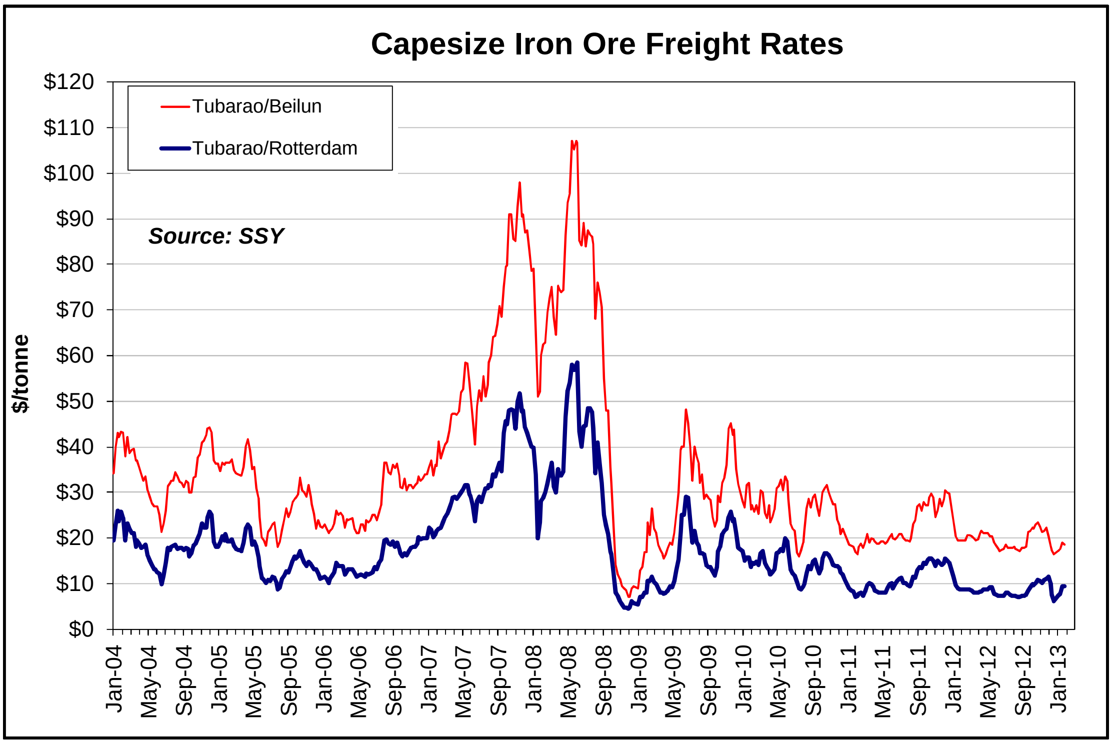
CAPESIZE/PANAMAX MARKET UPDATE (28 January 2013)

According to SSY, Capesize iron ore voyage rates from Tubarao to Qingdao slipped from the 6-week high of $19.00/t last week to $18.60/t, while rates from Tubarao to Rotterdam also declined, down by $0.15/t week-on-week to $9.35/t. The Panamax freight rate from Bolivar to Rotterdam meanwhile was $12.20/t.

Both demand-side and supply-side factors lie behind the current weakness in the freight markets. In recent years the first quarter of the calendar year has seen a seasonal dip in trade volumes, largely due to weather-related disruption in key load areas such as East Australia (coal) in addition to Brazil and Western Australia (iron ore). Already this year two cyclones have interrupted load activities at key iron ore terminals in NW Australia, with heavy rainfall causing problems for the coal supply chain in Queensland.

Although newbuilding deliveries slowed dramatically in the second half of 2012, there has been an acceleration during the opening weeks of January. Since the turn of the year some 4.8 Mdwt of newbuilding capacity has been added to the fleet which has already overtaken the 3.4 Mdwt delivered in December 2012 (a 43-month low). The sharpest rise has been in the Panamax fleet.



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