Pacific Basin Shipping Limited

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

THIRD QUARTER 2014 TRADING UPDATE

HIGHLIGHTS

PACIFIC BASIN DRY BULK

- The dry bulk market weakened further in the third quarter with Handysize freight rates in July falling to the very low levels last seen in February 2009
- Third quarter Handysize and Handymax spot market rates averaged US$5,910 and US$8,430 per day net respectively, representing a 21% and 9% decline year on year
- Despite reduced global dry bulk net fleet growth, freight market weakness was driven by the on-going tonnage supply overhang compounded partly by the protracted Indonesian exports ban and reduced Chinese coal imports
- Our average daily earnings in the third quarter outperformed the Handysize and Handymax markets by 46% and 17% respectively
- We generated third quarter average daily earnings of:
  - US$8,650 on 14,310 Handysize revenue days
  - US$9,840 on 5,260 Handymax revenue days
- While it is difficult to predict how the dry bulk market will develop, we have positioned ourselves well through a firm control of our operating cost structure, by developing strong cargo systems and, especially, by doubling our owned fleet over the past two years at historically attractive prices
- 76% of our 11,580 contracted Handysize revenue days in the final quarter of 2014 are covered at US$9,250 per day net, and 19% of our 37,240 contracted Handysize revenue days in 2015 have so far been covered at US$11,020 per day net
- With all our secondhand ship acquisition commitments now delivered, we currently operate 213 dry bulk ships (including 80 owned) with a further 34 newbuildings (18 owned and 16 chartered) due to join our core fleet over the next three years

PB TOWAGE

- Our towage activities continue to face increased competition for fewer oil & gas and construction employment opportunities and reducing port volumes, which is impacting both our offshore and harbour towage businesses
- We are steering the focus of additional new harbour towage activities towards exclusive ports and have recently won licenses in two exclusive ports in Australia
- We are repositioning underutilised offshore tugs to the Middle East, have sold two barges, and are in the process of downsizing our New Zealand and Australian offshore towage organisation accordingly

PACIFIC BASIN DRY BULK

MARKET REVIEW

Freight Market Summary

Despite reduced global dry bulk net fleet growth, Handysize freight rates in July fell to the very low levels last seen in February 2009.

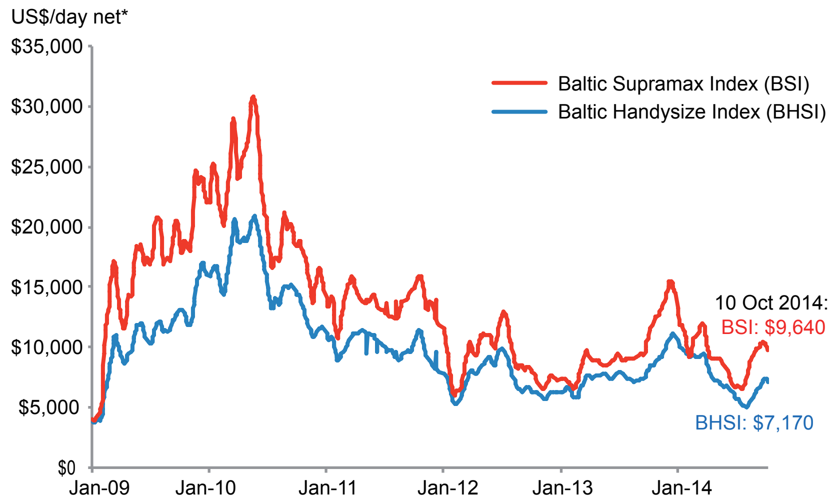
Handysize and Handymax spot market rates averaged US$5,910 and US$8,430 per day net respectively in the third quarter of 2014. These market rates represent a 21% and 9% decline year on year, and a 16% and 1% decline compared to second quarter 2014 rates (see Graph A).

The general market weakness was primarily driven by the on-going tonnage supply overhang compounded partly by the protracted Indonesian exports ban and reduced Chinese coal imports (see below).

Larger bulk carriers were hardest hit with average Panamax spot rates lower than Handymax and Handysize rates for two consecutive quarters. While not directly linked, the underperformance of this larger ship segment has weighed negatively on rates for the smaller ships in which we specialise.

Graph A

Baltic Handysize Index (BHSI) & Baltic Supramax Index (BSI)



* US$ freight rates are net of 5% commission

Source: The Baltic Exchange

Key Demand Developments

R.S. Platou estimate dry bulk transportation demand in the first half of 2014 to have risen 6% year on year. They have recently revised downwards their estimate of demand growth for the full year 2014 to 4.8% (from 7.6% in April) citing the protracted Indonesian bauxite and nickel ore export ban and falling Chinese coal imports as the two main reasons.

The Indonesian ban on bauxite and nickel ore exports continues to impact global minor bulk trades, and Platou cannot see a full return of these trades in the foreseeable future noting also that alternative supply is restricted in the short term. China has been partially replacing Indonesian supplies with Australian and Indian bauxite and Philippine nickel. Clarksons estimate the global bauxite trade in 2014 will decline 22% year on year.

Chinese minor bulk imports in the first eight months of 2014 fell 8% compared to the same period last year but, excluding bauxite and nickel ore, they increased 17%.

The most notable demand side development was a 3% year-to-date reduction in China's importation of coal – a primary driver for larger bulk carrier earnings – due mainly to record high Chinese hydro-electric output that typically peaks in the third quarter. Lower coal prices have also impacted seaborne trade as some exporters resisted loss-making sales and as Chinese pressure continues to mount to limit imports in an effort to support domestic coal prices.

Conversely, iron ore trades benefited from lower prices as China increased its imports and major iron ore miners ramped up exports. Minor iron ore exporters with typically higher production costs are being priced out of the market and this has squeezed out some iron ore trades employing smaller ship sizes.

Global Fleet Developments

The global dry bulk fleet expanded by 0.9% net during the quarter on slower newbuilding deliveries and despite reduced scrapping which in the third quarter reduced to 0.5% of the current fleet afloat. The global fleet of 25,000-40,000 dwt Handysize vessels registered 0.6% net growth during the third quarter.

Reduced South American port congestion has served to increase the effective supply of dry bulk capacity.

Orderbook

New ship ordering activity in the third quarter was half that of the second quarter and 62% down year on year. The Capesize and Panamax segments saw proportionally greater ordering activity than the minor bulk carrier segments.

As at 1 October, the published orderbook for Handysize vessels stood at 23% as compared to 18% a year ago. The orderbook for dry bulk vessels overall has increased to 24% from 18% a year ago.

Ship Values

Clarksons currently value their benchmark five year old 32,000 dwt Handysize bulk carrier at US$18.5 million which is the same as in October last year, but down 12% in the year to date reflecting the higher market expectations that prevailed at the start of the year.

DRY BULK ACTIVITY SUMMARY

We generated third quarter Handysize and Handymax average daily earnings of US$8,650 and US$9,840 (on 14,310 and 5,260 revenue days), which outperformed the weak market by 46% and 17% respectively.

The uplift we achieved over third-quarter average spot market rates was driven by our fleet scale and cargo-focused business model which combines high-quality ships, cargo systems that enable triangulated trades and minimal ballast time, and a strong focus on efficiency and operating cost control. Our fleet scale also enhances customer service by improving scheduling flexibility, reliability and punctuality.

Since the announcement of our interim results on 31 July, we have made no new commitments to purchase or long-term charter any vessels. We have now taken delivery of all 33 secondhand ships that we committed to purchase over the past two years. These ships are of similar designs to our existing fleet, they have slotted well into our cargo systems and are performing well despite the weak market. The high-cost short-term inward chartered Handymax ships which negatively impacted our first-half results (as discussed in our Interim Report) have now largely expired.

We currently operate 213 dry bulk ships (156 Handysize, 55 Handymax and 2 Post-Panamax) of which 80 are owned, 43 are long-term chartered and 90 are on index-linked or short-term charters. A further 34 newbuildings (18 owned and 16 chartered) are due to join our core fleet over the next three years. These are predominantly Japanese-built 37,000 dwt vessels.

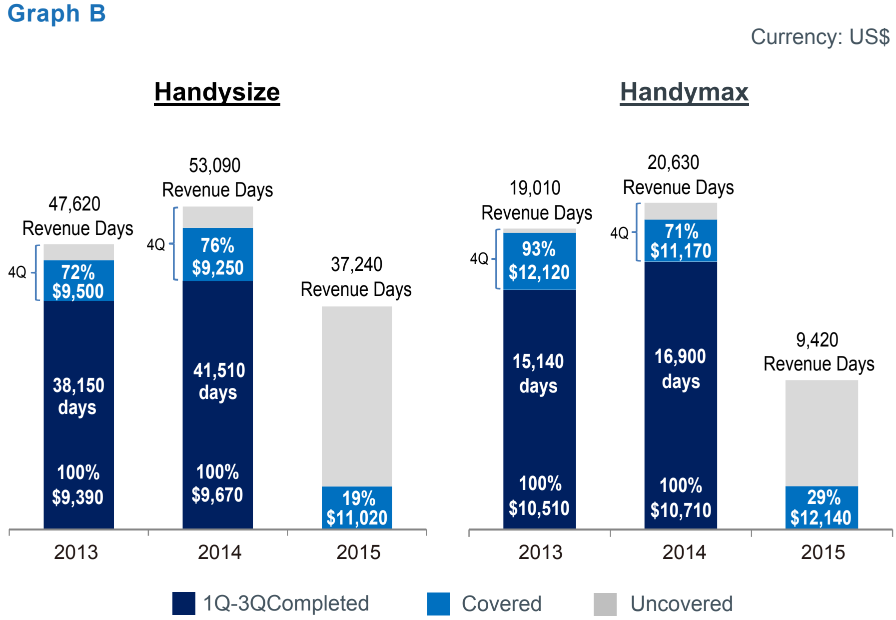
As at 10 October, we had secured cover for the final quarter of 2014 as follows:

- 76% of our 11,580 contracted fourth-quarter Handysize revenue days at US$9,250 per day net
- 71% of our 3,730 contracted fourth-quarter Handymax revenue days at US$11,170 per day net

We have so far secured cover for 2015 as follows:

- 19% of our 37,240 contracted 2015 Handysize revenue days at US$11,020 per day net
- 29% of our 9,420 contracted 2015 Handymax revenue days at US$12,140 per day net

Graph B



Cargo cover secured as at the time of our Third Quarter Trading Updates
Cover excludes revenue days related to vessels chartered in on a variable rate, index-linked basis

The low spot market has weakened forward freight pricing which in turn undermines much of the rationale for securing forward cargo cover. Nevertheless, we continue to work closely with our customers to develop cargo contract opportunities where mutually beneficial. In the year to date we have secured several multi-year cargo contracts with customers on both Atlantic and Pacific routes that will provide a reasonable return against our core fleet and facilitate the enhanced triangulation and efficient utilisation of our ships.

PB TOWAGE

Our towage activities continue to face increased competition for fewer oil & gas and construction employment opportunities impacting our offshore towage business, and reducing port volumes and increased competition in open ports affecting our harbour towage business.

We are steering the focus of additional new harbour towage activities towards exclusive ports and have recently won licenses and contracts in two exclusive ports in Australia.

We are repositioning some of our underutilised offshore tugs to the Middle East, have sold two barges and are in the process of downsizing our New Zealand and Australian offshore towage organisation accordingly.

As announced on 11 September 2014, our towage customer Western Desert Resources (WDR) entered into voluntary administration. Our four tugs and four barges that had been deployed on the WDR project have all redelivered into our possession and remain idle without employment. We have been following the development of WDR's administration closely. If the administrator cannot find a buyer for the WDR business, we can expect to book an estimated charge of about three quarters of the US$8.9 million of debts owing from WDR described in our 11 September announcement.

OUTLOOK

Current and medium-term dry bulk net fleet growth has reduced to around 5% per year. However, the market has yet to fully absorb the supply overhang following the 2010-12 newbuilding boom, and weaker than expected demand for seaborne trade is muddying the outlook for the dry bulk market. Until we see improved spot market earnings, we expect the level of ordering activity to remain low.

We consider sustained demand growth of at least 6-7% necessary to support a healthier supply and demand balance, and such growth continues to be threatened by the protracted Indonesian mineral exports ban, reduced Chinese coal imports, lower growth in Chinese economic and industrial development and the softer growth outlook for the developed economies. The health of the freight market in the coming months will be determined by the extent to which demand will be impacted by these uncertain factors and by the increased pre-winter stockpiling and trade volumes that are typical of the fourth quarter.

The short and long term outlook for the Australasian-focused towage market remains challenging due to increased competition for fewer employment opportunities in offshore towage and, for harbour towage, increased competition and reduced volumes in a majority of ports.

FLEET

The following table summarises the size and composition of our fleet on the water and our current newbuilding commitments.

	Vessels in operation			Newbuildings on order			
	Owned	Chartered	Total	Owned	Chartered	Total	**Total**
Dry Bulk Fleet							
Handysize	64	92	156	12	13	25	**181**
Handymax	15	40	55	6	3	9	**64**
Post Panamax	1	1	2	–	–	–	**2**
Total Dry Bulk Vessels	**80**	**133**	**213** [1]	**18**	**16**	**34**	**247**
Towage Fleet							
Tugs	31	3	34	–	–	–	**34**
Barges	8	–	8	–	–	–	**8**
Other PB Towage Vessels	1	1	2	–	–	–	**2**
Total Towage Vessels	**40**	**4**	**44** [2]	**–**	**–**	**–**	**44**
Roll-on Roll-off	**3**	**–**	**3** [3]	**–**	**–**	**–**	**3**
Grand Total	**123**	**137**	**260**	**18**	**16**	**34**	**294**

Note:
1 Dry bulk fleet in operation defined as: number of owned ships at latest practical date + average number of chartered ships in latest calendar month
2 Towage fleet comprising 34 tugs, 8 barges, 1 passenger/supply vessel and 1 bunker tanker
3 RoRo vessels sold with forward delivery

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

Hong Kong, 14 October 2014

As at the date of this announcement, the executive Directors of the Company are David Muir Turnbull, Mats Henrik Berglund, Jan Rindbo, Andrew Thomas Broomhead and Chanakya Kocherla, and the independent non-executive Directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul, Alasdair George Morrison, Daniel Rochfort Bradshaw and Irene Waage Basili.

Shareholders and investors are reminded that this trading update for the period ended 14 October 2014 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.