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(*incorporated in Bermuda with limited liability*)
(Stock Code: 2343)

FIRST QUARTER 2024 TRADING UPDATE

Handysize and Supramax market freight rates in the first quarter of 2024, were above historical averages for this time of the year, excluding the exceptional years of 2021 and 2022. This was due to manageable fleet growth, higher dry bulk loadings, and the ongoing disruptions in the Suez and Panama Canal, which are causing reduced fleet efficiency and longer voyages. In the first quarter, there was an increase in the global loading of iron ore, grains and minor bulks, which included record first quarter bauxite loadings.

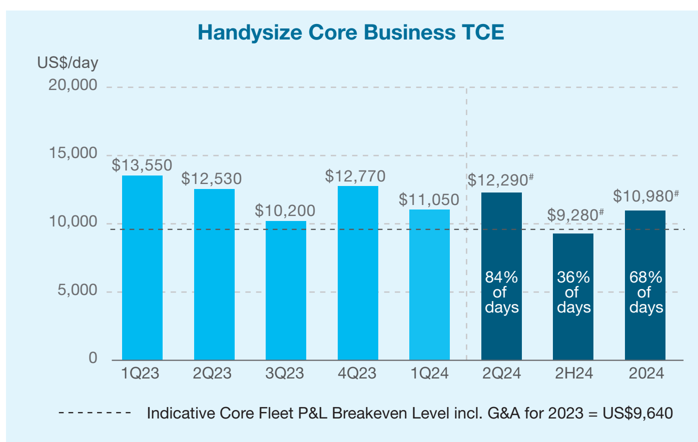
CONTINUING TO GENERATE HEALTHY CASH FLOW

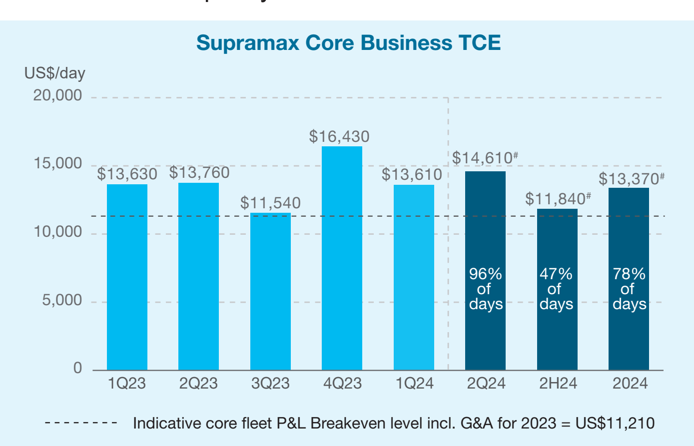
In the first quarter of 2024, market spot rates for Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) vessels averaged US$10,510 and US$12,310 net per day respectively, representing an increase of 26% and 27% respectively compared to the same period in 2023.

Our **core business** generated average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US$11,050 and US$13,610 per day respectively. This represents a year-on-year decrease of 18% for Handysize, and no change for Supramax.

We outperformed the Handysize and Supramax spot market indices by US$540 per day and US$1,300 per day respectively in the first quarter. Outperformance in the first quarter of 2024 was negatively impacted by our proactive strategy to take cover. Historically, we have been proactive in taking short-term cover for the first quarter, which is typically a softer market during the northern hemisphere winter and Lunar New Year periods. Our outperformance continues to benefit from the scrubbers installed across our core fleet of Handysize and Supramax vessels, which have contributed US$30 and US$940 per day respectively to our outperformance over the first quarter of 2024.

Our core business with substantially fixed costs is the main driver of our profitability, with an approximate cash break-even level (including General and Administrative Overheads) for Handysize and Supramax vessels of US$5,960 and US$6,120 per day respectively in 2023. We continue to generate healthy cash flows at current freight rate levels, which we are committed to returning to shareholders as part of our distribution policy.





Cover data as at 12 April 2024, future period TCEs are indicative only as voyages are still in progress

Current value of Handysize and Supramax scrubber benefit is approximately US$70 and US$1,500 per day respectively. When a vessel with a scrubber is assigned a cargo, its TCE rate may be higher due to the added benefit of the scrubber

For the second quarter of 2024 we have covered 84% and 96% of our core committed vessel days at US$12,290 and US$14,610 per day for Handysize and Supramax respectively (cargo cover excludes scrubber benefits and operating activity). For the second half of 2024 we have covered 36% and 47% of our core vessel days at US$9,280 and US$11,840 per day for Handysize and Supramax respectively. Current values of scrubber benefits are approximately US$70 and US$1,500 per day across our Core Handysize and Supramax fleet respectively. When a vessel with a scrubber is assigned a cargo, its TCE rate may be higher due to the added benefit of the scrubber.

We currently have a significant percentage of open days for the remainder of the year. We expect to benefit from higher market spot rates as seasonality improves commodity demand following the end of the first quarter of 2024. Additionally, the limited transit of dry bulk vessels through the Suez and Panama Canal, should support tonne-mile demand and, in turn, freight rates.

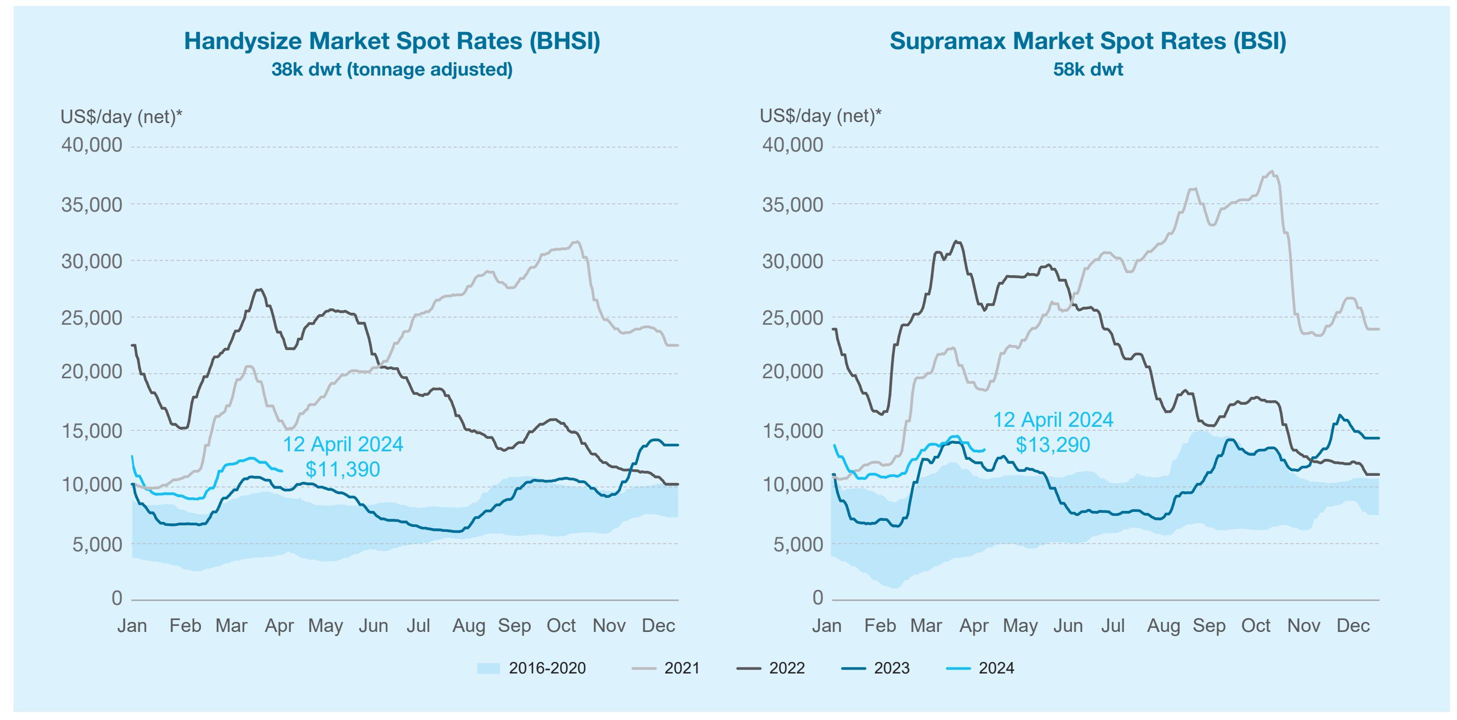
Forward Freight Agreement (FFA) rates for the second half of the year continue to be at a premium to current spot freight rates across all dry bulk segments, reflecting market expectations of stronger demand fundamentals. As at 12 April 2024, FFA rates quoted by the Baltic Exchange for 3Q 2024 and 4Q 2024 are US$12,050/US$11,760#^ net per day and US$14,340/US$13,950# net per day for Handysize and Supramax respectively.

Our **operating activity** also contributed positively, generating a margin of US$510 per day over 6,660 operating days in the first quarter of 2024, a decrease of 53% and an increase of 32% year on year respectively. We currently operate approximately 169 short-term chartered vessels, with a focus to increase operating days and margins on a year-on-year basis. Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered vessels, making a margin and contributing to our results regardless of whether the market is weak or strong.

Excludes 5% commission
^ *Tonnage adjusted*

FREIGHT RATES BENEFIT FROM SUPPORTIVE COMMODITY DEMAND

Global dry bulk loadings in the first quarter of 2024 were an estimated 2% higher compared to the same period last year, primarily due to increased first quarter iron ore loadings from Brazil, along with year-on-year increases in grain loadings. Additionally, higher minor bulk loadings benefitted from record first quarter bauxite loadings from Guinea.



* *Excludes 5% commission*
Source: Baltic Exchange

Global minor bulk loadings were approximately 3% higher in the first quarter of 2024 compared to the same period last year. Loadings of bauxite and salt increased by 13% and 15% respectively, while cement and clinker, ores and concentrates, and fertilisers were the largest detractors falling by 10%, 7% and 1% respectively. The expectation is that minor bulk demand will benefit from rising seasonal demand. Additionally, economic activity within the United States, along with China's supportive policies aimed at bolstering manufacturing, infrastructure investment, and in particular residential housing construction, is beginning to show further improvement.

In the first quarter of 2024, global iron ore loadings increased by 2% year on year, primarily due to a record first quarter iron ore loadings from Brazil which were up 15% year on year, driven by initiatives to minimise the impact of rainfall. Although there has been a decline in domestic housing construction in China which is a large consumer of steel, the country's steel production continues to be robust. Demand for steel within China remains diverse, with sectors such as motor vehicle manufacturing, shipbuilding, infrastructure development and power generation contributing to its use. The surplus in steel production not consumed domestically in China is exported, predominantly using Supramax vessels, to destinations particularly in Southeast Asia. Compared to the same period last year, Chinese steel production decreased by 2%, while Chinese steel exports increased by 31% in the first quarter of 2024.

Global coal loadings decreased by 1% in the first quarter of 2024, year on year, driven primarily by reduced loadings from Russia due to import levies aimed at protecting Chinese domestic producers, and from Indonesia, with producers facing additional tariffs on coal shipments. China seaborne coal demand remains robust, due to limited hydroelectric output in China and concerns over energy consumption security, despite high levels of domestic coal production. Additionally, coal loadings to India saw a 5% increase on a year-on-year basis, fuelled by the country's favourable economic growth which has led to a surge in electricity demand.

Global grain loadings in the first quarter of 2024 were 1% higher compared to the same period in 2023, due to increased loadings of grain of 45%, 33% and 10% from Argentina, Ukraine and the United States respectively. Strong global grain production in 2023, along with increased forecasts for 2024 grain harvests in Argentina, Australia and Russia, is expected to result in surplus grain availability. The South American grain export season, which began in March, is expected to result in significant grain loading volumes in the second quarter from Brazil. Moreover, improved grain loading volumes from Argentina, which suffered from drought in 2023, are anticipated.

Ukraine has achieved a 33% increase in grain loading compared to the same period in 2023, thanks to improvements in the ability to load and export grain, as well as other commodities. However, the current volumes of grain loaded are 7% lower than those in the same period of 2021, which was before the conflict with Russia.

SUEZ AND PANAMA CANAL RESTRICTIONS

We continue to monitor developments in the Red Sea and the Gulf of Aden, which remain complex and a concern for shipping. Additionally, we are also having to continuously adapt to the consequences of dry bulk vessels facing limited transits through the Panama Canal. This has added to tonne-mile demand, as vessels are being rerouted on longer voyages when avoiding these key transit routes. To minimise the risk to our seafarers and vessels through the Red Sea, we will continue to take the much longer route around Africa. Meanwhile, the Panama Canal has experienced improvements in water levels, but we expect restrictions on the transit of vessels until at least the second half of 2024. These issues will continue to reduce effective supply and provide support for rates.

MAINTAINING OUR LONG-TERM GROWTH STRATEGY

We continue to be disciplined buyers of second-hand vessels given historical high prices, while remaining committed to our long-term strategy to grow our owned fleet of Supramax vessels by acquiring high-quality, modern, second-hand vessels, and to replace our older and less-efficient Handysize vessels with younger and larger Handysize vessels. In the first quarter of 2024, we sold one of our smaller, older Handysize vessels built in 2004. Given increasingly strict existing and incoming decarbonisation regulations, such older, less efficient vessels will become increasingly challenging and costly to operate and we therefore consider it wise to gradually divest ourselves of our least efficient vessels. We believe asset prices for new and second-hand vessels will remain elevated due to increased newbuilding input costs and limited yard capacity, and so we will remain cautious in our investment in second-hand vessels.

In 2023, we took delivery of three out of eleven newbuildings that are part of our long-term time-charter commitments, with the remaining vessels scheduled for delivery between now and the first quarter of 2026. We expect the delivery of the first of four chartered 40,000 dwt Handysize newbuildings in May 2024, and we await the arrival of a chartered 64,000 dwt Ultramax newbuilding in the fourth quarter of 2024. Our fleet is expanding with the addition of larger and more efficient Handysize and Supramax newbuilding vessels. These long-term time-chartered vessels have an earnings capacity approximately 20% higher than our current average Core Handysize and Supramax fleet.

Each of these timecharters come with an option to extend the charter agreement at a fixed rate, and we have the option to purchase the vessels at a fixed price, which further expands our optionality.

Including all currently agreed sales and purchases, our Core fleet consists of 132 Handysize and Supramax vessels and, including short-term chartered vessels in our Operating business, we currently have approximately 302 vessels on the water overall.

CONTINUATION OF MANAGABLE SUPPLY GROWTH

As per the latest report by Clarksons Research, dry bulk newbuilding ordering in the first quarter of 2024 was down 40% year on year and total dry bulk newbuilding orderbook is 8.8%. Shipyard slots remain limited, so a new dry bulk vessel order placed today is unlikely to be delivered before 2027. Additionally, Handysize and Supramax ordering activity is down 89% and 67% respectively year on year in the first quarter of 2024. According to the report, it is estimated that new vessel deliveries for Handysize and Supramax fleet in 2024, 2025 and 2026 will represent approximately 3.7%, 4.1% and 1.8%, respectively, of the total minor bulk fleet.

We continue to believe that the high cost of newbuildings, uncertainty over new environmental regulations, and elevated interest rate environment will continue to discourage any significant new dry bulk vessel ordering. Newbuild prices are expected to remain historically high for the foreseeable future, driven by increased input costs, limited new shipbuilding capacity and high shipyard utilisation from other shipping segments.

Based on current assumptions about the Carbon Intensity Indicator (“CII”) rules, we estimate that an increasing proportion of today’s global Handysize to Ultramax bulk carrier fleet will find compliance to be increasingly challenging and costly, resulting in increased early scrapping of conventionally-fuelled ships after 2030.

Additional technical and operational initiatives available today may extend ships’ CII compliance by only one to two more years, unless we implement major retrofits that which are currently prohibitively costly or unsuitable for our vessel types.

Blending sustainable biofuels with fuel oil, or using them as a replacement, will help many vessels to comply, but limited availability in the long term means our industry cannot rely solely on biofuels to meet its longer-term targets.

According to Clarksons Research, the scrapping of Handysize and Supramax vessels in the first quarter of 2024 was equivalent to 1.3m dwt, or 0.1% of net fleet as at 1 January 2024. Currently, Handysize and Supramax vessels over 20 years old represent 14% and 11% of the existing fleet respectively. Handysize and Supramax net fleet growth estimates in 2024 and 2025 are 4.2% and 3.3% respectively, with scrapping of 0.4% in 2024 and 0.6% in 2025.

OPTIMISTIC ON THE FUTURE OF DRY BULK

In 2024, freight rates began higher than in 2023, and it is encouraging to see the level of support for freight rates during the first quarter of 2024, which is historically a softer period for demand. We remain significantly exposed to spot freight rates due to a considerable number of uncontracted vessel days in 2024, while maintaining this approach into 2025. We expect to benefit from higher spot rates, as normal seasonality improves commodity demand following the end of the first quarter of 2024. Additionally, there will be an ongoing benefit to supply and tonne-mile demand from limited transit of dry bulk vessels through the Suez and Panama Canal.

We continue to believe that the high cost of newbuildings, uncertainty over new environmental regulations and the higher interest rate environment will continue to discourage any significant new dry bulk ship ordering. In the coming years, the low orderbook and efforts to reduce carbon intensity will likely lead to lower speeds and increased scrapping. This could create a vessel shortage, providing a long-term structural undersupply to the market.

Our collaboration with Nihon Shipyard Co. and Mitsui & Co. has progressed well in designing an efficient dual-fuel vessel capable of running on fuel oil as well as sustainable methanol. However, we remain cautious in our approach to investment in newbuildings due to current historically high newbuilding prices. We will consider in 2024 whether we are ready to contract to build such a vessel with delivery well ahead of our original 2030 target. We anticipate ordering activity for such mid-size dual-fuel dry bulk low-emission vessels will be limited in 2024.

We remain excited about the long-term prospects of dry bulk shipping, thanks to the positive demand for the commodities we ship. These are supported by favourable supply-side fundamentals and the ongoing implementation of both existing and new decarbonisation rules.

By Order of the Board
Mok Kit Ting, Kitty
Company Secretary

Hong Kong, 18 April 2024

As at the date of this announcement, the executive Director of the Company is Martin Fruergaard, the Independent Non-executive Directors of the Company are Irene Waage Basili, Stanley Hutter Ryan, Kirsi Kyllikki Tikka, John Mackay McCulloch Williamson and Alexandre Frederic Akira Emery, and the Non-executive Directors of the Company are Alexander Howarth Yat Kay Cheung and Mats Henrik Berglund.