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Pacific Basin Shipping Limited

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

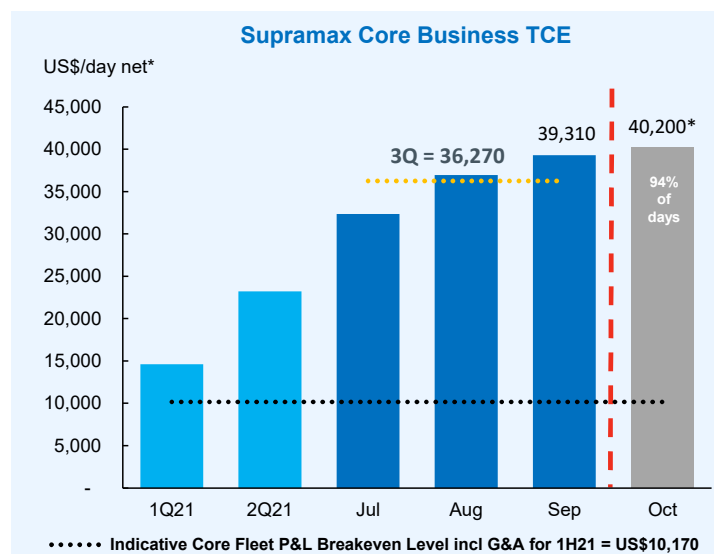
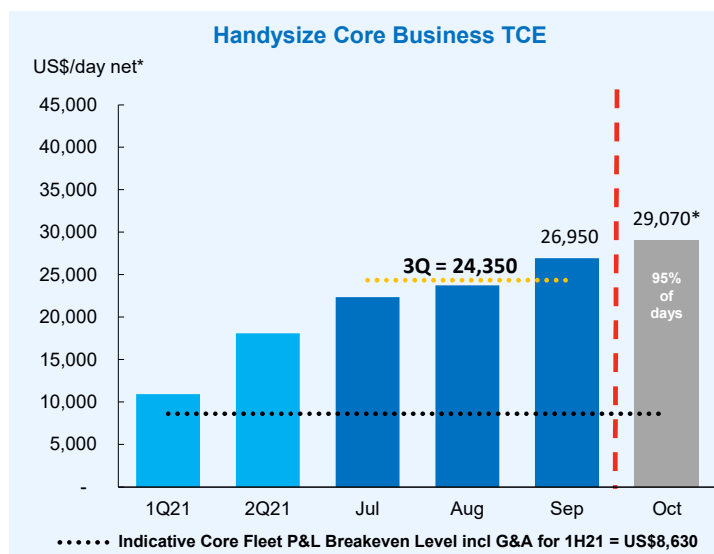
THIRD QUARTER 2021 TRADING UPDATE

The dry bulk freight market continued its strong upward trend in the third quarter of 2021. Handysize and Supramax monthly average market freight rates reached 13-year highs in September, driven by the global economic recovery, robust demand for commodities and reducing fleet growth aided by fleet inefficiencies.

FURTHER IMPROVING MARKET RATES ARE DRIVING OUR STRONG EARNINGS

Our **core business** generated average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US\$24,350 and US\$36,270 net per day in the third quarter, representing our strongest quarterly TCE performance since 2008. Our TCEs improved with each month over the quarter and in September were US\$26,950 and US\$39,310 net per day for Handysize and Supramax respectively. The progressively stronger fixtures in the third quarter will benefit our fourth quarter earnings.

We have covered most of October at US\$29,070 and US\$40,200 net per day for Handysize and Supramax respectively and, with over 30% of our core vessel days still uncovered in the fourth quarter overall, we have significant opportunity to add cargo fixtures to our book at what we expect will be strong market spot rates.



* Excludes 5% commission

October TCE is indicative only as voyages are still in progress

Supramax cover excludes scrubber benefit, currently about US\$800 per day

Cover data as at 11 October 2021

Our costs remain well controlled and competitive compared to our peers, although we are experiencing moderately increased vessel opex and G&A costs due to Covid-19 restrictions and the strong market, in line with the rest of the industry.

Our **operating activity** also contributed positively, generating a strong margin of US\$5,430 net per day over 4,680 operating days in the third quarter, representing a 97% increase in our margin on similar operating days compared to the second quarter. This excellent performance is partly attributable to our decision to charter in tonnage – especially Supramax – early in the recovery. Our operating activity margin in the 12 months to end September was US\$2,280 net per day over 17,970 operating days.

BENEFITTING FROM OUR FLEET RENEWAL STRATEGY

We continue our 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 vessels. This is resulting in an even more efficient fleet with greater longevity, and we are now benefitting from the larger earnings upside that these bigger ships enjoy in strong markets.

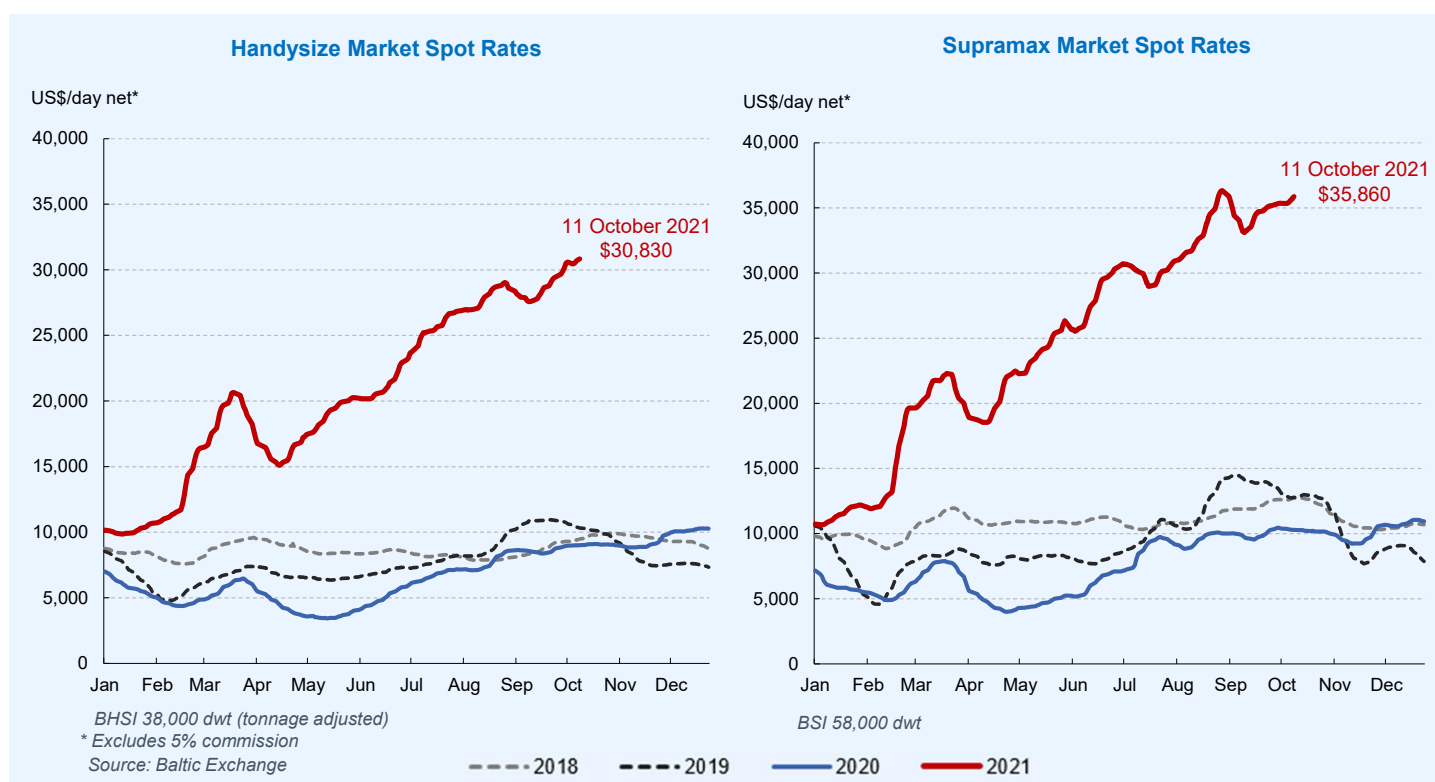
We have taken delivery of five Supramax ships and five Handysize ships in the year to date, and one further Supramax that we have committed to purchase is expected to join our fleet in the fourth quarter. We will continue to look to sell some of our smaller, older Handysize ships as second-hand prices are strong, thereby crystallising value and further optimising our fleet to meet tightening environmental regulations.

We currently own 120 Handysize and Supramax ships (excluding the one acquisition still to be delivered) and, including chartered ships, we have over 260 ships on the water overall.

GLOBAL TRADE CONTINUES TO SUPPORT A HEALTHY DRY BULK MARKET

Market spot rates for Handysize (BHSI 38k tonnage-adjusted) and Supramax (BSI 58k) ships averaged US\$27,300 and US\$32,560 net per day respectively in the third quarter of 2021, representing a 43% and 34% increase respectively compared to the previous quarter.

The quarter was characterised by a continued strong upward trend in Handysize and Supramax market freight rates, culminating in the highest average monthly freight indices in 13 years. The upward trend was briefly interrupted by the seasonal reduction in Australian grain exports in July and the impact of Hurricane Ida on US grain exports in September. Market rates have continued to rise in October, although Supramax rates have stabilised due to marginally increased tonnage availability in the Pacific and the National Day holidays in China.



Global minor bulk loadings in the quarter grew about 13% compared to the same period last year, which is consistent with the increased levels of trade and enquiries we have observed in recent months. Demand for construction materials was the main driver, in particular demand for cement and clinker, steels, aggregates and forest products.

After a strong first half year for the global grain trade, grain loadings reduced in the third quarter due to Hurricane Ida delaying the start of the US grain export season. US grain exports are now picking up, which we expect will support dry bulk demand in the fourth quarter.

Coal volumes in 2021 are significantly increased compared to last year when coal exports were hard hit by lockdowns, and coal demand is now additionally supported by power shortages in key countries (including China and India) and a short supply of gas ahead of the northern hemisphere heating season.

Growth in iron ore trades was limited by cargo availability in Brazil and Australia. Curbs on Chinese steel production have caused iron ore prices to fall, but the Capesize freight market has not been impacted and has instead strengthened to levels last seen in 2009, supported by renewed strong Chinese demand for iron ore at today's significantly lower ore prices.

Our segments are also benefitting marginally from exceptionally strong container rates which are driving some commodities and even containers to be shipped in geared bulkers, and also driving multi-purpose vessels away from bulk cargoes in favour of containers.

TIGHT SUPPLY HAS SUPERCHARGED FREIGHT RATES AND NET FLEET GROWTH IS EXPECTED TO REDUCE FURTHER GOING FORWARD

The global dry bulk fleet is operating at near maximum capacity with limited scope for ship owners to stretch supply further. Vessel operating speeds have accelerated to practically full speed to meet cargo demand despite higher fuel prices, and scrapping activity remains minimal.

In addition, the strain of increased cargo throughput combined with Covid-related protocols in ports is resulting in congestion in many ports around the world, particularly in China, which has further constrained the availability of tonnage to meet global demand for dry bulk shipping.

Dry bulk net fleet growth has moderated further, growing at 2.8% in the year to date, because of the slower pace of newbuilding deliveries and despite minimal scrapping. The global fleet of Handysize and Supramax ships in which we specialise grew by only 2.2% net in the year to date, pointing to even tighter fundamentals compared to the large vessel sizes.

Despite the strong freight market and a slight recent uptick in newbuilding ordering, we expect that new ship ordering will remain restrained, discouraged by uncertainty about the future fuels and vessel designs and technology that will be required to meet coming decarbonisation regulations. The total dry bulk orderbook has further reduced to 6.5% of the existing fleet, which is the smallest it has been in decades. The Handysize and Supramax orderbook is even lower at 5.1%.

Clarksons' benchmark five-year old Handysize values have increased 69% since the start of the year to US\$25.0 million, supported by the firmer freight market and vessel sales activity, while benchmark Handysize newbuilding values have increased to US\$29.5 million. Newbuilding prices are still well above second-hand prices, and shipyards are filling up with orders for non-dry bulk ship types, which limits scope for new ship ordering in our sector.

ON COURSE TO MEET OUR DECARBONISATION AMBITIONS

We support the IMO's Greenhouse Gas reduction strategy and, accordingly, we have an IMO-aligned target of reducing our existing fleet's carbon intensity by 40% by 2030 relative to 2008. To remain on course to meet that target, we are renewing our fleet with younger, larger more efficient ships, we are trading them efficiently for high laden-to-ballast utilisation, we are investing in energy-efficient operating measures and technologies on our ships, and our dedicated optimisation team will increasingly rely on digitisation for better efficiency decisions, while always looking for collaborative solutions with stakeholders, such as just-in-time arrivals, etc. This programme of carbon intensity reduction initiatives is designed to ensure our existing ships can continue to trade for the foreseeable future, in compliance with IMO's new carbon-efficiency rules coming in 2023 and beyond.

With an eye on the longer-term goal of complete decarbonisation, entirely new ship designs with zero-emission propulsion systems are required. Pacific Basin is a signatory to the *Call to Action for Shipping Decarbonisation*, which urges world leaders to align shipping with the Paris Agreement temperature goal and calls for decisive government action to enable full decarbonisation of international shipping by 2050. We have set ourselves a climate target of operating a fleet comprising only zero-emission vessels by 2050, and we will only order newbuilding vessels when zero-emission-ready vessels are available and commercially viable in our segments, and appropriate global refuelling infrastructure is in place. This needs to be rolled out by 2030 if the 2050 target is to be achieved. As an active participant in the working group meetings of the Getting to Zero Coalition, we believe the 2050 goal is achievable with the support of governments who we urge to deliver the policies that will accelerate the transition and make zero-emission-ready vessels the default choice by 2030.

WELL POSITIONED FOR THE FUTURE

We expect demand especially for minor bulks, grain and heating coal in the fourth quarter and going into 2022 to be broad based and supported by healthy economic growth and continued stimulus in many countries. Recent uncertainty over China's real estate market, steel production curbs and energy curbs has caused jitters in the financial markets, but we have not yet observed any connected impact on dry bulk demand (other than reduced iron ore prices). Nevertheless, we will monitor developments in China closely.

We are optimistic that dry bulk supply will remain under control. Despite some new ordering in the very strong market, we believe the dry bulk orderbook will remain at historically low levels until zero-emission-ready ships become commercially viable and the requisite fuelling infrastructure is built out globally. However, we will continue to monitor the risk to the market of excessive new ship ordering.

With dry bulk ships now largely operating at full speed, supply cannot be further increased through speed, and IMO and EU fuel-efficiency rules will force slower speeds from 2023 which will reduce supply, giving further support to the dry bulk freight market in the longer term.

As always, we will be monitoring all drivers of our market closely, ready to respond to changes. We have optionality in our fleet – including the ability to adjust its composition with timely disposals, acquisitions and charters – and we have an excellent fleet and team with which to meet decarbonisation rules while continuing to provide a seamless and world-class service to our customers.

Enabling that quality service are our ships' crews whose safety and wellbeing is our key concern, especially during the pandemic when restrictions around the world continue to complicate crew changes and repatriation, often keeping seafarers at sea for longer than usual. Despite the hardships they face, our seagoing colleagues continue to demonstrate great loyalty, professionalism and attention to safe operating practices, resulting in good performance of our ships' voyages and our best ever safety KPIs in the year to date. We are very grateful for their remarkable support.

Our customer-focused business model, high laden utilisation, strong team, large owned fleet, healthy balance sheet and competitive cost structure position us well to thrive in the current strong market and navigate whatever the future holds for us. Our current attractive earnings, high return on equity and strong cash accumulation will enable us to return capital to our shareholders.

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

Hong Kong, 13 October 2021

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 Patrick Blackwell Paul, Robert Charles Nicholson, Alasdair George Morrison, Irene Waage Basili, Stanley Hutter Ryan, Kirsi Kyllikki Tikka and John Mackay McCulloch Williamson.