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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.

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

THIRD QUARTER 2022 TRADING UPDATE

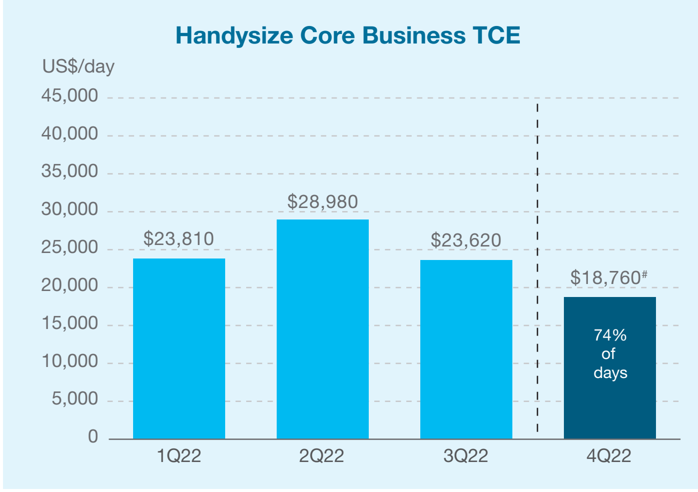
Daily time-charter equivalent ("TCE") earnings in the third quarter of 2022 softened compared to the first half of the year on weaker dry bulk market sentiment. Increasing inflation and interest rates resulted in slower global growth, and weakening construction activity and zero-Covid policies drove a slowdown in the Chinese economy. Despite these headwinds, the market has remained considerably firmer compared to pre-pandemic levels.

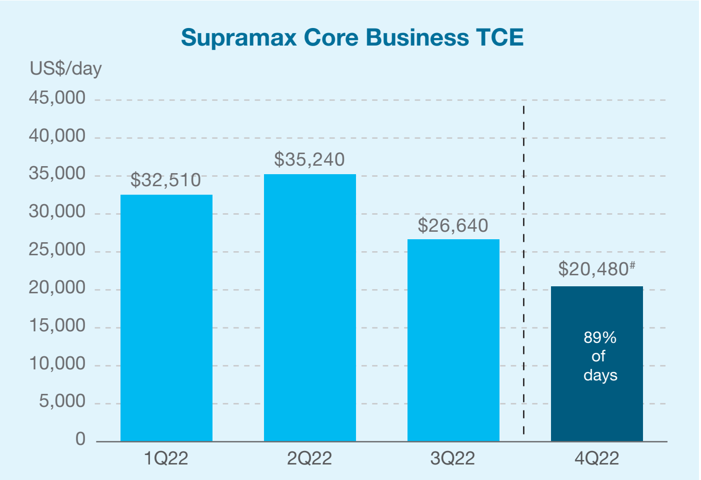
OUR TCE EARNINGS PERFORMANCE REMAINS ROBUST

Our **core business** generated average Handysize and Supramax TCE earnings of US$23,620 and US$26,640 net per day in the third quarter, representing a decrease of 10% and 21% compared to the first half of 2022 and a decrease of 3% and 27% compared to the same period in 2021.

However, our Handysize and Supramax TCE earnings continued to outperform the spot market indices by US$7,610 per day and US$7,900 per day in the quarter, and by US$4,540 and US$8,770 in the past 12 months, respectively. Our Supramax outperformance has been particularly strong in 2022 due to the significant scrubber benefit.

We currently have cover for 74% and 89% of our fourth quarter core committed vessel days at US$18,760 and US$20,480 net per day for Handysize and Supramax, respectively. For the full year 2023 we currently have cover for 17% and 28% of our core vessel days at US$13,150 and US$15,130 net per day for Handysize and Supramax, respectively. Our cover for 2023 comprises a higher proportion of older long-term contracts secured at lower than the current market spot rates and we are currently focused on optimising our short-term cover to maximise earnings over what is commonly a softer market during the northern hemisphere winter and Chinese New Year periods. A potentially softer market in early 2023 will impact our near term core business performance as we have chartered-in commitments, particularly in Supramaxes, taken during the stronger markets earlier this year. However, our Supramax cover rates exclude any scrubber benefit, currently about US$2,200 per day across our entire core Supramax fleet.





 # Future period TCE are indicative only as voyages are still in progress
Supramax cover excludes any scrubber benefit
Cover data as at 12 October 2022

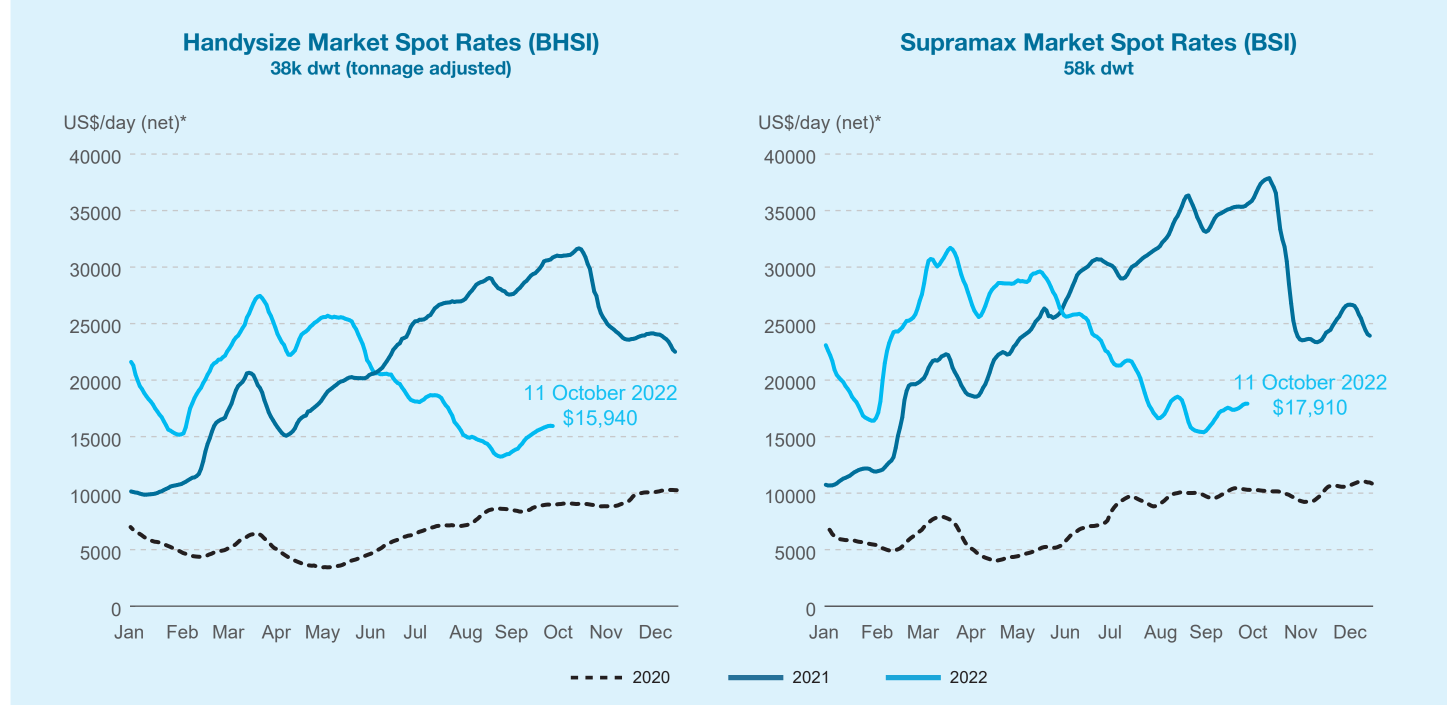
Our **operating activity** also contributed positively, generating a margin of US$3,860 net per day over 4,780 operating days in the third quarter. This was our strongest quarterly operating activity performance so far in 2022. In the near term we expect our operating activity to be impacted by chartered-in commitments taken during the stronger markets earlier this year.

SENTIMENT IN THE FREIGHT MARKET HAS SOFTENED IN THE THIRD QUARTER

Market spot rates for Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) ships averaged US$16,010 and US$18,740 net per day respectively in the third quarter of 2022, both representing a decrease of 27% compared to the first half of 2022 and a decrease of about 41% and 42% compared to the same period in 2021 when minor bulk experienced its strongest freight rates since 2008.

Concerns over global growth, triggered by increasing inflation and interest rates, and a slowdown in the Chinese economy driven by weakening construction activity and zero-Covid policies, contributed to a weakening of the dry bulk freight market. While the third quarter is traditionally the strongest period of the year due to seasonal grain movements in the northern hemisphere, grain loadings in the period were significantly lower than normal due to the conflict in Ukraine and a slow start to the US grain season. Weaker container rates also weighed somewhat on the minor bulk market as some cargoes were containerised.

However, these trends have been partly countered by continued overall robust loadings in minor bulks and an increase in seaborne coal trade, despite record domestic Chinese production, due to high demand in Europe for non-Russian coal. On balance, the freight market has remained considerably firmer compared to pre-pandemic levels.



* Excludes 5% commission

Source: Baltic Exchange

Global minor bulk loadings grew approximately 8% in the year to September compared to the same period last year, the main drivers being bauxite, salt and aggregates loadings of which increased by 7%, 18% and 4%, respectively. However, growth in minor bulk loadings moderated in the third quarter to 5% year-on-year, and we expect the global macroeconomic outlook and slow Chinese economic recovery to weigh on minor bulk demand for the remainder of 2022 with some upside potentially coming from any loosening of Chinese Covid-related restrictions and a revival of residential construction activity.

Despite a resumption of Black Sea grain exports from Ukraine in August, volumes loaded in September were down approximately 70% compared to typical levels due to the operational limitations and risks associated with this trade. Global grain loadings were down 6% year to date partly as a result of the situation in Ukraine but also due to the US grain season experiencing a slow start as low water levels in the upper reaches of the Mississippi River made barging grain for export difficult. However, we do expect Ukrainian volumes to continue to grow, assuming an extension of the Ukraine grain exports agreement, and as ship owners feel increasingly comfortable engaging in this trade. US grain exports are also expected to increase as water levels rise in the Mississippi River. Both of these developments would support the Atlantic freight market going into the fourth quarter.

Coal loadings in the year to September increased 2% compared to the same period in 2021 because of a significant increase in European and Indian coal imports due to energy security concerns and a general displacement of Russian volumes. These trends helped to mitigate the impact of record Chinese domestic thermal coal production and weak coking coal imports. The conflict in Ukraine has also had a positive tonne-mile impact as Europe increasingly sources coal from more distant locations such as Australia, United States, Canada and Colombia.

Iron ore volumes declined 1% in the year to September compared to the same period last year. However, the declining trend is moderating compared to the first half of the year. Lower Chinese domestic property construction coupled with lower European and Japanese demand due to economic uncertainty slowed iron ore demand despite increasing exports from Brazil and robust Australian volumes.

HISTORICALLY LOW SUPPLY GROWTH EXPECTED IN THE NEXT FEW YEARS

Despite elevated earnings in the last two years and very healthy balance sheets, dry bulk ship owners have not materially increased new ship ordering and according to Clarksons Research the overall dry bulk orderbook is currently at a decades low of 7.0% and ordering in the year to date is down 62% compared to the same period last year. High newbuild prices and strong ordering in other sectors, container shipping in particular, have helped to restrict ordering in our segments. We expect that ordering will remain restrained going forward, discouraged by uncertainty about the future fuels, vessel designs and technology that will be required to meet upcoming decarbonisation regulations. We don't expect the ordering of zero-emission-ready vessels to be commercially feasible until mid-decade at the earliest.

From next year, ship owners will report individual vessels EEXI (energy efficiency existing ship index) and CII (carbon intensity index) data, with non-compliance beginning to have real associated consequences from 2024. The CII, in particular is expected to have a material effect on vessel speeds and carrying capacity over time. Based on our current fleet alone and assuming our ambition of achieving AER ratings of C or better, we estimate a potential reduction in carrying capacity of up to 25% by 2030. In addition, we expect scrapping to increase in coming years as IMO fuel-efficiency rules will encourage owners to phase out older, less efficient ships.

Even before any regulatory-driven fleet slow-down we are seeing the effects of fewer newbuild deliveries and a slowdown in average speeds in the market today helped by higher bunker prices. With Clarksons Research forecasting just 0.2% fleet growth for Handysize and Supramax in 2023, we expect supply-side developments to continue to support the freight market.

WE CONTINUE OUR LONG-TERM GROWTH AND DECARBONISATION STRATEGY

We remain committed to our long-term strategy to grow our owned fleet of Supramax ships by acquiring high-quality, modern, second-hand vessels, and to sell our older and less-efficient Handysize ships and replace them with younger and larger Handysize vessels. This is resulting in an even more efficient fleet with greater longevity and earnings upside.

Due to the current strong second-hand prices we have recently been focused on selling some of our smaller, older Handysize ships, thereby crystallising value and further optimising our fleet to meet tightening environmental regulations. We have sold 14 Handysize vessels since the beginning of 2020 one of which was sold in the third quarter 2022.

Vessel values are now softening with the freight market. Clarksons Research estimates that benchmark five-year old Handysize and Supramax values in early October decreased 9% and 13% since they peaked in June 2022 to US$26.0 million and US$30.0 million respectively. We have taken advantage of this recent volatility to again consider purchasing high quality second hand vessels and during the third quarter we agreed to acquire one scrubber fitted Supramax ship which is our first vessel purchase since December 2021. We currently own 116 Handysize and Supramax ships and, including chartered ships, we have approximately 245 ships on the water overall.

We are also pleased that the approximately US$62 million scrubber investment we made in 2019, in anticipation of the IMO 2020 sulphur cap, has now been fully recovered – considerably faster than expected. During the third quarter 2022 the scrubbers contributed US$2,810 per day to our TCE earnings across our entire core Supramax fleet, which is equivalent to an annualised run rate in excess of US$49 million.

We will invest in zero-emission-ready ships when they become commercially viable for minor bulk trades and the requisite global bunkering infrastructure is being built out. Earlier this year, to accelerate this development, we committed to cooperate with Nihon Shipyard Co. and Mitsui & Co. in investigating alternative green fuels and their availability, and to develop and order zero-emission-ready vessels and potentially invest in related bunkering infrastructure. Through this arrangement, Pacific Basin will continue to be at the forefront of our industry's development, and accelerate the transition to make zero-emission-ready vessels the default choice for new vessels by 2030, enabling us to meet our target of net zero emissions by 2050.

SHORT-TERM HEADWINDS – LONG-TERM UPSIDE

The global macroeconomic situation remains fragile with the IMF forecasting global GDP growth of 3.2% for 2022 and 2.7% for 2023, reflecting impacts of higher inflation and interest rates, on-going conflict in Ukraine and a slowdown in the Chinese economy.

We expect overall dry bulk demand to moderate as is typical as we go into the northern hemisphere winter and Chinese New Year periods – the first quarter is typically the weakest of the year. However, we expect some positive support to come from higher tonne-mile demand in coal and grain due to changes in trade flows and global issues of food and energy security and a slow recovery of seaborne iron ore trade. Looking further ahead, we do see significant upside from an eventual relaxation of China's Covid mitigation controls next year and further government-led infrastructure investment and support of the residential construction sector.

In the medium to longer term we are optimistic about the prospects of the dry bulk market despite any short-term headwinds. We expect demand will be supported by significant global infrastructure investment, particularly in emerging markets such as India and countries in the ASEAN region, as well as global food and energy security issues.

We believe uncertainty over new environmental regulations and the high cost of newbuildings, will continue to discourage any significant new ship ordering. The low orderbook, coupled with IMO regulations to reduce carbon intensity, will likely result in lower speeds and increased scrapping from 2024 onwards which could drive a shortage of ships and lend long-term structural support to the market.

Given the supportive fundamentals of our industry, we are excited by the long-term prospects of dry bulk shipping despite any short-term headwinds. Our large and modern owned fleet of highly versatile Handysize and Supramax ships, combined with our close customer partnerships, enhanced access to cargo opportunities, and high vessel utilisation, makes us well positioned for the future.

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

Hong Kong, 13 October 2022

As at the date of this announcement, the executive Directors of the Company are David Muir Turnbull, Martin Fruergaard and Peter Schulz, and the Independent Non-executive Directors of the Company are Robert Charles Nicholson, Irene Waage Basili, Stanley Hutter Ryan, Kirsi Kyllikki Tikka and John Mackay McCulloch Williamson, and the Non-executive Director of the Company is Alexander Howarth Yat Kay Cheung.