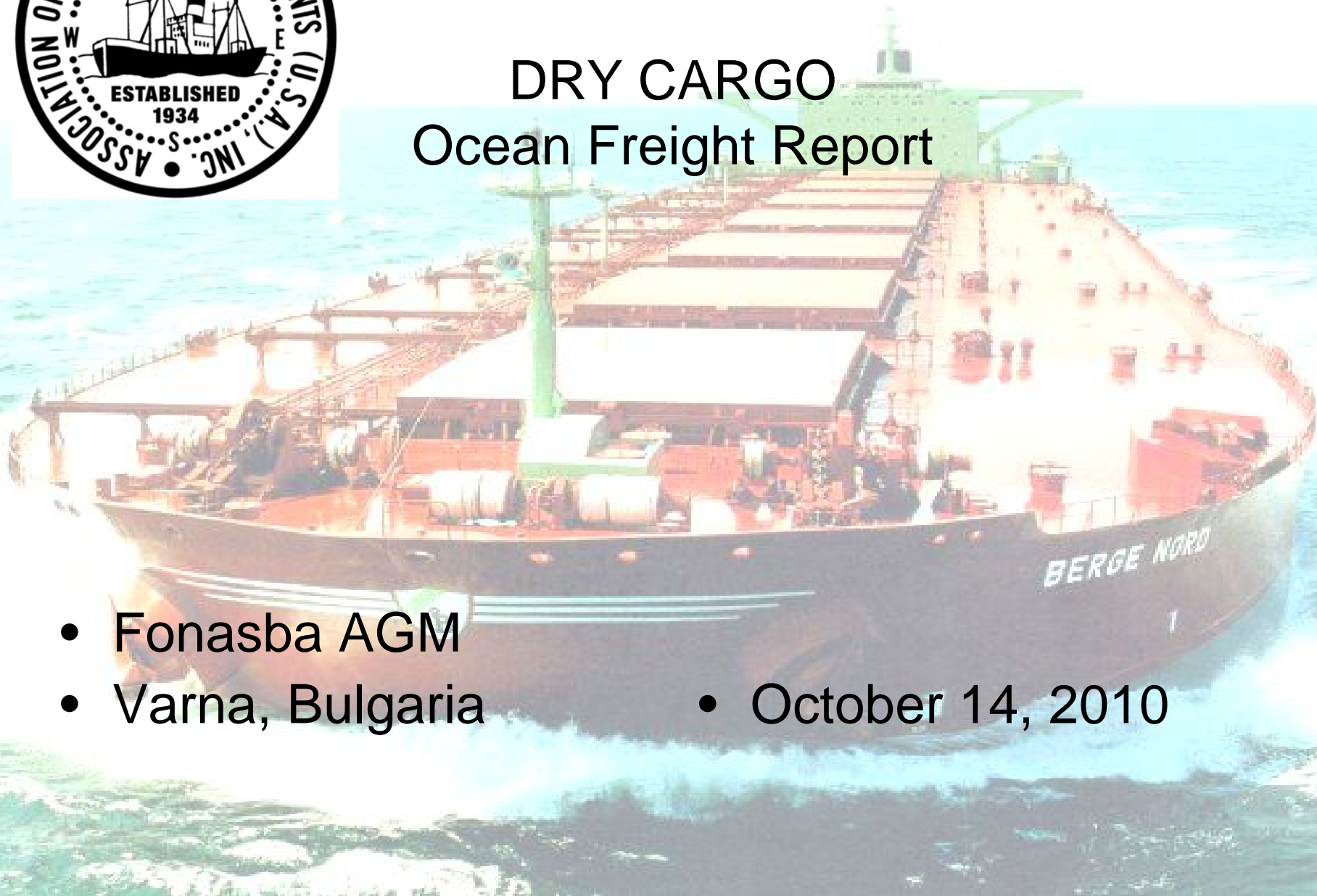




DRY CARGO Ocean Freight Report



- Fonasba AGM
- Varna, Bulgaria
- October 14, 2010

The Latest Darling of the Financial Pundits ' THE BALTIC DRY INDEX'

<http://www.bloomberg.com/apps/quote?ticker=BDIY:IND#chart>



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BLOOMBERG.COM

BDIY: BALTIC DRY INDEX Summary - Bloomberg



MARKET REPORT 12/10/2010

BDI 2719 (UP 24) BCI 4098 (UP 43) BPI 2397 (DOWN 16)

BSI 1905 (UP 7) BHSI 1026 (DOWN 3)

CAPE SIZE

The Atlantic has been extremely firm for vessels open in this area although accurate details of business concluded are scarce. Actual vessels open in North Atlantic pressing charterers to consider splitting to Panamax. (See below) The Navios Stellar 169,000 deadweight built 2009 is believed to have fixed an Atlantic round voyage with delivery Ijmuiden 16 October in the high \$40's and on front haul the Capri 172,579 deadweight built 2001 brokers report has fixed around \$66,000 daily but unable to find precise details of the voyage or name of charterers.

HMM have fixed a vessel for Tubarao/Kwangyang for 5/15 November at \$30.00

The Pacific remains steady with the West Australia to China benchmark today being \$11..75 concluded on several occasions.

PANAMAX

Atlantic

Easier tone in the Atlantic, with reports of more vessels coming open in the Mediterranean and as already referred to ballasters from the East. The Red Gardenia 76,150-dwt built 2005, ballasting from China was on subjects from Puerto Drummond to Vado Ligure at \$18,500 daily plus a bonus of \$340,000 other reports are \$19,000 plus \$370,000. Klaveness covered a coal stem Mobile/Koper, reports at \$21.25/21.50 level.

Other transatlantic activity includes the Eternal Salute 87,000-dwt built 2006, open Majorca, on subjects for a T/A round, no other detail to hand.

The Torm Island 82,000-dwt Kamsarmax, open Hansaport 15/20 October, is believed to be on subjects for a trip via the Baltic to the Continent at around \$17,000 daily.

Given the spread between Capes and Panamaxes it is hardly a surprise to hear reports of a charterer splitting a cape stem and booking a Panamax to load iron ore from Seven Islands to Qingdao, details unknown.

Pacific

Evidence of a touch more activity however continued talk of the number of ballasters leaves little scope for the market to gain momentum although levels in the East are proving to be fairly resilient for Nopac rounds with Owners willing to face the alternative and fix from the USGulf. There is, however, a suggestion of better numbers being talked for more forward positions in the East.

Nopac activity includes Cargill booking the Conti Saphir 75,200-dwt built 2010 delivery Yantai 12/15 October for a Nopac round voyage at \$19,000 daily and the Medi Rotterdam 75735-dwt built 2002, open Qingdao 12 October, is linked with Norden for a Nopac round.

Mitsui took the Nordelbe 75,259-dwt built 2001, open Dalian 18/20 October, at \$19,000 daily for a trip via Newcastle to Japan.

Klaveness fixed the Power Loong 69,618-dwt built 1992, open Taiwan prompt, for a trip via Hay Point to ECIndia with coking coal at \$18,000 daily.

For shorter trips the Red Jasmine 76,596-dwt built 2006, open Singapore, was on subjects with Crossbridge for a trip via Indonesia to Taiwan at \$18,600 daily and Cobelfret covered 70000 coal Indonesia/Philippines at \$5.95 they were quoting 30000sc/20000sc 16/25 October.

Period levels continue to outperform spot trip trading, BHP Billiton fixed the Lucky Sunday 80,372-dwt built 2007 in direct continuation from end October in Taiwan for 4/5 months at \$24,250 daily.

The Perla Bulker 75,884-dwt built 2007, open Zhangjiang 20/25 October, went for a year at \$23,100 daily, the charterer is unknown

SUPRA/HANDYMAX

A quiet day in the Atlantic although rates seemed to holding reasonably steady on the little business that did surface. It emerged that HMM was the charterer that took the 2003 built 56,000 dwt Maroudio delivery USGulf early November for a trip to Singapore-Japan at \$38,000 daily.

It was thought that a 2009 built 54,000 dwt vessel spot Cristobal agreed an unexciting \$31,500 daily aps USGulf for a trip back to West Coast Central America possibly to Navision.

On the Continent it was rumoured that the 2005 built Annita open Brake 12/14 October had been booked by Norden for 2 laden legs within the Atlantic but the details were not disclosed. The 2007 built 56,071 dwt Nord Harmony open spot USGulf after earlier being cancelled was booked on private terms and it was also thought that the 48,000 dwt 2000 built Amber K open spot St.Lawrence river may also have been fixed but again this could not be confirmed.

In the East it was also quiet, however rates from West Coast India appeared to be better than of late as reports surfaced of the 2007 built 55,500 dwt Jin Yi open Magdalla being fixed by Brownstone for a trip to China at \$18,750 daily. Further east, it was confirmed that the Kang Hong 55,589 dwt built 2005 was booked for a trip from Adang Bay to Thailand at \$25,000 daily and not to India at \$20,000 daily as earlier reported

Average T/C rates along the 4 routes- USD/Day



Average earnings / US\$ Day - Timecharter Trip

Panamax	2008	2009	2010
Trip Out	\$63K	\$29K	\$39.5K
Trip Back	\$35.6K	\$9.3K	\$16.7K
InterPac	\$43K	\$16.7K	\$25.6K
T/A	\$53.7K	\$22K	\$29.8K
Handymax			
Trip Out	\$51K	\$27K	\$34.5K
Trip Back	\$31K	\$7.6	\$13.7K
InterPac	\$36K	\$13.5K	\$21K
T/A	\$46K	\$19K	\$30k

In 2008, world seaborne trade (goods loaded) increased by 3.6% to reach an estimated 8.17 billion tons.

Of this total, 66.3% or 5.4 billion tons were dry cargo.

Grain 323.3 Million Tons

Coal 814.5 Million tons

Iron Ore 844 Million Tons of which 444.1 discharged in China.

Unctad Review of Maritime Transport 2009 www.unctad.org



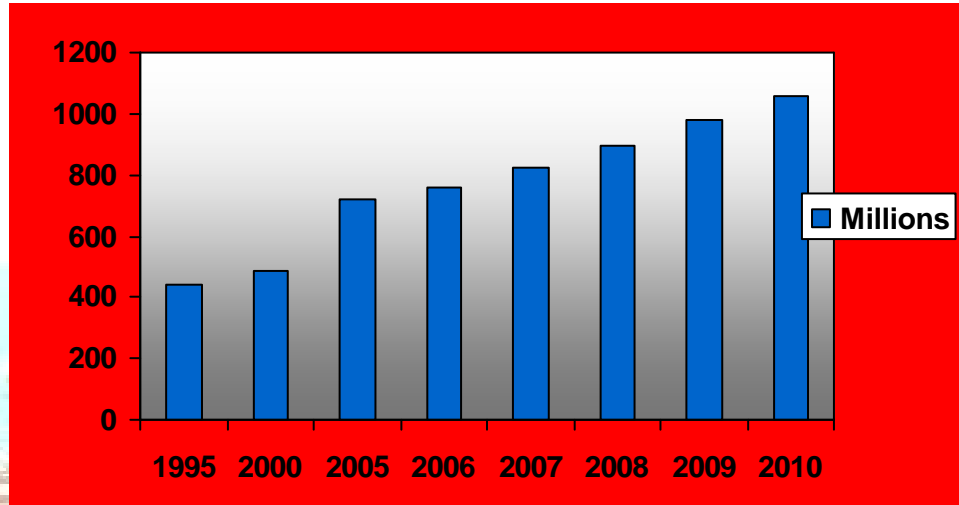
Iron Ore Imports

2000 : 485 MMT

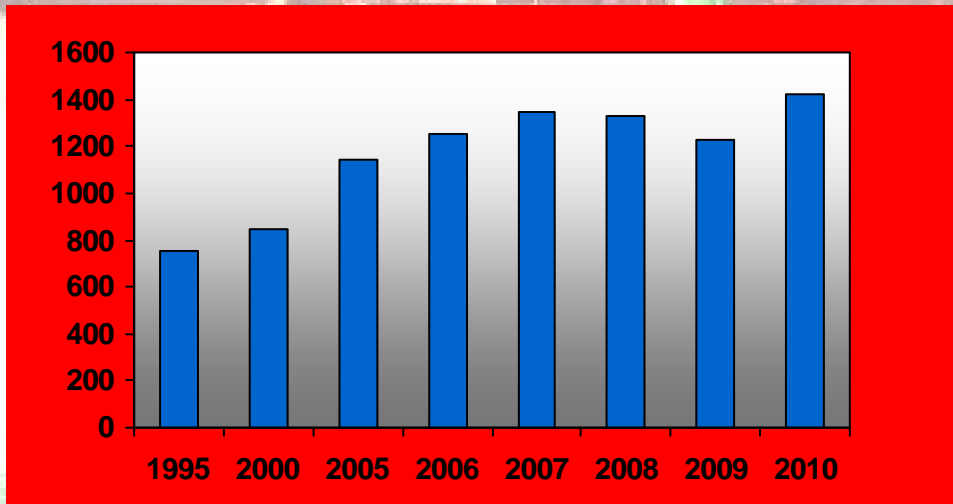
2007 : 826 MMT

2009 : 980 MMT

2010 : 1,060 MMT



9



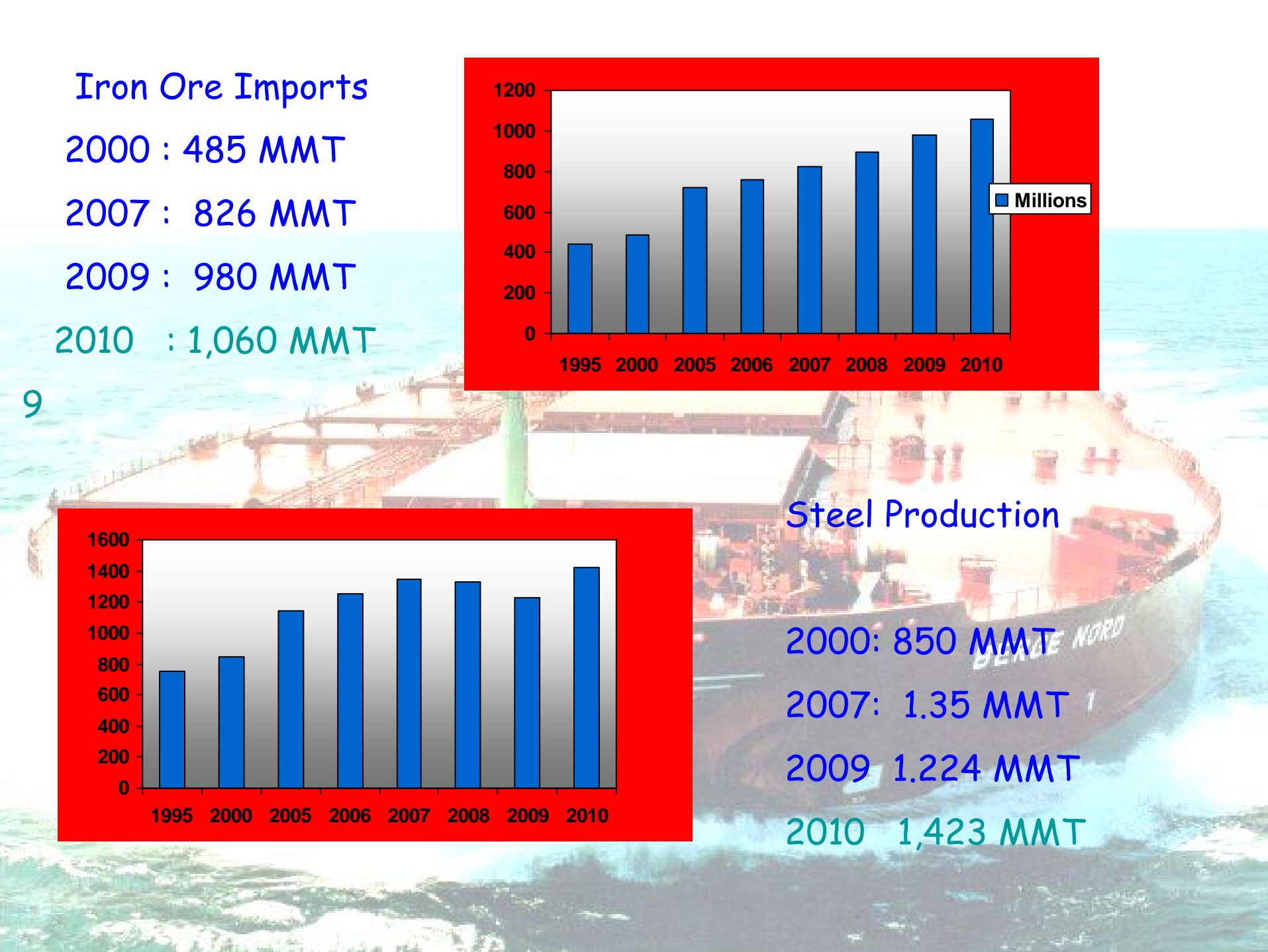
Steel Production

2000: 850 MMT

2007: 1.35 MMT

2009: 1.224 MMT

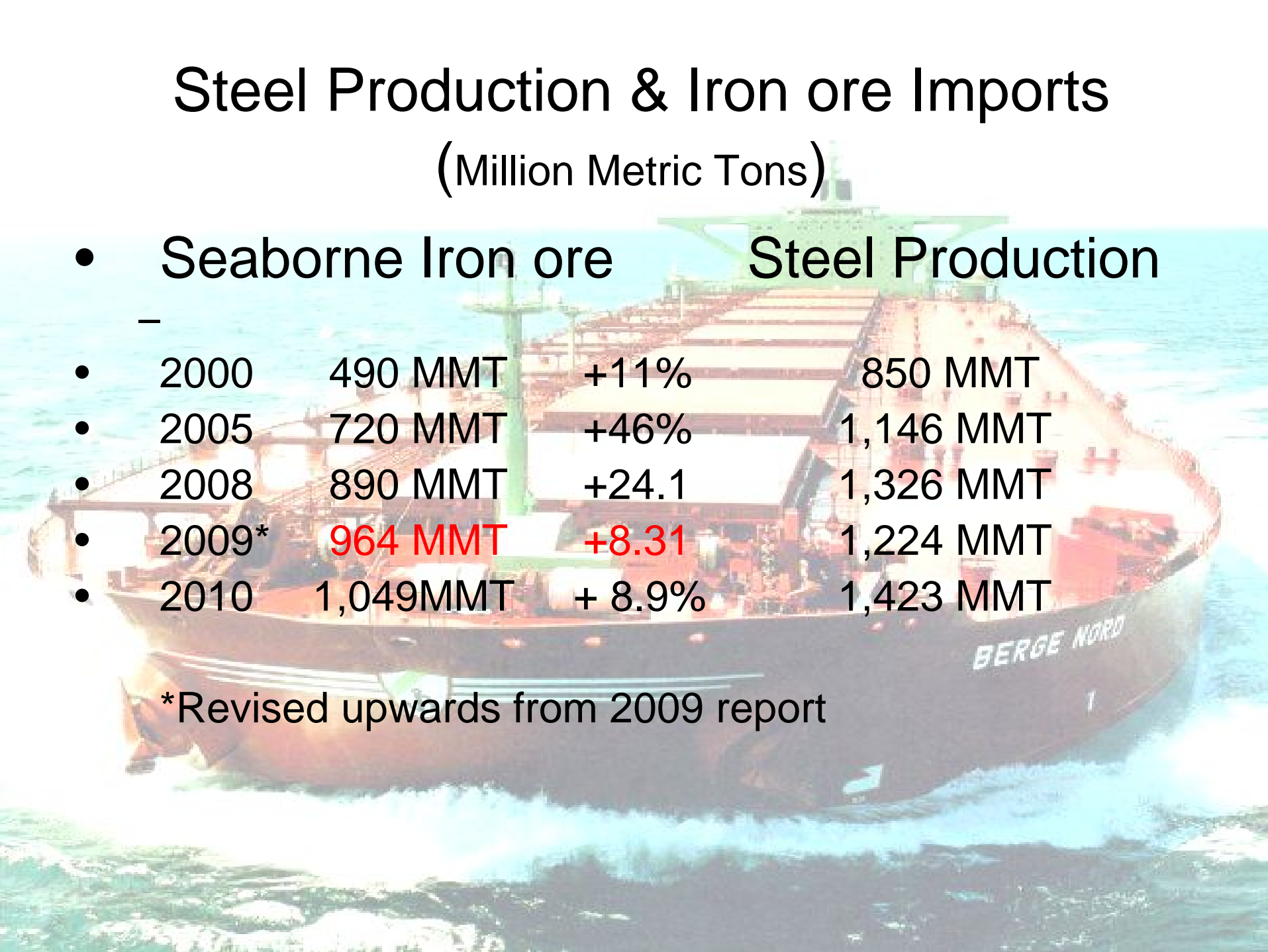
2010: 1,423 MMT



Steel Production & Iron ore Imports

(Million Metric Tons)

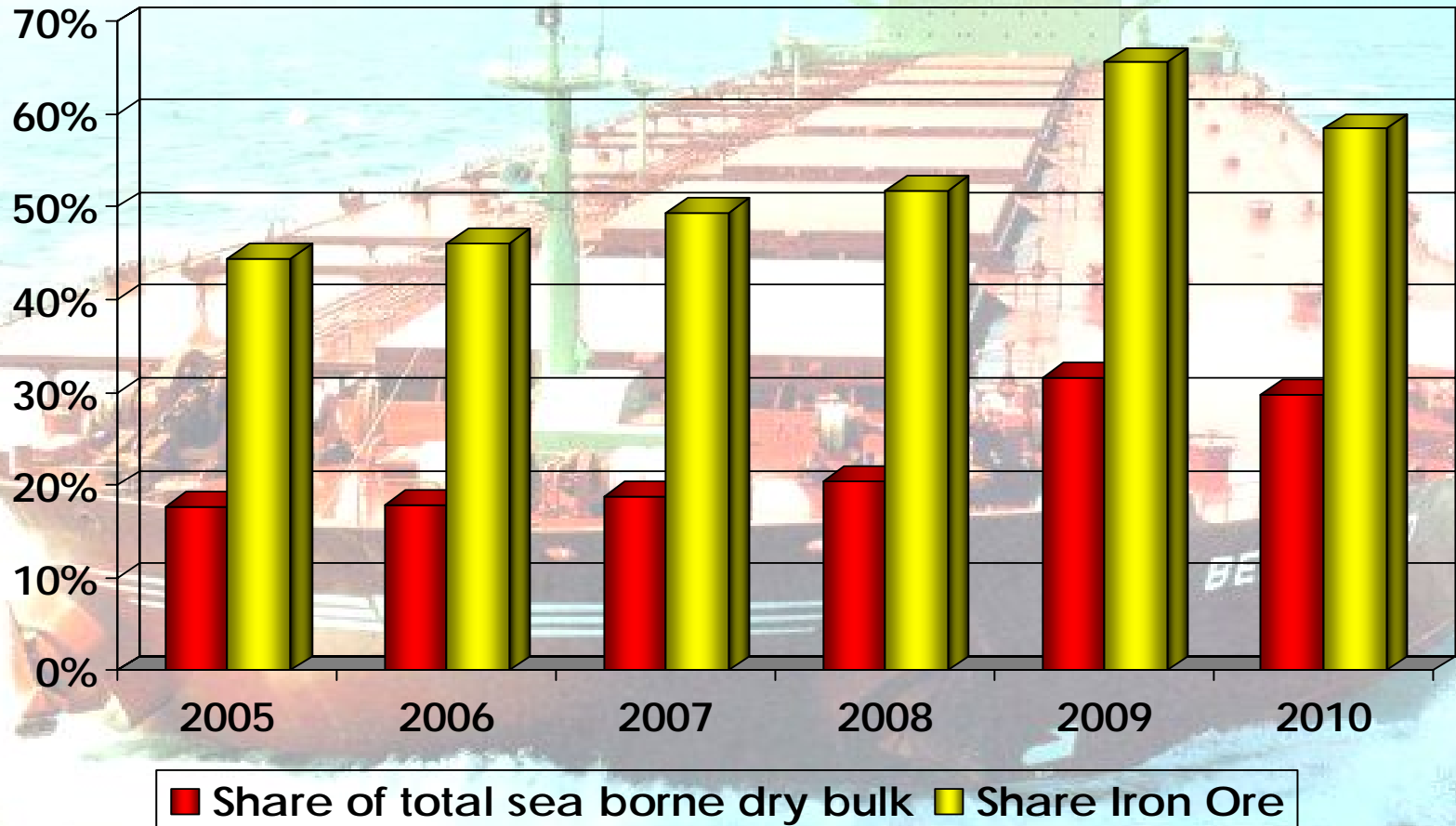
• Seaborne Iron ore Steel Production



• 2000	490 MMT	+11%	850 MMT
• 2005	720 MMT	+46%	1,146 MMT
• 2008	890 MMT	+24.1	1,326 MMT
• 2009*	964 MMT	+8.31	1,224 MMT
• 2010	1,049MMT	+ 8.9%	1,423 MMT

*Revised upwards from 2009 report

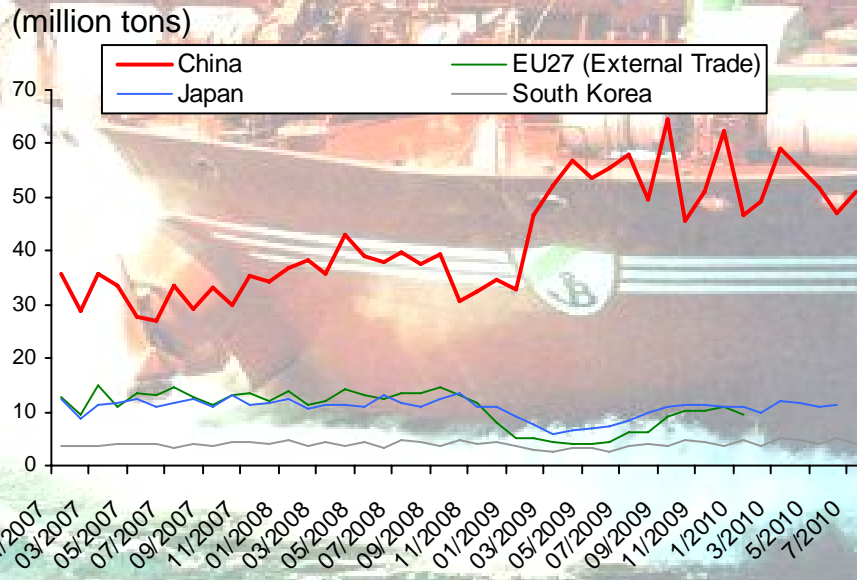
China Share of World Seaborne Dry Bulk volumes



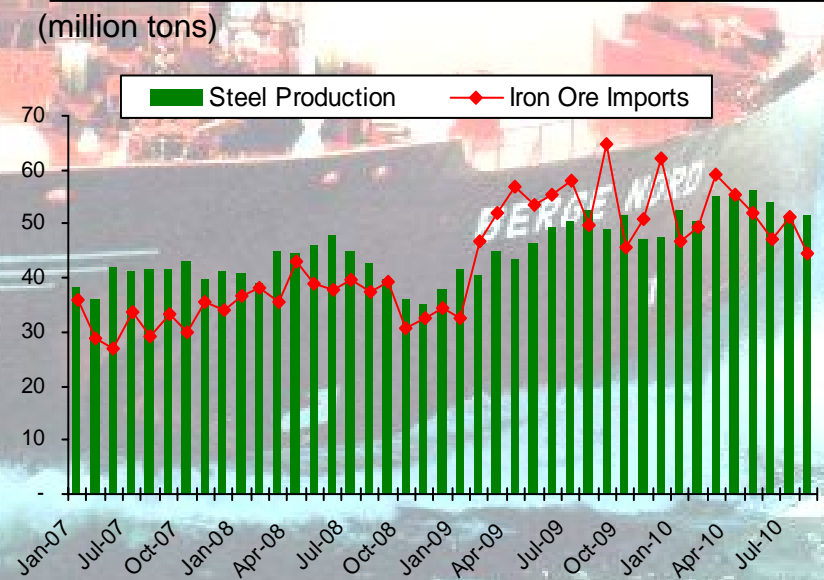
Demand Side Fundamentals

- Chinese steel production increased 12.9% YOY through September of 2010
- Iron ore pricing system shifted to quarterly negotiations
 - 13% price decrease for Q4 2010 makes it harder for Chinese producers to compete
 - And increases steel production margins
- Return of grain cargoes in October of 2010 expected to positively influence rates going forward
- Indian coal imports were at 59mt in 2009, 81mt in 2010 and are expected to reach 100mt by March 2011 this year
- Double digit increases in Japanese steel output, boosting coking coal imports
- Total seaborne coal trade projected to grow by 12% for 2010⁽³⁾
- India imposed a 5% duty on iron ore exports in 12/2009, considering raising same to 20% and they have
- Banned iron ore exports from ten ports in the Kamataka Region.

Iron Ore Imports by Country



Chinese Iron Ore Imports Vs. Steel Production



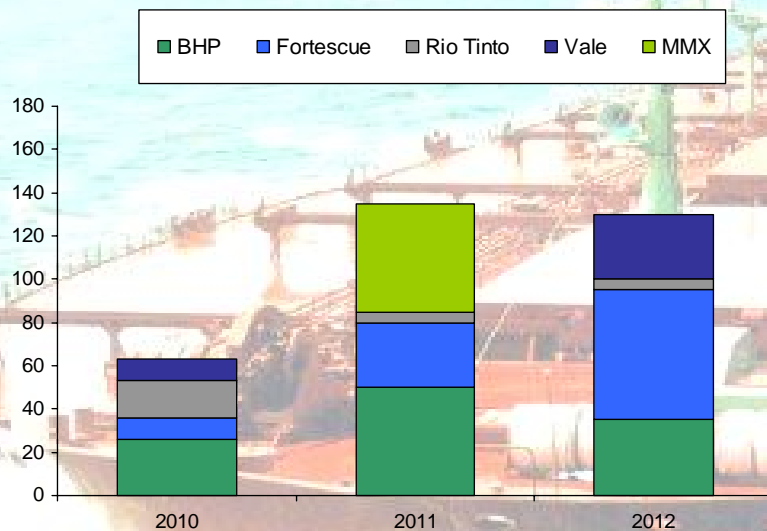
Increasing Iron Ore Production is a Major Factor

- Key iron ore expansion plans equal an increased capacity of 331 million tons per annum⁽¹⁾

This is equivalent to 35.8% of total 2009 seaborne iron ore trade

- Vale projects a 12.6% CAGR based growth in iron ore production through 2014⁽²⁾
- The World Steel Association projects the Global steel use will increase 10.7% in 2010
 - Chinese apparent steel use to increase 6.7% in 2010⁽³⁾
- The World Steel Association projects the steel market will grow 5.3% in 2011, to reach a historical high of 1,306 mmt⁽³⁾

Key Expansion Plans(1)

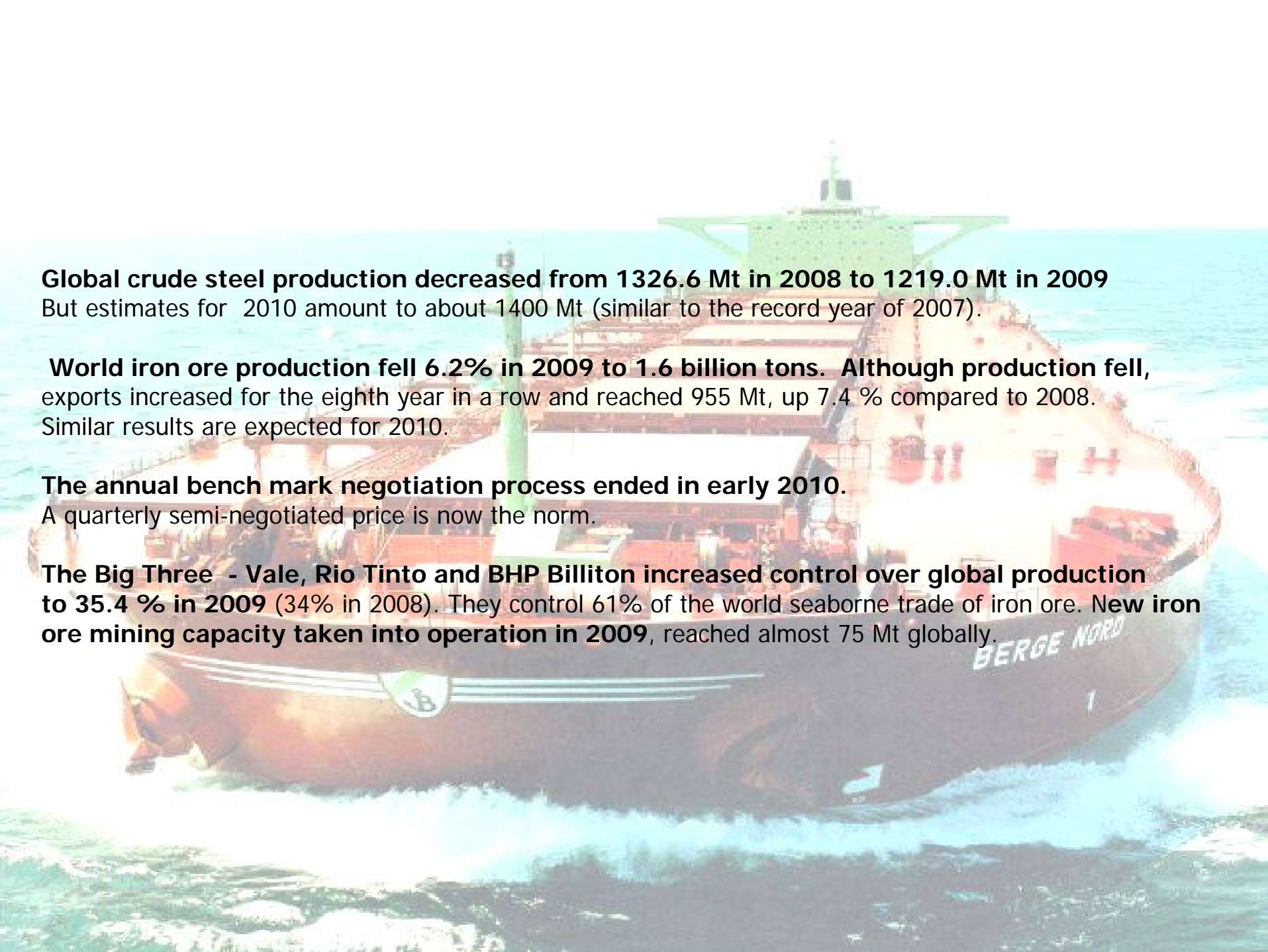


(1) Company presentations and websites

(2) Company website

(3) World Steel Association – Short Range Outlook – April 20, 2010

(4) Commodore Research



Global crude steel production decreased from 1326.6 Mt in 2008 to 1219.0 Mt in 2009
But estimates for 2010 amount to about 1400 Mt (similar to the record year of 2007).

World iron ore production fell 6.2% in 2009 to 1.6 billion tons. Although production fell, exports increased for the eighth year in a row and reached 955 Mt, up 7.4 % compared to 2008. Similar results are expected for 2010.

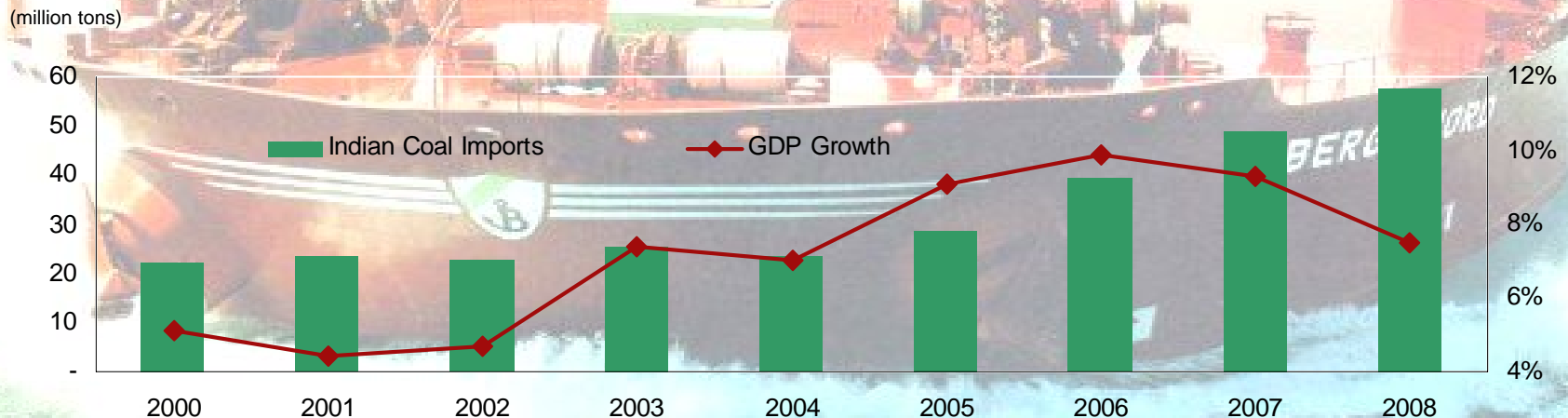
The annual bench mark negotiation process ended in early 2010.
A quarterly semi-negotiated price is now the norm.

The Big Three - Vale, Rio Tinto and BHP Billiton increased control over global production to 35.4 % in 2009 (34% in 2008). They control 61% of the world seaborne trade of iron ore. **New iron ore mining capacity taken into operation in 2009,** reached almost 75 Mt globally.

Seaborne Coal Increasingly Important

- Export volumes are forecasted to increase through 2015 with an estimated annual growth rate of 8.1%⁽¹⁾
- China has been a net importer of coal since 2007
- Increased imports of coking coal needed to support India's growth
- Japanese coking coal and steam coal demand on the rise
- Indian coal imports were at 59mt in 2009, 81mt in 2010 and are expected to reach 100mt by March 2011 this year

Indian Coal Imports and GDP Growth



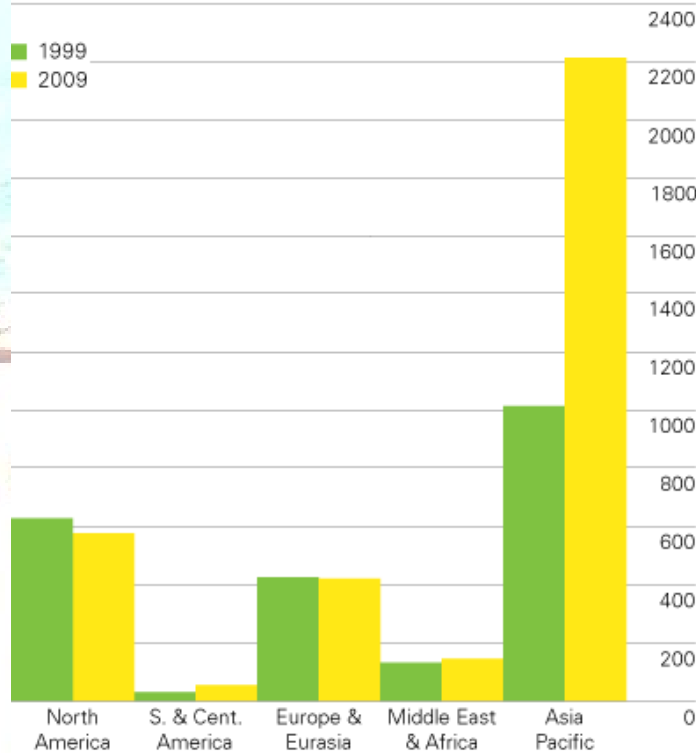
Source: Drewry

(1) Source: DnB NOR Markets

Coal production vs. Coal consumption

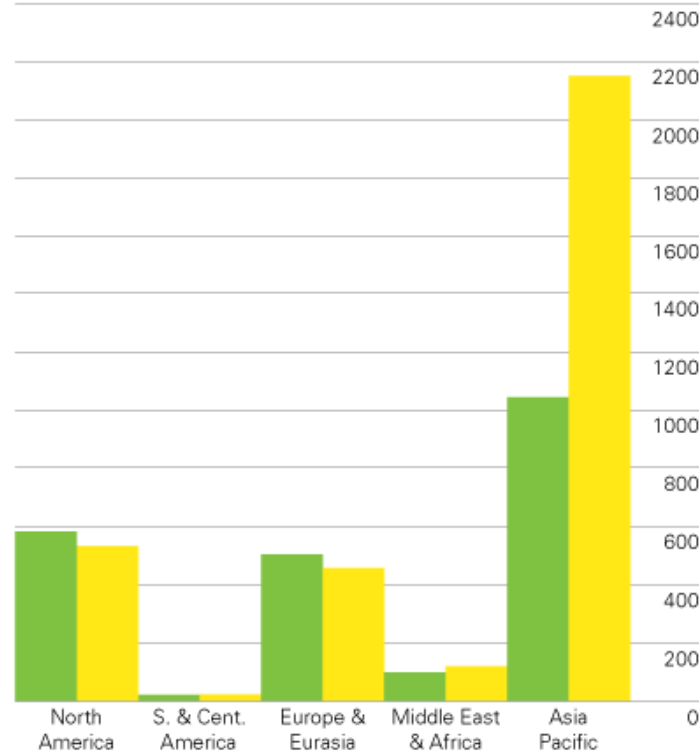
Production

Million tonnes oil equivalent



Consumption

Million tonnes oil equivalent

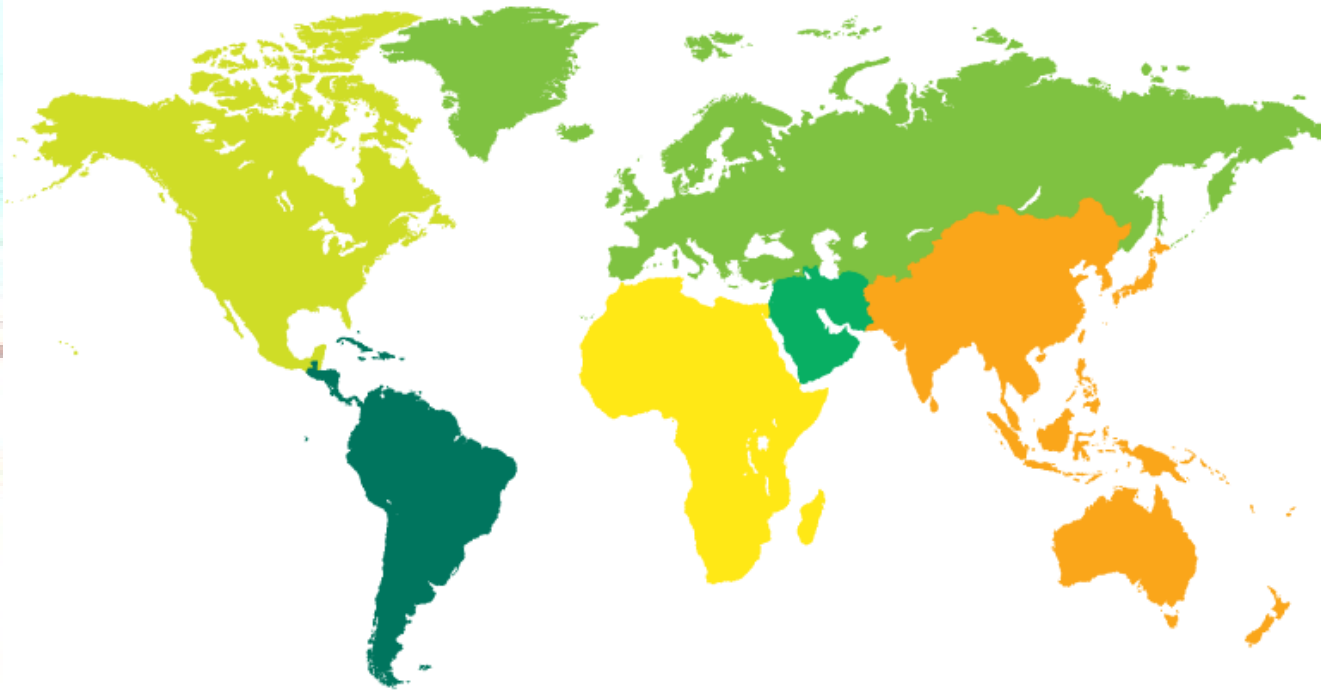


World coal consumption was essentially flat in 2009, the weakest year since 1999. For the first time since 2002 coal was not the fastest-growing fuel in the world. The OECD and Former Soviet Union experienced the steepest declines on record, while growth elsewhere was near average, largely due to above-average growth in China, which accounted for 46.9% of global coal consumption.

Proved coal reserves at end 2009

Proved reserves at end 2009

Thousand million tonnes (anthracite and bituminous coal shown in brackets)



1.4 (1.4)
Middle
East

15.0 (7.0)
S. & Cent.
America

32.0 (31.8)
Africa

246.1 (113.3)
North America

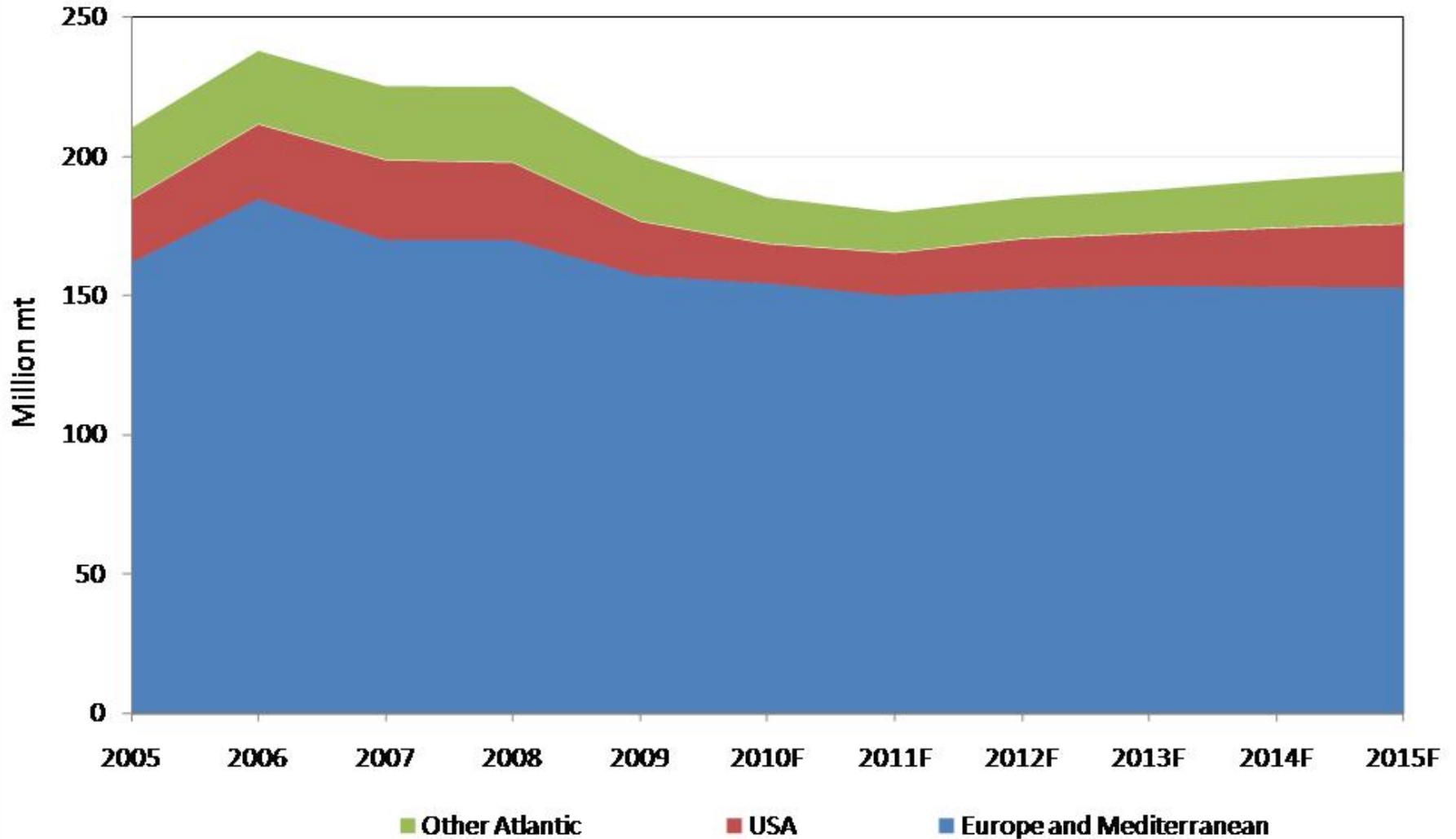
259.3 (155.8)
Asia Pacific

272.2 (102.0)
Europe & Eurasia



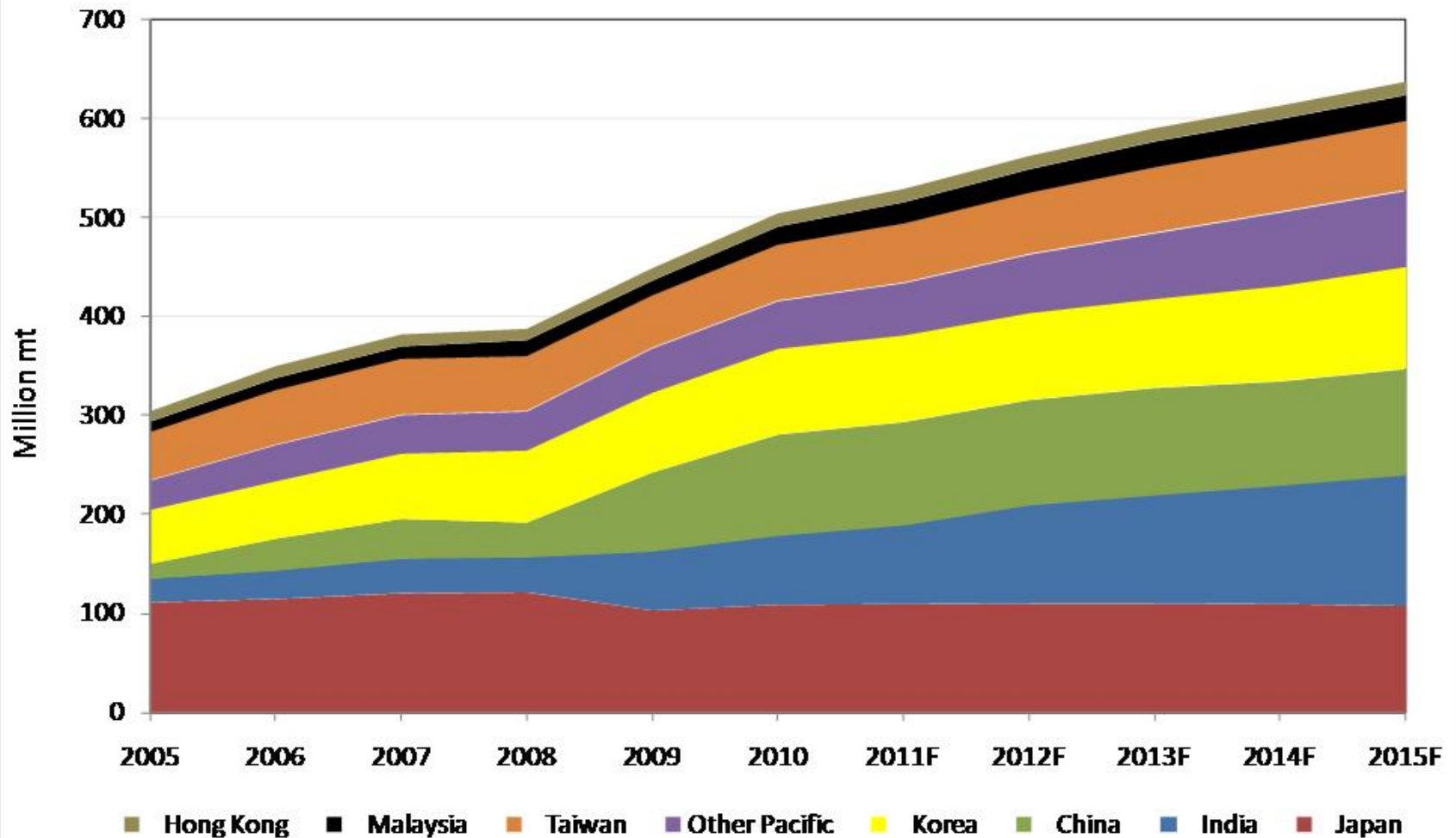
Atlantic Demand

ATLANTIC THERMAL COAL IMPORTS



Pacific Demand

GROWTH OF PACIFIC THERMAL COAL IMPORTS

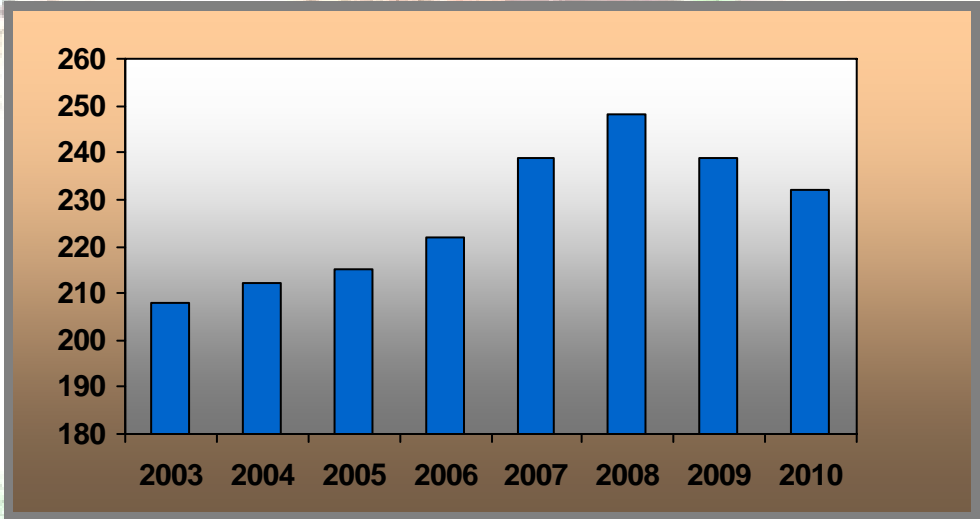
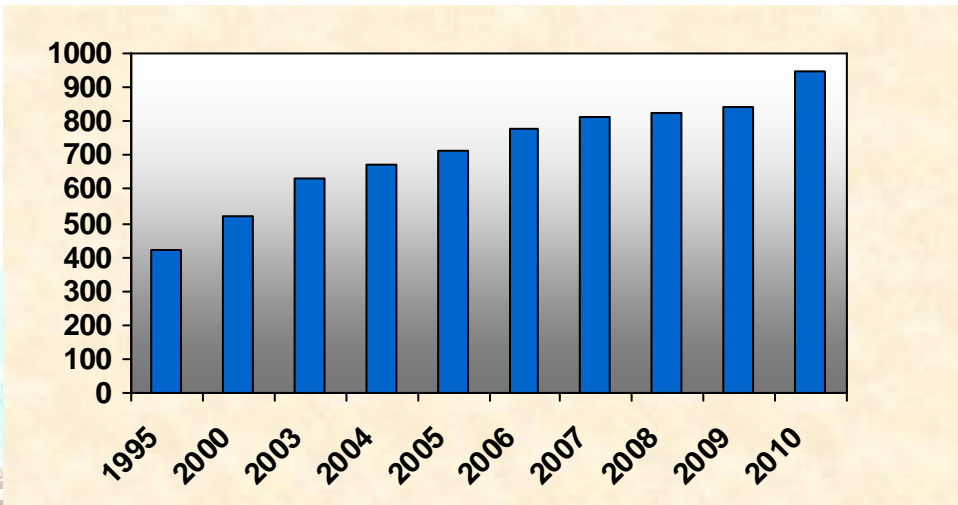


Seaborne Coal

2000 - 2010

525 945

Million Metric Tons



Grain Exports

2003 - 2010

208 - 232

Million Metric Tons

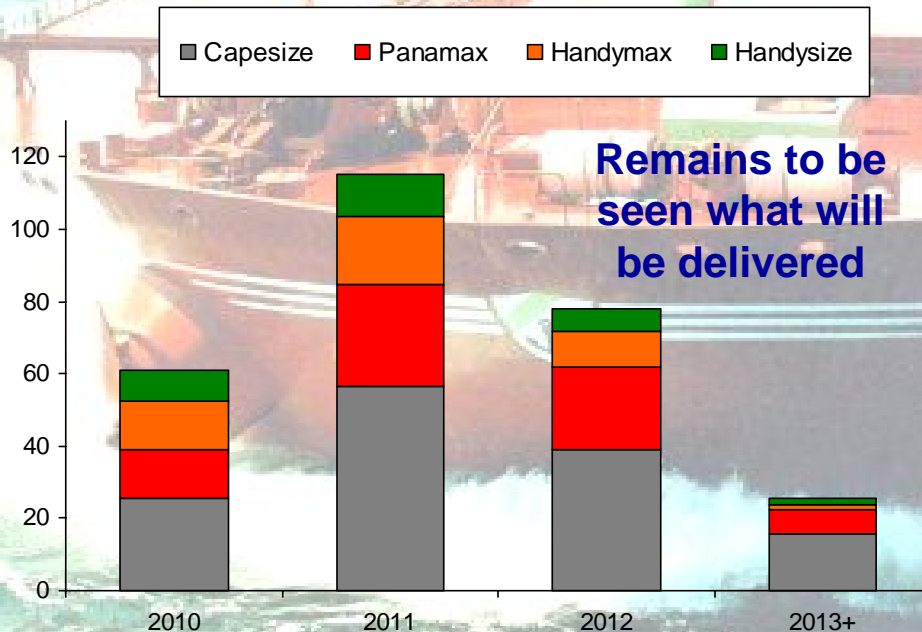


Supply Side Fundamentals

- Scarce capital
 - Banks lending only to selective clients
- Depressed vessel values imply higher equity installments required from illiquid owners
- Estimated 40% slippage of the scheduled orderbook through the first six months
- 33% of the fleet is greater than 20 years old and will need renewal⁽¹⁾
- 2.2 million DWT scrapped to date in 2010⁽¹⁾

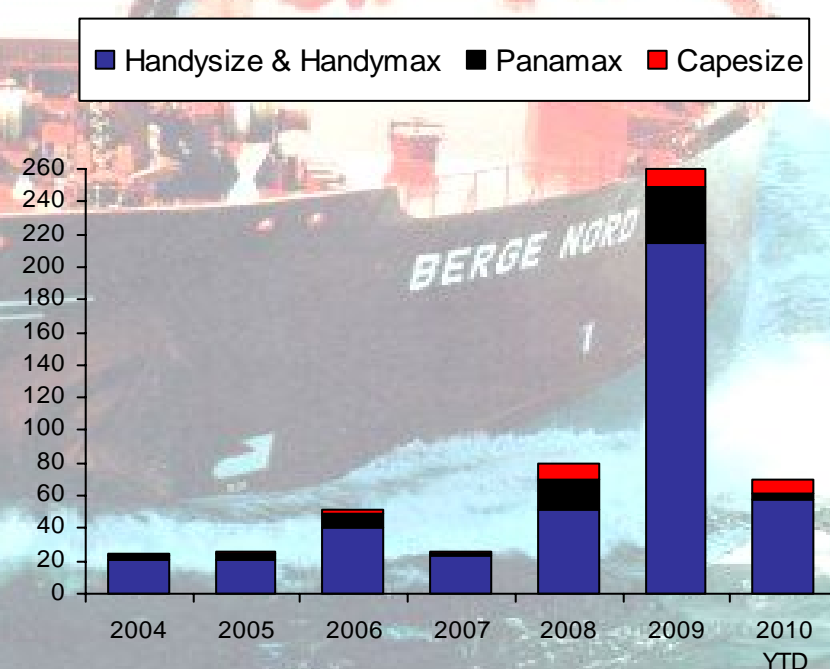
Drybulk Vessel Deliveries by Type⁽¹⁾

(million dwt)



Drybulk Vessel Scrapping by Type⁽¹⁾

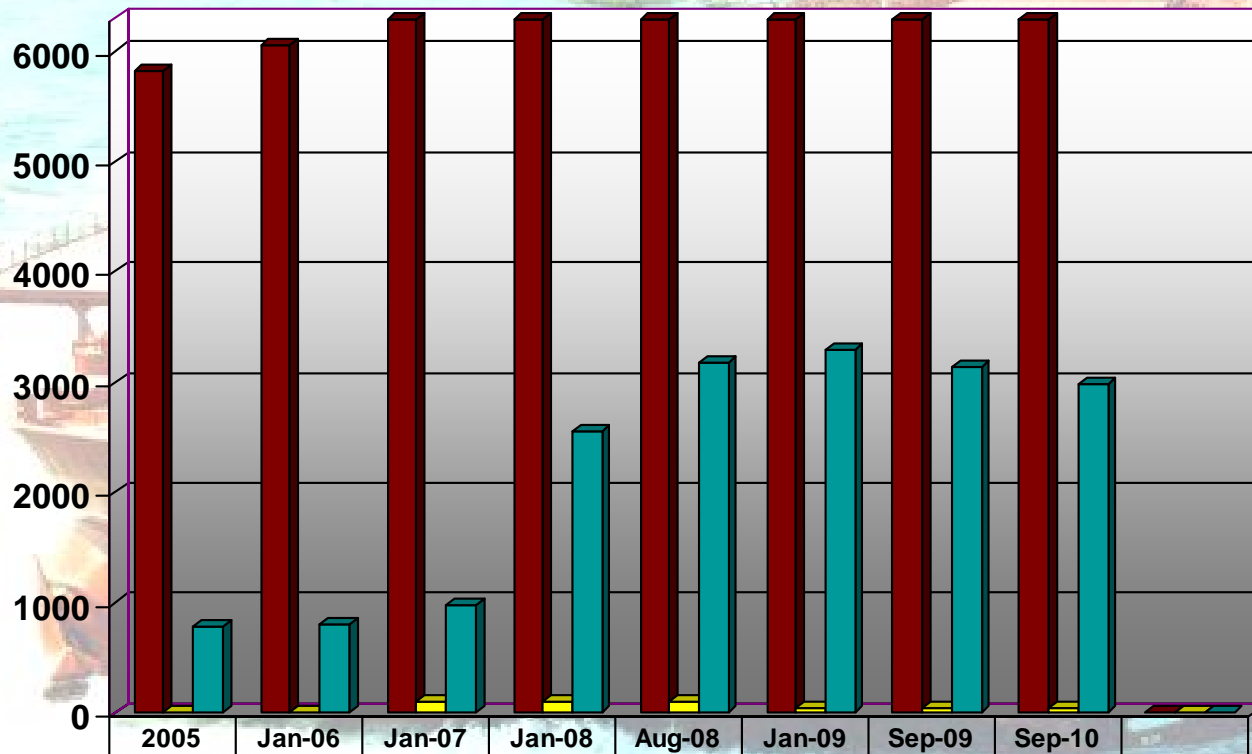
(No of Vessels)



(1) Source: Clarkson's Research Services Limited 2010

BULK CARRIER FLEET

Present Fleet + Orderbook



■ Bulkers	5830	6055	6300	6596	6867	6960	7088	7706	0
■ combos	0	0	109	107	107	46	44	46	0
■ Bulkers on order	787	802	986	2557	3176	3304	3146	2986	0

Is anyone paying attention?

In 2009, the fleet grew by 6.7% to 1.19 billion DWT

Tankers increased by 2.5% and bulk carriers by 7%.

Total tonnage of bulkers was greater than tonnage of tankers.

The two represent 71.2% of the total merchant fleet .

Developments in 2010

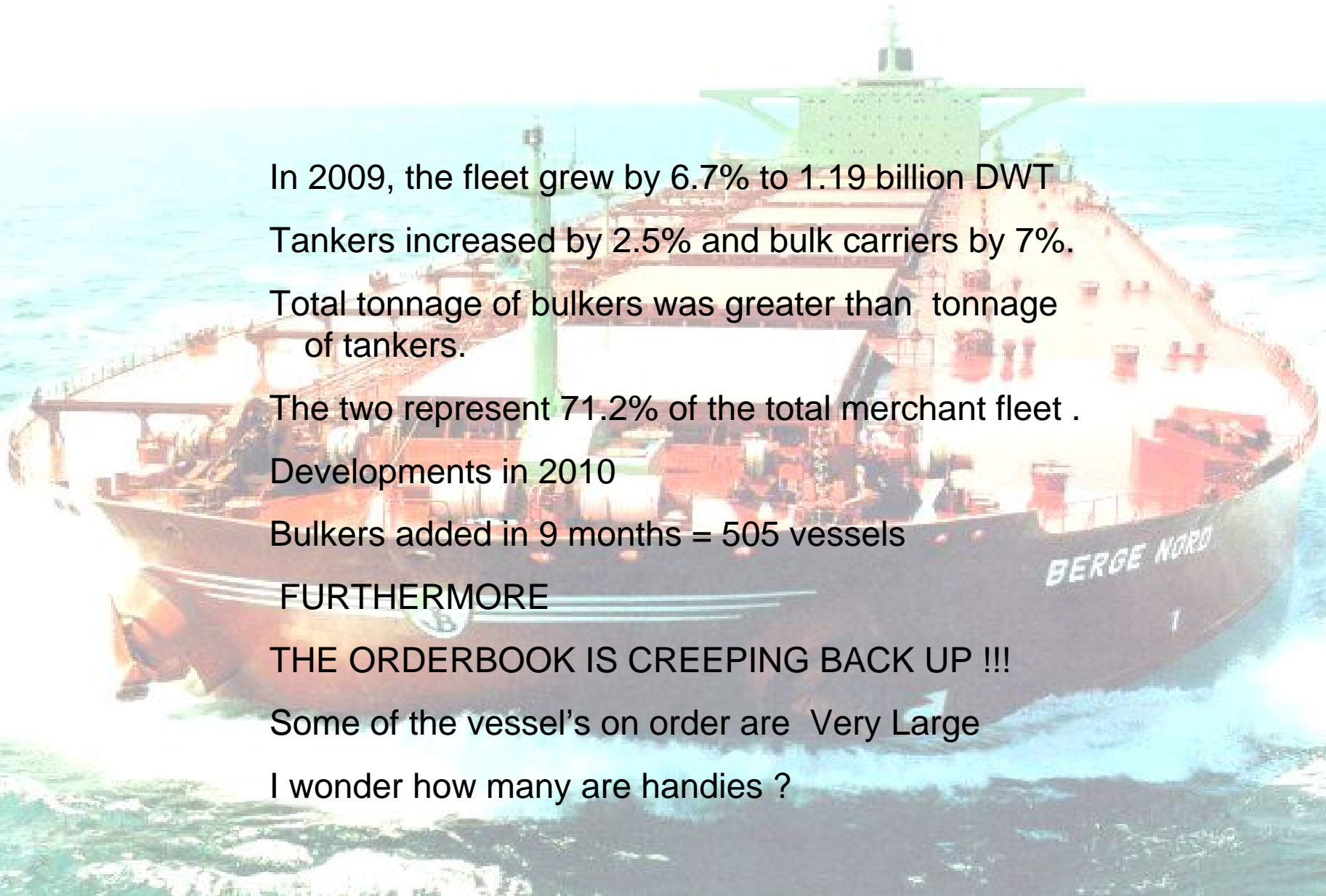
Bulkers added in 9 months = 505 vessels

FURTHERMORE

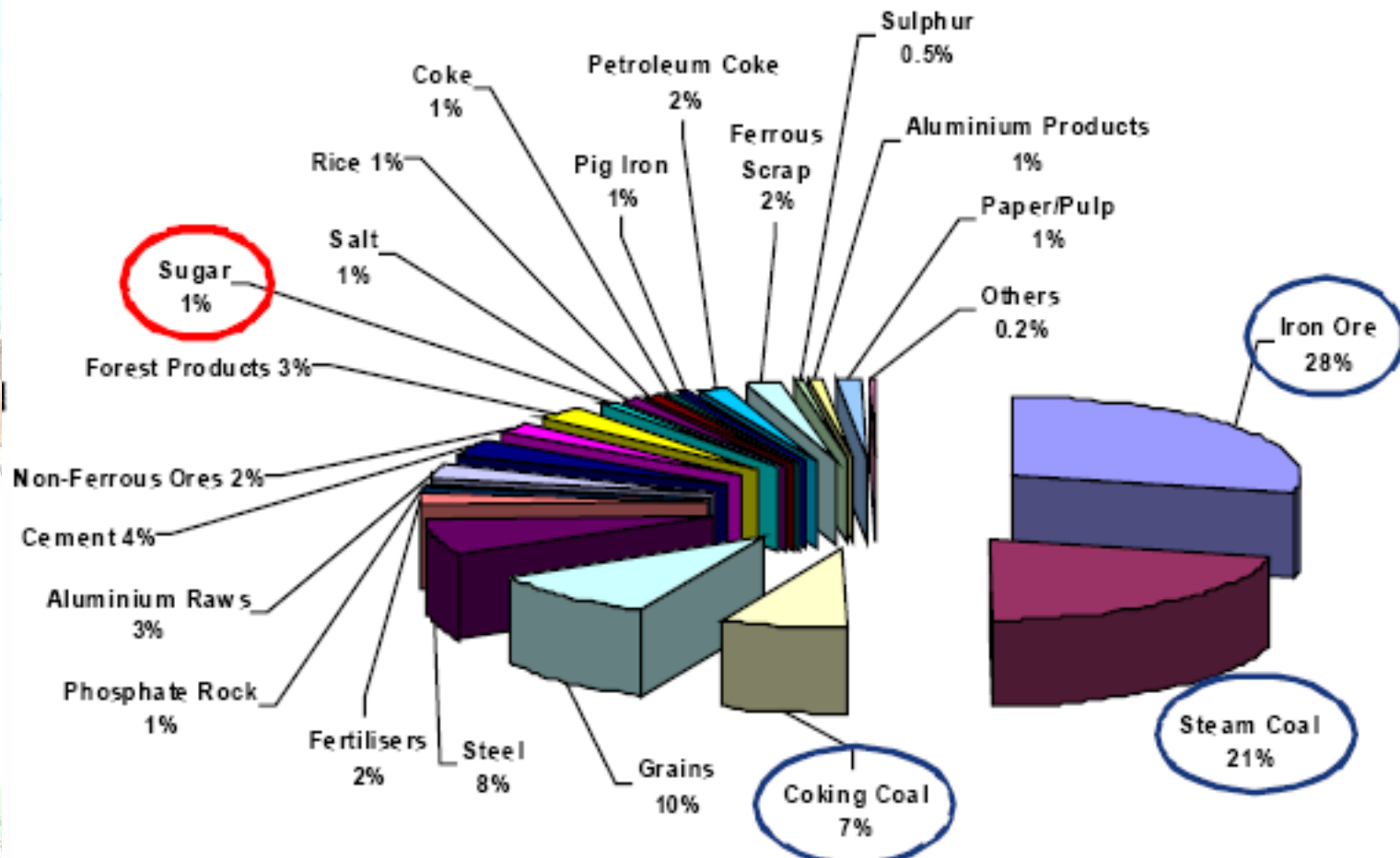
THE ORDERBOOK IS CREEPING BACK UP !!!

Some of the vessel's on order are Very Large

I wonder how many are handies ?



Seaborn Trade – the rest of the story



Source: Clarksons

A large red and black bulk carrier ship is shown sailing on a body of water. The ship has "UBC" written on its side in large white letters. The background shows a hazy coastline with buildings and hills under a bright sky.

The agent's favorite fleet

43 millions tons of sugar

+/- 2100 voyages and 5000 plus port calls

43 millions tons iron ore

= +/- 350 voyages and about 700 port calls.

Let's hear it for the handies!!!!