*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 2023 TRADING UPDATE

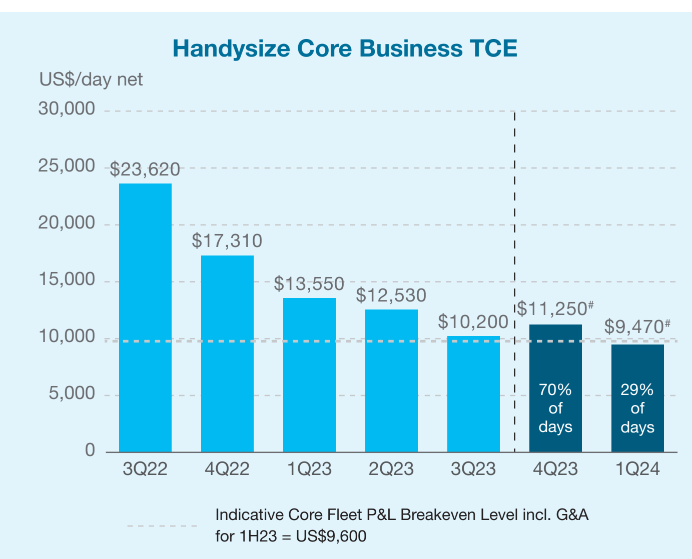
Handysize and Supramax market freight rates were under pressure during most of the third quarter due to decelerating global economic growth, higher interest rates, increased vessel supply due to newbuilding deliveries in 2023 and limited congestion in China. While dry bulk demand was higher in the third quarter of 2023 compared to the same period last year, commodities driving this higher demand included iron ore and bauxite which are mainly carried in Capesize and Panamax vessels.

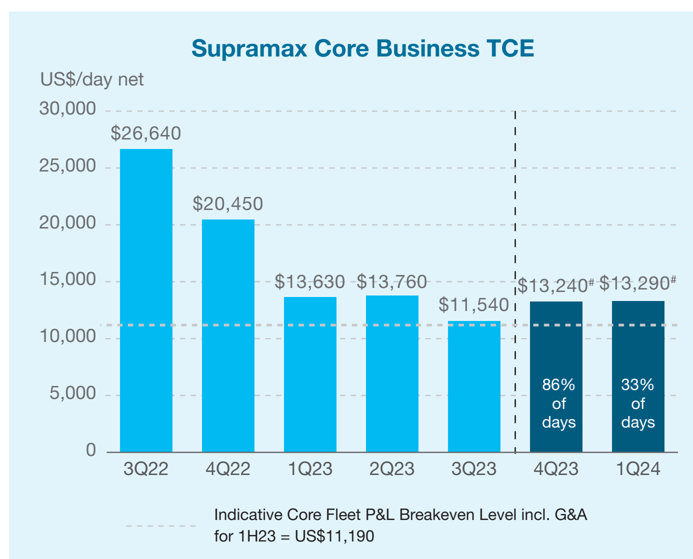
### DECELERATING ECONOMIC GROWTH IMPACTING TCE RATES

Our **core business** generated average Handysize and Supramax daily time-charter equivalent ("TCE") earnings of US$10,200 and US$11,540 net per day respectively in the third quarter of 2023, representing a decrease of 57% and 57% respectively compared to the much stronger third quarter of 2022.

Market spot rates for Handysize (BHSI 38k dwt tonnage-adjusted) and Supramax (BSI 58k dwt) vessels averaged US$7,660 and US$9,530 net per day respectively in the third quarter of 2023, representing a decrease of 52% and 49% respectively compared to the same period in 2022.

Our Handysize and Supramax TCE earnings outperformed the spot market indices by US$2,540 per day and US$2,010 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$450 per day to our outperformance over the period.




\# *Cover data as at 10 October 2023, future period TCE are indicative only as voyages are still in progress*

*Current value of Supramax scrubber benefits is approximately US$330 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.*

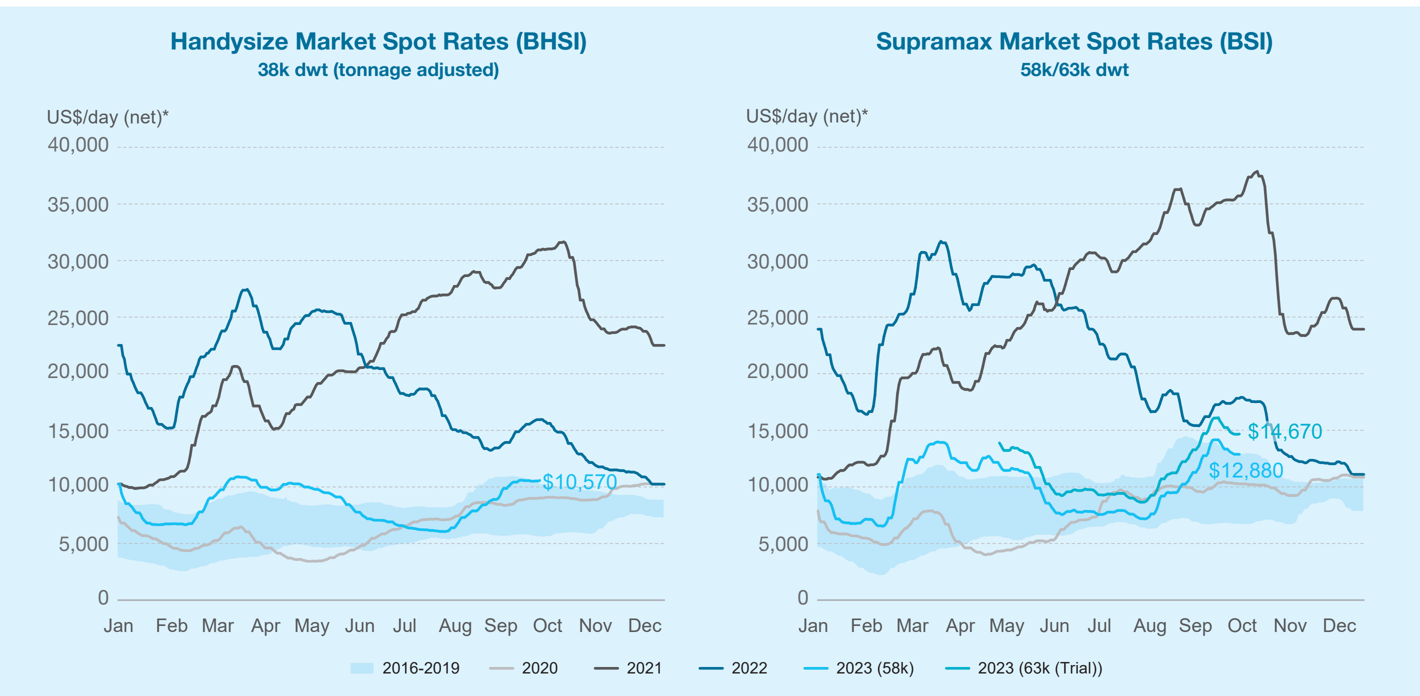
Our operating activity also contributed positively, generating a positive margin of US$1,160 net per day over 6,810 operating days in the third quarter. Our operating activity complements our core business by matching our customers' spot cargoes with short-term chartered vessels, making a margin and contributing to our results regardless of whether the market is weak or strong.

For the fourth quarter of 2023 we have covered 70% and 86% of our core committed vessel days at US$11,250 and US$13,240 net per day for Handysize and Supramax respectively. Our P&L break-even (including General and Administrative Overheads) was US$9,600 and US$11,190 per day for Handysize and Supramax respectively in the first half of 2023 (cargo cover excludes operating activity). For the full year 2024 we currently have cover for 22% and 25% of our core vessel days at US$8,590 and US$13,720 net per day for Handysize and Supramax respectively. Supramax cover rates exclude any scrubber benefit, currently about US$330 per day across our entire core Supramax fleet.

We are currently focused on optimising our short-term cover to maximise earnings over the first quarter of 2024, which is commonly a softer market during the northern hemisphere winter and Lunar New Year periods. For the first quarter of 2024 we have covered 29% and 33% of our core committed vessel days at US$9,470 and US$13,290 net per day for Handysize and Supramax respectively.

## SEASONAL RECOVERY IN SEPTEMBER

Total dry bulk loadings in the third quarter of 2023 were estimated 0.5% higher compared to the same period last year mainly due to higher minor bulk and iron ore loadings, while significant grain export volumes from Brazil along with higher seasonal dry bulk demand, has improved sentiment and rates towards the end of the period.




* *Excludes 5% commission*

*Source: Baltic Exchange, data as at 9 October 2023*

Total minor bulk loadings were approximately 2% higher in the third quarter of 2023 compared to the same period last year. Loadings of steel, aggregates and bauxite increased by 14%, 11% and 11% respectively, while forest products, cement and clinker and alumina were the largest detractors falling by 11%, 6% and 14% respectively. Minor bulk demand could be negatively impacted for the rest of 2023 due to potentially weaker economic activity in the United States and Europe, coupled with the slow Chinese post-Covid economic recovery. However, policies in China to revive infrastructure investment and residential housing construction provide some potential for growth.

In the third quarter of 2023, iron ore loadings increased by 2% due to increased production in Australia and Brazil. The demand for steel worldwide has increased, supported by a variety of sectors including motor vehicle manufacturing, shipbuilding, infrastructure development and power generation. Despite earlier forecasts that Chinese steel production would remain flat due to stricter environmental regulations and limited investment in steelmaking capacity, Chinese steel production and exports have increased 3% and 27% in the year to August respectively.

Global grain loadings in the third quarter of 2023 were 5% lower compared to the same period in 2022. This was largely due to 35% and 24% year on year reductions in loadings from Argentina and United States respectively, coupled with the cancellation of the Black Sea grain deal in July which lowered Ukraine loadings by 84%. While Brazil loaded 19% more grains compared to the same period last year for a total of 47.3 million tonnes. Russia continues to be a significant exporter of grains despite the expiry of the Black Sea grain deal with Ukraine, with a large fleet of dry bulk vessels continuing to trade this region. In the United States, limited rain in the third quarter of 2023 has reduced forecasts for United States grain harvests and has left the Mississippi River water levels so low that barge companies have again reduced the number of barges as well as the amount of grain able to be loaded. Reduced volumes for export out of the Gulf of Mexico in combination with higher barge freight costs will impact the ability of United States farmers to compete on price in the international grain markets.

A 1% decrease in global coal loadings in the third quarter of 2023 is attributed to a slowing of Indian imports, while low hydroelectric output in China, in combination with energy consumption security concerns despite their record domestic coal production, has resulted in the need to maintain high coal import levels during the third quarter.

Current FFA rates as quoted by the Baltic Exchange for the fourth quarter of 2023 are at US$12,250/US$13,510 per day for Handysize and Supramax respectively[#].

[#] *Baltic Exchange as at 9 October 2023*

## MAINTAINING OUR LONG-TERM GROWTH STRATEGY

We remain committed to our long-term strategy to grow our owned fleet of Supramax vessels by acquiring high-quality, modern, second-hand vessels, and to replace our older and less-efficient Handysize vessels with younger and larger Handysize vessels. In the third quarter of 2023, we sold three of our smaller, older Handysize vessels and one older Supramax vessel. In total, we have sold six vessels year to date, consisting of five Handysize and one Supramax vessel with an average age of 19 years. Given increasingly strict existing and incoming decarbonisation regulations, such older, less efficient vessels will become increasingly challenging to operate and we therefore consider it wise to gradually divest ourselves of our least efficient vessels. According to Clarksons Research, vessel values have remained elevated despite a more significant fall in freight rates. We believe asset prices for new and second-hand vessels will remain elevated due to increased newbuilding input costs and limited yard capacity.

To support growth and renewal of our core fleet, we have signed agreements for the long-term inward charter of both Handysize and Ultramax vessels. We took delivery of one long-term time-chartered Japanese-built 39,650 dwt Handysize newbuilding in July, and we are expecting the delivery of two Japanese-built 40,000 dwt Handysize newbuildings in November and December 2023. We have signed additional long-term charter agreements for four Japanese-built 40,000 dwt Handysize newbuildings, all with scrubbers, scheduled to be delivered by the first quarter of 2025, as well as long-term time-charters for one 64,000 dwt Ultramax newbuilding due to be delivered in 2024, and two 64,000 dwt Ultramax newbuildings to be delivered in 2025. Each of these time-charters comes with an option to extend the charter agreement at the fixed rate. Additionally, we have the option to purchase the vessels at a fixed price, which further expands our optionality.

Including all currently agreed sales and purchases, our Core fleet consists of 135 Handysize and Supramax vessels and, including chartered vessels in our Operating business, we currently have approximately 280 vessels on the water overall.

## CONTINUATION OF LOW SUPPLY GROWTH EXPECTED

According to Clarksons Research, dry bulk newbuild ordering in the third quarter of 2023 was down 8% year on year and total dry bulk newbuilding orderbook is 8.1%, which is near a decades low. Shipyard slots remain limited, so a new dry bulk vessel order placed today is unlikely to be delivered before 2027. Additionally, Handysize and Supramax ordering activity is down 47% and 20% respectively year to date. According to Clarksons Research, it is estimated that new vessel deliveries for Handysize and Supramax vessels in 2023, 2024 and 2025 will represent approximately 3.9%, 4.5% and 2.9%, respectively, of the total minor bulk fleet.

We believe that the high cost of newbuildings along with higher capital costs, will continue to deter excessive newbuild ordering, when lower priced second-hand vessels with prompt delivery represent a more attractive investment with immediate earnings and lower residual value risk. We expect that ordering of dry bulk vessels will remain restrained for some time, discouraged by uncertainty about and the very high cost of future fuels, future propulsion technologies and vessel designs that will be required to meet decarbonisation regulations.

IMO's global EEXI (Energy Efficiency Existing Ship Index) and CII (Carbon Intensity Indicator) regulations came into effect in January 2023 and are expected in time to drive improvement in the carbon efficiency of the global fleet. EEXI (and specifically engine power limiters) is resulting 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 vessels become incapable of compliance.

The average age of Handysize and Supramax vessels scrapped between 2019 and 2023 is over 30 years and could help to explain partly why we have seen only limited scrapping year to date despite the lower TCE rate environment. Clarksons Research reports that minor bulk vessels of over 25 years old, which are potential scrapping candidates, make up approximately 8% and 4% of the global Handysize and Supramax fleets respectively.

During the third quarter, 2.3 million dwt were scrapped, contributing to a total of 4.9 million dwt tonnes scrapped in the year to date, which accounts for 0.5% of the overall dry bulk fleet. In the coming years, we expect an increase in scrapping as environmental regulations make it more difficult for older, less efficient vessels to compete and comply. Clarksons Research currently forecasts scrapping of 0.7% and 1.3% for Handysize and Supramax vessels in 2023 and 2024 respectively.

## CARBON REDUCTION RULES

In July 2023, IMO adopted a revised, more ambitious greenhouse gas (GHG) strategy with a goal for international shipping to achieve net-zero emissions by around 2050, with indicative interim checkpoints. IMO's target is therefore now aligned with Pacific Basin's own net zero by 2050 target to which we committed in 2021.

To further drive the requisite transition to zero-emission fuels, IMO will now develop a package of mid-term measures, including technical and economic measures such as a GHG Marine Fuel Standard (forcing the gradual uptake of green fuels) and a maritime GHG emissions pricing mechanism. We expect clarity on these measures by the end of 2025, with earliest entry into force in 2027. Meanwhile, IMO's revised GHG strategy will lead to tighter CII and EEXI requirements for the period to 2030, with CII/EEXI revisions due to be formalised in 2026 at the latest. We will closely monitor and prepare for changes to CII and EEXI, and for IMO's mid-term GHG reduction measures to come. The consequence of these newly introduced targets will result in the need for vessels to further reduce speeds over time and, in due course, for accelerated scrapping as older and less-efficient vessels become no longer fit for trading.

These regulatory pressures are on the rise. From 1 January 2024, shipping will be included in the European Union Emissions Trading System (EU ETS), which requires shipping companies to buy and surrender EU Allowances for carbon emissions from voyages to, from and within the EU. This entails a three-year phase-in period, increasing in scope from 40% of emissions in 2024 to 70% in 2025 and 100% in 2026.

We expect that vessels speeds will reduce over time to limit carbon emissions and the associated cost of EU carbon emission allowances.

We expect that further decarbonisation regulations such as Fuel EU, US Clean Shipping Act, International Marine Pollution Accountability Act and an IMO carbon pricing measure will slow global average vessel speeds, increase scrapping and limit the appeal of conventionally-fuelled newbuilding vessels and further incentivise vessel owners over time to transition to green fuels.

## 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 coal and grain to continue to support dry bulk demand for the remainder of the year due to seasonality, 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, global investment in infrastructure and steel production.

Global minor bulk demand remains robust despite weaker economic activity in the United States and Europe, as China's post-Covid economic recovery and demand for commodities related to the global green energy transition supports higher demand. Reduced construction of new domestic housing in China is still having a significant negative impact on the country's economic growth and to the demand for some commodities. However, it is worth noting that new policy support is continuing to be implemented to further encourage domestic property construction and increase investment in infrastructure. This suggests that the Chinese government is taking proactive measures to improve economic growth and development in the country.

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 vessel 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 vessels and provide long-term structural undersupply to the market.

Our collaboration with Nihon Shipyard Co. and Mitsui & Co. has progressed well in designing an efficient dual fuel vessel capable of running on fuel oil or sustainable methanol. However, we remain cautious in our approach to investment in newbuildings due to current high newbuilding prices. We anticipate that limited ordering of dual-fuel methanol-enabled mid-size dry bulk vessels is likely in 2024, although they are expected to predominately consume conventional fuel oil for the foreseeable future given the limited availability and very high cost of green methanol.

We are excited about the long-term prospects of dry bulk shipping given dry bulk demand which remains supported by strong supply side fundamentals and ongoing implementation of existing and new decarbonisation rules.

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

Hong Kong, 12 October 2023

*As at the date of this announcement, the executive Director of the Company is Martin Fruergaard, and the Independent Non-executive Directors of the Company are, 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.*