 5,919,067</u>	<u>\$ 6,144,000</u>

Property and equipment are stated at cost, and depreciation is provided by use of straight-line methods over the estimated useful lives of the assets. The estimated useful lives of property and equipment are as follows:

Vessels	15 years
Office equipment and furniture	10 years
Computer hardware	5 years

Depreciation expense of \$676,328 and \$663,500 was recorded for the years ended December 31, 2016 and 2015, respectively.

**Note 4 - Sales Concentration and Concentration of Credit Risk**

**Sales and Accounts Receivable**

The following is a summary of customers who accounted for more than ten percent (10%) of the Company's revenues for the years ended December 31, 2016 and 2015 and the accounts receivable balance as of December 31, 2016:

Customer	Sales % 2016	Sales % 2015	Accounts Receivable Balance as of December 31, 2016
A	25.4%	19.5%	\$ 480,875
B	21.6%	16.7%	158,980
C	20.1%	23.0%	937,483
D	13.7%	—	—
E	—	20.8%	100,433
			<u>\$ 1,677,771</u>

**Note 5 - Convertible Notes Payable**

Effective with the SEA, Petrogres assumed and acquired two convertible promissory notes that were issued to Mammoth Corporation ("Mammoth"). Mammoth Note 1 had a balance of \$31,339 and Mammoth Note 2 had a balance of \$38,280. Mammoth Note 1 and Mammoth Note 2 are referred to as the Mammoth Notes. The Mammoth Notes became due on September 9, 2016.

The Company determined that the conversion feature of the Mammoth Notes represent an embedded derivative since the Notes are convertible into a variable number of shares upon conversion. Accordingly, the Mammoth Notes were not considered to be conventional debt under EITF 00-19 and the embedded conversion feature was bifurcated from the debt host and accounted for as a derivative liability. Accordingly, the fair value of these derivative instruments being recorded as a liability on the consolidated balance sheet with the corresponding amount recorded as a discount to each Note. Such discount is being amortized from the date of issuance to the maturity dates of the Notes. The change in the fair value of the liability for derivative contracts are recorded in other income or expenses in the consolidated statements of operations at the end of each quarter, with the offset to the derivative liability on the balance sheet. The embedded feature included in the Mammoth Notes resulted in a debt discount of \$48,975 on the date the Mammoth Notes were assumed and a derivative liability of \$300,321.

A summary of the derivative liability balance of the Mammoth Notes as of December 31, 2016 is as follows:

	2016
Balance assumed	\$ 300,321
Reduction for conversion	(82,652)
Fair Value Change	(152,170)
Ending Balance	<u>\$ 65,499</u>

The fair value at the assumption and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions as of December 31, 2016:

	Assumption date	Remeasurement date
Expected dividends	-0-	-0-
Expected volatility	363%	366%
Expected terms in months	6	3
Risk yield	.49%	.28%

A summary of the convertible notes payable balance as of December 31, 2016 is as follows:

	2016
Assumed Balance	\$ 69,619
Conversion of convertible notes	(24,732)
Ending Balance	<u>\$ 44,887</u>

#### **Note 6 - Related Party Transactions**

##### *Due to Stockholders*

###### *Officer's compensation*

For the years ended December 31, 2016 and 2015, the Company recorded expenses to its officers the following amounts, included in Administration Costs in the statements of operations, included herein:

	Years ended December 31,	
	2016	2015
President, Chief Executive Officer and Chief Financial Officer	<u>\$ 100,000</u>	<u>\$ —</u>

The Company accrued \$100,000 (included in Due to Stockholders on the balance sheet presented herein) of officer's compensation during the year ended December 31, 2016, in recognition of agreeing to compensate the Company's President, Chief Executive Officer and Chief Financial Officer \$10,000 per month effective April 1, 2016.

###### *Officer's advances*

During the year ended December 31, 2016, our Chief Executive Officer advanced the Company \$172,100 and was repaid \$37,500. As of December 31, 2016, the Company owed the Chief Executive Officer \$134,600 (included in Due to Stockholders on the balance sheet presented herein).

###### *Intercompany transactions*

All intercompany accounts and transactions have been eliminated in consolidation, including:

- \$224,065 that Petrogress, Inc. owes to Petrogres Co. Limited for travel expenses paid by Petrogres Co. Limited on behalf of Petrogress, Inc.
- \$5,000 that Petrogres Co. Limited advanced to Petrogress, Inc.
- \$100,000 that Petrogres Oil & Gas advanced to Petrogress, Inc.

#### **Note 7 - Stockholders' Equity**

##### *Common Stock*

Effective February 29, 2016, the Company issued 1,101,642 shares of the Company's common stock to Agritek Holdings, Inc. pursuant to a Debt Settlement Agreement in full settlement of the amount owed to Agritek of \$283,547.

Upon completion of the SEA between the Company and Petrogres, the Company issued to the sole Petrogres shareholder 136,000,000 shares of common stock of the Company in exchange for one hundred percent (100%) of the issued and outstanding share capital of Petrogres from the sole shareholder of Petrogres.

On March 7, 2016, the Company issued 1,000,000 shares of common stock to Mammoth upon the conversion of \$2,700 of principal at a conversion price of \$0.0027 per share.

On April 11, 2016, the Company issued 6,800,000 shares of common stock to Mammoth upon the conversion of \$22,032 of principal at a conversion price of \$0.00324 per share.

#### **Note 8 - Income Taxes**

Deferred income taxes reflect the net tax effects of operating loss and tax credit carry forwards and temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing net future deductible amounts become deductible. Due to the uncertainty of the Company's ability to realize the benefit of the deferred tax assets, the deferred tax assets are fully offset by a valuation allowance at December 31, 2016.

#### **Note 9 - Commitments and Contingencies**

The Company is not a party to any litigation and, to its knowledge, no action, suit or proceeding has been threatened against the Company.

#### ***Lease Agreements***

Petrogres leases office space in Piraeus, Greece for monthly rent of €2,500 (approximately USD\$2,658) (the "Piraeus Lease"). The Piraeus Lease expires on May 31, 2018. We believe that this office space is adequate for Petrogres' current operations.

Effective June 13, 2016, the Company entered into a thirteen (13) month lease for a corporate apartment in New York City, to be used by the Company's Chief Executive Officer during his travel to New York. Mr. Traios spends approximately 35% of his time in New York on business matters. The monthly lease is for \$4,575 and expires July 12, 2017.

Effective October 1, 2016, the Company entered into a one year Office Services Agreement for office space and other services for a total base monthly fee of \$2,800. The Company utilizes the New York office space for administrative purposes.

Future rent payments based on the terms for the Company's leases are as follows:

Twelve months ending December 31,	Amount
2017	\$ 84,750
2018	13,375
	<u>\$ 98,125</u>

#### **NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 31, 2017, which is the date the financial statements were available for issuance.

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## EMPLOYMENT AGREEMENT

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**EMPLOYMENT AGREEMENT** made effective as of the April 1 st 2016, between Christos P. Traios, an individual residing at Piraeus - Greece (hereinafter referred to as the "Executive") and, Petrogress, Inc. a corporation with offices at 319, Clematis str. West Palm Beach - Florida (hereinafter referred to as the "Employer" or the "Company").

### 1 WITNESSETH

**WHISEAS** , the Employer desires to employ the Executive under the terms and conditions of the Agreement; and

**WHISEAS** , the Executive is willing to provide his services to the Employer on the terms and conditions hereinafter set forth.

**NOW THEREFORE** , in consideration of the mutual covenants and promises of the parties hereto, the Employer and the Executive agree as follows:

1. Employment: The Employer hereby agrees to employ the Executive to perform managerial and executive functions for the Employer, and the Executive hereby agrees to perform such services for the Employer on the terms and conditions hereinafter stated, subject to the directives of the Board of Directors of the Employer.
2. Term of Employment: The period during which the Executive serves as an employee of the Company in accordance with and subject to the provisions of the Agreement is referred to in the Agreement as the Term of Employment. The Term of Employment pursuant to the Agreement shall be deemed to have commenced as of the April 1st 2016 and shall continue in full force and effect until the March 31st, 2021, provided, however, that the Agreement shall be automatically renewed on a year-to-year basis thereafter unless terminated by either party on at least four (4) months prior written notice during any given year, unless sooner terminated as provided herein.
3. Position and Duties
  - (a) The Executive shall serve as Chief Executive Officer for the Company. The Executive shall be responsible for compliance with and periodic review of the Company's corporate governance policies and practices, ensuring that the Company follows and complies with state and federal regulations as well as internal corporate rules and polices as set forth in the Company's Certificate of Incorporation and By-Laws and as may be determined by the Board of Directors of the Company; the preparation and conducting of the meetings of the shareholders; establishment and maintenance of clear and effective channels of communications between the various governing bodies of the Company; the keeping of corporate records; and the review of and response to shareholders correspondence. The Employee shall also have such other duties as from time to time may be prescribed by the Board. Notwithstanding the foregoing, the Agreement shall not apply to the Executive's position on the Board of Directors and shall only apply to his Corporate Secretary position with the Company.
  - (b) During the Term, the Executive shall perform and discharge the duties that may be assigned to his by the Board from time to time in accordance with the Agreement, and the Executive shall devote his best talents, efforts and abilities to the performance of his duties hereunder.
  - (c) During the Term, the Executive shall perform his duties hereunder on a full-time basis and shall be employed exclusively by the Company. The Executive shall not engage in any other business or accept other employment unless approved in advance by the Board. In addition to the foregoing, the Executive shall, at all times during the Term and any extension thereof, discharge his duties in consultation with, and under the supervision of the Board.
4. Compensation and Bonuses:
  - (a) During the Term of Employment the Employer shall pay the Executive a salary at an annual rate of U.S. \$120,000.00 (One Hundred Twenty Thousand U.S. dollars (the Base Salary). The Base Salary will be payable in monthly installments of (\$10,000) Ten Thousand U.S. Dollars on the 1st day of each month commencing on the starting date of the Agreement.
  - (b) In addition to his Base Salary, the Company shall issue to the Executive, Five Hundred Thousand (500,000) shares of Preferred stock;
  - (c) The Executive will also be given an expense allowance of U.S. Five Thousand (\$5,000) Dollars per month subject to the Company receiving receipts for any such expenses. Any expenses in excess of that amount will require the prior approval of the Board.
  - (d) The Executive shall also be eligible to participate in any future bonus, profit sharing and/or ESOP plans approved and enacted by the Board on the same basis with all other senior executives of the Company, subject to the terms thereof. The Executive understands, however, that no such plans are currently in effect.
5. Benefits:
  - (a) General. Executive shall be entitled to receive such benefits and fringe benefits, subject to the Company's policies and guidelines for the same, if any, as are approved from time to time by the Company for all of the Company's senior executives.

(b) Health and Dental. The Employer currently does not have a health and dental plan, however, when the Employer is in a position to have such a plan, the Executive will be offered the opportunity to participate in the plan.

(c) Vacation: During each year of the term of the Agreement, the Executive shall be entitled to three (3) weeks vacation annually, which, if unused, will accrue daily and shall be paid to Executive (based upon the per-day amount of the Base Salary for the calendar year in which such vacation is accrued and pro rated through the date of such termination) upon Executives termination or the expiration of the Term of Employment.

(d) Moving Expenses. Executive shall be entitled to receive reimbursement for all reasonable expenses incurred by the Executive to move his immediate family and belongings if required by the Company. At the Executives sole option, however, the Agreement may be terminated if the Company requires such a move as a condition of continued employment. In such a case, the provisions of Termination of Employment will apply as if the Company had terminated the Agreement without cause.

(e) No Obligation to Establish or Maintain Benefits. Except as contemplated by the Section 5 and the other express terms of the Agreement, compliance with the provisions of the Section 5 shall in no way create or be deemed to create any obligation, express or implied, on the part of the Company or any Parent, Subsidiary, or Affiliate of the Company with respect to the continuation of any benefit or other plan or arrangement maintained as of or prior to the date hereof or the creation and maintenance of any particular benefit or other plan or arrangement at any time after the date hereof.

6. Termination of Employment: Unless renewed as provided in Section 2 hereof, the Agreement may be terminated as follows:

(a) At any time by the mutual written consent of the Executive and the Company. Upon termination pursuant to the Section 6(a), all obligations of the Company for the payment of earned but unpaid Base Salary and any unpaid bonus and benefits through the date of termination shall continue until fully discharged.

(b) At any time for cause by the Company upon written notice to the Executive. For the purposes of the Agreement, a termination shall be for cause if a majority of the Board of Directors of the Company reasonably determines that:

- (i) the Executive has been convicted by a court of competent jurisdiction or has pleaded guilty or *nolo contendere* to any felony or any lesser crime having as its predicate element fraud, embezzlement, misappropriation or breach of fiduciary duty against the Company; or
- (ii) the Executive has committed an act which submits the Company to criminal liability; or
- (iii) the Executive has committed a breach of any of the covenants, terms, or provisions in the Agreement concerning Non-competition or Intellectual Property; or
- (iv) the Executive has committed a breach of any of the covenants, terms, or provisions of the Agreement other than those related to Non-competition or Intellectual Property, and which breach has not been remedied within thirty (30) days after delivery to the Executive by the Company written notice thereof; or
- (v) the Executive has disobeyed for a period of thirty (30) days reasonable and lawful written instructions from the Company's Board of Directors regarding the performance of the Executives duties as required by Section 3 hereof or has been grossly negligent in the performance of the Executives duties hereunder, after written notice from said Board.

Upon termination for cause as provided in the Section 6(b),

(A) all obligations of the Company under the Agreement thereupon shall terminate other than any obligations with respect to earned but unpaid salary and any unpaid bonus and benefits through the date of termination;

(B) the Company shall have any and all rights and remedies under the Agreement and applicable law, and

(C) the Executive shall continue to be subject to any provisions under the Agreement regarding Non-competition and Intellectual Property.

(c) Upon the Executives death or upon the Executives permanent disability (as defined below) continuing for a period of ninety (90) days. Upon termination or the event of death or permanent disability as provided in the Section 6(c), all obligations of the Company under the Agreement thereupon shall immediately terminate other than any obligations with respect to earned but unpaid salary and any unpaid bonus and benefits through date of termination, and to the extent applicable, the Executive shall continue to be subject to the covenants, terms, and provisions under the Agreement with regard to Non-competition and Intellectual Property. As used herein, the term permanent disability or permanently disabled is hereby defined as the inability of the Executive, by reason of illness, injury, or other cause, to perform a major part of the duties and responsibilities which the Executive had been performing prior to the date of disability in connection with the conduct of the business and affairs of the Company.

(d) At any time by the Executive upon sixty (60) days written notice of intent to terminate to the Company. Upon termination by the Executive as provided in the Section 6(d), all obligations of the Company under the Agreement thereupon immediately shall terminate other than any obligations with respect to earned but unpaid salary and any unpaid bonus and benefits through the date of termination, and the Executive shall continue to be subject to covenants, terms, and provisions under the Agreement with regard to Non-competition and Intellectual Property of the Agreement in accordance with the terms thereof.

(e) At any time without cause (as defined in Section 6(b) above) by the Company upon written notice to the Executive of not less than thirty (30) days. In the event of termination of the Executive by the Company pursuant to the Section 6(e), the Company shall pay the Executive the Executives Base Salary for a period of six (6) months as severance pay and shall pay any unpaid bonus and benefits in

each case through the effective date of termination. If terminated without cause, the provisions of the Non-competition and Intellectual Property shall not apply, although the Executive shall nevertheless continue to be bound by the terms of that Non-Disclosure Agreement between the Executive and the Company, a copy of which is attached hereto as Exhibit A (Non-disclosure Agreement). Any payments of Base Salary of other amounts under the Section 6(e) shall be in the same intervals (i.e., weekly, monthly, yearly, etc.) as such payments were made to the executive immediately prior to termination. Payment of the amounts contemplated by the Section 6(e) is agreed by the parties hereto to be in full satisfaction and compromised of any claims arising out of any termination of the Executives employment pursuant to the Section 6(e).

(f) In any event, all obligations of the Company and its affiliates hereunder shall terminate as of the last day of the Termination of Employment other than the obligation to pay Base Salary earned an bonus and benefits accrued but unpaid with respect to periods ending prior thereof.

## 7. Non-Competition and Intellectual Property

(a) Except as otherwise provided in the Agreement, during any period in which the Executive serves as an employee of the Company and for a period of two (2) years after the date of termination of the Executives employment at any time (the Non-compete Period), the Executive shall not, without the express written consent of the Board of Directors, directly or indirectly, engage, participate, invest in, be employed by or assist, whether as owner, part-owner, shareholder, partner, director, officer, trustee, employee, agent, or consultant, or in any other capacity, any business entity other than the Company and its affiliates, which develops, manufactures, sells or markets products or performs services which are directly competitive with the products or services of the Company, or products or services which the Company has under development or which are the subject of active study on the date of the termination of the Executives employment (hereinafter a Competitor). Without limiting the foregoing, the foregoing covenant shall prohibit the Executive during the period set forth above from (i) soliciting for or on behalf of any such Competitor any customer of the Company and (ii) diverting to any such Competitor any customer of the Company. In addition, during the period covered by the Section 7(a), the Executive shall not hire or attempt to hire for or on behalf of any Person (including any Competitor) any officer or employee of the Company or encourage for on or behalf of any such Person (including the Competitor) any officer or employee to terminate his or his relationship or employment with the Company. Notwithstanding the foregoing, however, the Executive may make passive investments in a Competitor, whether or not the securities of such Competitor are publicly traded, if such investment constitutes less than one percent (1%) of the outstanding shares of capital stock or comparable equity interests of the Competitor. As of the date of the Agreement, the Executive represents he is not performing any other duties for, and is not a party to any similar agreement with any Competitor. The Executive understands that the restrictions set forth in the Section 7(a) are intended to protect the Company's interest in its proprietary information and established customer relationships and goodwill, and agrees that such restrictions are reasonable and appropriate for the purpose. For purposes of the Agreement, the term Person shall mean an individual, a corporation, an association, a partnership, a limited liability company or partnership, an estate, a trust, and any other entity or organization.

(b) For purposes of the Agreement, "proprietary information" shall mean any proprietary information relating to the business of the Employer or its Parent or any entity in which the Employer or its Parent has a controlling interest that has not previously been publicly released by duly authorized representatives of the Employer and shall include (but shall not be limited to) information encompassed in all proposals, marketing and sales plans, financial information, costs, pricing information, computer programs (including without limitation source code, object code, algorithms and models), customer information, customer lists, and all methods, concepts, know-how or ideas in or reasonably related to the business of Employer or any entity in which the Employer has a controlling interest.

(c) In connection with the execution of the Agreement, the Executive has executed and delivered the Non-disclosure and Confidentiality Agreement and for so long as the Executive is subject to the terms of Section 7(a) hereof, the Executive agrees to be bound by the terms thereof as if the same were set forth in full herein, it being understood that any breach of the Nondisclosure and Confidentiality Agreement shall constitute a breach of the Agreement.

8. Business Opportunities. The Executive agrees, while he is employed by the Company, to offer or otherwise make known or available to the Company and without additional compensation or consideration, any business prospects, contracts or other business opportunities that he may discover, find, develop or otherwise have available to his in any field in which the Company is engaged, and further agrees that any such prospects, contracts or other business opportunities shall be the property of the Company.
9. Specific Performance; Severability. It is specifically understood and agreed that any breach of the provisions of the Agreement (including, without limitation, Section 7 hereof and the obligations referred to and incorporated therein) by the Executive is likely to result in irreparable injury to the Company, that the remedy a law alone will be an inadequate remedy for such breach and that, in addition to any other remedy it may have, the Company shall be entitled to enforce the specific performance of the Agreement by the Executive through both temporary and permanent injunctive relief, and through any other appropriate equitable relief, without the necessity of showing or proving actual damages.

In case any of the provisions contained in the Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, including without limitation geographic scope, duration of functional coverage, any such invalidity, illegality or enforceability shall not affect any other provision of the Agreement, but the Agreement shall be construed as if such invalid, illegal or unenforceable provision had been limited or modified (consistent with its general intent) to the extent necessary to make it valid, legal and enforceable provision or part of a provision, the Agreement shall be construed as if such invalid, illegal or unenforceable provision or part of a provision had never been contained in the Agreement.

10. Injunctive Relief: The Executive acknowledges that the injury to the Employer resulting from any violation by his of any of the covenants contained in the Agreement will be of such a character that it cannot be adequately compensated by money damages, and, accordingly, the Employer may, in addition to pursuing its other remedies, obtain an injunction from any court having jurisdiction of the matter restraining any such violation.

11. Representation of Executive : The Executive represents and warrants that neither the execution and delivery of the Agreement nor the performance of his duties hereunder violates the provisions of any other agreement to which he is a party or by which he is bound.
12. Parties; Non-Assignability : As used herein, the term the "Employer" shall mean and include the Employer, its Parent and any subsidiary thereof and any successor thereto unless the context indicates otherwise. Any assignment of the Agreement shall be subject to the provisions of Section 8(g). The Agreement and all rights hereunder are personal to the Executive and shall not be assignable by his and any purported assignment shall be null and void and shall not be binding on the Employer.
13. Entire Agreement : The Agreement and its attachments contains the entire agreement between the parties hereto with respect to the transactions contemplated herein and supersedes all previous representations, negotiations, commitments, and writing with respect thereto.
14. Amendment or Alteration : No amendment or alteration of the terms of the Agreement shall be valid unless made in writing and signed by all of the parties hereto.
15. Choice of Law : The Agreement shall be governed by the laws of Delaware USA.
16. Arbitration : Any controversy, claim, or breach arising out of or relating to the Agreement or the breach thereof shall be settled by arbitration in New York in accordance with the rules of the American Arbitration Association and the judgment upon the award rendered shall be entered by consent in any court having jurisdiction thereof.
17. Notices : Any notices required or permitted to be given under the Agreement shall be sufficient if in writing, and if sent by registered mail to the residence of the Executive, or to the principal office of the Employer, respectively.
18. Waiver of Breach : The waiver by any party hereto of a breach of any provision of the Agreement shall not operate or be construed as a waiver of any subsequent breach by any of the parties hereto.
19. Binding Effect : The terms of the Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective personal representatives, heirs, administrators, successors, and permitted assigns.
20. Gender : Pronouns in any gender shall be construed as masculine, feminine, or neuter as the context requires in the Agreement.
21. Miscellaneous . The failure of any of the parties to require the performance of a term of obligation or to exercise of such right or the enforcement at any time of any other right hereunder or be deemed a waiver of any subsequent breach of the provision so breached, or of any other breach hereunder. The Agreement shall inure to the benefit of successors of the Company by way of merger, consolidation or transfer of all or substantially all of the assets of the Company, shall be binding upon the heirs, executors, administrators and legal representatives of the Executive and may not be assigned by the Executive. The Agreement supersedes all prior understandings and agreements among the parties relating to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed the Agreement as of the day and year first above written.

**PETROGRESS, INC .**

**CHRISTOS P. TRAIOS**

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## **Code of Ethics**

### **PETROGRES S, INC.**

#### **CODE OF CORPORATE CONDUCT AND ETHICS**

Petrogress is determined to operate pursuant to applicable laws and maintain the highest reputation for integrity in its business practices. As a Petrogress employee or director, you are expected to conduct your business affairs in an ethical and legal manner, consistent with your duties and responsibilities to Petrogress.

This Code of Corporate Conduct and Ethics ("Code") is intended to provide you with a clear understanding of the principles of business conduct and ethics that are expected to promote high standards of compliance and integrity. This Code is applicable to all Company employees, officers and directors, including non-employee directors. While this Code cannot possibly guide every practice related to ethical behavior, it includes certain specific concepts and practices regarding business conduct that deserve particular emphasis.

Violation of this Code may subject you to disciplinary action, up to and including suspension and/or termination of employment.

#### **Compliance with Applicable Laws**

The Company expects you to comply with all of the laws, rules and regulations of the Republic of the Marshall Islands, Greece, the United States and other countries, and the states, counties, cities and other jurisdictions applicable to the Company or its business. Violations of laws can damage the Company's reputation and subject it to liability and may subject you to personal liability. The Company expects you to gain a basic awareness of the legal and regulatory requirements applicable to your duties and responsibilities and to obtain an appropriate level of guidance when doubts or uncertainties arise.

#### **Conflicts of Interests**

You should avoid any direct or indirect, financial or non-financial relationships, including investments, associations or other relationships that would conflict, or appear to conflict, with your responsibility to make objective decisions in Petrogress best interest. Upon employment, you may be required to complete and sign a Conflict of Interest statement.

Also, to avoid potential Conflicts of Interests, The Audit Committee of the Board of Directors will review and approve, in advance, all related-party transactions as required by the Securities and Exchange Commission ("SEC"), the Marketplace Rules or any other applicable regulatory body.

#### **Confidentiality, Non-Compete & Non-Solicitation**

During your course of employment with Petrogress, you may receive, become aware of and/or be involved in the development of information including but not limited to trade secrets, practices, financial matters, sales information, customers and potential customers, employee personal matters, policies, procedures, manuals and forms relating to Petrogress business. You must hold this information in the strictest confidence. You are responsible for assuring the security of Company confidential and proprietary material in your possession. The Company may request a search of personal property at the work site or locked Company property assigned to an individual for safety, security and/or illegal activity concerns.

Upon employment, employees may be required to sign an agreement with confidentiality, non-compete and non-solicitation covenants that specify obligations that extend for a certain period following the termination of the employment relationship.

#### **Financial Information & Record Keeping**

No receipts, payments or transfers of Company funds or assets shall be made which is not authorized and properly accounted for on the Company's books. All the Company's books and financial records must fully reflect all receipts and expenditures and its financial statements filed with the SEC must conform to generally accepted accounting principles and SEC rules and regulations. Employees who collect, provide or analyze information for or otherwise contribute to the preparation of these reports should attempt to ensure our reports and disclosures are complete, fair, accurate, timely and understandable. All employees must cooperate fully with our accounting department, internal auditors, independent accountants and legal advisors to ensure that the Company's system for developing such reports and disclosures functions properly. No undisclosed or unrecorded funds of the Company should be established for any purpose. No undisclosed liabilities or contingencies may exist, except when specifically permitted by generally accepted accounting principles. Attempts to create false or misleading records are forbidden.

#### **Fair Dealing**

Petrogress endeavors to deal honestly and ethically with its employees, suppliers, customers, auditors and regulators. Employees must not take unfair advantage of others through the use of statements that are untrue, misleading or fraudulent; unauthorized use of assets or privileged information or similar practices. Employees may not misrepresent the Company's services or business or describe the Company's services or business other than in accordance with the Company's documented specifications. Employees may not spread false rumors about competitors or make misrepresentations about their products, services or business.

#### **Corporate Opportunities**

Employees must not take for themselves corporate opportunities that are discovered through their use of Company position, property or information without first offering such opportunities to the Company. In addition, employees are prohibited from using Company position, property or information for their own gain and competing with the Company.

#### **Protection of Assets**

Employees should seek to protect Company assets and assets entrusted to it by others against misappropriation, theft, carelessness and waste. Employees must use Company assets, including supplies, computer equipment and office facilities, solely for legitimate business purposes.

#### **Document Retention**

A number of laws expressly require that certain documents be retained for specified periods of time including the tax codes, environmental laws, employment laws, criminal statutes that punish obstruction and industry-specific laws and regulations. In addition, certain documents relevant to potential disputes should be retained for certain periods.

Employees may not destroy documents essential to the ongoing, legal and effective functioning of the Company such as contracts, transactional documents, personnel files, financial information and official correspondence outside of established Company policies. In addition, employees may not destroy documents relevant to or discoverable in pending or

potential litigation and other legal and official proceedings.

***Questions***

If you have any questions concerning this Code, please feel free to consult with your supervisor or the Legal advisors.

***Waivers***

If a situation should arise where you believe that you should take a course of action that would likely result in a violation of the Code but for which you believe that there is a valid reason for such action, you should contact the Company's counsel to seek a waiver prior to the time such action is taken.

This Code will be distributed to all employees upon employment and at least annually thereafter. Each employee must confirm that he or she has received and read the Code and has complied with its terms.

The Company may amend this Code from time to time for any reason. The most current version of this Code can be obtained from the Company's counsel

**SUBSIDIARIES**

Petrogres Co. Limited	The Republic of the Marshall Islands
Petronav Carriers, LLC	State of Delaware
Petrogress Oil & Gas Energy, Inc.	State of Texas

## CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christos Traios, certify that:

1. I have reviewed this Annual Report on Form 10-K of Petrogress, Inc. for the fiscal year ended December 31, 2016;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 13, 2017

By: /s/ Christos Traios  
Chief Executive Officer  
(Principal Executive Officer and Principal Financial  
Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Petrogress, Inc. (the "Company") on Form 10-K for the fiscal year ended December 31, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christos Traios, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 13, 2017

By: /s/ Christos Traios  
Chief Executive Officer  
(Principal Executive Officer and Principal Financial  
Officer)