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# Pacific Basin Shipping Limited

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

## THIRD QUARTER 2015 TRADING UPDATE

### DRY BULK TRADING ACTIVITY SUMMARY

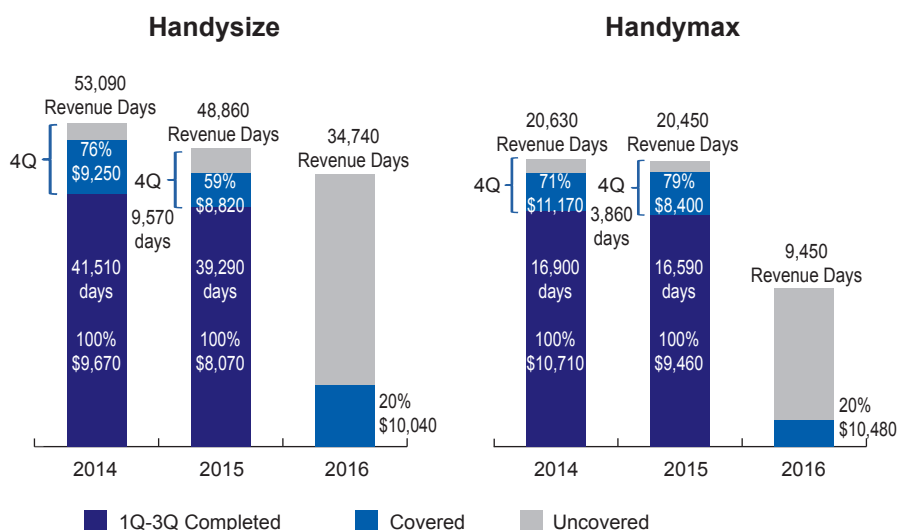
We are optimising the combination of our large fleet and cargo system to achieve high utilisation and maximum revenue in the current weak market. This business model enabled us to generate Handysize and Handymax average daily earnings of US\$8,350 and US\$9,630 in the third quarter, outperforming spot market rates by 39% and 15% respectively and resulting in average daily earnings of US\$8,070 and US\$9,460 in the year to date.

As at 30 September, we had secured cover for the final quarter of 2015 as follows:

- 59% of our 9,570 contracted Handysize revenue days at around US\$8,820 per day net
- 79% of our 3,860 contracted Handymax revenue days at around US\$8,400 per day net

We have so far secured cover for 2016 as follows:

- 20% of our 34,740 contracted 2016 Handysize revenue days at around US\$10,040 per day net
- 20% of our 9,450 contracted 2016 Handymax revenue days at around US\$10,480 per day net



Currency: US\$

Comparative data shows cargo cover secured as at 30 Sep 2015 vs 10 Oct 2014.

Uncovered days excludes capacity chartered in on a variable rate, index-linked basis

We are managing our business for a continued weak market in the medium term. All efforts are going into making the most of our strong dry bulk platform, reducing our costs and delivering maximum contributions in the weak market while safeguarding the Company's positive EBITDA generation and cash position. We are prioritising safety and staying power over additional long-term vessel commitments, although the market difficulties may present acquisition opportunities at depressed prices which we would carefully consider.

In the year to date, we have not entered into any new long-term inward charter commitments. We are relying more on our larger owned fleet, complemented by ships on shorter-term and index-linked charters which contribute to our results even in this weak market.

The increase in spot market rates in the third quarter helped spot earnings, but they have also affected the charter cost of our index-linked inward chartered vessels which, after falling during the first half of the year, increased slightly during the third quarter.

## DRY BULK MARKET COMMENTARY & OUTLOOK

Handysize and Handymax market spot rates averaged US\$6,000 and US\$8,340 per day net respectively in the third quarter of 2015. While only marginally up compared to the same period last year, these average market rates represent a 23% and 30% improvement on the previous quarter.

The quarter on quarter improvement was largely driven by healthier conditions in the Atlantic on strong South American agricultural exports. Atlantic spot market rates reached early 2014 levels and have since declined as the South American season subsides.

By contrast, the Pacific freight market has been relatively flat, demonstrating only a moderate improvement through July which has since been reversed.

Weak demand growth in the Pacific is largely due to the continued slowdown in Chinese coal and iron ore imports which together represent a large proportion of overall dry bulk trade. Year-to-date coal imports are 30% down year on year while iron ore imports have been largely flat.

Year-to-date Chinese imports of a basket of seven minor bulks are down 2% year on year due mainly to a weaker start to 2015. Minor bulk trade volumes since March were higher than in the same months in 2014 and have lent some support to demand for Handysize and Handymax ships. In particular, Chinese imports of bauxite increased year on year, and imports of soybeans and cereal grains are substantially up. Chinese steel exports have also increased.

On the vessel supply side, the pace of newbuilding deliveries in 2015 has closely tracked 2014 when we saw the lowest rate of new ship additions in 15 years. The high level of scrapping in the first half of 2015 gave way to reduced scrapping in the third quarter due to the improved freight market. As a result, the overall dry bulk fleet expanded by 1.3% net during the quarter, having previously seen no net growth since the end of January.

Secondhand values have been substantially flat in recent months. Benchmark five year old 32,000 dwt Handysize bulk carriers are currently valued by Clarksons Platou at US\$13.0 million which is unchanged since May. Handysize newbuildings are valued at US\$20.5 million and the significant gap between newbuilding and secondhand prices continues to discourage new ship ordering and favours buying secondhand ships.

The overall dry bulk orderbook has reduced to about 17% of the trading fleet, but delays, cancellations, conversions and shipyard defaults – primarily in China – are leading to fewer actual deliveries than scheduled at the start of the year.

The ship supply surplus built up in 2010-2012 and slowdown in Chinese raw materials imports – especially coal – continue to drive overall weakness, and we continue to manage the business for a weak market in the medium term.

This weakness will continue to affect shipping businesses and could result in more companies experiencing financial distress along the lines of Daiichi Chuo Kisen Kaisha's recent filing for bankruptcy protection. We have no exposure to Daiichi.

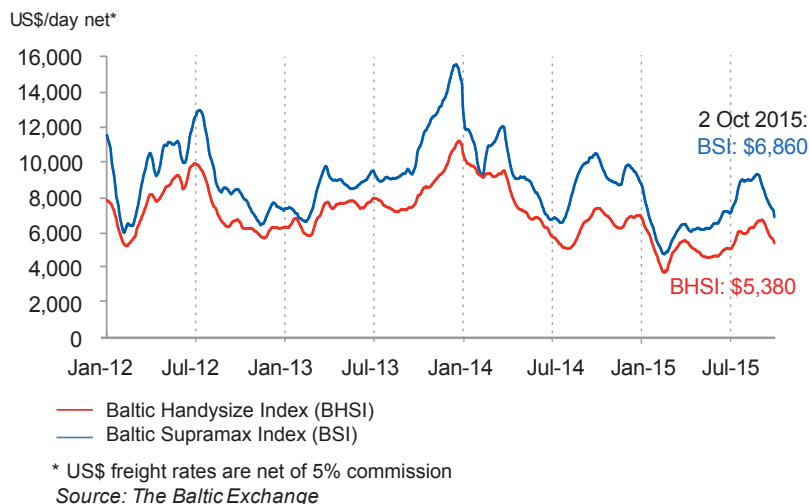
## TOWAGE

Our limited remaining towage activity is now solely situated in the Middle East where we are operating eight tugs and two barges. Our last chartered-in vessels previously employed in Australasia are currently being repositioned for redelivery to their owners, and our remaining five owned small tugs and four barges in Australia are idle and being considered for sale. Our consolidated towage results, including the effect of post-completion adjustments of previous transactions, remain marginally profitable in the year to date.

## RORO EXIT COMPLETE

Our sixth and final RoRo vessel delivered into Grimaldi's ownership in August generating cash proceeds of around US\$31 million and, as such, our exit from the RoRo sector is complete.

## Baltic Dry Bulk Earnings Indices



## FINANCE

In the third quarter, we bought back and cancelled 2016 convertible bonds with face value of US\$27.4 million for the purpose of saving related coupon payments in the period before maturity. This is in addition to our buy-back and cancellation of 2016 convertible bonds with an aggregate face value of US\$27.8 million in the first half of the year.

## FLEET

Our core business operates 215 dry bulk ships of which 83 are owned, 41 are long-term chartered and 91 are on index-linked or short-term charters. A further 15 owned and 7 chartered newbuildings are scheduled to join our core fleet over the next two years.

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

	Vessels in operation			Newbuildings on order			Total
	Owned	Chartered	Total	Owned	Chartered	Total	
<b>Dry Bulk Fleet</b>							
Handysize	66	72	138	10	6	16	<b>154</b>
Handymax	16	59	75	5	1	6	<b>81</b>
Post Panamax	1	1	2	–	–	–	<b>2</b>
<b>Total Dry Bulk Vessels</b>	<b>83</b>	<b>132</b>	<b>215 *</b>	<b>15</b>	<b>7</b>	<b>22</b>	<b>237</b>
<b>Towage</b>							
Tugs	13	1	14	–	–	–	<b>14</b>
Barges	6	–	6	–	–	–	<b>6</b>
Other PB Towage Vessels	–	1	1	–	–	–	<b>1</b>
<b>Total Towage Vessels</b>	<b>19</b>	<b>2</b>	<b>21</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>21</b>
<b>Grand Total</b>	<b>102</b>	<b>134</b>	<b>236</b>	<b>15</b>	<b>7</b>	<b>22</b>	<b>258</b>

\* Dry bulk fleet in operation is defined as: number of owned ships at 30 September + average number of chartered ships in full month of September

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

Hong Kong, 5 October 2015

*As at the date of this announcement, the executive Directors of the Company are David Muir Turnbull, Mats Henrik Berglund, 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 5 October 2015 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.*