Shareholders and investors are reminded that this trading update for the quarter is based on the Group's internal records and management accounts, and has not been reviewed or audited by external auditors. Shareholders and investors are cautioned not to rely unduly on this trading activities update and are advised to exercise caution when dealing in the shares of the Company.

Pacific Basin Shipping Limited

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

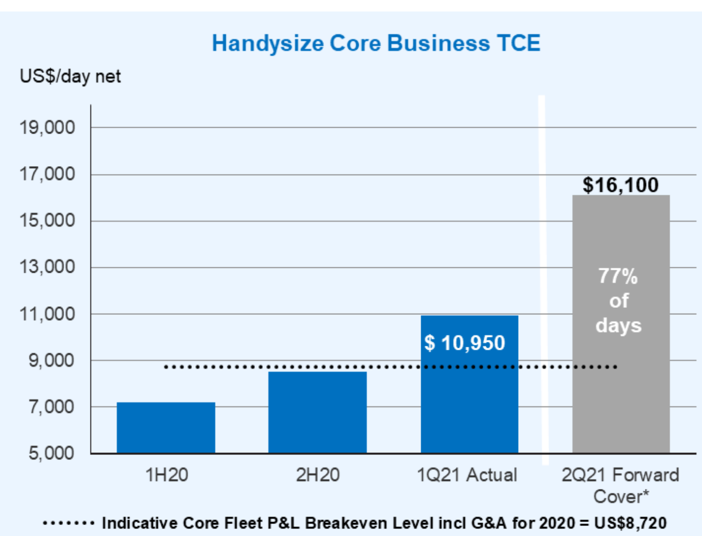
FIRST QUARTER 2021 TRADING UPDATE

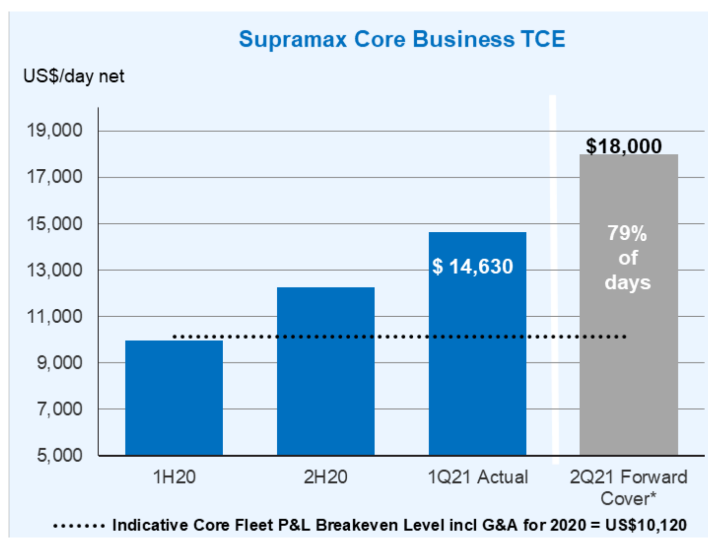
On the back of a strong recovery in the second half of last year, the dry bulk freight market has got off to a remarkably strong start in 2021. Handysize and Supramax market freight rates increased significantly since May 2020 to reach 10-year highs in March 2021, driven by the global economic recovery, improving demand for commodities and reducing global fleet growth aided by fleet inefficiencies.

ATTRACTIVE MARKET CONDITIONS ARE DRIVING STRONG PACIFIC BASIN PERFORMANCE

Our **core business** generated average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US$10,950 and US$14,630 net per day in the first quarter, representing a substantial improvement on our average TCEs in 2020 and our strongest quarterly TCE performance in almost 10 years.

Our cover so far secured for the second quarter is even higher at US$16,100 and US$18,000 net per day for Handysize and Supramax respectively, and cargo fixtures are being added to our book at market spot rates which are currently around similar levels. Considering our indicative core fleet breakeven levels of US$8,720 and US$10,120 (including G&A overheads), our current core fleet of 91 Handysize and 41 Supramax owned and long-term chartered ships is now generating attractive returns.





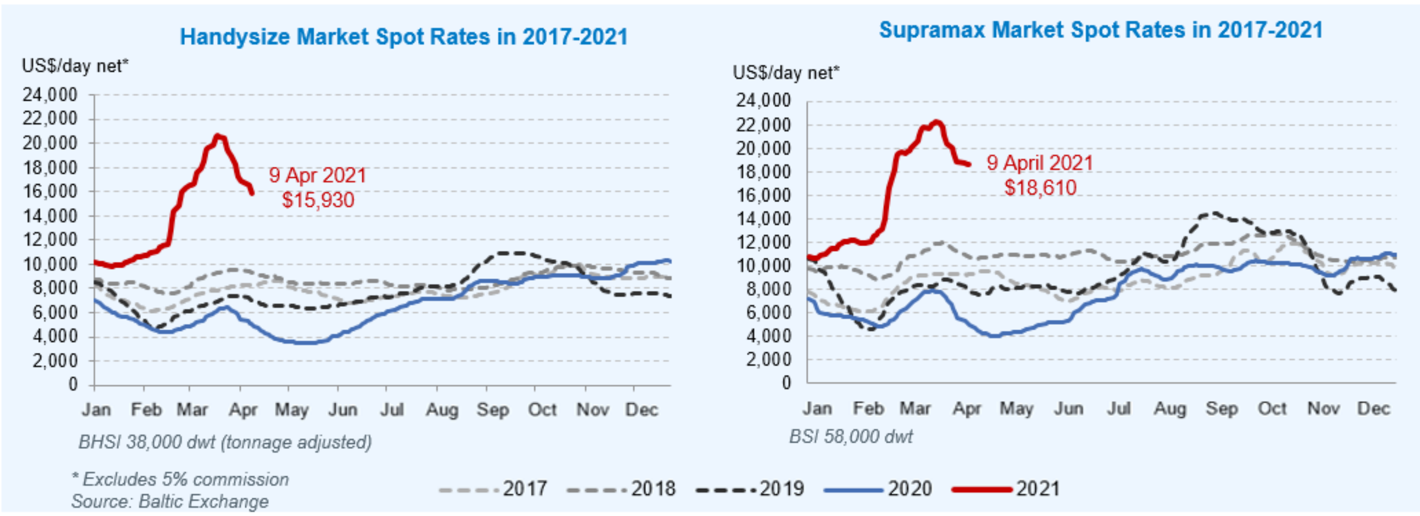
** Indicative 2Q21 TCE only, voyages are still in progress*
Cover data as at 9 April 2021

So far, 24% and 27% of our contracted Handysize and Supramax days in the second half of 2021 are covered at around US$9,390 and US$9,270 net per day respectively. This second-half cover comprises mainly lower-paying backhaul voyages which, when later combined with higher-paying fronthaul voyages, should typically result in higher overall TCEs as demonstrated in the development of our cover rates for the second quarter.

The relatively low proportion of cover (mostly secured in earlier periods when market rates were significantly lower) leaves us with significant exposure to what we believe will be a continued healthy spot market in the second half of the year. Note that our second-half 2021 Supramax cover excludes any scrubber benefit, currently about US$1,300 per day.

DRY BULK MARKET EXPERIENCED A REMARKABLY STRONG START TO 2021

Market spot rates for Handysize (BHSI 38k tonnage-adjusted) and Supramax (BSI 58k) ships averaged US$14,010 and US$15,800 net per day respectively in the first quarter of 2021, representing a more than 150% recovery over the same period last year. The typical seasonal weakness between the Christmas holidays and Chinese New Year did not materialise, and the quarter was instead characterised by an extraordinarily sharp increase in Handysize and Supramax market freight rates to 10-year highs, demonstrating that the demand and supply balance is increasingly tight. While recent very high spot market rates are now softening, we expect they will stabilise at higher levels than in recent years.



Due to the sharply rising market and the lag between spot market fixtures and execution of voyages, comparing our actual TCE earnings with index rates in the first quarter is not meaningful. The benefit of strong fixtures in the first quarter will appear mainly in our second quarter earnings. In addition, the Atlantic market where the majority of our Supramaxes are trading was stronger during the quarter than the Pacific market where the majority of our Handysizes are trading. However, the Pacific market has recently performed better than the Atlantic to the advantage of our Handysize business in the second quarter.

Our **operating activity** generated a positive margin of US$740 net per day over 16,690 operating days in the past 12 months. However, our operating activity generated a negative margin of US$230 net per day in the first quarter as we had taken cargo positions and did not expect the unusually strong market around Chinese New Year.

STRONG GLOBAL TRADE IS SUPPORTING HEALTHY DRY BULK DEMAND

The dry bulk freight market continues to benefit from a broad-based increase in demand for commodities. Preliminary data indicates that global dry bulk volumes loaded in the first quarter grew 9% compared to the same period last year, driven primarily by strong Chinese demand for dry bulk imports and strong global grain shipments.

Global grain loadings in the first quarter increased 15% compared to the same period last year, benefitting from record high US soybean and corn exports in late 2020 continuing into the first quarter of 2021. As the US soybean export season now winds down, it is encouraging to see larger corn volumes than in previous years, the South American grain export season starting to ramp up, and significant demand again coming from China.

Loadings of selected minor bulks in the first quarter increased 11% year on year, with particularly strong growth in construction materials such as logs, steel and other breakbulk cargoes, including some cargoes that have switched from containers to dry bulk ships because of high container freight rates. Iron ore loadings were also up 9% year on year.

Due partly to a surge in Indian demand for coal and in response to cold winter weather, coal loadings have recovered to prior year levels following the pandemic induced weakness during much of 2020.

Due to Covid-related national travel restrictions, industries in China did not fully shut down as they traditionally do for the Lunar New Year holidays, which also contributed to the unseasonably strong Chinese dry bulk demand in the first quarter.

NET FLEET GROWTH IS EXPECTED TO REDUCE GOING FORWARD

Global dry bulk net fleet growth has slowed since mid-2020 and is expected to reduce further in the next few years.

The total dry bulk orderbook currently stands at 5.6% of the existing fleet (with the Handysize orderbook at only 3.5%) which is the smallest it has been in decades. Newbuilding deliveries are expected to reduce especially in the second half of 2021 and into 2022 which, combined with some scrapping, is expected to result in reduced net fleet growth across the whole dry bulk sector and especially in our segments.

Despite stronger freight rates and the narrowing gap between newbuilding and second-hand prices, we expect that new ship ordering will remain restrained, discouraged by the uncertainty over the impact of environmental regulations on future vessel designs and technology. However, increased new ship ordering on the back of stronger markets is of course a risk that we carefully monitor. We are also mindful of the possibility that periods of lower fuel prices and high market freight rates may support faster ship operating speeds which increases supply.

Clarksons' benchmark five-year old Handysize values have increased 31% since the start of the year to US$19.3 million, supported by the firmer freight market and vessel sales activity, while benchmark Handysize newbuilding values have edged up to US$24.5 million.

Fleet inefficiencies have been an additional driver of recent market strength. Vessels carrying Australian coal were held up outside Chinese discharge ports, a delayed soybean crop has overlapped with other commodity exports resulting in congestion at major Brazilian ports, Covid restrictions have generally disrupted the flow of traffic, and a larger than usual concentration of dry bulk tonnage was in the Pacific for much of the quarter.

WELL POSITIONED FOR THE FUTURE

The sharp increase in spot rates in the first quarter is indicative of an increasingly tight demand and supply balance. This was especially the case for the Handysize and Supramax segments in which spot freight rates outperformed Capesize rates. While the extreme tightness has started to ease, we expect rates will stabilise at higher levels than in recent years. Although Covid and geo-political and some supply-side uncertainties remain, a vaccine and stimulus-powered support of economic activity coupled with reduced dry bulk fleet growth make us optimistic about the freight market in 2021 and the years ahead.

Clarksons currently estimates minor bulk tonne-mile demand to grow 4.8% in 2021 and 3.7% in 2022, while the combined Handysize and Supramax fleet is expected to grow by only 1.8% net in 2021 and 1.0% in 2022. This presents real potential for a continued beneficial demand and supply balance in the next few years, from which we are very well positioned to benefit.

We have taken delivery of two of the five modern second-hand Ultramax ships that we committed to buy in November and February. The remaining three are expected to join our owned fleet in the second quarter along with one modern Handysize ship we agreed to purchase at the end of February. We will own 117 ships after our current sale and purchase commitments are delivered. Including chartered ships, we had an average of 259 Handysize and Supramax ships overall on the water in the first quarter of 2021.

Our customer-focused business model, high laden utilisation, strong team, large owned fleet, healthy balance sheet and competitive cost structure position us well to take advantage of the improved markets in 2021 and beyond.

By Order of the Board

Mok Kit Ting, Kitty
Company Secretary

Hong Kong, 13 April 2021

As at the date of this announcement, the executive Directors of the Company are David Muir Turnbull, Mats Henrik Berglund and Peter Schulz, and the Independent Non-executive Directors of the Company are Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Irene Waage Basili, Stanley Hutter Ryan, Kirsi Kyllikki Tikka and John Mackay McCulloch Williamson.