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)

THIRD QUARTER 2018 TRADING UPDATE

The Handysize and Supramax freight market indices in the year to date have followed a similar seasonal pattern as in recent years, although at a higher level as the demand-supply balance remains favourable. A short seasonal decline in early 2018 was followed by recovery after Chinese New Year, a softer summer market and, since late September, improving market conditions. Both Handysize and Supramax spot earnings reached their highest third quarter levels since 2011.

PACIFIC BASIN VESSEL EARNINGS IMPROVE SIGNIFICANTLY YEAR ON YEAR

We generated average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US$10,080 and US$12,180 per day net in the third quarter, representing an improvement of 24% and 30% respectively compared to the same period in 2017.

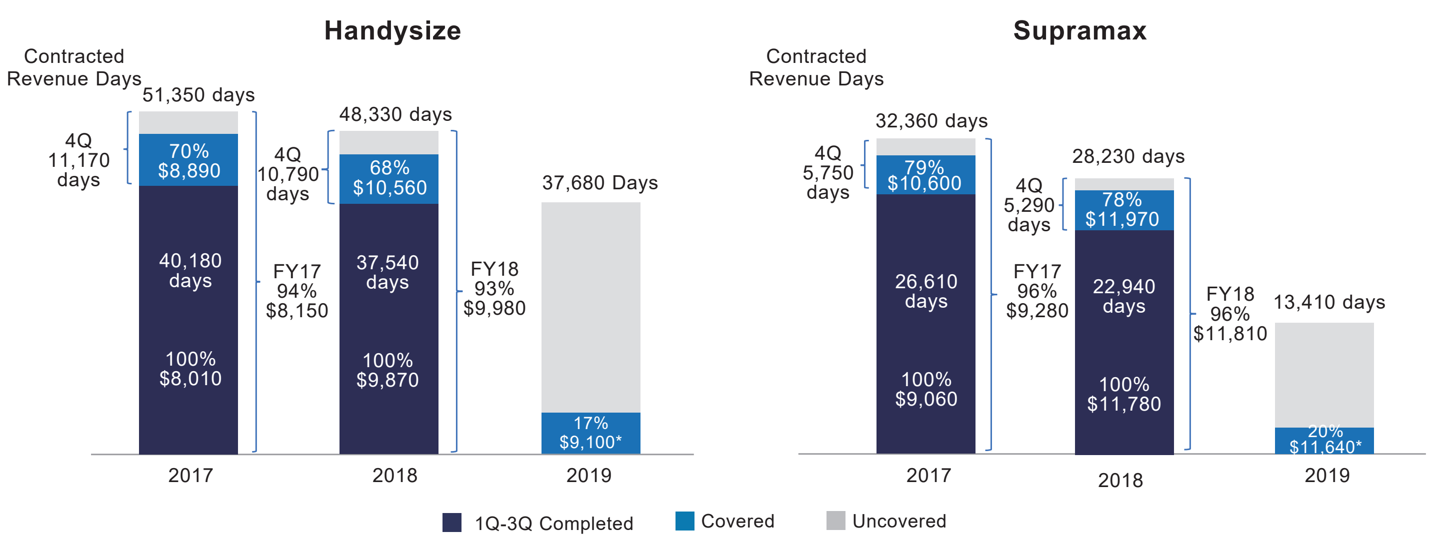
Our year-to-date average Handysize and Supramax daily net TCE earnings increased 23% and 30% year on year to US$9,870 and US$11,780, outperforming the BHSI and BSI spot market indices by 22% and 9% respectively.

As at 10 October, we have secured cover for the final quarter of 2018 as follows:

- 68% of our 10,790 contracted Handysize revenue days at around US$10,560 per day net (3Q 2017: US$8,890)
- 78% of our 5,290 contracted Supramax revenue days at around US$11,970 per day net (3Q 2017: US$10,600)

We have so far secured cover for 2019 as follows:

- 17% of our 37,680 contracted Handysize revenue days at around US$9,100* per day net (3Q 2017: US$7,690)
- 20% of our 13,410 contracted Supramax revenue days at around US$11,640* per day net (3Q 2017: US$9,640)



Cover as at 10 Oct 2018, Currency in US$
2017 data as at Oct 2017

*Note that our 2019 forward cargo contract cover is backhaul heavy.

During the third quarter, we purchased and took delivery of one modern secondhand Supramax vessel, increasing our owned fleet to 109 ships on the water. Including chartered ships, we operated an average of 216 ships overall during the quarter. In the year to date, we have operated more owned ships but taken in fewer short-term chartered ships primarily due to reduced Chinese steel export volumes because of strong domestic demand.

Three of the four modern vessels we committed to purchase in May 2018 (50% funded by equity) are scheduled to deliver into our ownership over the next five months, taking our owned fleet to 112 ships.

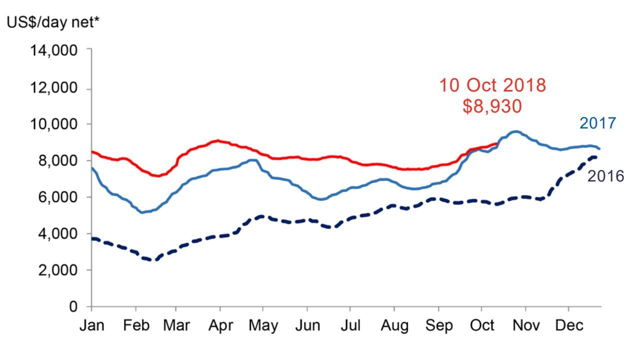
www.pacificbasin.com
Our Fleet
See our website for fleet details

The continuing market improvement benefits our increased proportion of owned ships which have mainly fixed costs. The P&L breakeven levels on our owned Handysize and Supramax ships are about US$8,300 and US$9,000 per day respectively including G&A overheads.

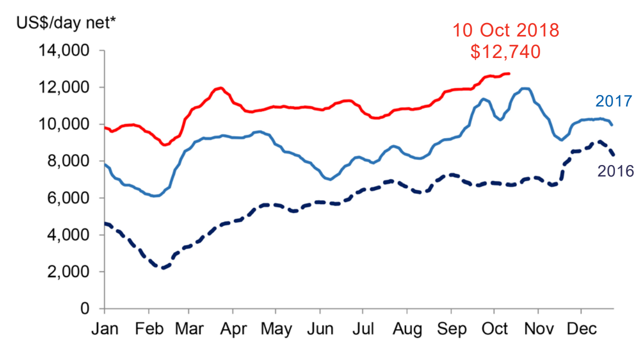
FREIGHT MARKET CONTINUES TO IMPROVE

Market spot rates for Handysize and Supramax ships averaged US$7,840 and US$11,260 per day net respectively in the third quarter of 2018, representing 12% and 24% improvements over the same period last year driven by improved market fundamentals. Year-to-date spot rates are 20% and 28% up year on year.

Handysize Market Spot Rates in 2016-2018



Supramax Market Spot Rates in 2016-2018



** excludes 5% commission*
Source: Baltic Exchange, data as at 10 Oct 2018

Demand for dry bulk shipping in the third quarter was partly driven by healthy North American grain exports which have supported stronger freight earnings in the Atlantic compared to the Pacific. However, Pacific earnings still improved to third-quarter levels last seen in 2011, supported by solid growth in Indonesian coal exports and a recovery in Indonesian minor bulk exports following the 2017 lifting of the bauxite and nickel ore export ban. Chinese imports of coal and minor bulks grew 14% and 5% respectively in January to August, year on year. Chinese log imports to August are 15% up year on year. Clarksons Research estimates that overall dry bulk tonne-mile demand will grow around 3.1% in the full year 2018 compared to last year, with coal and minor bulks adding the largest volumes.

Historically low growth in global dry bulk capacity has again been a key driver of improved freight market conditions in the year to date. Newbuilding deliveries in the first nine months were one third lower year on year, and the global dry bulk fleet overall grew by around 2.3% net between January and September, similar to the same period last year. Despite much lower levels of scrapping in 2018, Clarksons Research estimates that global dry bulk capacity will grow around 2.7% net in the full year 2018 and 2.8% in 2019, as compared to 3.0% in 2017. Fundamentals are even more favourable for our segments with combined Handysize and Supramax capacity estimated to grow about 2.2% in 2018 and less than 2% in 2019.

In addition, fuel oil prices have increased contributing to slower ship operating speeds since May and, in turn, reduced dry bulk supply and therefore improved market conditions.

Clarksons Research currently values benchmark five year old Handysize bulk carriers at US$15.0 million, up 7% since the beginning of 2018 but slightly down since mid-year due to subdued buying interest for Handysize ships during the softer summer freight market and as buyers monitored developments of the ongoing trade dispute between the US and China. Secondhand Supramax prices remained steady at US$18 million.

Handysize newbuilding prices have increased by 9% since the beginning of the year to US$24 million. The increasing gap between newbuilding and secondhand prices as well as uncertainty over future ship design requirements continued to discourage new ship ordering which in the first nine months of 2018, annualised, represented 3.3% of the global dry bulk fleet and 1.5% of the combined Handysize and Supramax fleet.

POSITIVE MARKET OUTLOOK WITH SOME VOLATILITY ALONG THE WAY

Despite increasing trade tensions, the outlook for widely-spread global GDP growth remains favourable, which bodes well for dry bulk demand. In addition, supply is expected to be kept in check as many shipowners in our segments refrain from ordering new ships.

The trade conflict between the United States and China has resulted in import tariffs on a wide range of goods traded between the two countries. Affected goods which could impact cargo flows in our minor bulk segment include US agricultural products, primarily soybean, as well as forest products and cement, but protectionist actions to date impact only a small fraction of the trades in which Pacific Basin is engaged. Total US soybean exports to China in 2017 represented only about 0.6% of total dry bulk seaborne trade, and commodity trading patterns tend to shift rather than cease as a result of trade tariffs.

A protracted trade conflict between the United States and China would weaken sentiment which, in the longer run, could impact global GDP growth and consequently overall trade and dry bulk demand. However, we continue to believe that the negative impact these protectionist actions have on the dry bulk trade will be largely outweighed by moderate dry bulk fleet growth and continued global dry bulk trade growth overall.

WELL POSITIONED FOR A CONTINUED RECOVERY

Our healthy cash and net gearing positions enhance our ability to take advantage of opportunities to grow our business and attract cargo as a strong partner. Our robust customer-focused business model, global office network, experienced people, larger owned fleet and competitive cost structure position us well to benefit from the recovering market.

By Order of the Board

Mok Kit Ting, Kitty
Company Secretary

Hong Kong, 11 October 2018

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, Daniel Rochfort Bradshaw, Irene Waage Basili and Stanley Hutter Ryan.