Pacific Basin Shipping Limited

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

FIRST QUARTER 2013 TRADING UPDATE

HIGHLIGHTS

Pacific Basin Handysize vessel earnings outperformed the weak first quarter market

Nine secondhand dry bulk vessels acquired since September 2012

Dry bulk market is expected to remain weak overall in 2013

Main strategic objective is to expand our dry bulk core fleet at attractive prices

PB Towage growth in Australia on increased OMSA stake and planned Newcastle start-up

Pacific Basin Dry Bulk

- We achieved first quarter TCE earnings of US$8,820 per day on 11,040 Handysize revenue days
- By comparison, Handysize spot market rates averaged US$6,530 per day net in a market that has followed a similar pattern to last year with a weak start giving way to improved rates going into the second quarter
- The Baltic Dry Index (BDI) declined to its lowest quarterly average since 1986
- We have covered 50% of our contracted 22,970 Handysize revenue days in the last three quarters of 2013 at US$9,500 per day net
- The uplift that we achieved over spot market rates underscores the continued strong value of our fleet scale and cargo-focused dry bulk business model
- We expect the dry bulk market to remain weak overall in 2013 with moderate seasonal variations
- The global Handysize fleet registered zero net capacity growth in the first quarter
- Five-year old Handysize ship values stand at US$17 million – a slight increase since the second half of 2012
- Since September 2012, we have acquired nine secondhand dry bulk vessels and chartered-in ten ships on long-term charters
- We are looking for more opportunities to buy and charter both new and secondhand ships
- With significant cash and low gearing, we remain well positioned to expand our core fleet at attractive prices
- We currently operate 143 Handysize and 50 Handymax ships, with 16 newbuildings (10 owned and 6 chartered) scheduled to join our core fleet mainly in 2013-2014

PB Towage

- We increased our stake in the OMSA joint venture reflecting our confidence in OMSA's business in Australia's offshore gas sector, and we are finalising plans to open a harbour towage operation in Newcastle
- We will continue to pursue growth and contract renewal opportunities for PB Towage targeting tug and barge transportation projects and new harbour towage activities

Financing

- We secured an US$85 million, 12-year Japanese export credit agency loan in respect of four Japanese-built dry bulk vessels to be delivered by mid-2014

PACIFIC BASIN DRY BULK

MARKET REVIEW

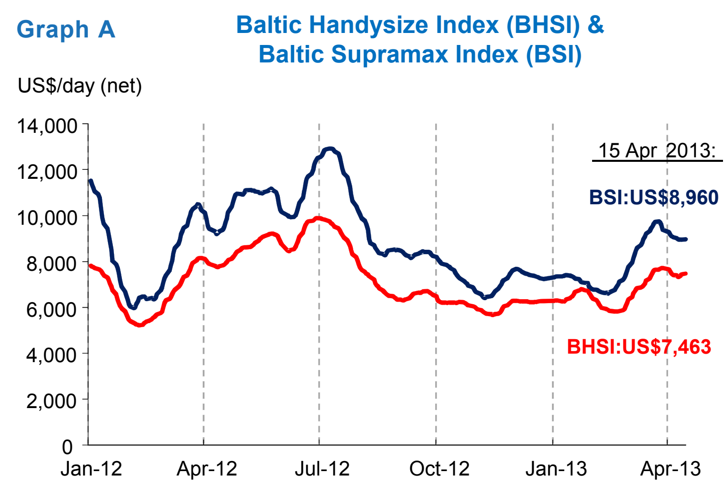
Freight Market Summary

Spot market rates for Handysize and Handymax bulk carriers in which we specialise averaged US$6,530 and US$7,680 per day net respectively in the first quarter. The market has so far followed a similar pattern to last year with a weak start giving way to slightly improved rates going into the second quarter (see Graph A).

The overall tone in the dry bulk freight market remained depressed under the weight of continued oversupply primarily in the larger bulk carrier segments.

Average Handysize and Handymax freight rates again exceeded rates for much larger Capesize vessels which fell and averaged US$5,760 in the first quarter, underscoring the relatively better freight market support for smaller and more versatile ship types that carry more diverse minor bulks and benefit from more favourable supply side fundamentals.

The Baltic Dry Index (BDI) in the first quarter declined by 8% compared to the same period last year to 796 – its lowest quarterly average since 1986.



Source: The Baltic Exchange, as at 15 April 2013

Key Demand Developments

Seasonal weather disruptions and reduced Chinese trading activity during the Lunar New Year holidays impacted cargo flows early in the year, although the resulting decline in market freight rates was not as sharp as in recent years.

Following the post-Lunar New Year pick-up in activity, Chinese imports of iron ore during the first quarter registered substantially no year-on-year growth, while Chinese imports of coal and minor bulks in the first two months showed solid growth of 34% and 14% respectively compared to the same period last year.

Global Fleet Developments

Notwithstanding the seasonal pick-up in newbuilding deliveries in January, the relative slowdown in the delivery of dry bulk capacity which started in the second half of 2012 has continued in 2013 across all four dry bulk segments. 18 million tonnes of new capacity delivered in the first quarter of 2013 compared to 30 million tonnes in the same period last year.

Seven million tonnes or 1% of the overall dry bulk fleet was sold for scrap during the period. The relatively older global fleet of 25,000-40,000 dwt Handysize vessels in which we specialise continued to benefit from a higher level of scrapping than in the other three dry bulk segments.

With scrapping offsetting deliveries, the global Handysize fleet registered zero net capacity growth in the first quarter. Overall dry bulk fleet capacity expanded by 1.6% net, which is significantly lower than the 3.4% of a year ago. We expect this trend to continue throughout 2013 as long as the freight market remains weak.

Orderbook

The current published orderbook for Handysize vessels stands at 17% as compared to 25% a year ago. The orderbook for dry bulk vessels overall has reduced to 18%.

As at 1 January, 101 million tonnes of new dry bulk capacity (74% of the outstanding orderbook) was scheduled to deliver in 2013. However, we expect actual deliveries for the full year to fall short of this mark by around 30%.

Surprisingly, new orders for Capesize vessels increased significantly in the first quarter, though ordering of other dry bulk ship types remains in line with the restrained ordering activity of 2012.

Ship Values

Clarksons' valuation of their benchmark five-year old 32,000 dwt Handysize bulk carrier stands at US$17 million – a slight increase on the US$16 million value indicated throughout most of the second half of 2012.

Reluctance to sell by owners who consider the market to be near its cyclical low point has resulted in a recent tightening in the sale and purchase market. In addition, the weaker Japanese Yen has improved vessel earnings (in Yen terms) and loan-to-value ratios for shipowners with Yen financing, which has relieved some of the pressure on Japanese owners.

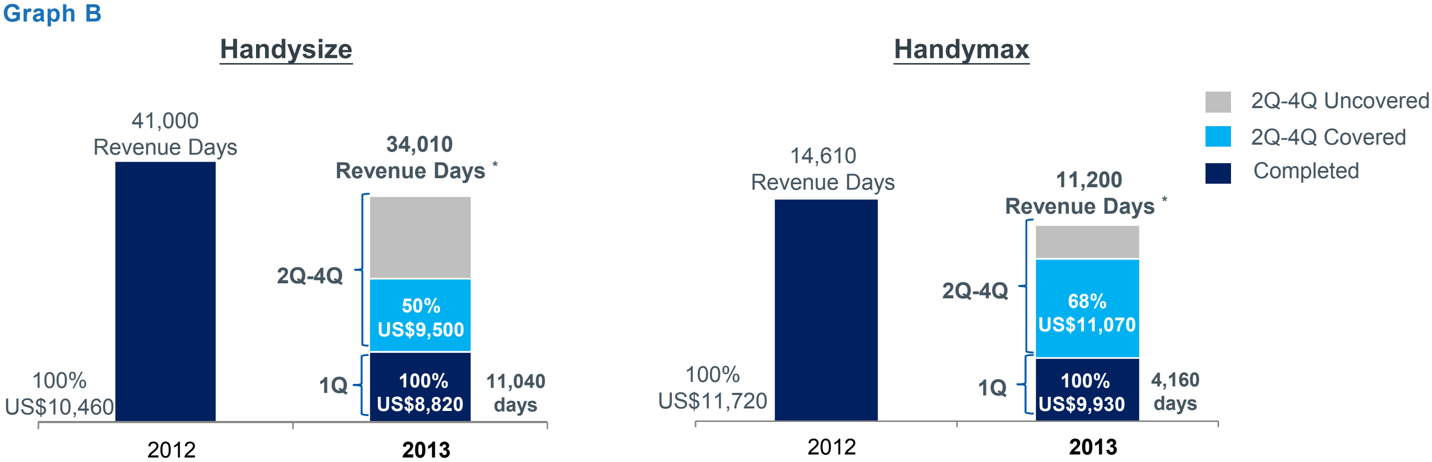
Availability of traditional debt finance from shipping banks continues to be limited, although there is increased interest from some finance providers to grant new facilities.

DRY BULK ACTIVITY SUMMARY

In the first quarter of 2013, we achieved TCE earnings of US$8,820 per day on 11,040 Handysize revenue days.

As at 15 April, we had covered 50% of our contracted 22,970 Handysize revenue days in the last three quarters of 2013 at US$9,500 per day net (see Graph B).

Graph B



As at 15 April 2013
** 2013 forward cover excludes revenue days related to vessels chartered-in on a variable rate, index-linked basis*

The uplift that we have achieved over first-quarter average spot market rates underscores the continued strong value of our fleet scale and cargo-focused dry bulk business model.

Since returning to the ship acquisitions market in September at which time vessel prices had softened to pre-boom levels, we have acquired nine secondhand dry bulk vessels, including seven Handysize and two Handymax ships. Six of these have delivered and the remaining three will join our owned fleet by the middle of the year. We have also chartered in ten ships on long-term charters of three years or more.

We are looking for more opportunities to buy and charter both new and secondhand ships. Availability of the right ships remains tight, but we still have a strong balance sheet and cash position and we remain well positioned to access both on-market and off-market opportunities to expand our core fleet at attractive prices as our acquisitions of the past months have shown.

Our recent fleet growth is also partly attributable to an increase in long and short-term chartered-in ships. We have been well-placed to secure chartered vessels as shipowners look to high-quality and financially strong counterparties such as ourselves for employment in these challenging times.

We currently operate 143 Handysize and 50 Handymax ships, with 16 newbuildings – including 10 owned and six chartered ships – scheduled to join our core fleet mainly in 2013-2014.

PB TOWAGE

Seasonal, weather-related factors impacted our towage fleet utilisation in the first quarter as can be expected during the Australian monsoon. However, general levels of activity in the Australian oil and gas sector continue to support strong utilisation of PB Towage's offshore towage fleet, and our harbour towage business is benefitting from recent market growth and our expanded market share.

As announced on 28 February, we increased our stake in the OMSA joint venture to 50% reflecting our confidence in the prospects for the OMSA business in Australia's offshore gas sector. We are also finalising plans to open a harbour towage operation in the port of Newcastle in the middle of 2013.

FINANCING

We announced on 2 April that we have secured an US$85 million, 12-year Japanese export credit agency ("ECA") loan in respect of four already contracted Japanese-built dry bulk vessels to be delivered by mid-2014. We regularly seek out funding opportunities which we consider beneficial to our shareholders, and this facility represents an opportunity for us to access ECA financing with a long tenor and associated favourable repayment profile for the acquisition of four high-quality vessels at a time when we are committed to growing our fleet of owned ships.

OUTLOOK

MARKET OUTLOOK

We expect the dry bulk market to remain weak overall in 2013 with moderate seasonal variations. We anticipate some improvement in Handysize and Handymax spot rates into May followed by weaker markets going into the northern hemisphere summer period. Reduced newbuilding deliveries in the second half of the year are expected to combine with resumed demand to improve rates after the summer.

While dry cargo demand is likely to be similarly healthy as last year, it will take some time for the market to absorb the over-supply of larger dry bulk ships generated by the newbuilding boom in recent years and for a sustained recovery to take hold.

We expect healthy demand for towage activities in Australia to continue in the medium term, as a number of key offshore projects commence construction and others enter their design phase, and as Australian seaborne exports and imports support harbour towage job numbers.

BUSINESS STRATEGY

Our key strategic objectives for Pacific Basin Dry Bulk in 2013 are to continue to purchase Handysize and Handymax ships at attractive prices and to grow our dry bulk customer and cargo portfolio in tandem with our core fleet expansion.

By increasing the scale of our fleet of high-quality, owned and chartered bulk carriers, we will be better equipped to continue to offer our customers competitive freight rates coupled with second-to-none fleet scheduling flexibility to ensure a reliable and punctual service globally.

In line with our recently increased commitment to OMSA and Australia's offshore gas sector, and our planned expansion of harbour services into the port of Newcastle, we will continue to pursue growth and contract renewal opportunities for PB Towage targeting tug and barge transportation projects and new harbour towage activities.

We continue to be confident in our business model, team, structures and strong balance sheet, and in our ability to deliver a world-class service and sustainable growth and shareholder value over the long term.

FLEET

As at 15 April 2013, the Group's fleet (including newbuildings) numbered 261 vessels. Our dry bulk core fleet on the water has an average vessel age of 6.2 years. Our fleet commitments are currently as follows:

	Delivered		Newbuildings on order		
	Owned	Chartered [1]	Owned	Chartered	**Total**
Dry Bulk Fleet					
Handysize	39 [2]	104	6	5	**154**
Handymax	7 [3]	43	4	1	**55**
Post-Panamax	1	1	–	–	**2**
Total Dry Bulk Vessels	**47**	**148**	**10**	**6**	**211**
Towage					
Tugs	31	4	–	–	**35**
Barges	6	1	–	–	**7**
Other PB Towage Vessels [4]	1	1	–	–	**2**
Total Towage Vessels	**38**	**6**	**–**	**–**	**44**
Roll-on Roll-off	**6**	**–**	**–**	**–**	**6**
Grand Total	**91**	**154**	**10**	**6**	**261**

Note:

1 Delivered dry bulk chartered fleet comprises 13 vessels under finance leases and 135 vessels under operating leases, including non-core vessels chartered in for shorter term periods

2 Includes one secondhand vessel which is committed to join the owned fleet by the end of the third quarter of 2013

3 Includes one secondhand vessel which is committed to join the owned fleet in the second quarter of 2013

4 Comprises an owned bunker tanker in which the Group has a 50% interest and a chartered passenger/supply vessel

www.pacificbasin.com
about us > fleet > fleet download
PB fleet development since 31 December 2012

By Order of the Board

Mok Kit Ting, Kitty
Company Secretary

Hong Kong, 18 April 2013

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, Wang Chunlin and Chanakya Kocherla, and the independent non-executive Directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul, Alasdair George Morrison and Daniel Rochfort Bradshaw.

Shareholders and investors are reminded that this trading update for the period ended 18 April 2013 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.