Pacific Basin

3Q18 Trading Update

11 Oct 2018

Highlights

Pacific Basin

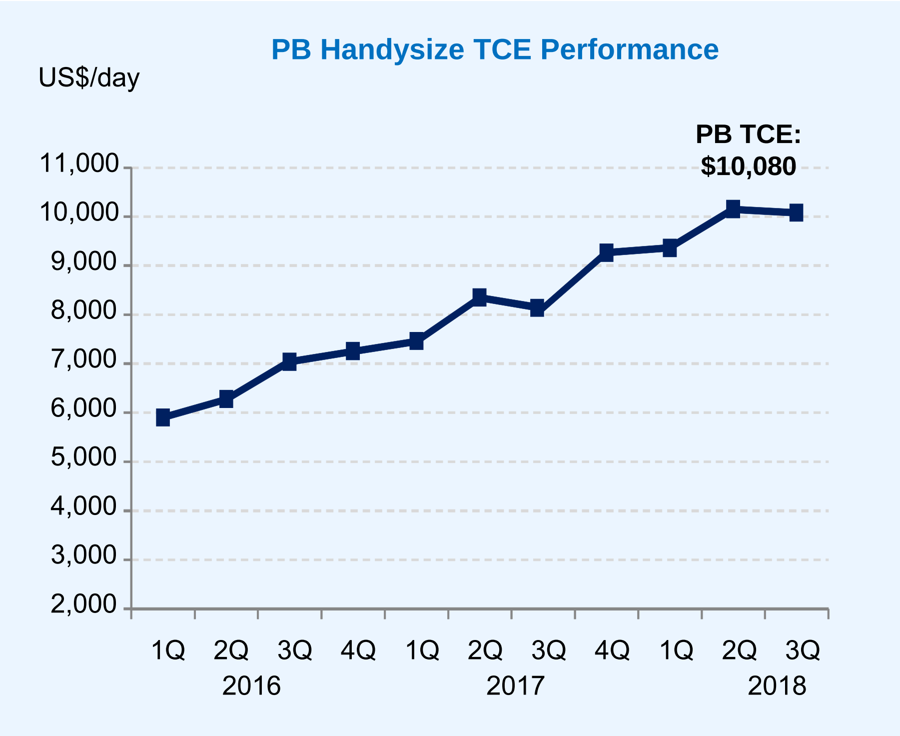
PB Daily TCE Earnings in 3Q Improved by 24% and 30%

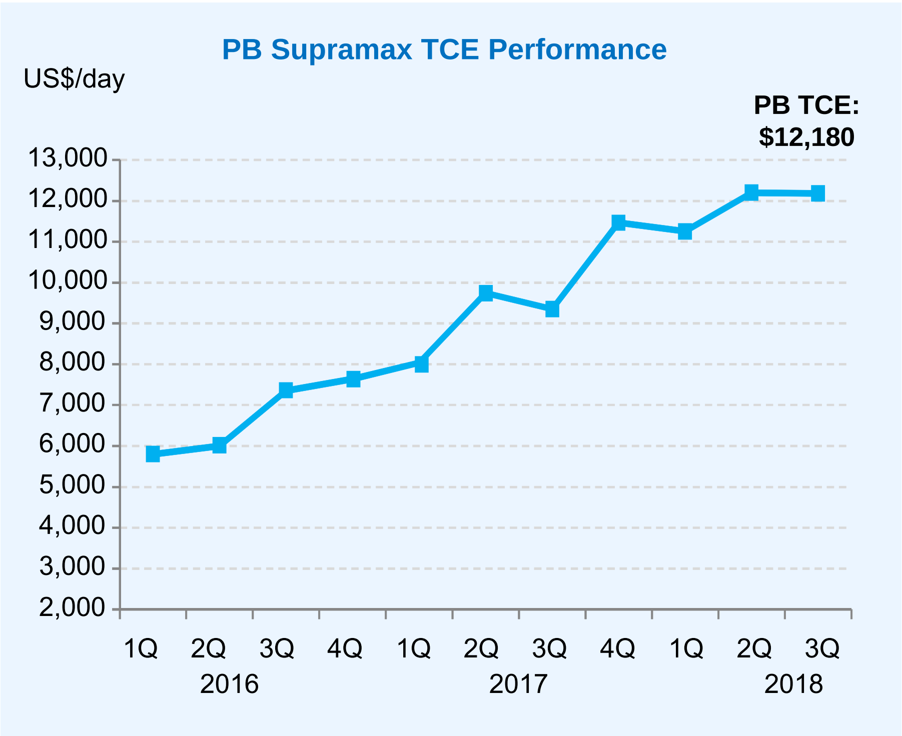
- Handysize and Supramax freight market indices reached their highest 3Q levels since 2011, and our average Handysize and Supramax daily TCE earnings in 3Q improved by 24% and 30% YOY respectively
- During 3Q, we purchased and took delivery of one modern secondhand Supramax vessel
- Three of four modern vessels we committed to purchase in May 2018 (50% funded by equity) are scheduled to deliver into our ownership over the next five months, taking our owned fleet to 112 ships

Well Positioned for a Continued Recovery:

- Despite increasing trade tensions, the outlook for widely-spread global GDP growth remains favourable, which bodes well for dry bulk demand
- In addition, new regulations will discourage new ship ordering and constrain supply due to increased off-hire and slower ship operating speeds
- We continue to be cautiously optimistic for a continued market recovery, although with some volatility along the way
- Our robust customer-focused business model, global office network, experienced people, larger owned fleet with substantially fixed and competitive cost, position us well to benefit from the recovering market

Our Quarterly TCE has Improved Significantly Since Early 2016





- PB TCE earnings currently highest since winter 2013/2014

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3Q18 Performance and 2018 / 2019 Cover

Cover as at 10 Oct 2018

	US$/day	Handysize	Supramax
3Q18	PB daily TCE net rate 3Q18	**10,080**	**12,180**
	Market (BHSI/BSI) index net rate 3Q18	**7,840**	**11,260**
	PB outperformance	**28% / 2,240**	**8% / 920**
1Q-3Q18	PB daily % and TCE net rate YTD	**9,870**	**11,780**
	Market (BHSI/BSI) index net rate YTD	**8,080**	**10,800**
	PB outperformance YTD	**22% / 1,790**	**9% / 980**

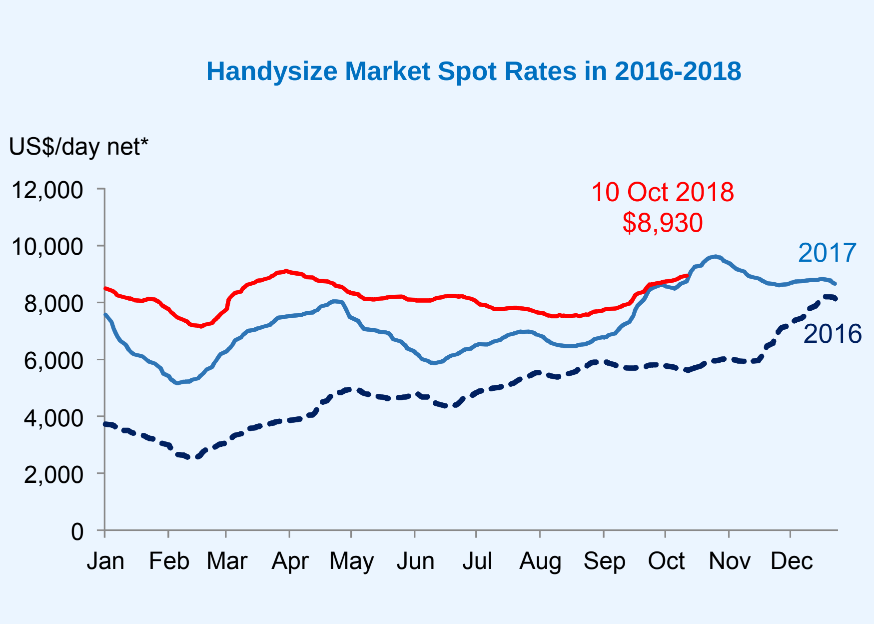
Improvement over 3Q17:
Handysize:
+24% / $1,950
Supramax:
+30% / $2,830

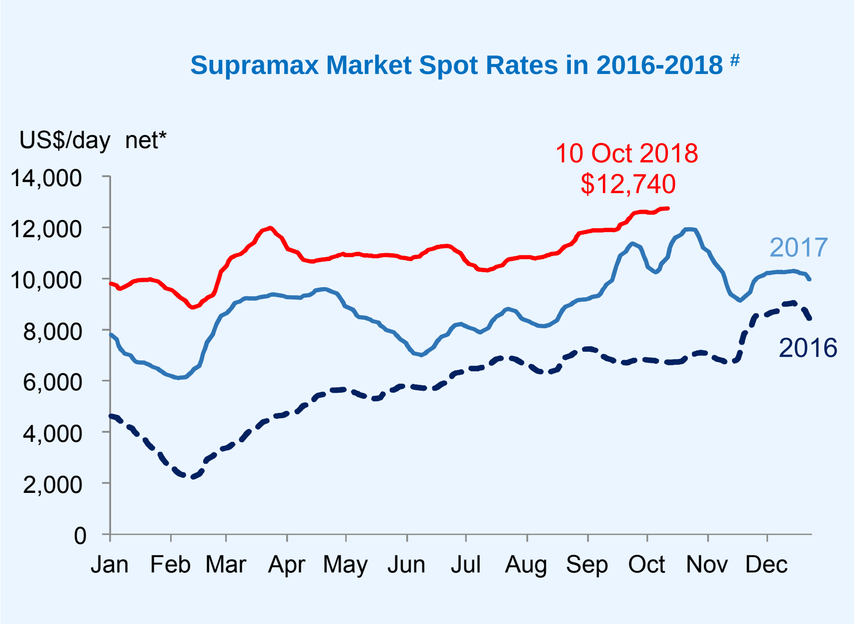
	Forward Cover for 4Q18 and 2019		
4Q18	PB daily TCE net rate 4Q18	**10,560**	**11,970**
	% of contracted days covered	**68%**	**78%**
2019	PB daily TCE net rate FY2019	**9,100***	**11,640***
	% of contracted days covered	**17%**	**20%**

* Note that our 2019 forward cargo contract cover is back-haul heavy

Market Review

Freight Market Continues to Improve

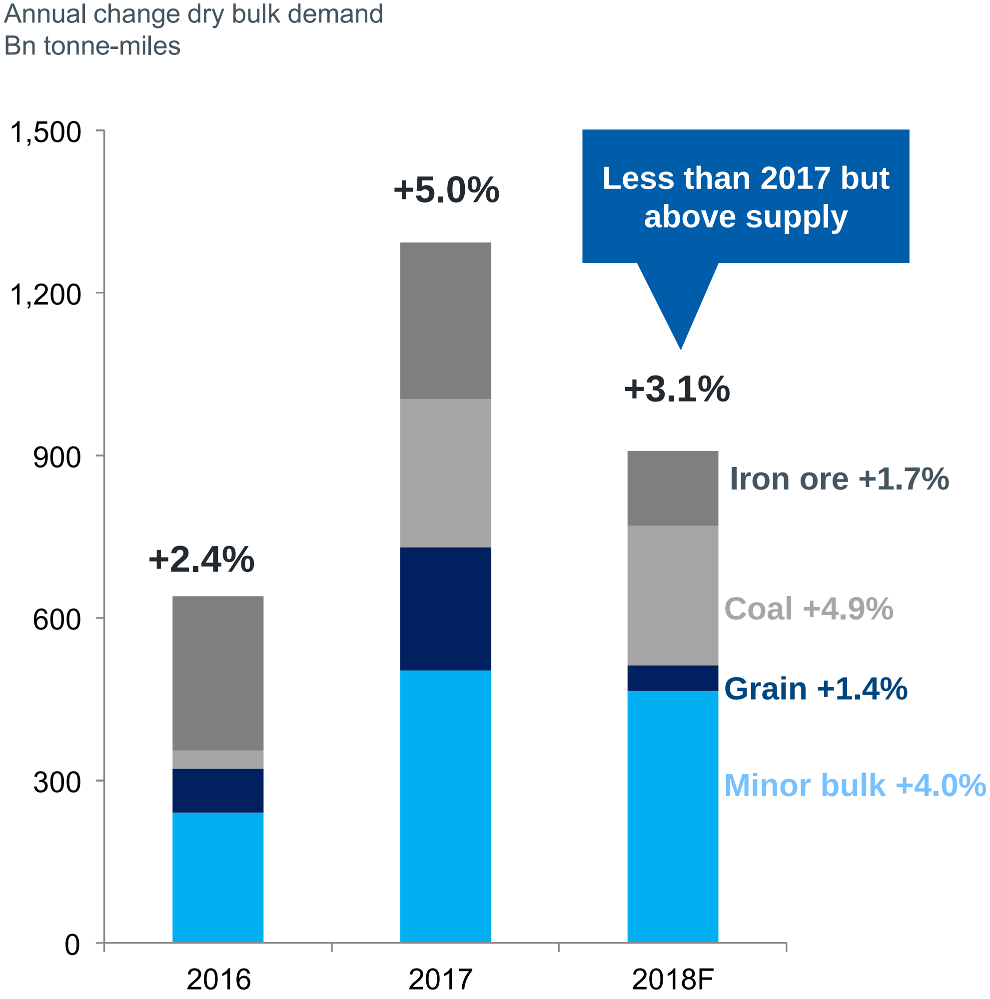


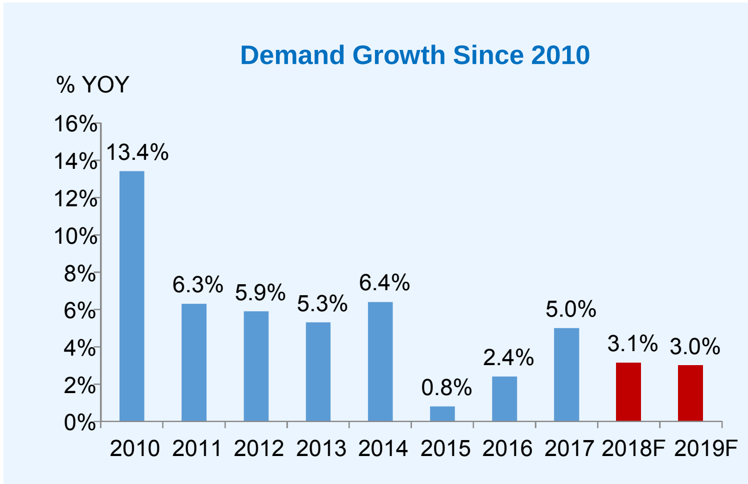


- YTD 2018 freight indices have followed a similar seasonal pattern as in recent years, although at a higher level
- Both Handysize and Supramax spot earnings reached their highest 3Q levels since 2011 after a softer summer market followed by improving market conditions since late September
- Demand was partly driven by healthy North American grain exports in the Atlantic and solid growth in Indonesian coal and minor bulk exports in the Pacific, as well as growth in Chinese imports of coal, minor bulks and logs
- In addition, fuel oil prices have increased contributing to slower ship operating speeds since May and, in turn, reducing dry bulk supply and therefore improved market conditions

** excludes 5% commission*
 # BSI is now based on a standard 58,000 dwt bulk carrier
Source: Baltic Exchange, data as at 10 Oct 2018

2018 Demand is Forecast to Grow 3.1% with Minor Bulks at +4.0%





- Trade conflict between the US and China could impact cargo flows in the minor bulk segment, including US agricultural products, primarily soybean, as well as forestry products and cement
- Protectionist actions to date impact only a small fraction of the trades in which Pacific Basin is engaged, and commodity trade flows tend to shift rather than cease as a result of tariffs

Source: Clarksons Research, 1 Oct 2018

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Better Fundamentals for Handysize

	Orderbook as % of Existing Fleet	Average Age	Over 20 Years	Over 15 Years	YTD Scrapping as % of Existing Fleet as at 1 Oct 2018 (annualised)
Handysize – 82m dwt (25,000-41,999 dwt)	**4.6%**	**9**	**10%**	**17%**	**0.4%**
Supramax – 197m dwt (42,000-64,999 dwt)	**5.8%**	**9**	**7%**	**15%**	**0.3%**
Panamax – 222m dwt (65,000-119,999 dwt)	**9.2%**	**9**	**6%**	**16%**	**0.1%**
Capesize and larger – 319m dwt (120,000+ dwt)	**14.6%**	**8**	**6%**	**11%**	**0.8%**
Total Dry Bulk – 836m dwt (>10,000 dwt)	**9.9%**	**9**	**7%**	**15%**	**0.5%**

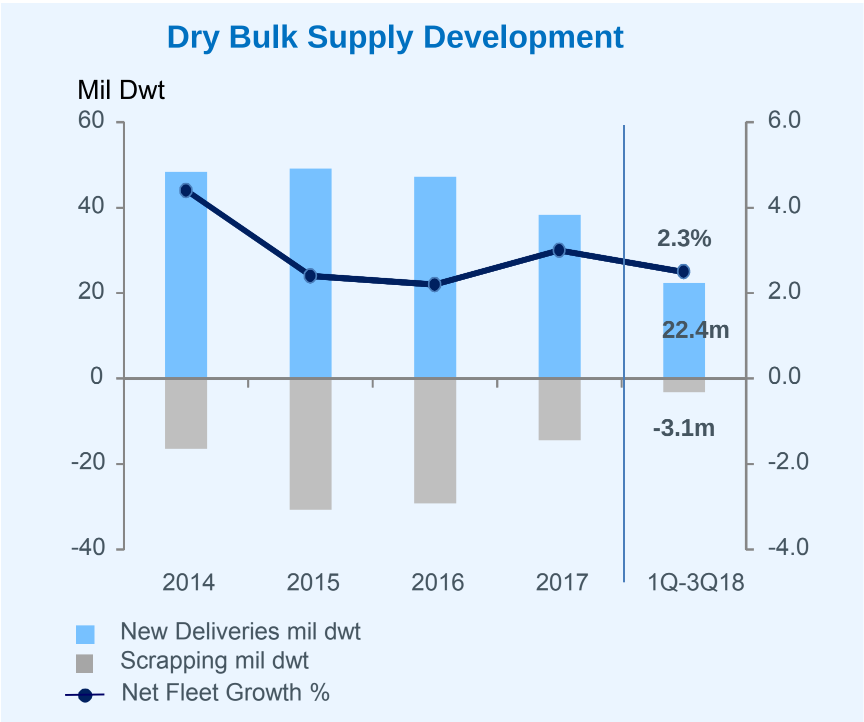
Lower orderbook

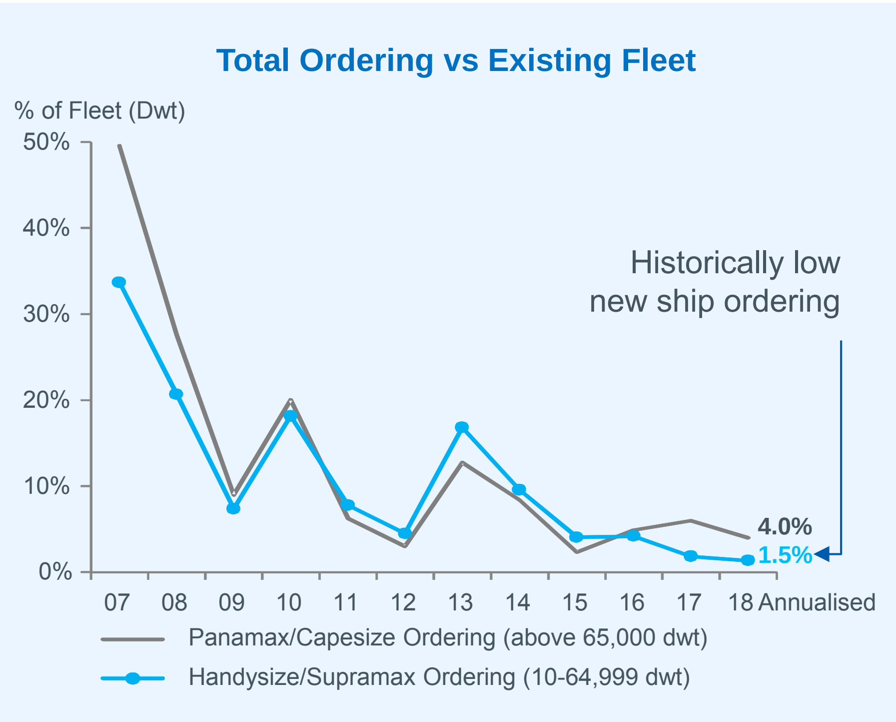
More older ships

- Combined Handysize and Supramax scheduled orderbook has reduced to 5.5%, lowest since 1990s

Source: Clarksons Research, as at 1 Oct 2018

Newbuilding Deliveries Continue to Reduce

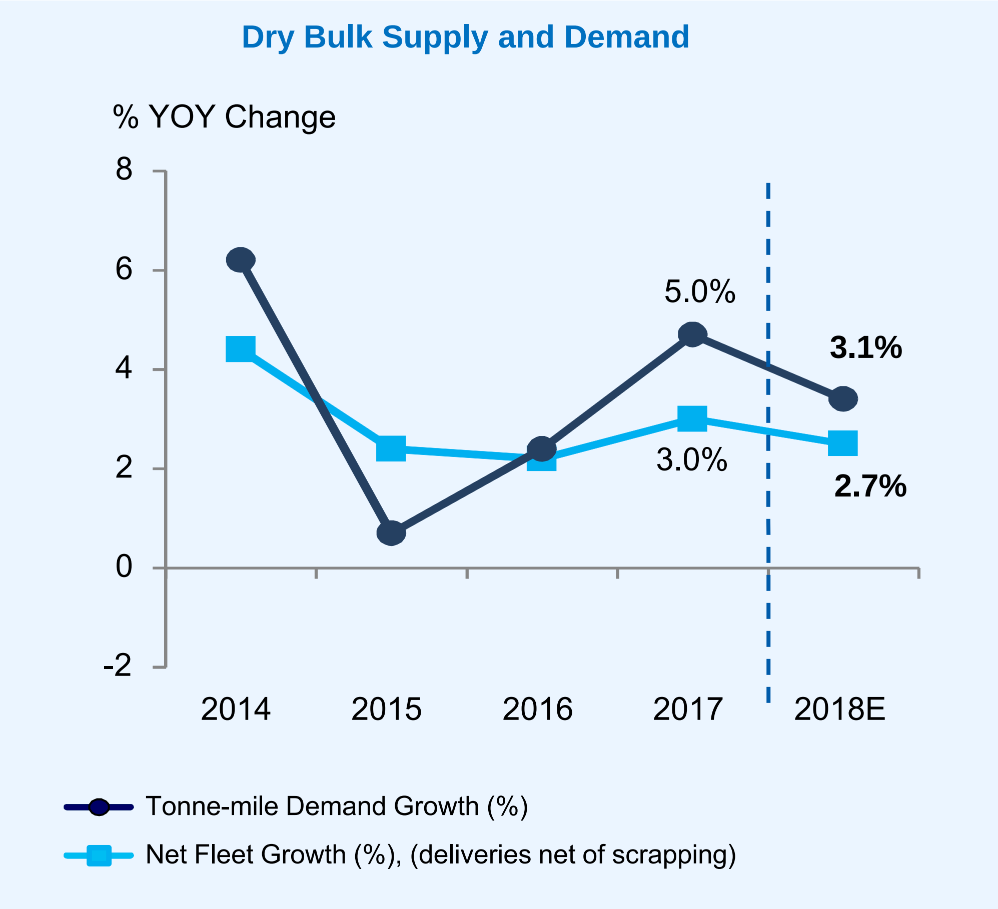




- 2.3% net fleet growth in 1Q-3Q18 (2.7% deliveries less 0.4% scrapping)
- Very limited ordering in Handysize and Supramax (historically low 1.5% of fleet)
  + continued orderbook delivery shortfall
  ➔ should result in continued low new ship deliveries in coming years

Source: Clarksons Research, as at 1 Oct 2018

Favourable Dry Bulk Supply and Demand Outlook



Clarksons Research estimates FY18:

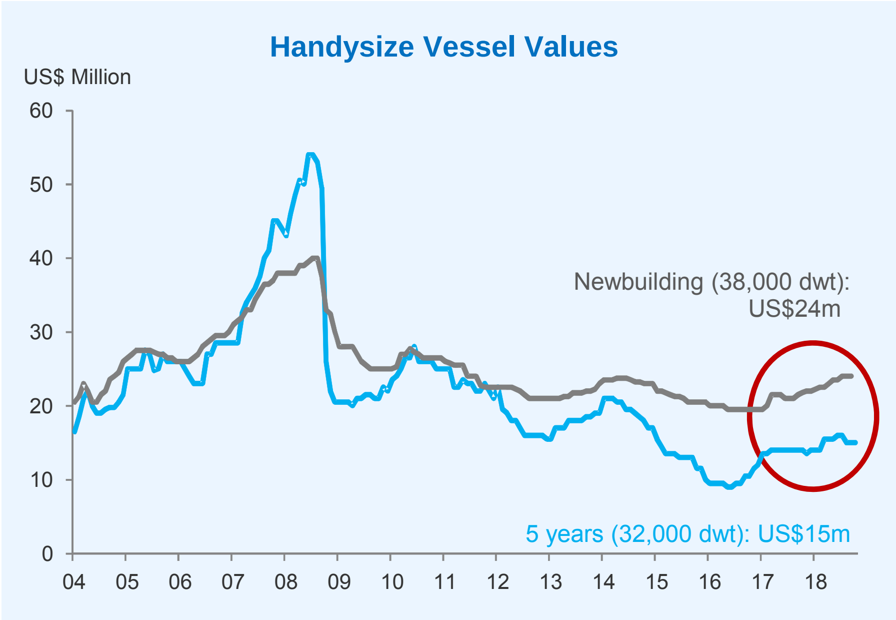
- 3.1% tonne-mile demand growth
- 2.7% net fleet growth
  (3.3% deliveries – 0.6% scrapping)

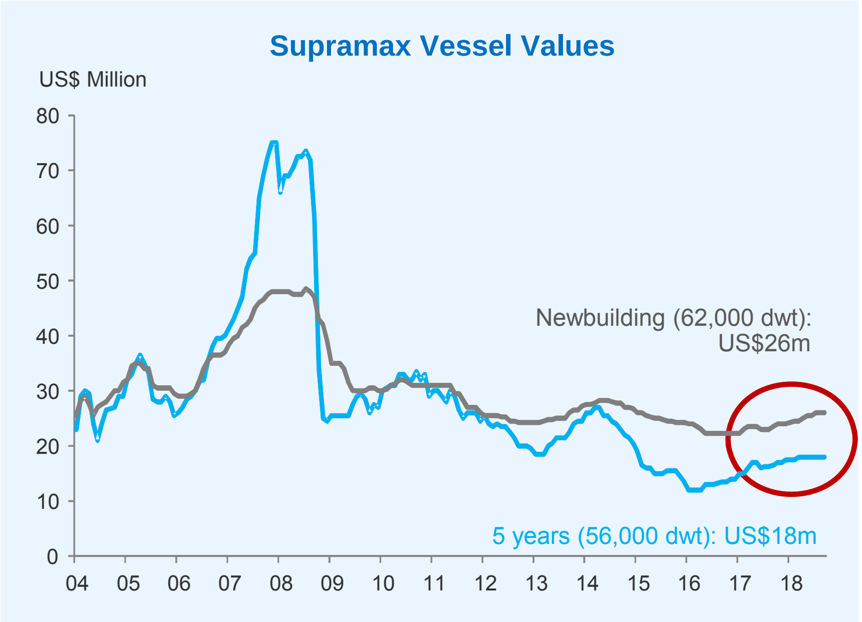
- Actual deliveries expected to be around 27m dwt compared to 38m dwt in 2017
- Progressively fewer new ships will deliver from shipyards in 2018 and 2019

The supply fundaments are more favourable for the Handysize and Supramax segment with expected net fleet growth of 2.2% for 2018 and below 2% for both 2019 and 2020

Source: Clarksons Research and Pacific Basin, as at 1 Oct 2018

Significant gap between Newbuilding and Secondhand prices





- The value of a benchmark five year old Handysize bulk carrier is up 7% YTD but slightly down since mid-year due to subdued buying interest for Handysize ships during the softer summer and as buyers monitored developments of the ongoing trade dispute between the US and China
- The increasing gap between newbuilding and secondhand prices (and uncertainty over future ship design requirements) continues to discourage new ship ordering

Source: Clarksons Research, as at 5 Oct 2018

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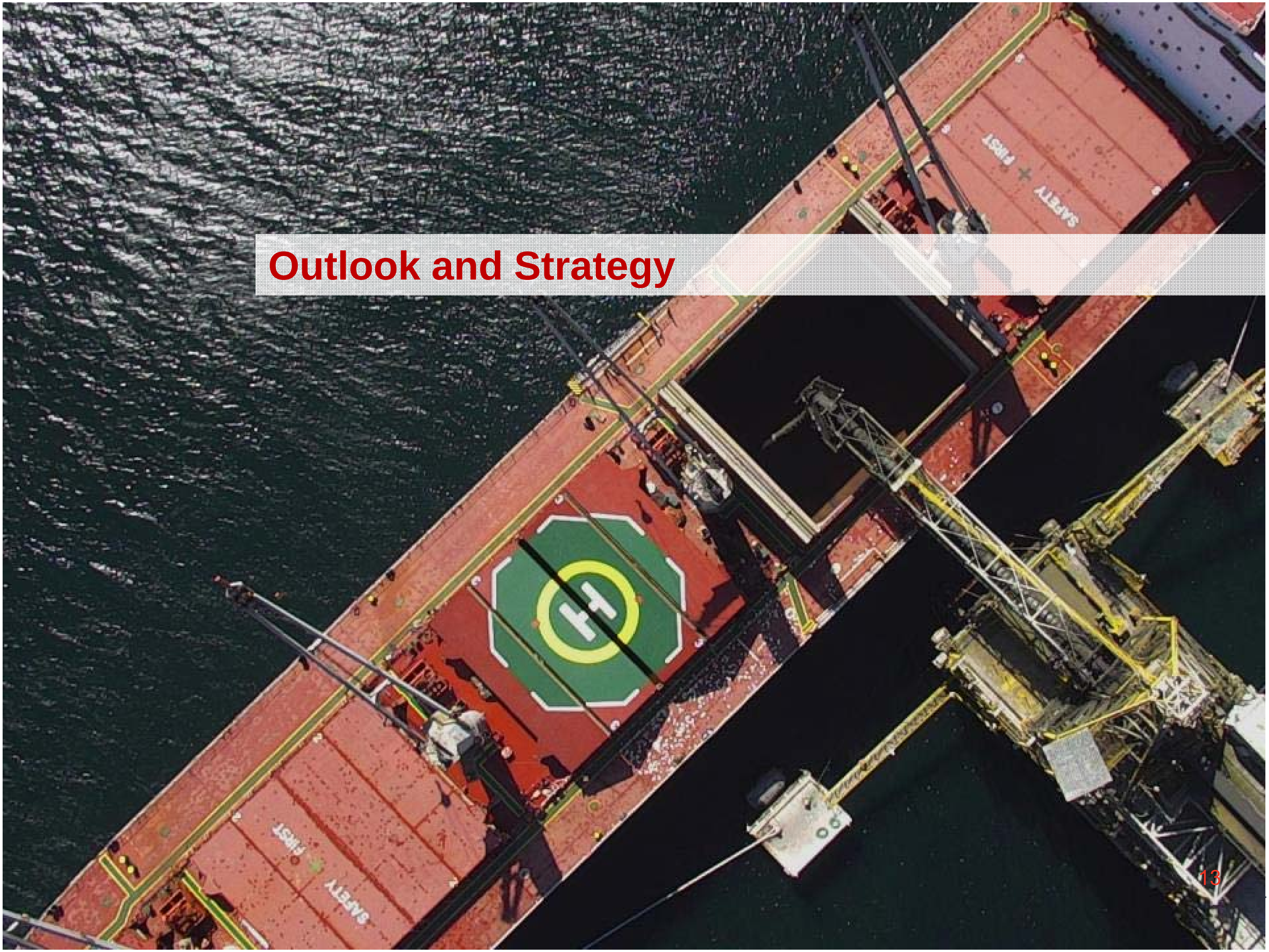
New Regulations

New Regulations	Content	Impact on the Industry	PB actions
IMO Ballast Water Treatment: Installation required at first dry-docking after 8 Sep 2019	▪ International Maritime Organization (IMO) requires ballast water treatment equipment (BWTS) to be fitted on all ships ▪ US Coast Guard requires all ships sailing to US to use approved BWTS	▪ Increased capex for existing shipowners ▪ Potentially increased scrapping	▪ We have arranged BTWS for all our owned vessels ▪ 9 owned vessels are already fitted with BWTS and 2 acquisitions will soon deliver pre-fitted ▪ Committed to retrofit our remaining 100 owned vessels with a system based on filtration and electrocatalysis ▪ Well positioned to complete implementation by 2023
Low Sulphur Emissions Cap: 1 Jan 2020 Larger impact on the industry	▪ IMO has set a global 0.5% sulphur limit for marine fuel oil, effective 2020 (in addition to existing 0.1% sulphur limit in Emission Control Areas) ▪ Exception: Shipowners can use higher sulphur fuel if they fit scrubbers (costing several million US$) to clean exhaust gas	▪ Low sulphur fuel is more expensive leading to more slow-steaming ▪ Increased capex and off-hire (if installing scrubbers) ▪ Uncertainty of ship design discourages newbuild ordering ▪ Potentially increased scrapping ➔ **Leading to reduced supply**	▪ We are well-prepared for both the low sulphur fuel and scrubber options, but continue to believe that the majority of the geared dry bulk fleet (especially smaller ships like Handysize) will comply by using low sulphur fuel
Reducing carbon and greenhouse gas emission by 2050 Larger impact on the industry	▪ IMO announced to cut total carbon and greenhouse gas emissions from shipping by at least 50% by 2050 (compared to 2008), requiring average efficiency improvements of at least 40% by 2030 and 70% by 2050	▪ Reducing speed of vessels to reduce emission ▪ Development of new fuels, engine technology and vessel designs ▪ Potentially increased scrapping ➔ **Leading to reduced supply**	▪ Holding back ordering of new ships and closely monitoring the development of new technology and designs

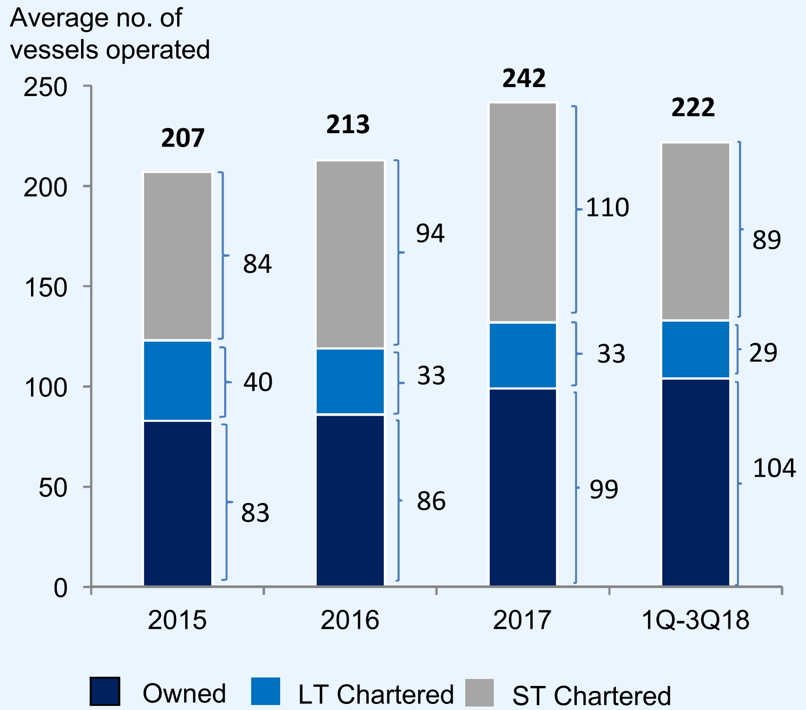
We believe the new regulations will penalise poor performers and older ships while benefitting stronger companies with high quality ships that are better positioned to adapt and cope practically and financially with compliance

Outlook and Strategy



PB's Fleet Mix is Changing

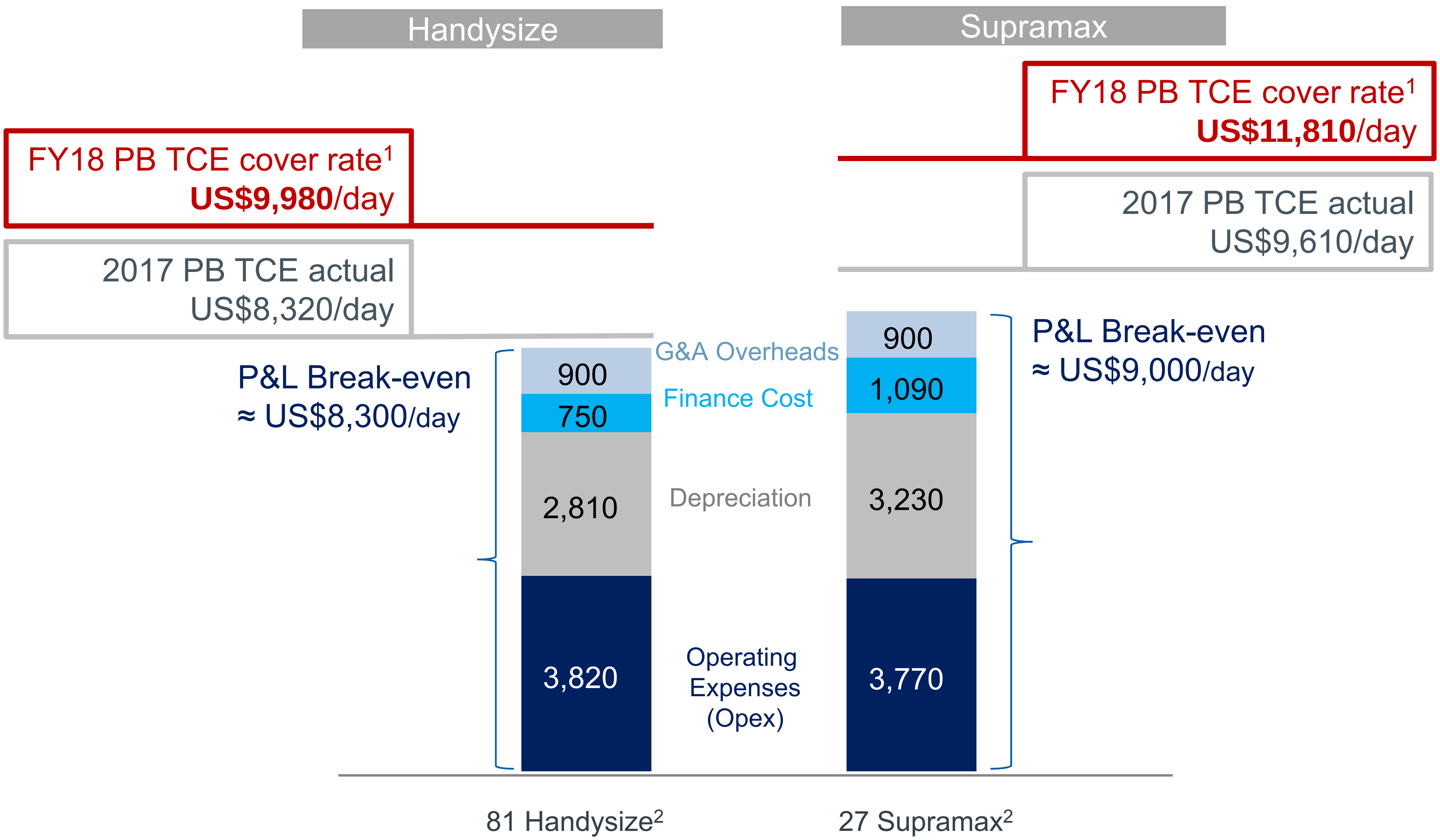
Fleet Development for Handysize and Supramax vessels



Note: Average number of Handysize and Supramax vessels operated during the period

- Our number of owned ships is increasing providing us with greater operational control and earnings leverage
- Owned vessels are replacing LT charters as these get re-delivered, which should further improve earnings
- Our ST chartered fleet fluctuates with market requirements and achievable operating margin. The reduction since 2017 is mainly due to reduced Chinese steel export volumes because of strong domestic demand

Competitive Owned Vessel Break-Even Levels



[1] *FY18 Cover as at 3Q18*
[2] *An additional 3 vessels we purchased will deliver in 2H18 and early 2019*

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Our Business Model Continues to Outperform

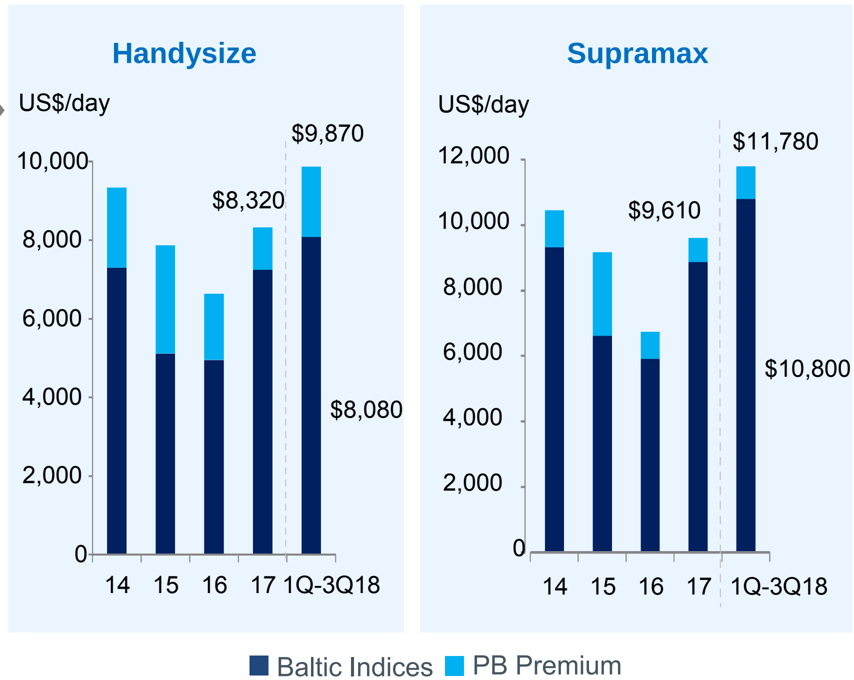
Our business model has been refined over many years. We are able to generate a TCE earnings premium over market rates because of our high laden percentage (minimum ballast legs), which is made possible by a combination of:

- Our fleet scale
- High-quality interchangable ships
- Experienced staff
- Global office network
- Our cargo contracts, relationships and direct interaction with end users
- Our fleet has a high proportion of owned vessels facilitating greater control and minimising trading constraints
- Our segment's versatile ships and diverse trades

Our TCE Outperformance Compared to Market in Last 5 Years

US$1,870 Daily Handysize Premium

US$1,260 Daily Supramax Premium



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Well Positioned for a Recovering Market

Our TCE Outperform Market

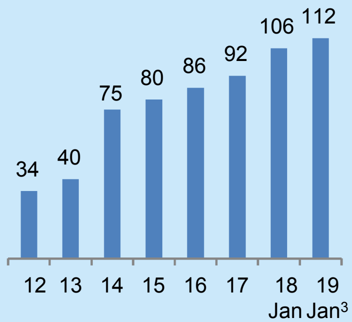
Average PB premium over market indices in last 5 years:

US$**1,870**/day
Handysize TCE

US$**1,260**/day
Supramax TCE

+

More Owned Vessels with Fixed Costs



Owned Vessel Breakeven
Incl. G&A overheads

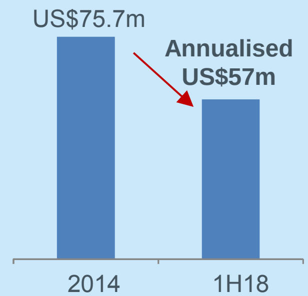
US$**8,300**/day
Handysize[1]

US$**9,000**/day
Supramax[2]

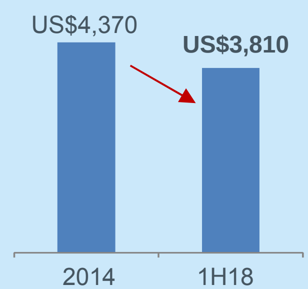
+

Efficient Cost Structure

Annual Group G&A Overheads



Daily Vessel Operating Expenses
(Combined Handysize and Supramax)



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Sensitivity toward Market Rates*

Market Rate
+/-
US$1,000
daily TCE

Our Underlying Result

+/-

US$ 35-40m

[1] 1H18 PB owned Handysize $7,380/day + G&A overheads $900/day ≈ US$8,300/day
[2] 1H18 PB owned Supramax $8,090/day + G&A overheads $900/day ≈ US$9,000/day
[3] An additional 3 vessels we purchased will deliver in 2H18 and early 2019
* Based on current fleet and commitments, and all other things being unchanged

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Our Outlook and Strategy

Outlook

- The minor bulk freight market has improved again since late September. Despite increasing trade tensions, the outlook for widely-spread global GDP growth remains favourable and bodes well for dry bulk demand. In addition, supply fundamentals are now more positive
- Possible market drivers in the medium term:
  - \+ Positive economic growth and commodity demand outlook, low deliveries, and new regulations discouraging new ship ordering and constraining supply due to increasing off-hire and slower ship operating speeds
  - − Risk of reduced Chinese coal and ore imports, trade tariffs and trade conflict escalation impacting dry bulk demand; increased new ship ordering and faster ship operating speeds
- We are cautiously optimistic for a continued market recovery, although with some volatility along the way

Strategy – Well Positioned for a Recovering Market

- Continue to focus on our world-leading Handysize and Supramax business
- Maximise our fleet utilisation and TCE earnings by combining minor bulk characteristics with our large fleet of substitutable ships and global office network
- No newbuildings in the medium term, we will watch technological and regulatory developments closely
- Healthy cash and net gearing positions enhance our corporate profile as a preferred, strong, reliable, safe partner for customers and other stakeholders

Pacific Basin

Fully Handysize & Supramax focused

\+ Business model generating outperformance

\+ High-quality predominantly Japanese-built fleet

\+ Experienced staff, globally

\+ Strong partner

= **Well Positioned**

Disclaimer

This presentation contains certain forward looking statements with respect to the financial condition, results of operations and business of Pacific Basin and certain plans and objectives of the management of Pacific Basin.

Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of Pacific Basin to be materially different from any future results or performance expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding Pacific Basin's present and future business strategies and the political and economic environment in which Pacific Basin will operate in the future.

Our Communication Channels:

- **Financial Reporting**
  - Annual (PDF & Online) & Interim Reports
  - Quarterly trading updates
  - Press releases on business activities
- **Shareholder Meetings and Hotlines**
  - Analysts Day & IR Perception Study
  - Sell-side conferences
  - Investor/analyst calls and enquiries

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- **Company Website - www.pacificbasin.com**
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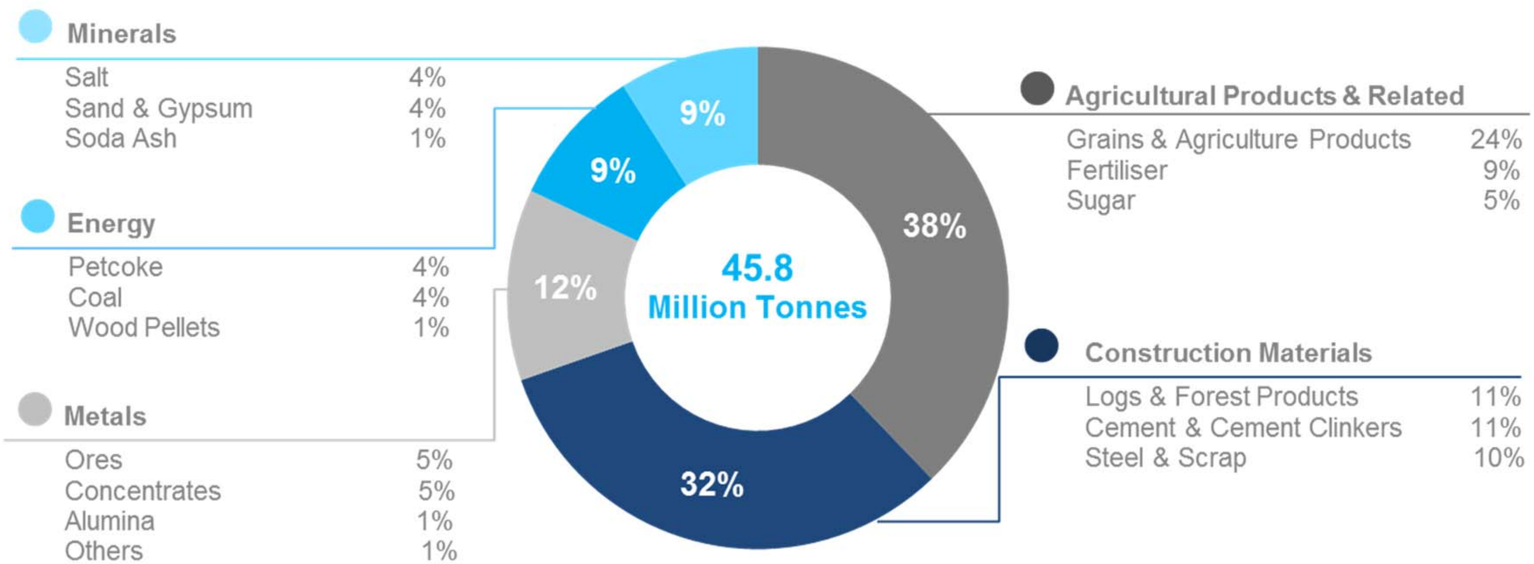
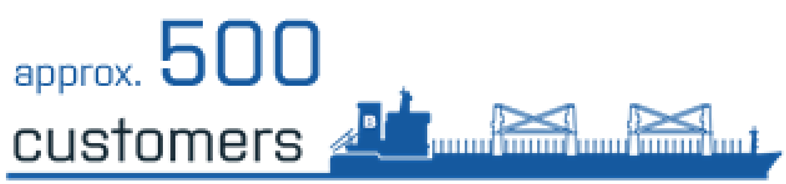
Pacific Basin Dry Bulk – Diversified Cargo

Our Dry Bulk Cargo Volumes in 1Q-3Q 2018



- Diverse range of commodities reduces product risk
- China and North America were our largest markets
- About 60% of business in Pacific and 40% in Atlantic



Appendix:
Fleet List – as at 30 Sep 2018

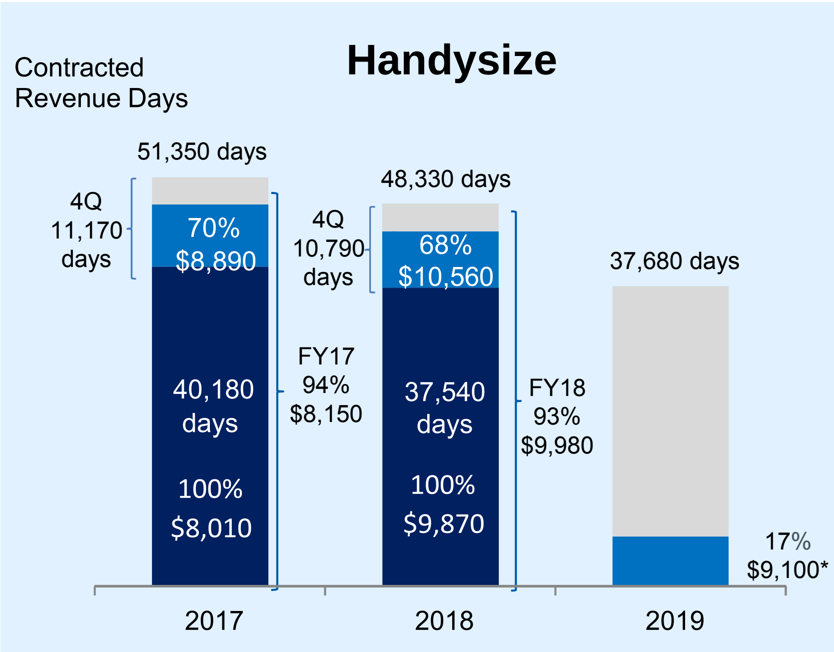
www.pacificbasin.com
Our Fleet

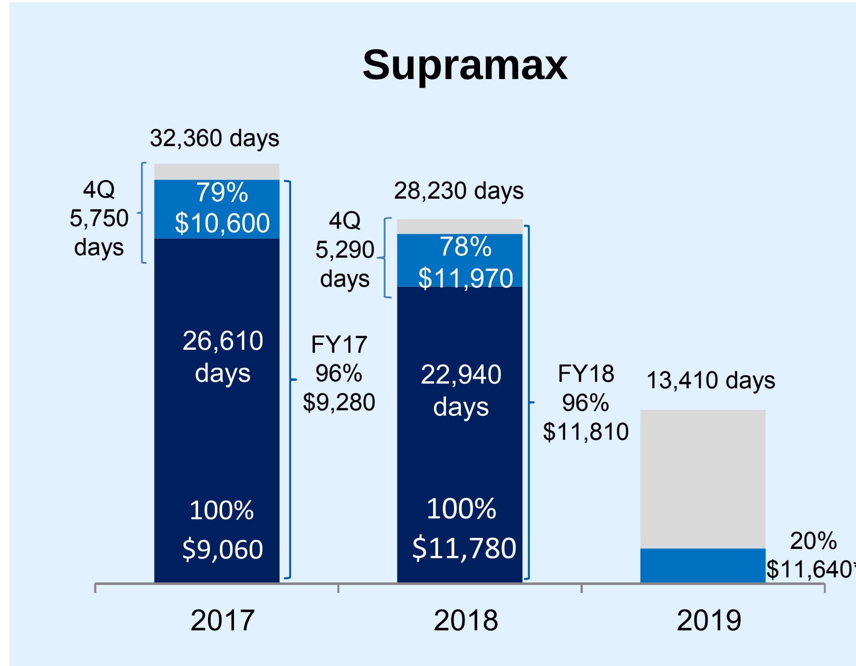
109	30	82	221
Vessels owned[1]	LT Chartered	ST Chartered[2]	Total

	Vessels owned	LT Chartered	ST Chartered	Total
Handysize	81	21	36	138
Supramax	27	8	46	81
Post-Panamax	1	1	0	2

[1] An additional 3 vessels we purchased during the period are scheduled to deliver into our fleet by January 2019
[2] Average number of short-term + index-linked vessels operated in September 2018
Average age of core fleet: 8.1 years old
Note: we operated an average of 216 ships overall during the 3Q18

Appendix:
3Q18 Performance and Future Cover





■ 1Q-3Q Completed ■ Covered ■ Uncovered

* Note that our 2019 forward cargo contract cover is back-haul heavy

Currency in US$, 2017 data as at Oct 2017

Cover as at 10 Oct 2018

Appendix:
Dry Bulk Demand in 2018

2018E Dry Bulk Trade Volumes

	Million Tonnes	YOY
Iron Ore	1,503	2%
Coal	1,249	4%
Major bulk total	2,749	2.7%
PB Focus		
Manganese Ore	37	10%
Nickel Ore	145	9%
Bauxite / Alumina	48	9%
Copper Concentrates	33	6%
Scrap Steel	119	6%
Salt	52	6%
Others	284	5%
Cement	110	4%
Forest Products	374	3%
Fertiliser	173	2%
Soybean	148	1%
Wheat / Grains	333	1%
Steel Products	175	0%
Agribulks	391	-1%
Sugar	55	-7%
PB focus cargoes total	2,477	2.5%
2018E Total Dry Bulk	5,226	2.6%

** 2017: 3.6%; 2018E: 3.7%; 2019E: 3.7%*
Source: International Monetary Fund (IMF) as at Oct 2018; Clarksons Research, as at 1 Sep 2018

Key Drivers in 3Q18

- Broad based economic recovery seen through increased steel output, also outside China
- US coal exports grew strongly
- Stronger minor bulk demand in the Atlantic driven by Brazilian and US agricultural exports; Pacific demand benefited from increased trade in bauxite, nickel ore, copper concentrates and forestry products and other minor bulks in which we specialise

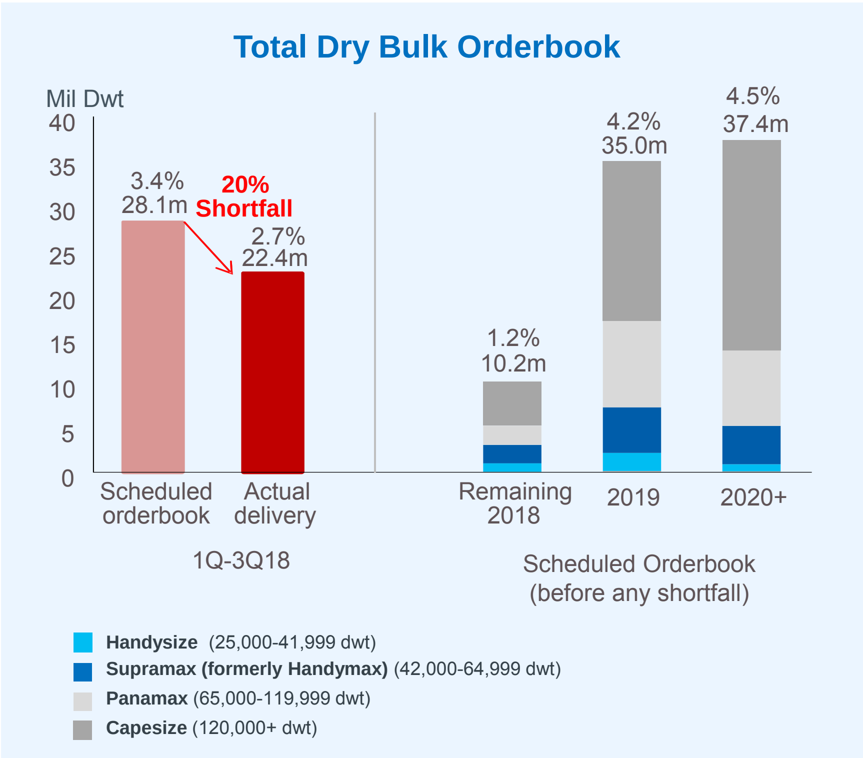
Longer-Term Trends beyond 2018

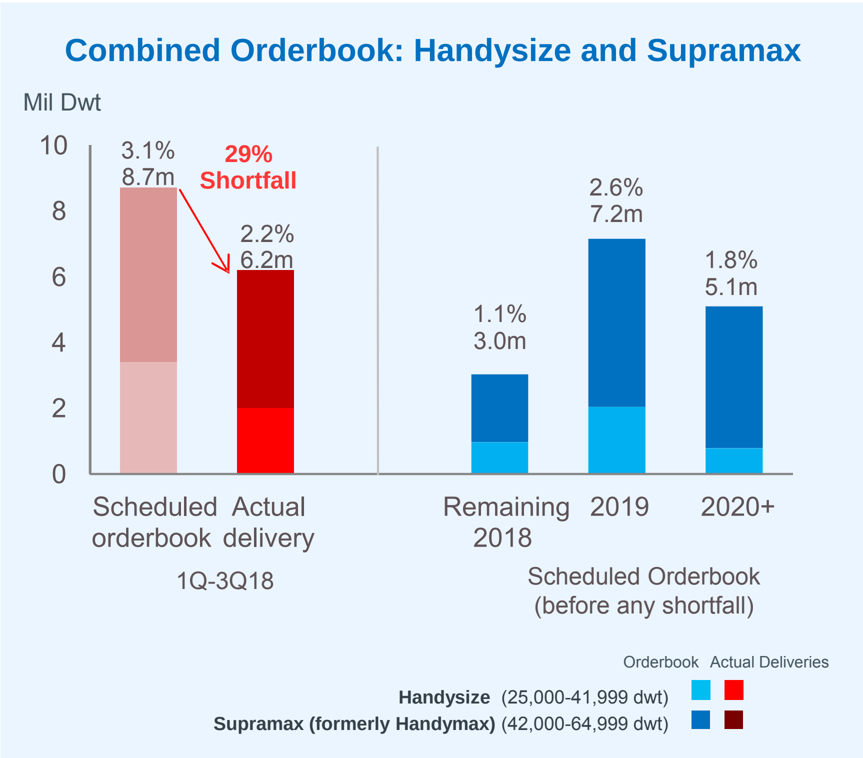
- Solid world GDP – main driver for dry bulk demand growth
- Continued growth in grain demand for animal feed due to shift towards meat-based diet
- Trade disputes between US and its key trading partners appear so far to have had only limited impact on agricultural and steel trade volumes globally, but an escalating global trade war could impact global GDP and dry bulk demand
- Government policy in China and India could affect coal trades - up or down

2018 tonne-mile effect = 3.1%

- Longer average distances are forecast to supplement volume growth by an additional 0.5%, generating total demand growth of **3.1%** (+4% for minor bulk)

Appendix: Handysize and Supramax Scheduled Orderbook at Historically Low Level

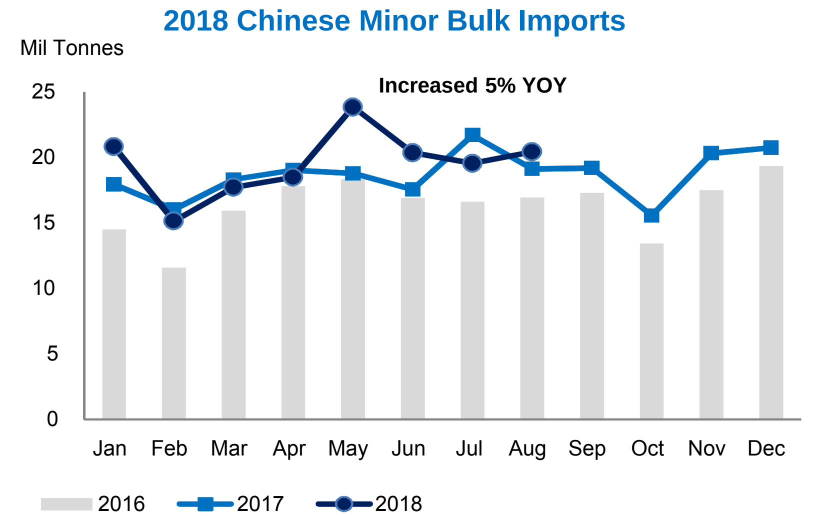




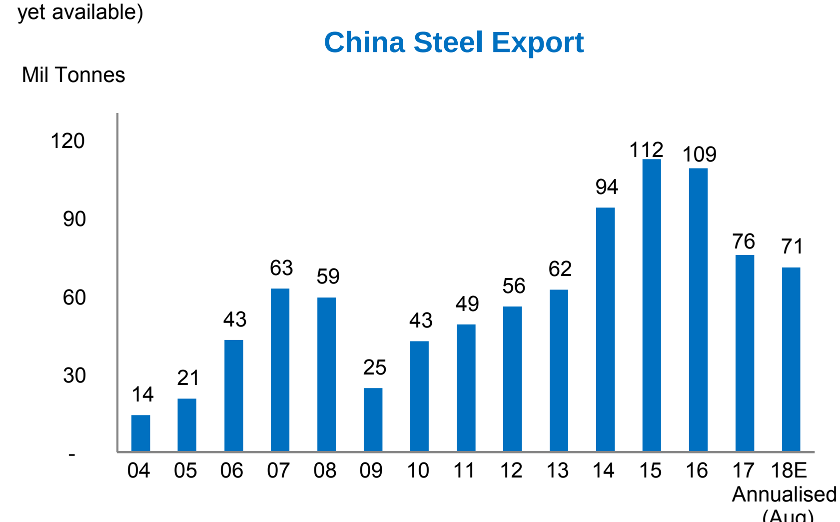
- Combined Handysize and Supramax scheduled orderbook has reduced to 5.5%, lowest since 1990s

Source: Clarksons Research, as at 1 Oct 2018

Appendix: China Major and Minor Bulk Trade



Chinese imports of 6 minor bulks including Logs, Soyabean, Cereals, Fertiliser, Copper Concentrates & Manganese Ore (Excluding bauxite and nickel ore for which data is not yet available)



Source: Bloomberg, Clarksons Research