GOLDEN DESTINY

GDSA WEEKLY SECONDHAND / DEMOLITION / NEW BUILDING MARKET ANALYSIS

Week Ending: 20th January 2012 (Week 3, Report No: 3/12)

(Given in good faith but without guarantee)

This week has been highlighted from similar movements of the previous two weeks with secondhand and demolition activity being on the high side and newbuilding business hovering at very low levels. The current freight market status reflects the investment of shipping players. They seem to avoid ordering new units and prefer expanding their fleet via the purchase of secondhand units and the disposal of vintage tonnage.

Overall, 32 transactions reported worldwide in the secondhand and demolition market, down by 37.2% week on week with a 75% decline of secondhand S&P purchasing activity in the bulk carrier segment. At similar week in 2011, the total S&P activity was standing 15.6% higher than the current levels, when 37 transactions had been reported and secondhand ship purchasing activity was 41.6% higher than the ordering business. The highest activity has been recorded in the demolition market with 17 vessels reported to have been sent for disposal and demolition activity standing 31% higher than the ordering business.

SECONDHAND MARKET

The secondhand ship purchasing activity remains hot with bulk carriers and tankers being under the focus of shipping investors. This week the tanker segment appeared the same active as last week compared with a reduced interest for bulk carrier units. However, asset prices are too attractive for cash rich investors that are willing to buy a unit now. Notable S&P transactions have been in the tanker segment for very large crude carriers.

Overall, 15 vessels reported to have changed hands this week at a total invested capital in the region of US$ 219 mil, 2 transactions reported at an undisclosed sale price, with bulk carriers and tankers grasping 20% and 53% share respectively of the S&P activity. In terms of the reported number of transactions, the S&P activity is down by 48.2% from last week's activity, and down by 11.7% comparable with previous year's weekly S&P activity when 17 vessels induced buyers' interest at a total invested capital of about $154,2 million with tankers holding the lion share, 41% of the total volume of S&P activity. In terms of invested capital, the tanker sector appears as the most overweight segment by attracting about 77% of the total amount of money invested due to purchase of a three years old VLCC at $78,3 mil built in South Korea of 321,300 dwt. In May 2011, similar dwt vessel of 321,050 dwt built 2010 South Korea had been reported sold enbloc with her sister vessel at region $100 mil each.

NEWBUILDING MARKET

The third week of January closed with the newbuilding business showing that the weak appetite for new contracts remains as the current status of the freight market does not support investments for newbuilt units in the conventional vessel segments, bulk carriers and tankers. The level of this week's ordering business is similar with the previous week with only two newbuilding transactions recorded in the bulk carrier segment and notable ordering business in the crude tanker segment. Overall, the week closed with 13 fresh orders reported worldwide at a total deadweight of 979,400 tons, posting a 8.3% increase from similar week's closing in 2011, when 12 fresh orders had been reported with 3 contracts in the bulk carrier segment, 4 in the tanker, 2 in the container and 2 in the offshore segment. In terms of invested capital, the total amount of money invested is estimated to be at more than $2,9 billion, 7 transactions reported at an undisclosed contract price, with offshore segment appearing the most overweight by grasping more than 96% of the total invested capital this week due to hefty investments on drilling and offshore gas facilities.

In the **bulk carrier** segment, Turkish player Ince Denizcilik has ordered two supramax units of 57,700 dwt at STX Dalian of China with delivery in second quarter of 2013, no contract price has been disclosed. In addition, rumors circulated that STX Pan Ocean has placed newbuilding orders for five handysize units and one capesize for delivery in 2013 at STX Offshore & Shipbuilding of China.

In the **tanker** segment, notable order has been revealed in the crude aframax segment by China Shipping Development, one of the country's largest shipwoners, for one unit of 110,000 dwt to be built in Jiangsu Shipping Industrial at a price region of $53 mil for delivery in 3q 2013.

In the **gas tanker** segment, Indonesian oil major Pertamina has concluded a deal to order a 3,500 cbm LPG carrier at Taizhou Yuanyang shipyard of China for delivery in the fourth quarter of 2012 at a price region $14 mil. In addition, Evergas is said to have ordered four ethylene LPG carriers at Sinopacific Offshore and Engineering Shipyard of China, which will be either 12,000 cbm or 17,000 cbm at a cost of either region $43 mil each or $50 mil each respectively and the units will be built to the highest specifications.

In the **offshore** segment, a remarkable order has been announced by South Korea's second-largest shipbuilder Samsung HI announced for the construction an offshore gas processing facility for oil and gas company INPEX. The 2.6 trillion won ($2.26Bn) facility would be used to process LNG in Australia. Furthermore, Daewoo Shipbuilding has been awarded a new contract to build one semi submersible drilling rig for Norwegian owners Odfjell Drilling at a value of $616,5 mil. The new rig is a GVA7500 harsh environment design, for delivery in May 2015 and will be chartered to BP for installation in UK waters west of Shetland.

DEMOLITION MARKET

In the demolition market, Bangladesh scrapping ban has been finally lifted, but the government has imposed a new 5% tax on purchasing vessels for scrap that is going to influence scrap buyers appetite on stronger purchases. The Bangladesh Shipbreaking Association is pushing for a reduction in the rate, down to 0.5% that could lead scrap prices to fall by as much as $25/ldt. Scrap prices for dry and wet cargo are close to $500/ldt, but the current freight market environment offers a strong incentive for shipowners to move with overaged vessel disposals and ease the pain of oversupply. India offers the best levels with Bangladesh to follow, $460-$470/ldt for dry and $480-$490/ldt for wet cargo.

The week ended with 17 vessels reported to have been headed to the scrap yards of total deadweight 1,009,630 tons. In terms of the reported number of transactions, the demolition activity has been marked with a 23% week-on-week decline, due to 30% lower volume of demolition transactions in the bulk carrier segment, whereas there has been a 28% increase regarding the total deadweight sent for scrap. In terms of scrap rates, the highest scrap rate has been achieved this week in the tanker segment by India for M/T "BOW PROSPER" with 12,200/ldt at $525/ldt. India has attracted 41% of the total demolition activity with China to follow by winning 5 disposals. At a similar week in 2011, demolition activity was up by 18% from the current levels, in terms of the reported number of transactions, 20 vessels had been reported for scrap of total deadweight 669,529 tons with bulk carriers and tankers grasping 60% of the total number of vessels sent for disposal. India and Pakistan had been offering $465-$475/ldt for dry and $500-$505/ldt for wet cargo, while Bangladesh market had been inactive from the demolition scene.

GREEK PRESENCE

Greek owners for one week more are absent from the newbuilding business with one more purchase in the secondhand market of M/T "SAMHO DREAM" 319,360dwt built 2002 South Korea at auction of $28,3 mil with severe damage on generators.