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Shareholders and investors are reminded that this trading update for the period ended 6 October 2016 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)

THIRD QUARTER 2016 TRADING UPDATE

Dry bulk freight market indices for all bulk carrier types have improved from the historically low base recorded in the first quarter. The market benefitted from seasonally strong US grain export volumes during the third quarter, as well as increased iron ore and coal imports into China. However, the market remains oversupplied with vessels, and conditions are still challenging for shipowners.

PACIFIC BASIN VESSEL EARNINGS OUTPERFORM FREIGHT MARKET INDICES

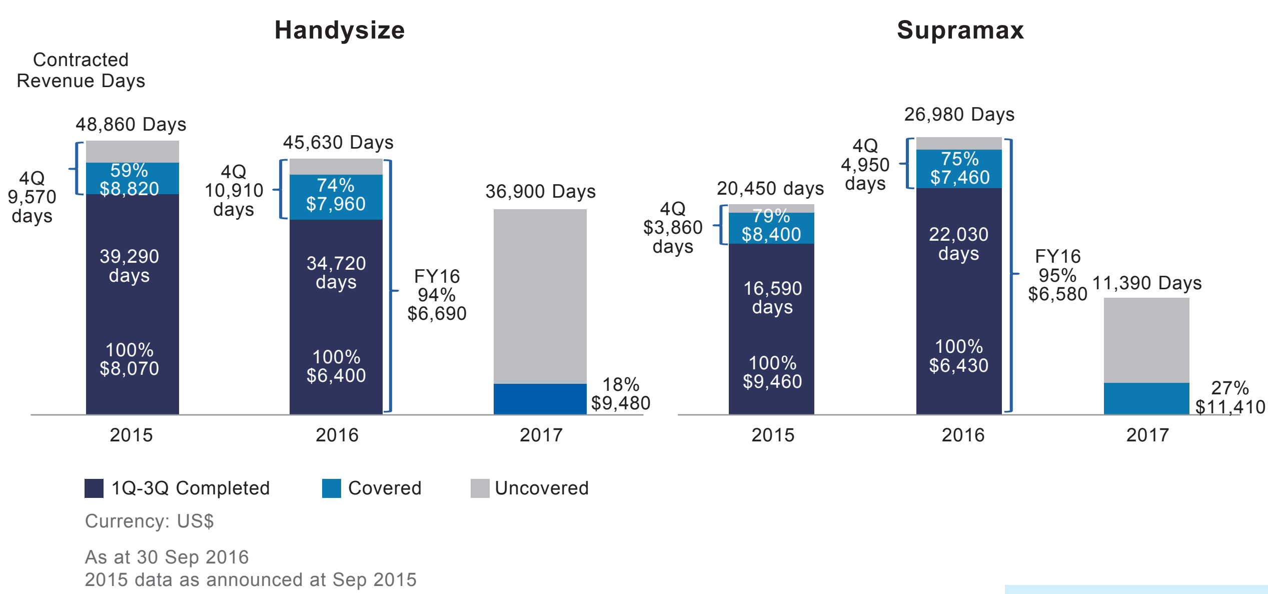
We generated average Handysize and Supramax daily TCE earnings of US$7,040 and US$7,360 per day net in the third quarter, and our year-to-date average Handysize and Supramax daily net TCE earnings increased to US$6,400 and US$6,430, outperforming the BHSI and BSI spot market indices by 44% and 21% respectively.

As at 30 September, we have secured cover for the final quarter of 2016 as follows:

- 74% of our 10,910 contracted Handysize revenue days at around US$7,960 per day net
- 75% of our 4,950 contracted Supramax revenue days at around US$7,460 per day net

We have so far secured cover for 2017 as follows:

- 18% of our 36,900 contracted 2017 Handysize revenue days at around US$9,480 per day net
- 27% of our 11,390 contracted 2017 Supramax revenue days at around US$11,410 per day net



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The significant reduction in oil, gas, mining and Middle East construction activity is causing a deterioration in tug and barge values, which creates a challenging backdrop for the continued disposal of our limited remaining towage assets. At the end of June, our towage assets had a net book value of approximately US$18 million, since which time we have agreed the sale, subject to completion, of further towage assets. This is expected to generate cash proceeds of over US$3 million, but result in a book loss of about US$2 million. Based on these expected losses, additional disposal losses or impairments on our remaining towage assets are possible at the year end. None of our remaining towage assets are mortgaged, and any disposals would contribute cash to the Company.

Following the wind down of our towage activities in Australia and the subsequent change in the functional currency to US Dollars, our Australian Dollar exchange rate reserve balance will be elimininated resulting in a non-cash charge of about US$3 million being transferred to the income statement.

As expected and planned for, the holders of all our 2018 convertible bonds (holding an aggregate principal amount of US$123.8 million) exercised their put option right in September, and the 2018 convertible bonds will be repaid on 24 October 2016 and cancelled. The redemption payment obligation is covered by the net proceeds of US$143 million raised through our rights issue in June.

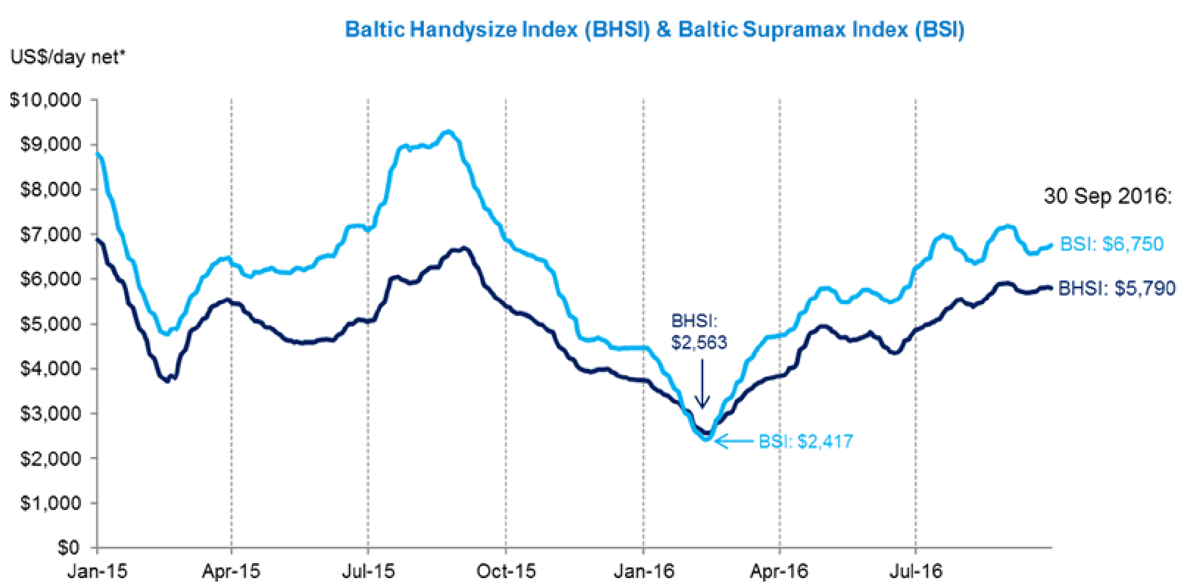
We are continuing our efforts to further reduce our costs through various internal and external initiatives and reduce vessel operating costs through scale benefits, without compromising safety and maintenance.

In the first half of 2017, we will be relocating our Hong Kong headquarters out of Hong Kong's central business district, which will lead to a significant cost saving while allowing us to create a modern and efficient working environment in a newly revitalised part of Hong Kong Island.

We are establishing a new commercial office in Rio de Janeiro towards the end of 2016 to help grow our cargo volumes and to support our many customers on the east coast of South America.

FREIGHT MARKET IMPROVES FROM A VERY LOW BASE

Market spot rates for Handysize and Supramax ships averaged US$5,500 and US$6,710 per day net respectively in the third quarter of 2016. Driven by increased cargo volumes and an improvement in market conditions since the historic lows recorded in February, these average market rates represent a 21% and 22% improvement on the previous quarter, but a 8% and 20% decline compared to the same period last year illustrating that freight conditions remain depressed.



* net of 5% commission
Source: Baltic Exchange, data as at 30 September 2016

Clarksons Platou estimate that overall dry bulk demand in the year to date increased by approximately 1.5% compared to the same period last year, and will increase by about 1.8% for the full year.

A strong South American agricultural exports season in the first half of the year was followed by seasonally strong US export volumes in the third quarter – especially for soybeans and corn.

Year-to-date Chinese dry bulk imports have increased 6.5% compared to the same period last year, with growth most notable in iron ore and coal imports – the latter due to China's reduced domestic coal production. Logs-fitted ships like ours benefitted from a year-on-year increase in logs volumes, but Chinese steel exports softened in the third quarter having peaked at historic high levels in June.

Values of benchmark five year old Handysize bulk carriers have increased to US$10.5 million representing a 13% improvement from the market low values recorded in the second quarter, while newbuilding prices have held at US$19.5 million, as estimated by Clarksons Platou. The significant gap between newbuilding and secondhand prices continues to discourage new ship ordering activity which was negligible during the quarter.

While self-correcting supply-side dynamics forced surplus capacity out of the market place in the extremely weak first half of the year, scrapping reduced in the third quarter and it is expected that the global dry bulk fleet will still register a small net growth in capacity for the full year 2016. The entry into force of the ballast water management convention in September 2017 will add to existing pressures on owners to scrap older and poorly performing ships, and thus shrink the oversupply, rather than invest in costly ballast water treatment systems and dry-dockings.

PACIFIC BASIN CONTINUES TO MANAGE FOR A WEAK MARKET

The dry bulk market remains challenging with average industry freight earnings at loss-making levels, and more scrapping is required for the market to return to a healthier balance. We are continuing to manage our business for a weak market in the medium term.

By Order of the Board

Mok Kit Ting, Kitty
Company Secretary

Hong Kong, 6 October 2016

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 Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Daniel Rochfort Bradshaw, Irene Waage Basili and Stanley Hutter Ryan.