Pacific Basin Shipping Limited

(*incorporated in Bermuda with limited liability*)

(Stock Code: 2343)

THIRD QUARTER 2020 TRADING UPDATE

Our third quarter 2020 vessel earnings improved, driven by a recovery in Chinese dry bulk imports and strong global grain volumes. Following a second quarter that was hard hit by global Covid-19 containment measures, related economic slowdown and high net supply growth, the dry bulk market continues to recover on better-than-expected demand despite remaining Covid-related uncertainty.

STRONG PACIFIC BASIN PERFORMANCE IN IMPROVING MARKET CONDITIONS

Our **core business**[1] generated average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US$8,000 and US$11,200 net per day in the third quarter, representing an 11% and 12% improvement respectively on our TCEs in the first half of the year.

Our average net daily Handysize and Supramax TCE earnings outperformed the BHSI[2] and BSI spot market indices by US$330 and US$1,770 respectively in the third quarter, and by US$2,010 and US$3,500 in the past 12 months. Our outperformance narrowed in the third quarter, which is typical in a rising freight market due to the lag between spot market fixtures and execution of voyages. Our Supramax outperformance was particularly strong due to the significant scrubber benefit early in the year.

Our **operating activity**[1] generated a margin of US$760 net per day over 3,700 operating days in the third quarter and US$1,500 net per day over 13,080 operating days in the past 12 months.

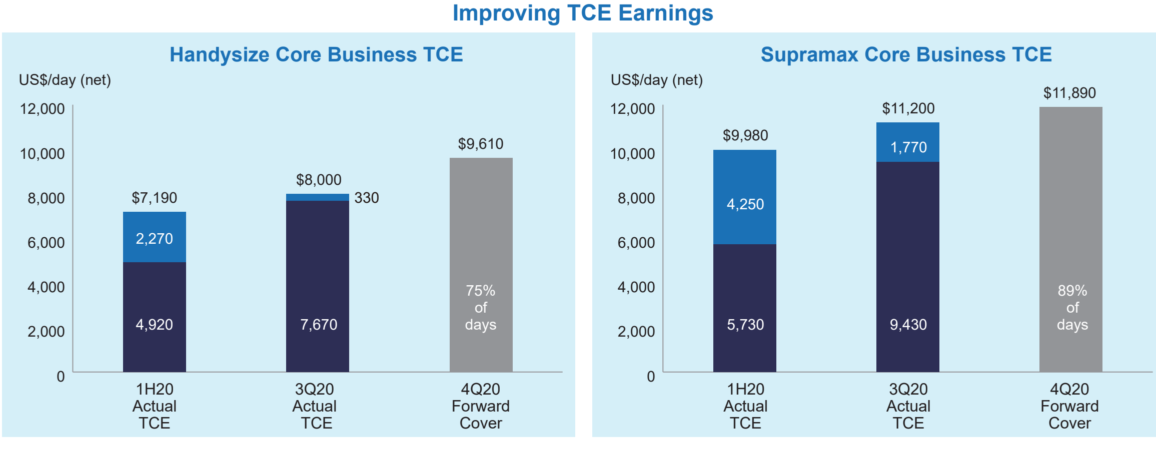
As at 12 October, we have so far secured cover for our **core business** for the fourth quarter of 2020 as follows:

- 75% of our contracted Handysize vessel days at around US$9,610 net per day
- 89% of our contracted Supramax vessel days at around US$11,890 net per day

These cover rates are above our estimated Handysize and Supramax break-even costs (including G&A overheads) for the fourth quarter.

We have so far covered 12% and 26% of our contracted Handysize and Supramax vessel days in 2021 at around US$8,140 and US$10,870 net per day respectively. Note that our 2021 Handysize cargo contract cover is backhaul heavy.

Improving TCE Earnings



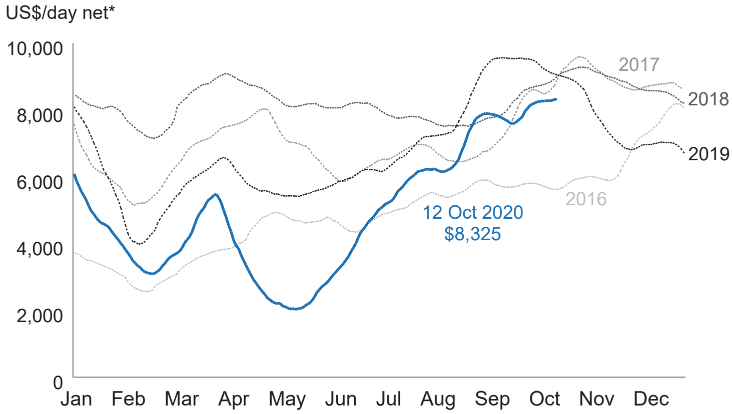
[1] *See page 10 of our 2020 Interim Report for an explanation of how we present TCEs generated by our **core business** (deploying owned and long-term chartered ships) and margins generated by our **operating activity** (generating a margin on short-term ships that we charter specifically to carry spot cargoes).*

[2] Starting from January 2020, we compare our Handysize TCE performance against the new 38,000 dwt Baltic Handysize Index, tonnage-adjusted to the average vessel size of our core Handysize fleet.

MARKET IS RECOVERING FASTER AND STRONGER THAN EXPECTED

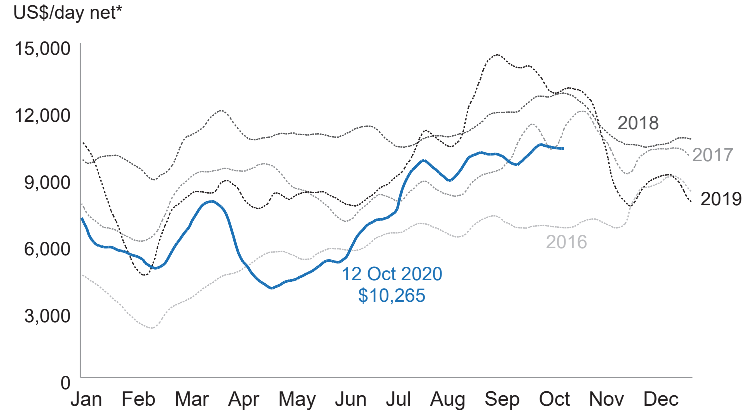
Market spot rates for Handysize (BHSI 38k tonnage-adjusted) and Supramax (BSI 58k) ships averaged US$7,670 and US$9,430 net per day respectively in the third quarter of 2020, representing a strong 56% and 65% recovery compared to the first half of 2020.

Handysize Market Spot Rates in 2016-2020



BHSI 28,000 dwt for all years for consistency

Supramax Market Spot Rates in 2016-2020



BSI 58,000 dwt

2016 2017 2018 2019 2020

** excludes 5% commission*
Source: Baltic Exchange, data as at 12 Oct 2020

The dry bulk market has benefited from a markedly improved demand-supply balance following the difficult first half of the year in which the impact of Covid containment measures (and related economic slowdown) and high net supply growth peaked in May and June respectively.

Dry bulk demand in the third quarter was driven largely by the Chinese import of dry bulk commodities, which in the year to August was up 8% year on year and reached what appears to have been an all-time high in July of 180 million tonnes (including a record high 28 million tonnes of a basket of six minor bulk commodities). Dry bulk demand also benefitted from the strong global trade in grain and other food-based commodities which are less affected by overall economic and industrial activity. Coal appears to be the only large commodity group that suffered continued weakness, but volumes are no longer falling and there are indications of recovering coal demand.

Grain trading patterns have shifted, such as strong South American exports in the first half giving way to strong US grain exports in the third quarter. Another notable shift is in Chinese steel exports which decreased while Chinese steel imports have increased. This has contributed to a larger concentration of dry bulk tonnage in the Pacific which has provided some additional support to global freight rates in recent months.

SUPPLY GROWTH HAS BEGUN TO SLOW

Global dry bulk net fleet growth in the first half of the year was high at 4.4% net (annualised) because of heavy newbuilding deliveries early in the year due to regulatory changes, and because of Covid-driven shutdowns at South Asian scrapyards. We expect slower newbuilding deliveries and increased scrapping in the second half, and Clarksons Research currently forecasts slowing net fleet growth of 3.3% for full year 2020 and 1.4% for 2021.

Since the reopening of South Asian scrapyards, scrapping in the year to date has increased to 1.7% (annualised) which is still relatively low and has scope to increase further.

The total dry bulk orderbook currently stands at a multi-decade low 6.5% of the existing fleet, with the Handysize and Supramax orderbooks being smaller at 3.9% and 5.4% respectively. We expect new orders to remain restrained, discouraged by the continued gap between newbuilding and secondhand prices as well as uncertainty over future environmental regulations to meet IMO's ambitious greenhouse gas reduction targets and their impact on future vessel designs. We believe that new ships ordered today with old oil-based propulsion technology can expect a shorter lifespan, and that new ordering will be significantly constrained until there is more clarity about which new fuels and propulsion concepts will be the best for the next 25 years and how these will be adopted in the market place.

Clarksons' benchmark five-year old Handysize values have weakened by 13% in the year to date, but have recently bottomed out, supported by strengthening freight rates.

DRY BULK OUTLOOK IS POSITIVE

Dry bulk market freight earnings remain lower than we would like, but they do demonstrate a valuable degree of resilience in light of the ongoing global pandemic. We believe the worst is behind us and the long-term outlook is positive, thanks partly to reduced fleet growth in the years ahead. Despite ongoing US-China trade tensions, we are also encouraged by increased US agricultural products export sales especially to China where the swine population is recovering following the African Swine Fever epidemic. We expect the reducing supply pressure and improving demand-side activity to result in stronger average dry bulk freight earnings in 2021, although Covid-related uncertainty remains.

The United States has recently announced its intention to terminate the bilateral United States-Hong Kong agreement providing reciprocal tax exemption on income from international shipping with effect from 2021. Had we been liable to pay US shipping tax on our international shipping activities in US waters in 2019, we estimate that this would have reduced our total core TCE earnings and operating activity margins by approximately US$150 per day (spread across our total core revenue days and operating days). We are investigating and hope to find solutions to significantly reduce or even eliminate any impact on our company.

WE WILL AGAIN CONSIDER FLEET GROWTH OPPORTUNITIES DUE TO POSITIVE OUTLOOK AND STRONG LIQUIDITY

The US$33.5 million in committed borrowings that we disclosed in our interim results announcement (secured against two vessels) will be fully drawn by the end of this month which, combined with the revolving credit facility that we secured in June, has further strengthened our liquidity position.

Having paused our spending on vessel acquisitions out of caution during the uncertain market conditions early in the pandemic, and as the market continues to recover, we will again consider compelling opportunities to grow our owned fleet with larger, high-quality secondhand acquisitions. We own 117 ships and, including chartered ships, we had an average of 238 Handysize and Supramax ships overall on the water in the third quarter. In early October, we committed to sell one of our oldest and smallest Handysize ships with delivery in the next four weeks.

Benefiting from our healthy balance sheet, large and fully in-house managed owned fleet with a competitive cost structure, and ability to outperform the market indices, we are well positioned for what we believe will be improved freight market conditions overall in 2021, although Covid-related uncertainty remains.

CREW CHANGE CHALLENGES REMAIN, AND EFFORTS CONTINUE TO BRING OUR SEAFARERS HOME

Despite significant Covid-related disruption, port and cargo handling activity has continued largely as normal, albeit with strict measures in place to prevent the spread of infection. Having implemented wide-ranging business continuity initiatives, our business has been fully operational throughout the pandemic and our service to customers has continued seamlessly and substantially uninterrupted.

However, governments' Covid restrictions around the world continue to make it very difficult for ship owners to change crews and get their seafarers home, leaving tens of thousands stuck at sea beyond their original contract periods. We are leaving no stone unturned in our efforts to reunite our seafarers with their families and we have successfully changed and repatriated many of our crews in recent months. We continue to engage with and push governments and other authorities for solutions to enable the safe repatriation of seafarers.

The Pacific Basin staff and board members again express their sincere thanks to our extraordinarily loyal and capable seafarers who we commend for their determination and professionalism with which they continue their hard work while waiting to be relieved and repatriated.

By Order of the Board

Mok Kit Ting, Kitty
Company Secretary

Hong Kong, 14 October 2020

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 and Kirsi Kyllikki Tikka.