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)

FIRST QUARTER 2023 TRADING UPDATE

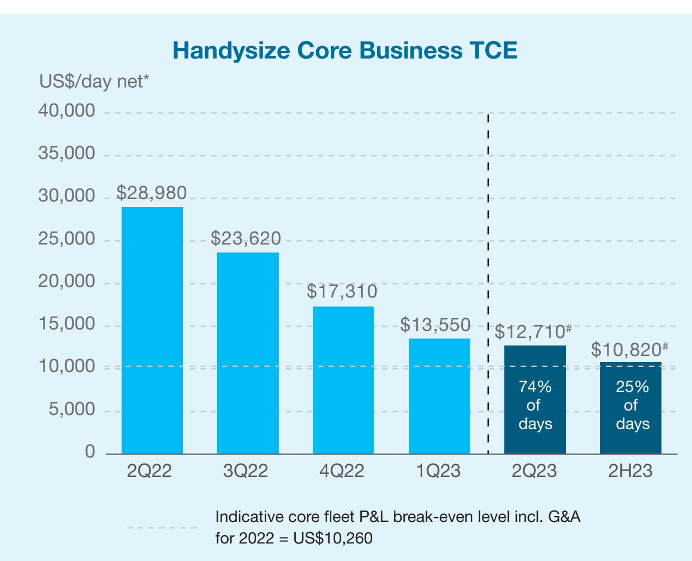
Following dry bulk market weakness at the start of the year, expanding economic activity in China has led to increased demand for iron ore, coal and some minor bulks in the year to date. China's reopening policies have boosted demand in various sectors such as manufacturing, infrastructure, property and the green economy, despite decelerating global economic growth, conflict in Ukraine, and higher interest rates.

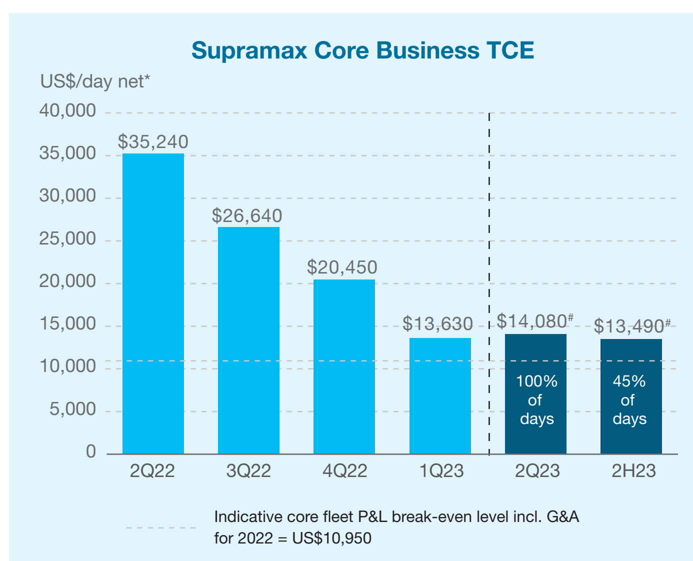
FIRM TCE EARNINGS DESPITE SEASONALLY WEAK PERIOD

Our **core business** generated average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US$13,550 and US$13,630 net per day in the first quarter, representing a decrease of 43% and 58% compared to the very strong first quarter of 2022.

Our Handysize and Supramax TCE earnings outperformed the spot market indices by US$5,220 per day and US$3,970 per day respectively in the quarter. Our Supramax outperformance continues to benefit from the 33 scrubbers installed across our owned fleet, with scrubbers contributing US$1,320 per day to our outperformance over the period.

For the second quarter of 2023 we have covered 74% and 100% of our core committed vessel days at US$12,710 and US$14,080 net per day for Handysize and Supramax respectively. For the second half of 2023 we currently have cover for 25% and 45% of our core vessel days at US$10,820 and US$13,490 net per day for Handysize and Supramax respectively. We have significant capacity to add cargo fixtures to our remaining 2023 book at rates which we expect to be higher compared to the first quarter which is normally the weakest quarter of the year.





Cover data as at 13 April 2023, future period TCE are indicative only as voyages are still in progress

Current value of Supramax scrubber benefits is approximately US$740 per day. When a Supramax vessel with a scrubber is assigned a cargo, its TCE rate may be higher due to the added benefit of the scrubber

Our **operating activity** also contributed positively, generating a positive margin of US$1,090 net per day over 5,030 operating days in the first quarter. This contribution was impacted by chartered-in vessel commitments made during the stronger markets of 2022.

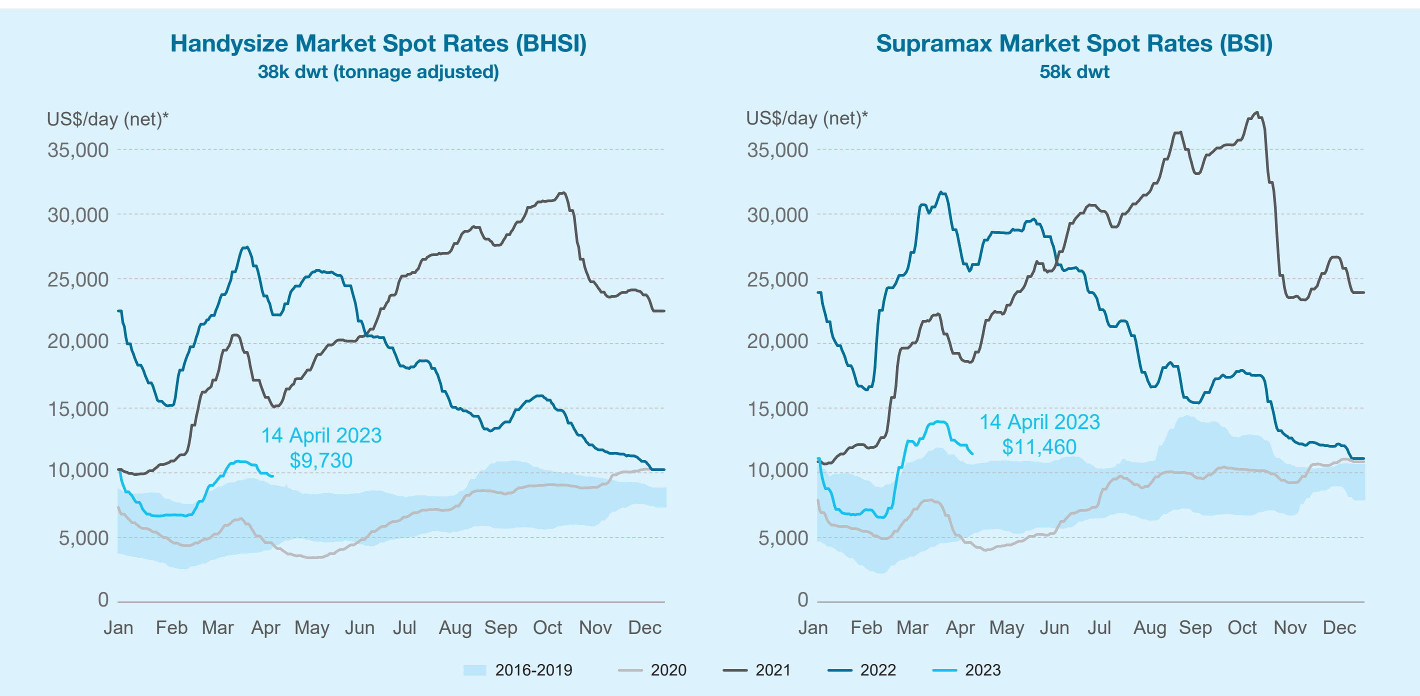
IMPROVING SENTIMENT IN THE FIRST QUARTER

Market spot rates for Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) ships averaged US$8,330 and US$9,660 net per day respectively in the first quarter of 2023, representing a decrease of 59% and 60% respectively compared to the same period in 2022. Dry bulk market freight earnings in the first quarter are typically lower due to reduced activity during the northern hemisphere winter and Chinese New Year periods which are normally the weakest of the year.

Forward Freight Agreement (FFA) rates for the second-half of the year continue to be at a premium to current spot freight rates across all dry bulk segments, reflecting market expectations of stronger demand fundamentals. Current FFA rates as quoted by the Baltic Exchange for Q3 and Q4 are at US$14,520/US$13,910 per day and US$16,190/US$15,250 per day for Handysize and Supramax respectively[#].

Total dry bulk loadings were 2% higher compared to the same period last year due to increased coal loadings improving against a low base caused by the Indonesian coal export ban in 2022, and due to increased iron ore loadings, while grain and minor bulk loadings were down. Typical seasonality was evident in the period with demand undermined by the northern hemisphere winter and Lunar New Year holiday. However, demand recovered following the Lunar New Year period, supported further by China's post-Covid reopening and southern hemisphere grain seasons, including a record harvest in Brazil. This improvement in demand and sentiment was seen across all dry bulk segments which has supported significantly improving rates despite decelerating global growth, higher interest rates and inflation, the conflict in Ukraine and an unwinding of earlier port congestion.

[#] Baltic Exchange as at 12 April 2023



* *Excludes 5% commission*

^ *Spot market rates adjusted downward to reflect expected actual earnings given our average deadweight tonnage of our core Handysize fleet is lower than the Baltic Exchange benchmark*

Source: Baltic Exchange

Total minor bulk loadings were approximately 1% lower in the first quarter compared to the same period last year. Loadings of agribulk and bauxite increased by 7% and 1% respectively, while cement and clinker, aggregates and steel were the largest detractors falling by 13%, 6% and 4% respectively. Minor bulk demand could be impacted for the rest of 2023 due to weaker economic activity in the US and Europe, coupled with a slow Chinese post-Covid economic recovery. However, the reopening policies in China and the revival of infrastructure investment and residential construction activity could provide some potential for growth.

Global grain loadings were 10% lower compared to the same period in 2022 due to the on-going conflict in Ukraine and adverse weather in Brazil causing delays in the harvest and transportation of grains. Brazil expects to set a record grain harvest in 2023, which should lead to higher loadings in the second quarter. China remains the largest importer of Atlantic grains from the US Gulf and East Coast South America, supporting increased tonne-mile demand. The current grain export agreement between Ukraine and Russia is seen as positive for the market, though expectations are for Ukraine's grain harvest to be lower than 2022 due to reduced land availability for farming, less sowing of winter crops, and lower crop yields as farmers reduce fertiliser use due to higher cost and limited availability.

Coal loadings in the year to March were 8% higher against a low base caused by the Indonesian coal export ban last year. While increasing its imports of coal, China continues to increase domestic coal production as economic activity strengthened following post-Covid reopening. China has resumed imports of Australian coal, although China's main source of imported coal continues to be Indonesia and Russia, while Australia's largest coal trading partner remains Japan. European and Indian coal demand slowed due to a build-up of stockpiles as a result of mild winter demand. The conflict in Ukraine continues to have a positive tonne-mile impact as Europe sources coal from more distant locations such as the United States, Colombia, Australia and South Africa.

Iron ore volumes rose 4% year-on-year to March, boosted by improved output in key producing countries Australia and Brazil, increased demand from infrastructure and property construction in China following its post-Covid reopening, and restrictive emission controls during the 2022 Beijing Winter Olympics. While Chinese steel exports increased in Q1, steel production is predicted to remain flat for the year due to stricter environmental rules to reduce pollution in some of the major Chinese steel production hubs and limited new investment in steelmaking capacity within China. The Chinese government is also attempting to reduce iron ore price speculation by limiting hoarding and by centralising the purchase of iron ore into China.

CONTINUATION OF LOW SUPPLY GROWTH EXPECTED

Dry bulk ship ordering remained muted over the period despite increased newbuild ordering in other sectors. Shipyard slots remain limited, resulting in a new order placed today generally expected to be delivered in 2026.

According to Clarksons Research the overall dry bulk orderbook remains at a decades low 6.9% and ordering in the first quarter is down approximately 50% compared to the same period last year. We believe that the high cost of newbuildings, along with higher capital costs, will continue to deter newbuild ordering, when lower priced second-hand ships with prompt delivery represent a more attractive investment with lower residual value risk. We expect that ordering for dry bulk vessels will remain restrained going forward, discouraged by uncertainty about the future fuels, vessel designs and technology that will be required to meet decarbonisation regulations. We expect the ordering of dual-fuel zero-emission mid-size dry bulk vessels to be commercially feasible in late 2024 at the earliest.

IMO's global EEXI (Energy Efficiency Existing Ship Index) and CII (Carbon Intensity Indicator) regulations came into effect in January 2023 and are expected to drive technical and operational measures to improve the carbon efficiency of existing ships. EEXI (and specifically engine power limiters) will result in a one-time permanent reduction in maximum speeds, which will limit the global fleet's ability to speed up to meet increases in demand. CII will result in progressively slower vessel speeds and, over time, accelerated scrapping as older and less-efficient ships become incapable of compliance.

We expect scrapping to increase in coming years as environmental regulations will encourage owners to phase out older, less efficient ships. Handysize and Supramax vessels over 20 years old constitute approximately 14% and 10% of the global Handysize and Supramax fleet respectively, and are likely to be potential scrapping candidates. Clarksons Research currently forecasts scrapping of 1.4% and 2.1% for minor bulk ships in 2023 and 2024, with these supply-side developments to continue to support the freight market.

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 replace our older and less-efficient Handysize ships with younger and larger Handysize vessels. This is resulting in an even more efficient fleet with greater longevity and earnings capacity.

Supramax vessel values over the period softened compared to the previous quarter due to weakness in the freight market, allowing us to take advantage with further counter-cyclical purchases, while continuing to sell some of our smaller, older Handysize ships to crystallise value and further optimise our fleet to meet tightening environmental regulations. During the period we acquired five Ultramax vessels, one Supramax vessel and one Handysize vessel, while selling one Handysize vessel. Four Ultramax vessels have been delivered, with the remaining purchased vessels expected to be delivered before July 2023. Delivery of the one sold Handysize is expected to complete by April 2023. In addition, from the second half, we anticipate the delivery of three Japanese-built 40,000 dwt Handysize newbuildings that are joining our core fleet through long-term time charters.

Including all currently agreed sales and purchases, we own 121 Handysize and Supramax ships and, including chartered ships, we expect to have approximately 263 ships on the water overall.

We are collaborating with our Japanese shipbuilding partners to develop an efficient design for what we expect will be our first dual-fuel Ultramax ship able to run on either green methanol or fuel oil. It is vital that we collaborate with shipbuilding and other partners to ensure we develop optimally-designed first generation zero emission vessels and secure our access to zero-emission-capable Ultramax and Handysize opportunities with which to renew and grow our fleet.

RESIGNATION OF OUR CHIEF FINANCIAL OFFICER

Our Chief Financial Officer Peter Schulz stepped down on 31 March 2023 after five years in this position. The Company has undertaken a global search for Peter's successor, and we will update you once a suitable candidate is confirmed.

OPTIMISTIC ON THE FUTURE OF DRY BULK

We are optimistic about the future of the dry bulk market, and anticipate underlying demand and supply fundamentals will allow us to generate steadier and more sustainable earnings over the long term. 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. Iron ore demand is expected to be supported by growth in emerging market economies, and China's post-Covid government policies driving domestic property construction and investment in infrastructure. Minor bulk activity remains robust despite weaker economic activity in the US and Europe, as China's post-Covid economic recovery and global green transition initiatives support demand.

We continue to believe that the high cost of newbuildings, uncertainty over new environmental regulations and the higher interest rate environment will continue to discourage any significant new dry bulk ship ordering. The low orderbook and efforts to reduce carbon intensity will likely lead to lower speeds and increased scrapping in the coming few years, which could create a shortage of ships and provide long-term structural undersupply to the market.

We are actively working towards a sustainable future by reducing the carbon intensity of our existing ships and pursuing complete decarbonisation by 2050. We also strive for ESG to become more fully embedded in our operations, culture and decision-making across our business. We will increasingly harness the value of digitalisation, innovation and collaboration to tackle decarbonisation and other ESG challenges, and to differentiate our value proposition to stakeholders.

We are excited about the future of dry bulk shipping, supported by our modern fleet, customer partnerships, and access to cargo opportunities.

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

Hong Kong, 17 April 2023

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