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 2019 TRADING UPDATE

The dry bulk freight market strengthened significantly in the third quarter with market freight rates in early September reaching multi-year highs across all dry bulk segments. Improved demand was driven by seasonally strong grain exports out of South America and the Black Sea area and a return to normal levels of exports following earlier disruption to Mississippi River grain and Brazilian iron ore traffic. Global fleet inefficiencies and therefore tighter supply have also supported stronger rates, as ships prepare to comply with IMO 2020 low sulphur fuel regulations.

PACIFIC BASIN VESSEL EARNINGS ARE INCREASING ON STRONGER MARKET CONDITIONS

We generated average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US$9,480 and US$11,580 per day net in the third quarter, representing an improvement of 3% and 7% respectively compared to the first half of the year. In the first nine months of 2019, our Handysize and Supramax TCEs outperformed the BHSI and BSI spot market indices by 42% and 21% respectively.

Note that the much improved freight rates in September will primarily impact our fourth quarter earnings due to the time lag between spot market fixtures and voyage execution.

As at 11 October, we have secured cover for the final quarter of 2019 as follows:

- 67% of our 10,420 contracted Handysize vessel days at around US$11,450 per day net (equivalent period in 2018: 68% covered at US$10,560 net)

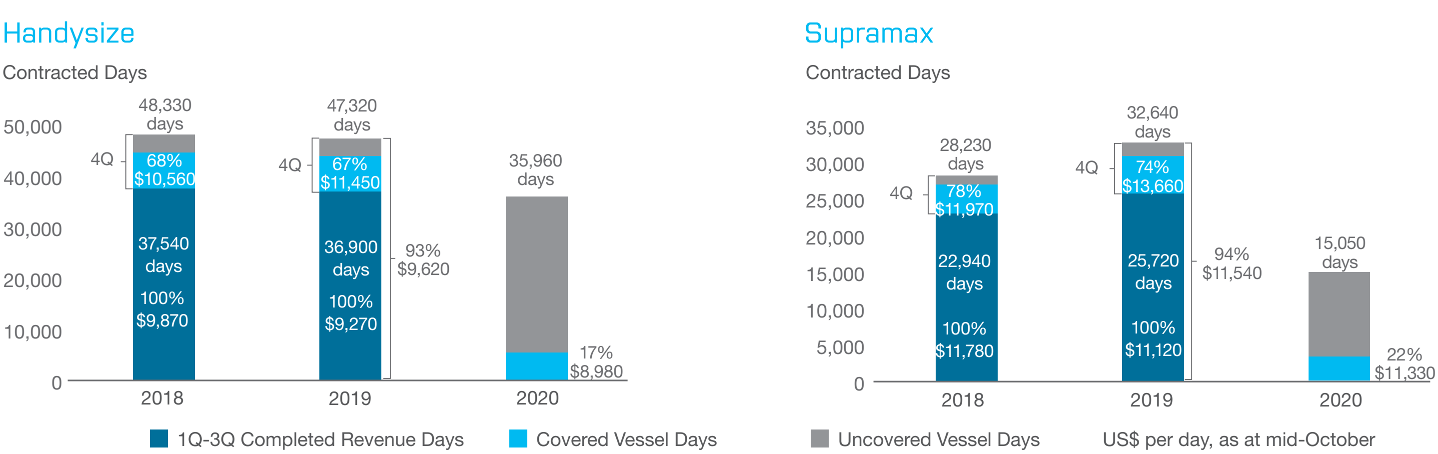
- 74% of our 6,920 contracted Supramax vessel days at around US$13,660 per day net (equivalent period in 2018: 78% covered at US$11,970 net)

These fourth quarter cover rates are respectively 21% and 18% higher than our third quarter actual earnings.

We have so far secured cover for 2020 as follows:

- 17% of our 35,960 contracted Handysize vessel days at around US$8,980* per day net (equivalent period in 2018: 17% covered at US$9,100 net)

- 22% of our 15,050 contracted Supramax vessel days at around US$11,330* per day net (equivalent period in 2018: 20% covered at US$11,640 net)



* Note that our 2020 forward cargo contract cover is backhaul heavy to minimise ballasting and to position our fleet for favourable fronthaul cargoes.

When estimating our earnings for 2019, it should be noted that, unlike in 2018, we no longer benefit from the utilisation of onerous contract provisions.

As announced in September 2019, we committed to purchase four modern vessels for US$73.8 million to be 33% funded by new equity issued to the ship sellers. These partly equity-funded acquisitions increase further the proportion of our owned versus chartered-in vessels and enhance our operating cash flow, EBITDA and competitive strength. They are expected to be accretive to our earnings per share.

In the year to date, we sold two older smaller Handysize vessels which are expected to deliver to their new owners by the end of December.

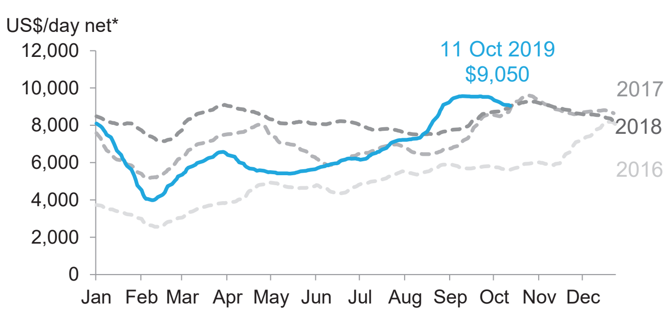
Following the delivery of these acquired and sold vessels between October 2019 and April 2020, our owned fleet will grow to 117 ships. Including chartered ships, we operated an average of 236 ships overall during the third quarter.

Following the redemptions of our remaining convertible bonds in the second quarter, we repaid in full and cancelled US$125 million of convertible bonds in July and August.

FREIGHT MARKET STRENGTHENED SIGNIFICANTLY IN THE THIRD QUARTER

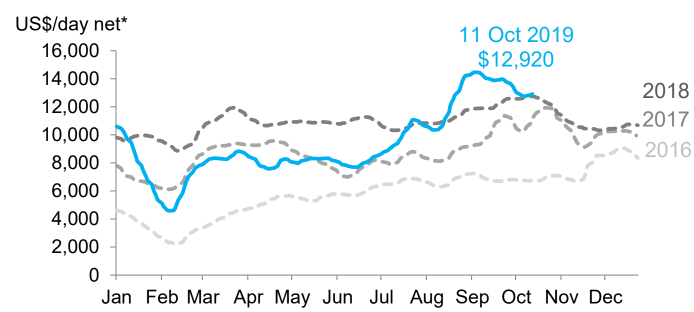
Market spot rates for Handysize and Supramax ships averaged US$7,990 and US$11,890 per day net respectively in the third quarter of 2019. These average rates represent a 39% and 53% improvement compared to average market rates in the first half of the year, benefiting from tightening conditions in the third quarter that drove Handysize and Supramax market freight rates up to around four and five-year highs respectively in early September.

Handysize Market Spot Rates in 2016-2019



* excludes 5% commission
Source: Baltic Exchange (BHSI 28,000 dwt), data as at 11 Oct 2019

Supramax Market Spot Rates in 2016-2019



* excludes 5% commission,
Source: Baltic Exchange (BSI 58,000 dwt), data as at 11 Oct 2019

Demand strength was driven by seasonally strong grain export volumes out of South America and the Black Sea area, both of which were significantly improved compared to the same period last year. Demand for bauxite, nickel and manganese ore all grew at robust levels. Demand also benefited from a return to normal levels of exports following earlier disruption to Mississippi River grain and Brazilian iron ore traffic.

Chinese imports of minor bulks* and coal in the first eight months of the year grew at 17% and 8% respectively while imports of grain (including cereals and soybean) and iron ore fell 13% and 3% respectively. Grain imports were impacted by the US-China trade war and the effect of African Swine Fever on demand for soybean. Chinese iron ore imports were negatively affected by both Brazilian and Australian supply disruptions in the first half, but volumes returned to positive growth in July and August.

* The basket of six key minor bulks imported by China includes logs, fertilisers, bauxite, nickel ore, copper concentrates and manganese ore.

GLOBAL FLEET INEFFICIENCIES SUPPORTED STRONGER RATES

As the global dry bulk fleet prepares to comply with ballast water treatment system (BWTS) requirements and IMO 2020 low sulphur fuel regulations, a large number of ships have migrated eastward to the Pacific for BWTS and scrubber installation in Asian shipyards, resulting in relatively stronger freight market conditions in the Atlantic. The resulting strain on shipyard capacity and labour, combined with frequent weather delays, has resulted in increased ship waiting time for yard space and longer dry-docking stays, affecting vessels fitting BWTS and scrubbers and other ships requiring routine periodic dry-docking.

SUPPLY DEVELOPMENTS FAVOUR SMALLER VESSELS

New ship deliveries in the first nine months were higher year on year while scrapping remains low. The dry bulk fleet grew faster in the third quarter compared to the historically low fleet growth of a year ago, led by increased deliveries of Panamax and Capesize ships.

New ship ordering in the first nine months was less than a year ago and remained concentrated in the Panamax and Capesize segments. New orders for Handysize and Supramax vessels remained more limited. The combined Handysize and Supramax orderbook now stands at 6.6%.

The appetite for new ship ordering remains restrained, discouraged by the continued gap between newbuilding and secondhand prices as well as uncertainty over upcoming environmental regulations (to meet the IMO's ambitious CO_2 reduction strategy) and their impact on future vessel designs.

Handysize secondhand prices were steady during the quarter. Clarksons Research currently values a benchmark five year old 37,000 dwt bulk carrier at US$17.0 million which is unchanged since the start of the year. A benchmark five year old 58,000 dwt Supramax bulk carrier is currently valued at US$17.0 million which is down US$1.0 million since the start of the year but the same as at the start of the third quarter. Handysize newbuilding prices have remained steady at US$23.8 million.

MARKET OUTLOOK

Following the increase in market freight rates in August and early September, rates moderated as Chinese import activity wound down for the recent Golden Week holidays, but they are still at around the peak levels of last year.

We expect to see the continuation of generally tight market conditions in the fourth quarter, with freight rates benefitting from what is typically the peak demand season as well as global fleet inefficiencies as many larger ships are taken out of service for several weeks for dry-docking in the run up to IMO 2020.

As we go into 2020, a majority of the world's dry-bulk vessels (including the majority of our own fleet) will be switching to more expensive low-sulphur fuel which we expect will have a positive effect on the dry bulk supply and demand balance as higher fuel costs reduce ships' optimal operating speeds.

We remain cautiously optimistic about the minor bulk market despite the continued uncertainties about the US-China trade war and prospects for slower global economic growth.

WELL POSITIONED FOR THE FUTURE

2019 continues to be heavily influenced by preparations for new environmental regulations. We chose to position many of our owned ships for dry docking this year to install BWTS on our Handysize and Supramax vessels and scrubbers on a majority of our Supramaxes. So far we have successfully installed scrubbers on 15 of our Supramax vessels. While this is causing us to incur more off-hire than normal in 2019, especially in the second half, it sets us up for what we believe will be stronger years ahead. Despite the ongoing volatility, we think the market momentum has returned and we are well positioned to benefit.

We still see upside in secondhand vessel values and will continue to look opportunistically but cautiously at acquiring good quality secondhand ships where prices are attractive.

Our healthy cash and net gearing 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, high laden utilisation, global office network, experienced people, larger owned fleet and competitive cost structure position us well for the future.

By Order of the Board

Mok Kit Ting, Kitty
Company Secretary

Hong Kong, 14 October 2019

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, Stanley Hutter Ryan and Kirsi Kyllikki Tikka.