

Pangaea Logistic Solutions Pitch

Fall 2014

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Desautels Capital Management

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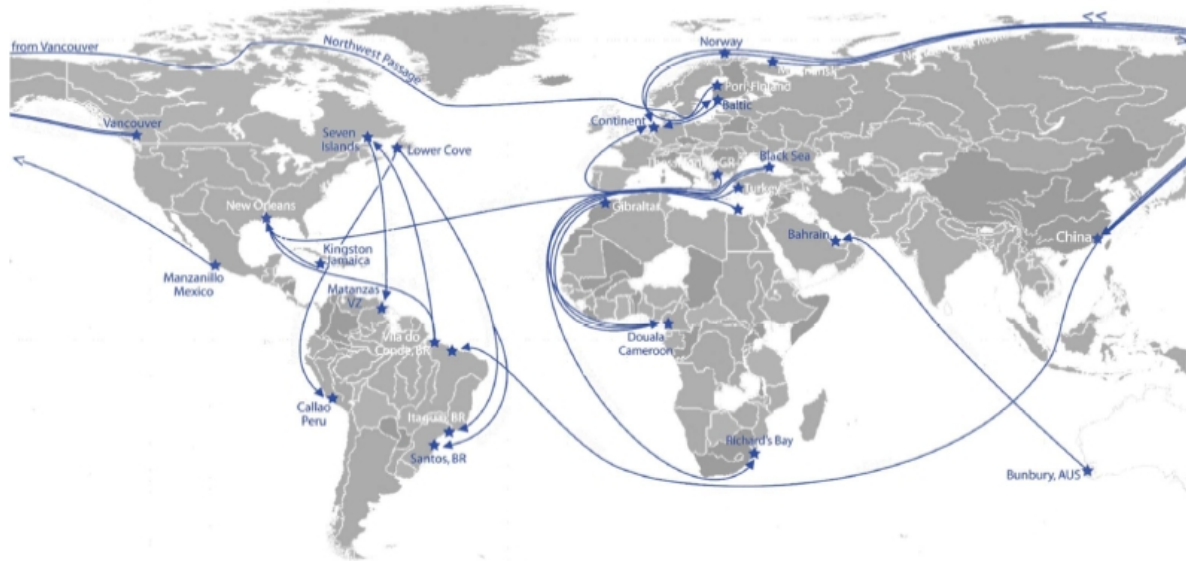
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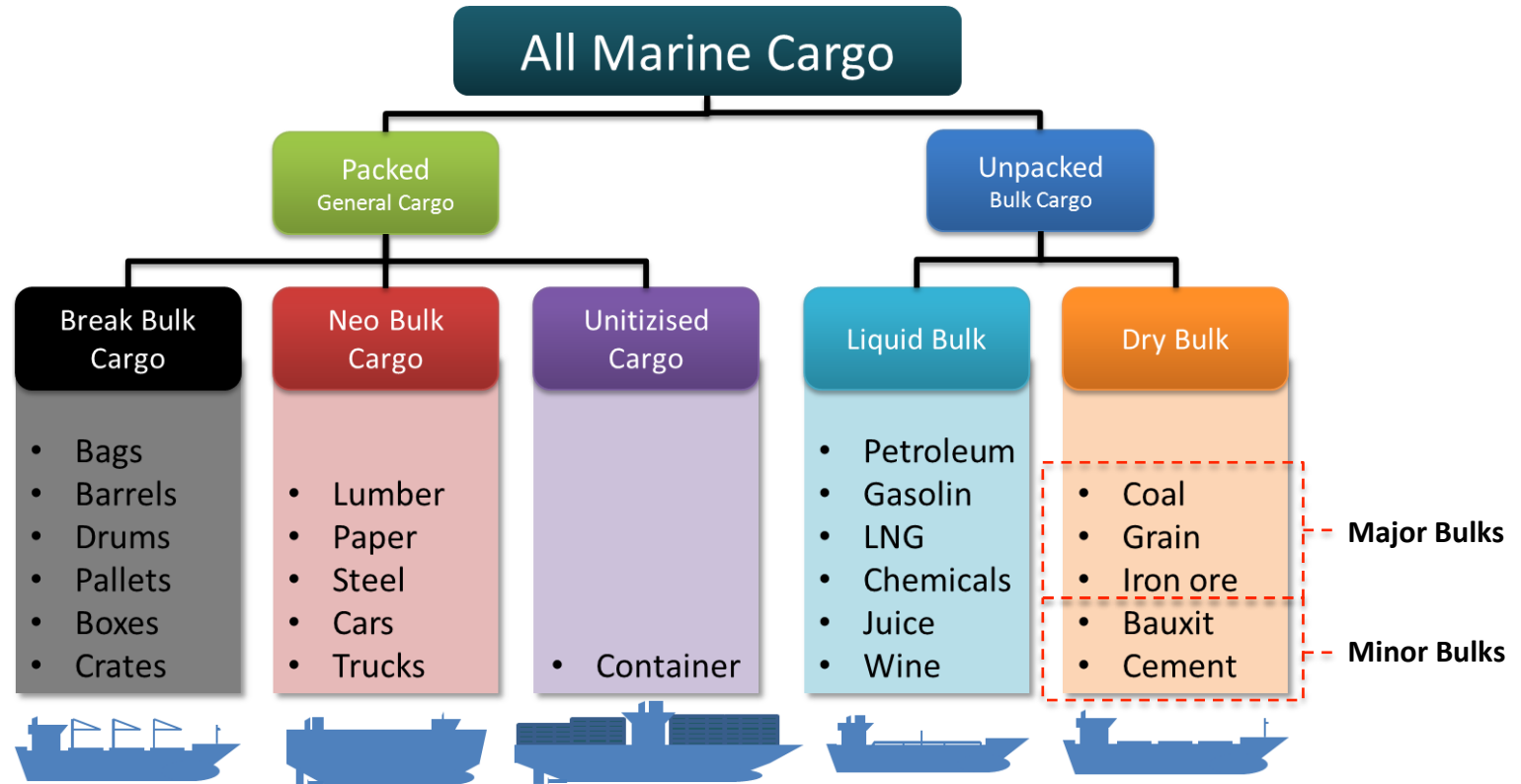
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Pangaea Logistics Solutions (NASDAQ:PANL)

Shipping 101 – Main Fleet Classes



Shipping 101 – Dry Bulk Fleet Classes

| | Capesize | Panamax | Ultramax / Supramax | Handysize |
|--|---|--|--|--|
| Description | The largest vessel class, is primarily used to carry iron ore and coal from Australia and Brazil to China, as its size makes it more economical to transport large cargo over long distances. | Second largest vessel class, is used to carry iron ore, coal, and grain. Panamax vessels got their name because they can pass through the Panama Canal, which allows vessels to move from the Atlantic Ocean (east of the Americas) to the Pacific Ocean (west of the Americas). | Due to their small size, they are capable of operating in regions with small ports with length and draught restrictions. They form the majority of ocean going cargo vessels in the world. | Small-sized ships, ideal for small and large ports, they make up the majority of ocean cargo vessels in the world and are mainly used for transporting finished petroleum products and bulk cargo. |
| Particularities & Constraints | Can only serve regions with largest deepwater terminals due to their giant size. | Biggest ships to be able to navigate though the Panama Canal. | Due to their small size, they are capable of operating in regions with small ports with length and draught restrictions. They form the majority of ocean going cargo vessels in the world. | Operate mainly within regional trade routes, are capable of travelling to small ports with length and draught restrictions as well as lacking infrastructure for cargo loading and unloading. |
| DWT Capacity | 150,000-400,000 | ~65, 000 | 50,000-60,000 | 15,000-35,000 |
| Vessels in Service | 1,614 | 2,535 | 1,850 | 2,697 |

Shipping 101 – Different Transportation Contracts

Time Charter

- Is the hiring of a vessel for a specific period of time
- The ship-owner still manages the vessel but the captain is free to employ the vessel within agreed trading areas
- Charter under which the vessel owner is paid on a per-day basis
- The charterer pays for all fuel consumption, port fees and commissions

Trip Charter

- Is a comparatively short time charter agreed for a specified route only
- Certain criteria are agreed upon before discharge, such as specific cargo, daily pay rate, specific ports and destination
- The charterer still has the obligation to pay all fees with regard to the trip

Voyage Charter

- Hiring of a vessel and crew for a voyage between a load port and a discharge port
- The charterer pays the vessel owner on a per-ton or lump-sum basis
- The owner pays port costs, fuel costs and crew costs
- The vessel owner specifies the time the charterer can spend loading and discharging the cargo and if it is exceeded, the charterer pays a demurrage

Bareboat Charter

- Involves the use of the vessel over a long period of time, typically over several years
- All expenses attributing to day-to-day operations of the vessel including fuel, crew, port dues, maintenance and insurance are for the charterer's account
- The vessel owner receives a monthly payment and may end with the charterer acquiring ownership of the vessel at the end of the lease

Contract of Affreightment (COA)

- Essentially it constitutes a series of voyage charters to carry a specified amount of cargo during the term of the agreement
- The agreement may span several months or years
- Compensation is normally agreed on a dollar-per-ton carried basis

Spot Charter

- Refers to a voyage or trip charter, which will generally last from 10 days to 3 months

Pangaea Logistics Solutions Ltd – Market Summary

Company Description

- Founded in 1996 and headquartered in Newport, Rhode Island
- Began trading on NASDAQ on October 3rd, 2014
- Logistics company that provides seaborne transportation services for dry bulk commodities worldwide
 - Transports cargoes including grains, pig iron, bauxite, clinker, limestone...
- Operates a fleet of approximately 60 vessels
 - 20 vessels owned
 - ~35-45 vessels chartered-in

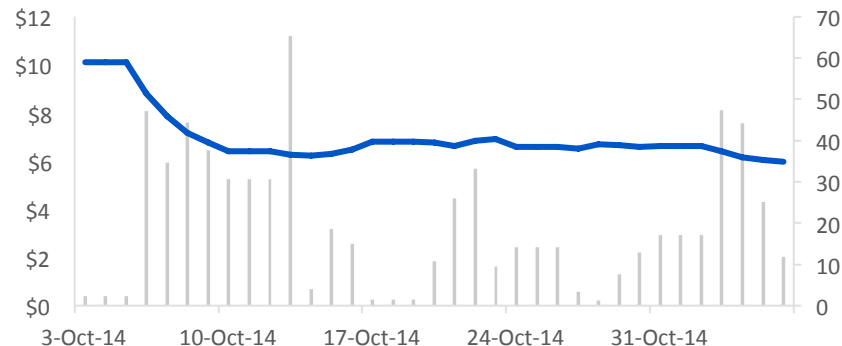
Financial Highlights

(in \$ millions except per share data)

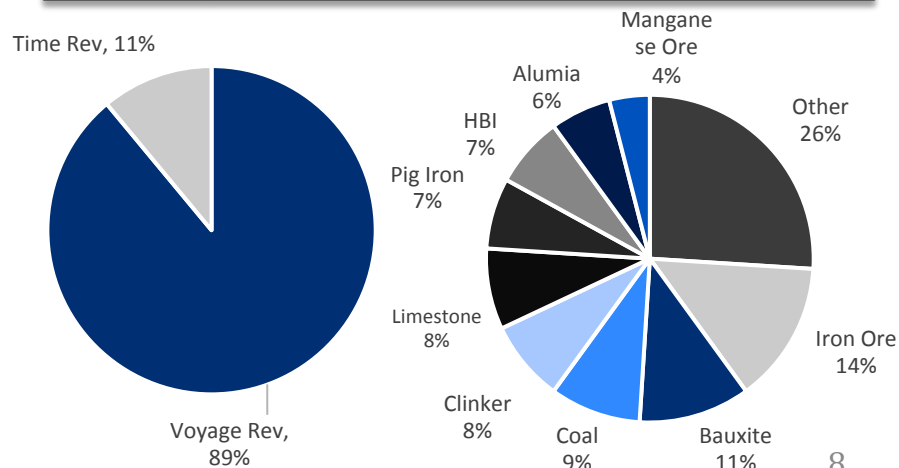
Data as at November 9th, 2014

| | |
|-----------------------------------|--------------------|
| Share Price | \$5.30 |
| <i>Dividend Yield</i> | <i>0.0%</i> |
| <i>52 Week High</i> | \$10.73 |
| <i>52 Week Low</i> | \$5.30 |
| <i>Shares Outstanding (K)</i> | 34.70 |
| Equity Market Value | \$173.00 |

Share Trading Performance LTM



Revenue Segmentation



Investment Thesis

Industry Leader in Arctic Shipping

- Leader in niche market, owning 30% of the world's 1-A Ice-Class tonnage
 - Ordered 4 additional vessels to be delivered in 2015 and 2016
- Capturing profit from limited supply and lower costs
 - Very profitable route, enables saving of 20-45% on voyage expenses and premium pricing
- Growing opportunity to ship via the North Sea Route
 - More freight transits through Baltic ports and the passage the amount of shipping days increase YoY

Strong Business Model Driving Profitability

- Value-added backhaul specialization increases revenue without requiring huge capital expenditures
 - Strategy: Sign long term contracts for backhaul, then match these trips with “common” fronthauls
- Operational Leverage vs. Financial Leverage: “Asset-light” strategy provides greater financial flexibility throughout the cycle
 - 20 vessels owned and ~35-45 vessels chartered-in
 - Maintain upside potential by “chartering-in” additional vessels if needed
- Embedded in the supply chain of customers vs commoditized shipping companies, creating a loyal customer base
 - Backhaul : Offer transportation services on less travelled routes
 - Effort in always selecting the most appropriate vessel for the task, customize vessels
 - Introduce potential buyers and sellers

Strong & Profitable Growth

- Consistent, acyclical growth:
 - EBITDA margin standard deviation of 2.1%, the lowest of its shipping peers
 - 45% CAGR in adjusted EBITDA from 2009-2013
 - 3 year average Return on Equity of 19.5%
 - Tax-efficient structure results in minimal income taxes

Quartet-Pangaea Merger – Deal Rationale

Context

- Quartet, a public search fund incorporated in October 2013, announced on April 30th 2014 that it had entered into a merger agreement to reverse takeover Pangaea Logistic Solutions Ltd., which until then was privately-held
 - Quarter was merged into a newly formed Holdco domiciled in Bermuda, which then merged with Pangaea, with the latter surviving the merger as a wholly owned subsidiary of Holdco

Rationale

- Established business operations **poised to harness organic growth**
 - Growth in shipping days of 9.5% from 2011 to 2013 vs industry growth of less than 5%
 - Revenues flat over the 2011-2013 period as increased traffic was offset by declining spot rates
 - Net income margin increased from 0.9% to 3.9%
 - Appropriate infrastructure already in place

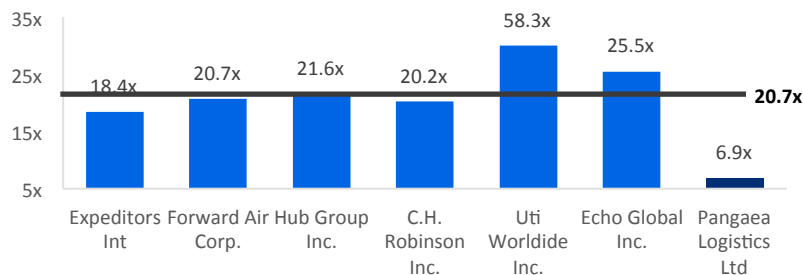
Consideration Mix

- **\$300M of common stock** and cash (capped at a maximum of \$10M)
- Management incentives of up to \$75M worth in common stock at \$10.20 par value over the next 3 years contingent on net income targets

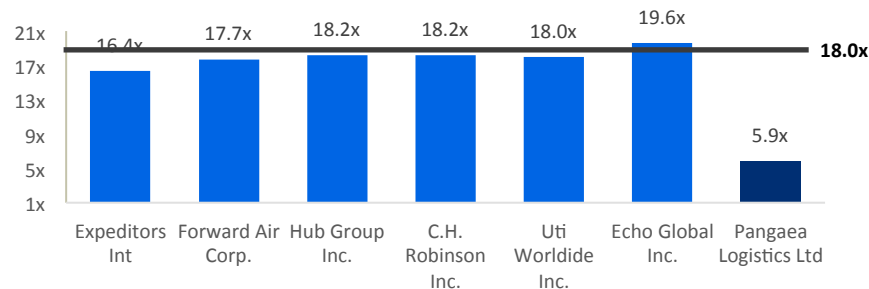
Highlights

- Pangaea shares began trading on **NASDAQ** on **October 3rd 2014**
- Management of Pangaea now holds **~60% of shares** of the merged entity
- **Joel Greenblatt** was a special advisor on the transaction and an investor in the search fund

P/E 2014



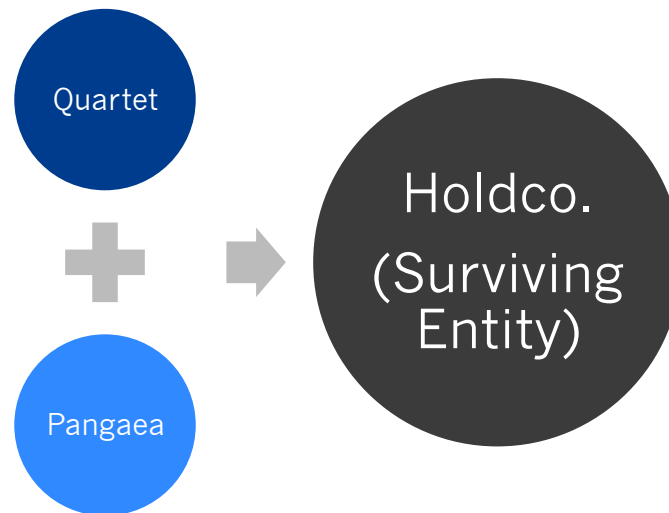
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Quartet-Pangaea Merger – Ownership

Management & Founders' Options

- Over the next 3 years, management may receive up to an additional \$75M in common stock (value at \$10.20 per share = 7.35M shares) if the following net income targets are met
- Quartet founders and Pangaea Shareholders are subject to 12 months lockup provisions, with potentially 50% available for early release
- A portion of Quartet founder shares are subject to transfer to Pangaea shareholders based on shareholder redemptions in excess of 15%



Contingent Payment Schedule

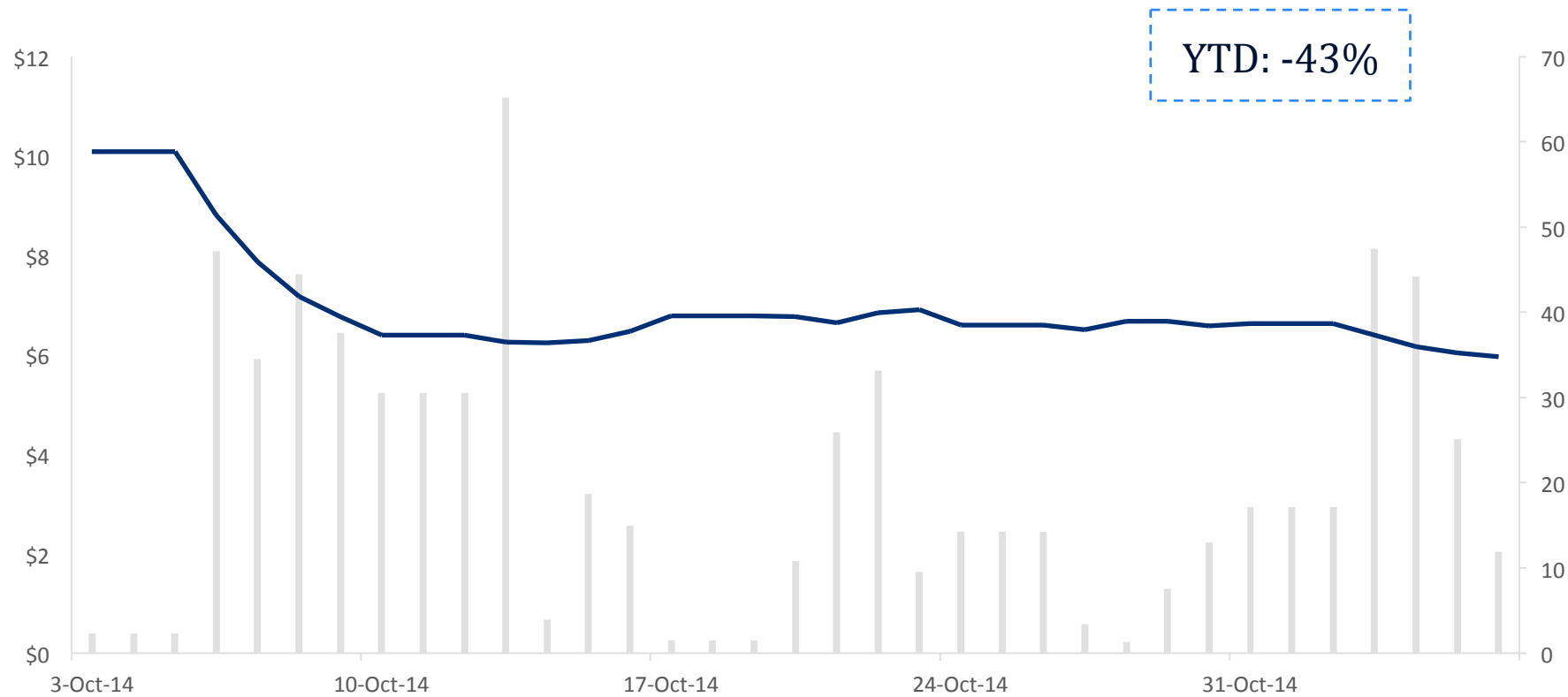
| | Net Income Target | Contingent Value ¹ | Contingent Shares ¹ | Pangaea's Ownership ² |
|---|----------------------|----------------------------------|-----------------------------------|-------------------------------------|
| Fiscal Year Ending December 31, 2014 | \$27,300,000 | \$35,000,000 | 3,431,373 | 70.5% |
| Fiscal Year Ending December 31, 2015 | \$34,000,000 | \$20,000,000 | 1,960,784 | 71.7% |
| Fiscal Year Ending December 31, 2016 | \$41,000,000 | \$20,000,000 | 1,960,784 | 72.8% |
| Cumulative Net Income Target ³ | \$102,300,000 | \$75,000,000 | 7,352,941 | 72.8% |

Note: ¹ Contingent payment will be made in shares of Holdco Common Stock (valued at \$10.20 per share).

² Hypothetical ownership assuming that no Quartet shareholder redeems and each contingent payment is earned.

³ If the cumulative net income target is met by the end of fiscal 2015, all three contingent payments will be deemed earned.

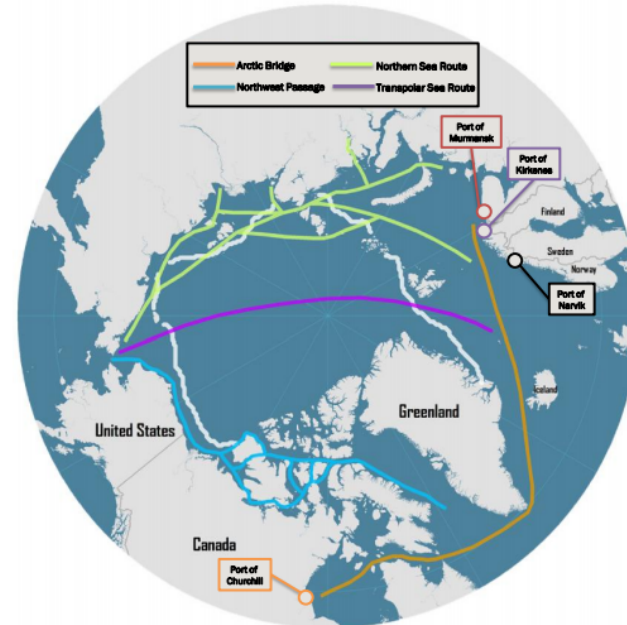
Share Price Performance



Company Analysis

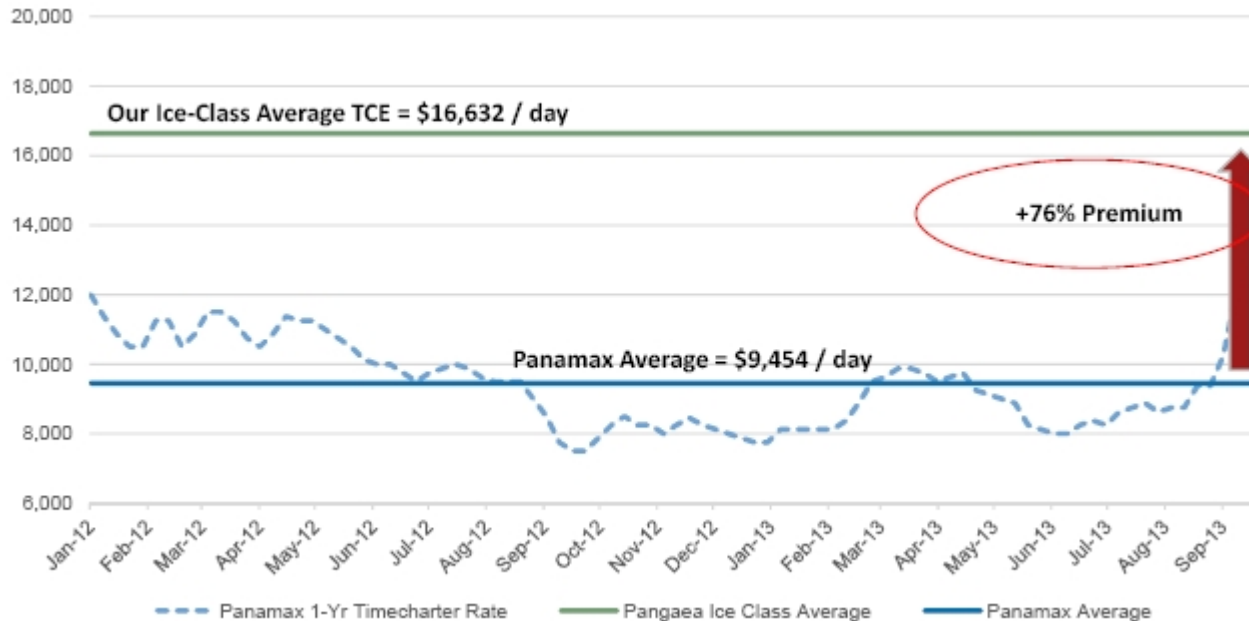
Leader in Ice-Class Dry Bulk Shipping

- As temperature increases in the Arctic, record lows in sea ice levels are recorded in the region and Arctic trade routes open for longer periods of time every year
 - Nevertheless these routes are seasonal and only viable for a handful of bulkers and tanker operators
 - Very few shippers have ships that can safely navigate the Arctic, or crews that are experienced enough in these conditions
- There are a number of ports in the Arctic, mainly surrounding the Baltic Sea and the Hudson Bay region in Canada that are in need of Arctic shipping due to the growing economic activity surrounding natural resources in the region
 - Most of them lack deep-water dockage and infrastructure required for large vessels, making Panamax ships the preferred vehicle
- Operating in these routes is attractive due to:
 - Higher profits due to limited supply leading to higher pricing
 - Expertise and vessel barriers to entry
 - Winter: minimal choices for service at ice-bound ports
 - Summer: Far more efficient routes increasing profits by reducing time and fuel required



Leader in Ice-Class Dry Bulk Shipping

- Pangaea owns Four 1A ice-class vessels (vessels able to operate under the most extreme Arctic conditions), which is **30% of the total operating 1A ice-class fleet by DWT**, and gives them a market-leading position in this niche segment
 - First non-Russian dry bulk vessel to transit the Northern Sea Route
 - First dry bulk vessel to transit the Northwest Passage
- Premium charged to customers to ship via these routes significantly improves the company's profitability
 - Premium of 76% was charged on Panamax Spot rates in 2012-2013



Northern Sea Route

Arctic Outlook

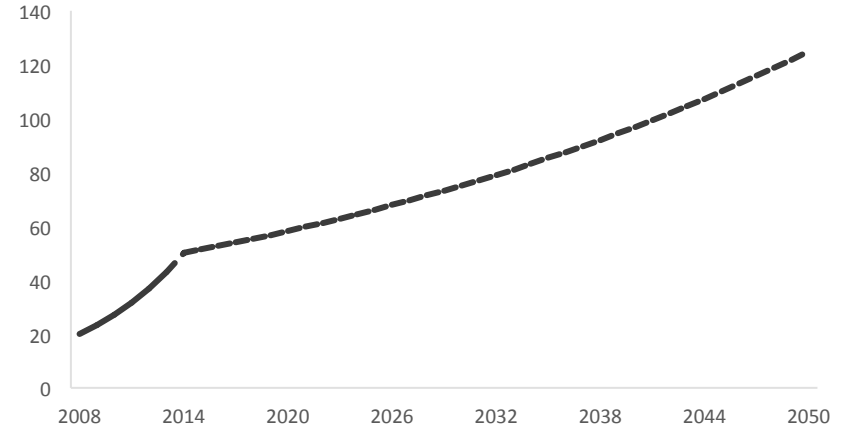
- Average temperature in the Arctic is increasing faster than anywhere else in the world
- Record low sea-ice was seen during both summer 2007 and 2012
- Arctic is surrounded by land, ice shows less seasonal variation, 28% is multi-year ice
 - Large Areas typically 3-4m thick
 - Ridges up to 20m thick
- Ports of Kirkenes and Murmansk will see their cargo volume drastically increase in the upcoming decades as they are ice free year round and important rail terminals linking them to Europe and Asia through Russia

Pangaea Specialized Position

- Pangaea's 1A Ice-Class is capable of carrying 12-15,000 metric tones more than a vessel traveling through the Suez Canal and can complete the voyage in less time
- Pangaea was also the first dry bulk carrier to transit the Northwest Sea Route, giving them a first mover advantage
 - Supply of ships is limited in these areas as it takes experience to navigate this cold passage

Navigable Days in the Arctic

Days navigable

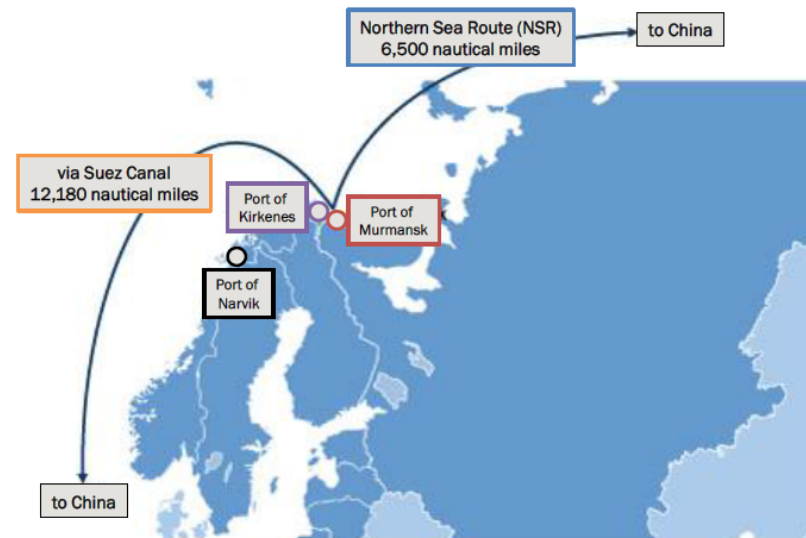
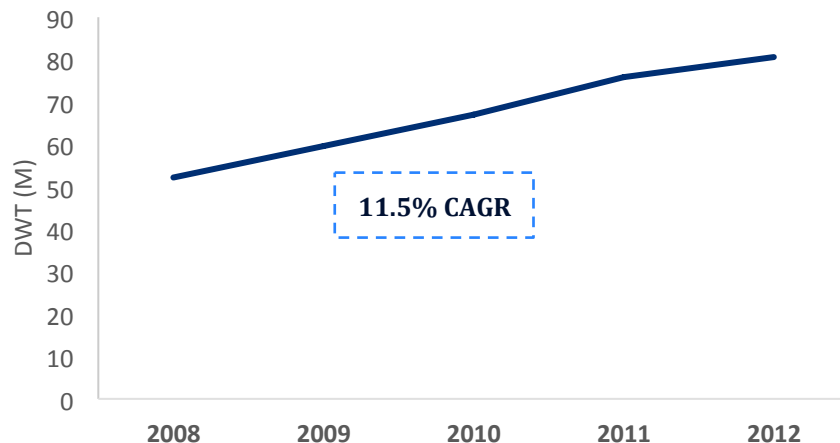


Benefit of NSR

| Shipping Routes | NSR | Suez Canal | Savings |
|---------------------------------------|-----------|------------|------------------|
| Distance (NM) | 6500 | 12180 | 5680 |
| Speed (knots) | 11 | - | - |
| Voyage time (Days) | 25 | 40 | 15 |
| Canal transit tariff (US\$/ton) | - | \$5 | \$205,000 |
| NSR/Ice Breaker tariff | \$250,000 | - | (\$250,000) |
| Fuel Cost | \$458,250 | \$733,200 | \$274,950 |
| Piracy Insurance (US\$/voyage) | - | \$30,000 | \$30,000 |
| Ice Condition Insurance (US\$/voyage) | \$30,000 | - | (\$30,000) |
| Estimated Savings | | | \$229,950 |

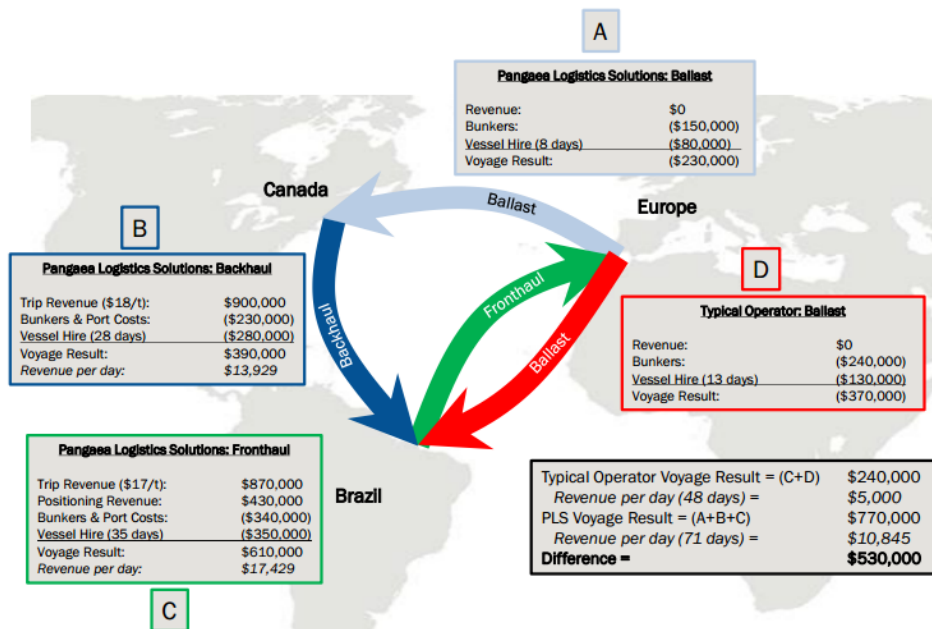
North Sea Route

Dry Bulk Volume at Major Baltic Ports



| Port | Country | Main cargo | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------------|-----------|------------------------|-------------|-------------|-----------|-------------|-------------|
| Klaipeda | Lithuania | Fertilizers | 9.7 | 9.7 | 11.8 | 14.5 | 14.1 |
| Tallinn | Estonia | Fertilizers | 3 | 4.4 | 5.5 | 4.1 | 4 |
| Ventspils | Latvia | Coal, Fertilizers | 8.6 | 7.8 | 8.7 | 10.9 | 10.9 |
| Riga | Latvia | Coal | 19.3 | 18.8 | 17.4 | 20 | 21.6 |
| Liepaja | Latvia | Grain | 1.4 | 1.8 | 1.4 | 1.4 | 2.9 |
| St. Petersburg | Russia | Fertilizers, Coal, Ore | 10.1 | 7.9 | 9.2 | 7.4 | 5.8 |
| Ust-Luga | Russia | Coal | - | 8.3 | 10 | 13.6 | 16.9 |
| Vysotsk & Vyborg | Russia | Coal | - | 0.9 | 3 | 4 | 4.3 |
| Total | | | 52.1 | 59.6 | 67 | 75.9 | 80.5 |

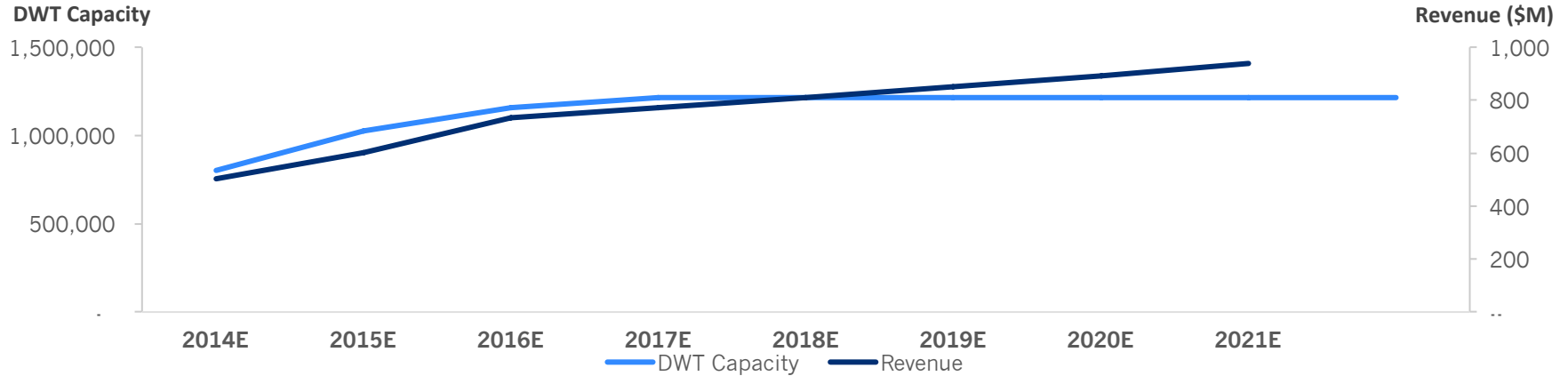
Focusing on Backhaul



Backhaul Strategy

- Contrarily to other shippers, Pangaea's main strategy is to focus on the backhaul route (return trip) before committing to a fronthaul voyage
 - More specifically they try to obtain long-term contracts of affreightment (COA's) for the backhaul route, and then match these return trips with other time charters and voyage charters
- The majority of dry bulk shippers will transport cargo only for the fronthaul portion of a voyage, making the return trip on ballast (empty)

Focusing on Backhaul

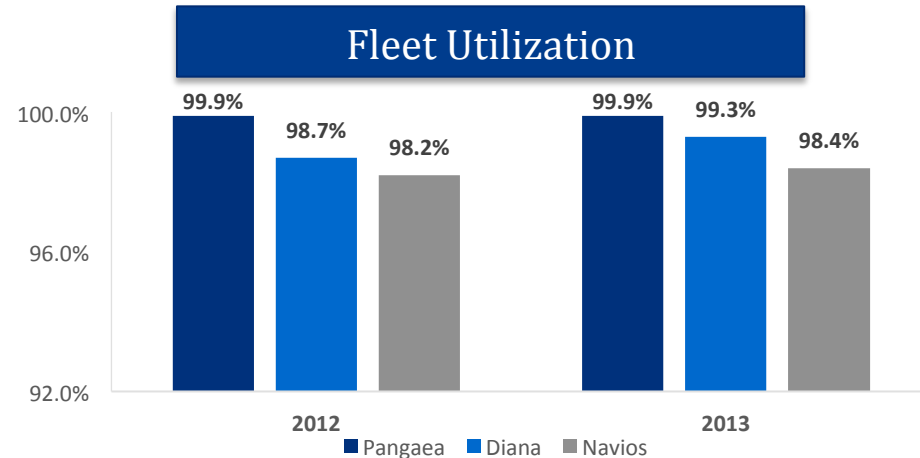
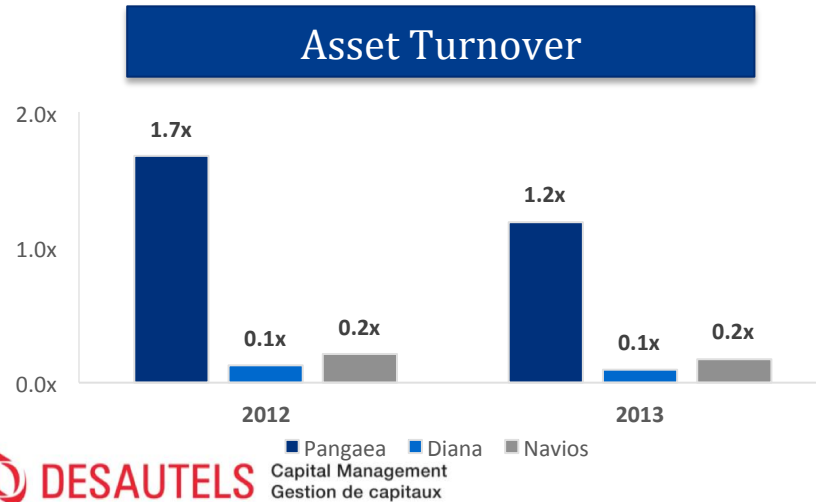


Backhaul Strategy

- By adopting this strategy, Pangaea is able to improve profitability and asset utilization as well as grow revenues with a lot less capex than traditional shippers who grow only by vessel acquisition
 - Asset-light strategy enables the company to be a lot more flexible to market conditions
 - Pangaea captures a premium of ~9-13% on spot rates
 - Allows to choose vessels that match their customer's needs
- By focusing on these niche, less-traveled and less commoditized backhaul routes, the shipper becomes embedded in its customers' supply chain becoming almost a logistics company, creating barriers to entry that dry bulk shippers usually don't have
 - Requires expertise in specific trade routes and commodities, sometimes even matching buyers and sellers
 - Will sometimes accompany clients on sales calls to explain transportation options as well as delivery details
 - Provides better port infrastructure services for clients, going as far as modifying vessels to specifically for clients' needs

Asset-Light Strategy

- Variable costs vs. fixed costs
 - Pangaea owns and operates 20 vessels and leases up to 45 other vessels (average of 28) at any time if needed
 - This strategy gives a lot more financial flexibility to the firm in both slumps and periods of high growth, and allows to always have the right ship
- This strategy, consisting in **operational leverage instead of financial leverage**, leads to higher return on assets and avoids excessive leverage
 - Utilization of assets is maximized; 99.9% utilization in past years
 - No need to contract excessive debt to finance acquisitions
- “Our business is growing, so we expand our fleet”
 - Not: “We expand our fleet in an effort to grow our business”
 - Focus on acquiring vessels at opportunistic times



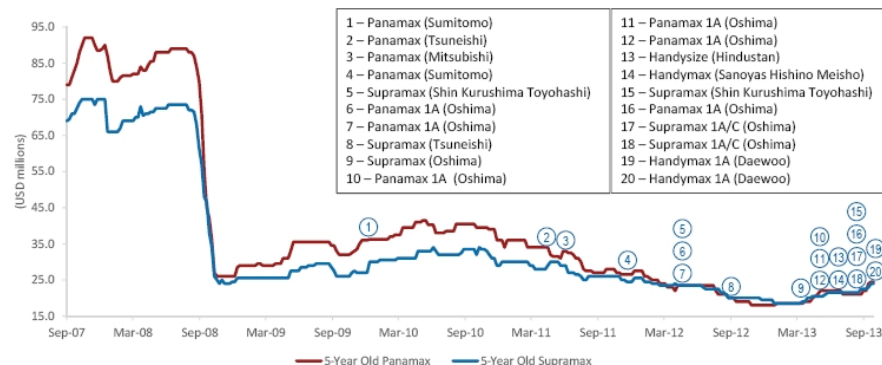
Pangaea's Fleet

Current Fleet

| Vessel | Vessel Type | DWT | Year Built | Country Built | Ice Class |
|----------------------|-------------|----------------|-------------|---------------|-----------|
| Bulk Providence | Handysize | 30,193 | 2007 | India | - |
| Nordic Bothnia | Handymax | 43,706 | 1995 | Korea | 1A |
| Nordic Barents | Handymax | 43,732 | 1995 | Korea | 1A |
| Bulk Liberty | Handymax | 46,747 | 1998 | Japan | - |
| Bulk Beothuk | Supramax | 50,956 | 2002 | Japan | - |
| Bulk Juliana | Supramax | 52,510 | 2001 | Japan | - |
| Bulk Newport | Supramax | 52,587 | 2003 | Japan | - |
| Bulk Trident | Supramax | 53,514 | 2005 | Philippines | - |
| Bulk Cajun | Panamax | 66,916 | 1984 | Japan | - |
| Bulk Discovery | Panamax | 69,346 | 1989 | Japan | - |
| Bulk Patriot | Panamax | 70,165 | 1996 | Japan | - |
| Bulk Pangaea | Panamax | 73,786 | 1999 | Japan | - |
| Nordic Odyssey | Panamax | 75,603 | 2010 | Japan | 1A |
| Nordic Orion | Panamax | 75,603 | 2011 | Japan | 1A |
| Average/Total | | 805,364 | 2000 | | |

Expansion

| Vessel | Vessel Type | DWT | Year Built | Country Built | Ice Class | Delivery Date | Price (\$M) |
|----------------------|-------------|----------------|-------------|---------------|-----------|---------------|----------------|
| Newbuild 1 | Panamax | 75,000 | 2014 | Japan | 1A | Q4/14 | \$32.70 |
| Newbuild 2 | Panamax | 75,000 | 2015 | Japan | 1A | Q1/15 | \$32.70 |
| Newbuild 3 | Panamax | 75,000 | 2015 | Japan | 1A | Q1/15 | \$32.60 |
| Newbuild 4 | Panamax | 75,000 | 2016 | Japan | 1A | Q1/16 | \$32.60 |
| Newbuild 5 | Ultramax | 60,000 | 2016 | Japan | 1C | Q4/16 | \$29.00 |
| Newbuild 6 | Ultramax | 60,000 | 2016 | Japan | 1C | Q4/16 | \$29.00 |
| Average/Total | | 420,000 | 2015 | | | | \$188.4 |



Diana Shipping Inc. – Market Summary

Company Description

- Global provider of shipping and transportation services, headquartered in Athens, Greece
- Specializes in transporting dry bulk cargoes, including commodities such as iron ore, coal, grain, and other materials
- The fleet includes 23 dry bulk carriers
 - Including 13 Panamax, 8 Capesize and 2 container vessels

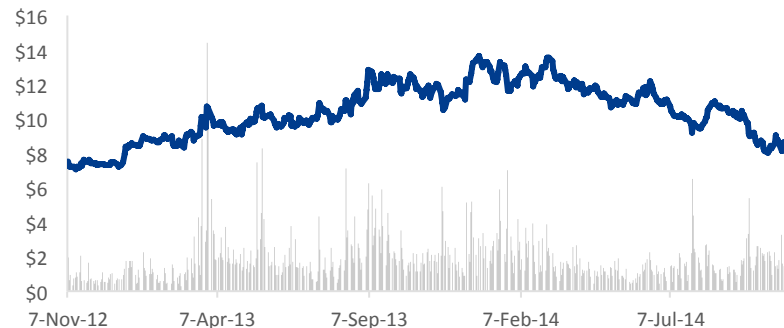
Financial Highlights

(in \$ millions except per share data)

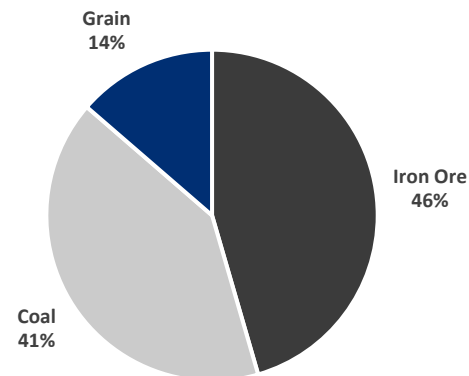
Data as at November 9th, 2014

| | |
|-----------------------------|--------------------|
| Share Price | \$8.09 |
| <i>Dividend Yield</i> | <i>0.0%</i> |
| <i>52 Week High</i> | \$13.93 |
| <i>52 Week Low</i> | \$7.74 |
| Shares Outstanding (mm) | <u>82.11</u> |
| Equity Market Value | \$664.29 |

Share Trading Performance LTM



Revenue Segmentation



Navios Maritime Holdings Inc. – Market Summary

Company Description

- Headquartered in Monte Carlo, Monaco
- Operates a seaborne shipping and logistics company
- Focuses on the transportation of dry bulk commodities including iron ore, coal and grains
- Operated under charter agreements such as voyage, time and trip charter
- Navios fleet consists of 66 vessels around the globe

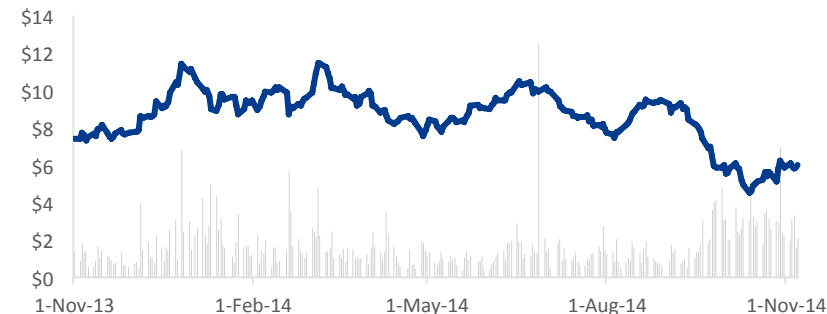
Financial Highlights

(in \$ millions except per share data)

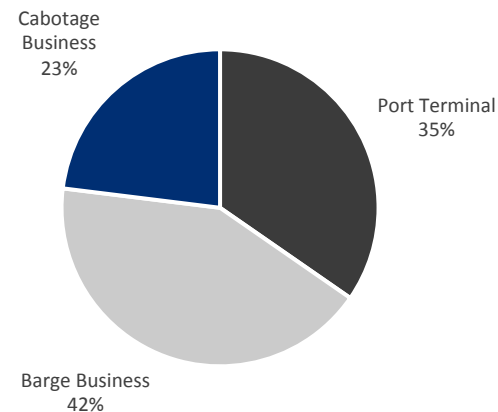
Data as at November 9th, 2014

| | |
|----------------------------|-----------------|
| Share Price | \$6.01 |
| <i>Dividend Yield</i> | <i>0.0%</i> |
| <i>52 Week High</i> | \$12.12 |
| <i>52 Week Low</i> | \$4.2 |
| Shares Outstanding (mm) | 102.95 |
| Equity Market Value | \$618.71 |

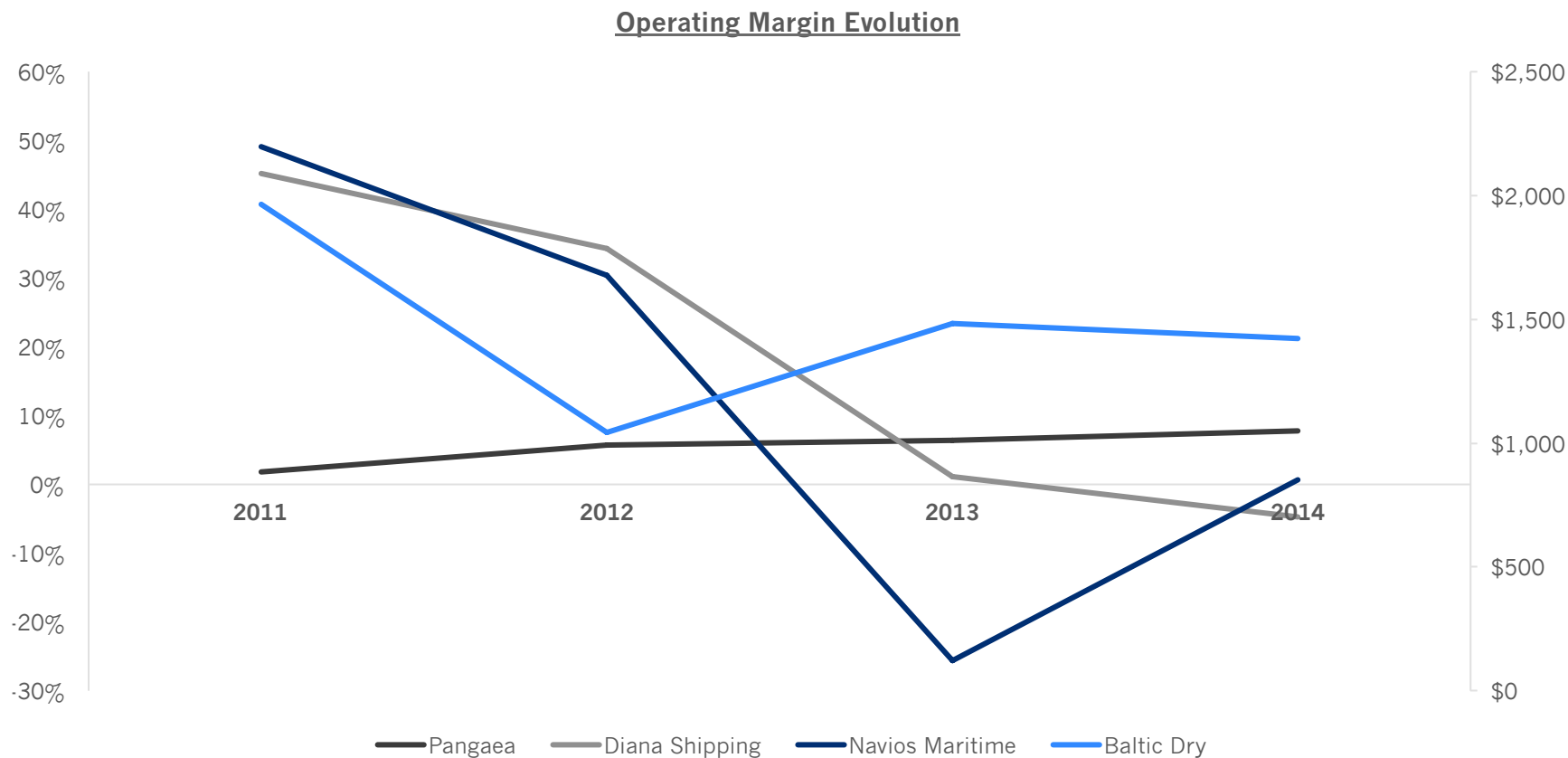
Share Trading Performance LTM



Revenue Segmentation



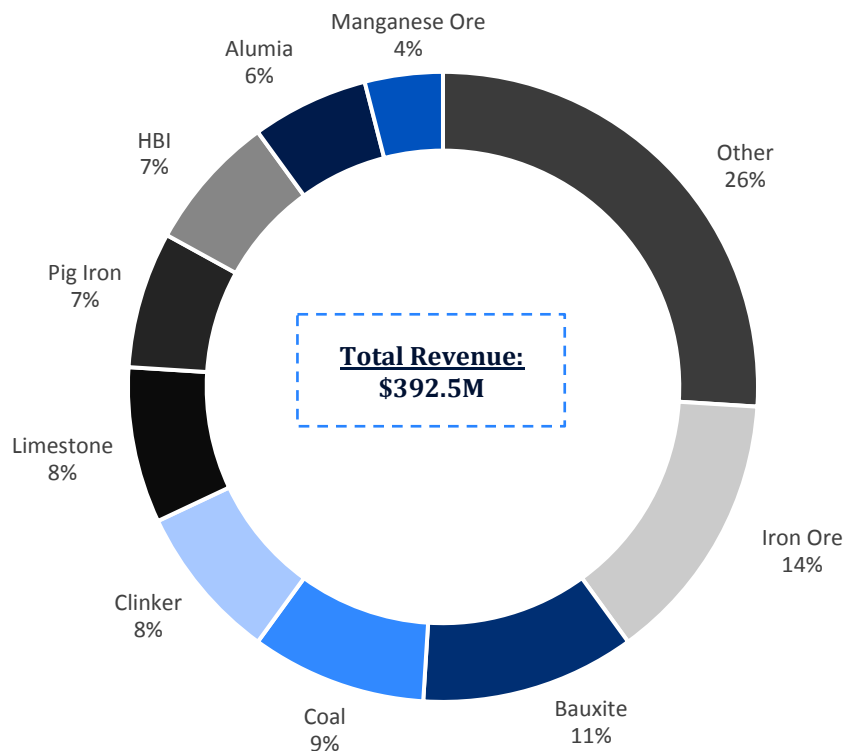
Margin Evolution



Commodities Overview

Revenue Segmentation

2013 Cargo by Days



Diversity of Revenue Segments

- By operating in many segments, Pangaea reduces risk and dependency on specific commodities
 - No cargo accounts for more than 14% of its traffic
 - Served over 190 ports worldwide in 2013
- Longstanding relationships with clients, while diversified customer base
 - No customer represents more than 10% of revenues
 - Top 20 clients represent less than 50% of revenues



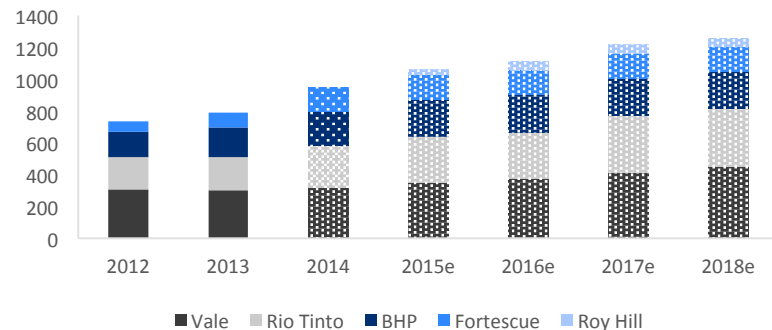
Commodity Outlook – Iron Ore

Iron Ore - Production

- TSI 62% index averaged \$80/t in October, its lowest since September 2009
- Oversupply coinciding with a protracted downturn in Chinese Demand
- Higher cost miners are struggling, leading to many Chinese mines closing down
- Chinese production expected to fall by at least 50 million tons
- Australia has been increasing exports, expected to 150 million tons this year
- European demand continues to grow, although the rate of growth has slowed
- Total iron ore exports from India is falling with a decreasing price in Iron prices as well as the Indian government increasing royalties from 10% to 15%

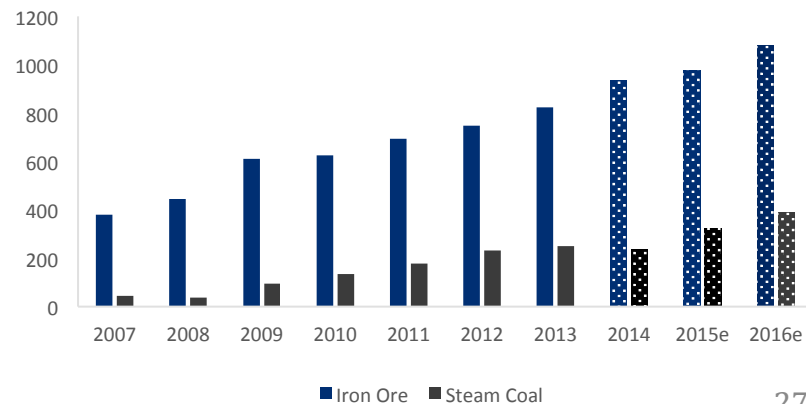
Attributable Company Projections

Mill tons



Imports to China

Mill tons



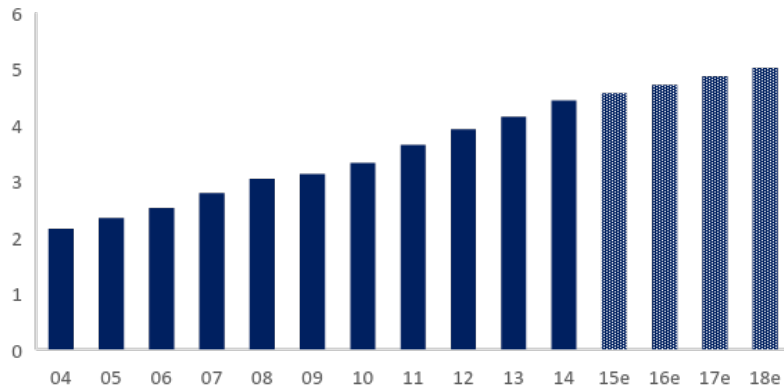
Commodity Outlook – Clinker & Bauxite

Clinker

- China accounts for half of the global demand and has been increasing consumption at about 10% per year since 2004
- Demand is perking up as developing countries continue to build with cement, which is the most widely used glue in the world
- Emerging economies now consume 90% of the world cement output

Global Clinker Demand

Billion tons

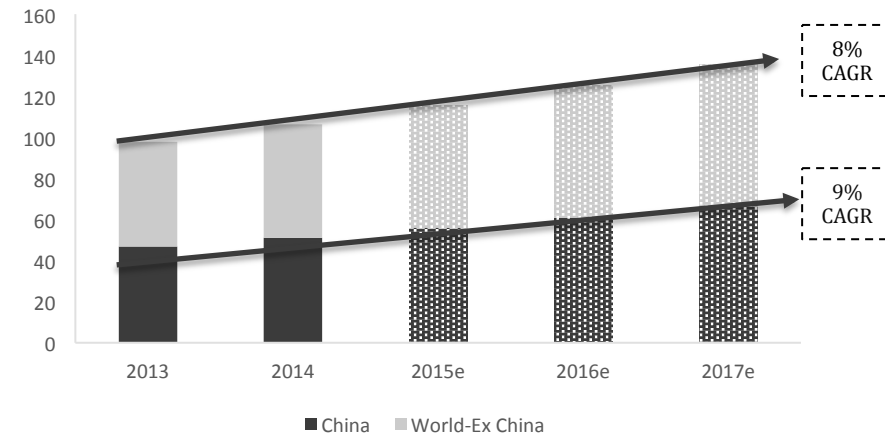


Bauxite

- Indonesia accounts for 68% of China's Bauxite imports
 - Implemented a trade restriction, which is expected to increase the price to \$US60 over the next few months
 - Australia, the worlds largest Bauxite producer, accounting for about one third of global production, is now looking to fill in the gap
- Price increase is expected to increase total global production as smaller mines start extracting

Global Bauxite Demand

Mill tons

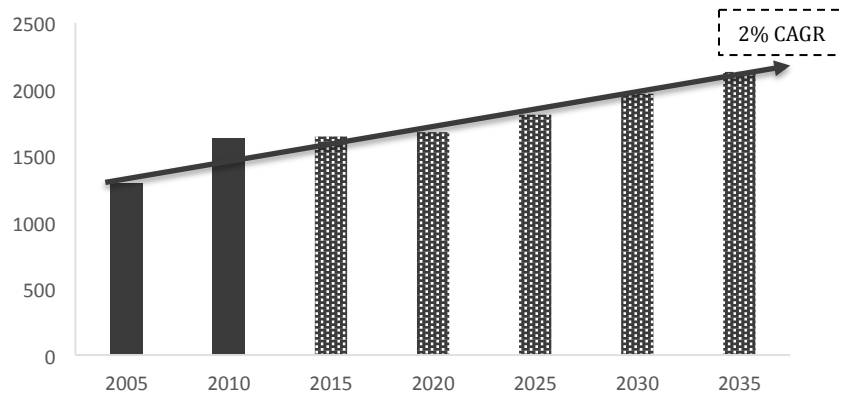


Commodity Outlooks – Coal & Pig Iron

Coal

- China accounts for approximately 40% of global coal production and consumption
 - Chinese coal demand increased by merely 1.6% during the first six months of the year, despite 80.3% of China's electricity being still generated by coal
 - Price of metallurgical coal at six year low due to slowdown in Chinese demand
- Coal supply from the top 5 exporters fell 4.8% this year, which may support future price increases

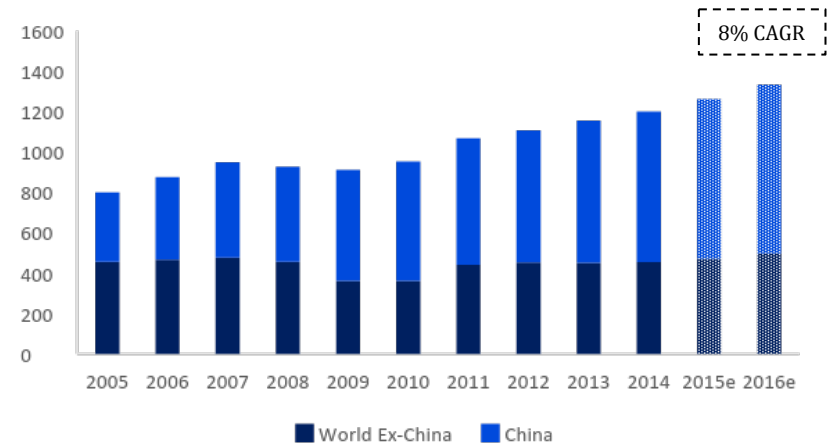
Global Coal Capacity



Pig Iron

- Pig iron is an intermediate product of smelting iron ore and growth is closely linked to its production
- China is responsible for approximately 60% of total pig iron production
- Chinese pig iron production has been growing at approximately 8% per year since 2005 and has started to taper in recent years to 5% growth due to nearly doubling in ore import prices since March

Pig Iron Production



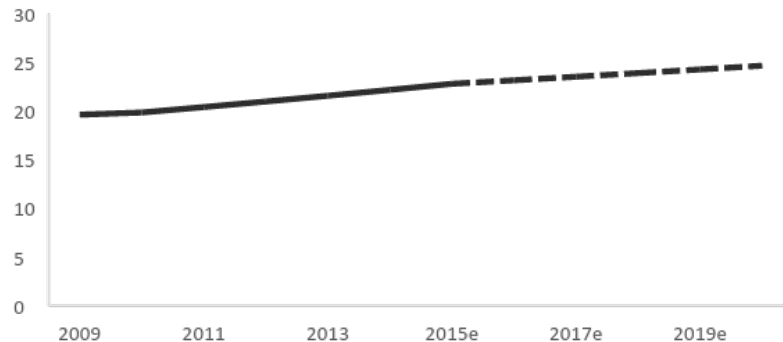
Commodity Outlooks

Limestone

- Global limestone consumption is projected to reach 5.7 billion tons by 2020 at a 4.8% CAGR
- Asia-Pacific represents over a third of the worldwide market of limestone with a CAGR of 5.8%, likely caused by the high growth in the construction sector
 - Limestone absorption of CO2 generates new market opportunities as well as the demand for calcium carbonate in the paper industry
- Developed markets such as the US, however have a much more stable outlook

United States Consumption Projections

Mill tons

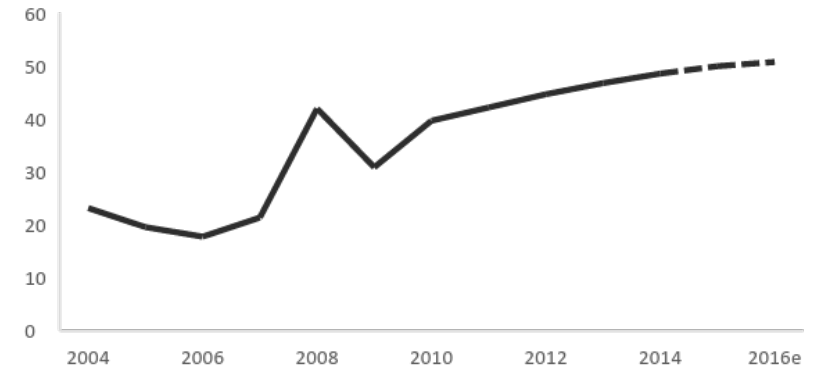


Manganese Ore

- 85% of Manganese Ore demand is derived from steel demand, which has supported increasing production for manganese from 8.9Mt in 2008 to 26.3Mt in 2013
- The majority of the global supply of Manganese is found in South African and they hold approximately 77%
 - South African Manganese production is expected to drop in the future as other countries ramp up manganese production
- There is no suitable substitute for manganese in steel production, positive growth in steel will likely lead to growth in manganese global production

Global Production Projections

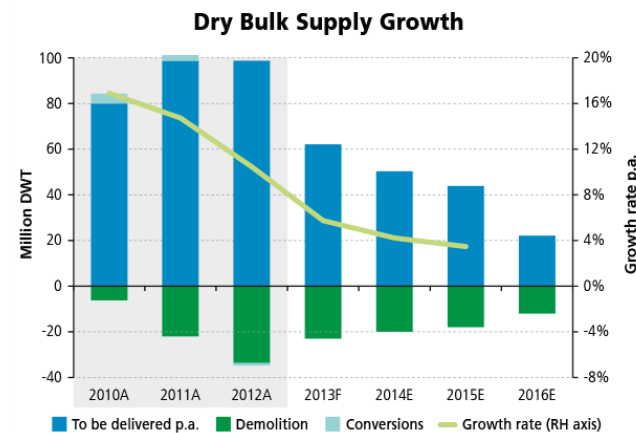
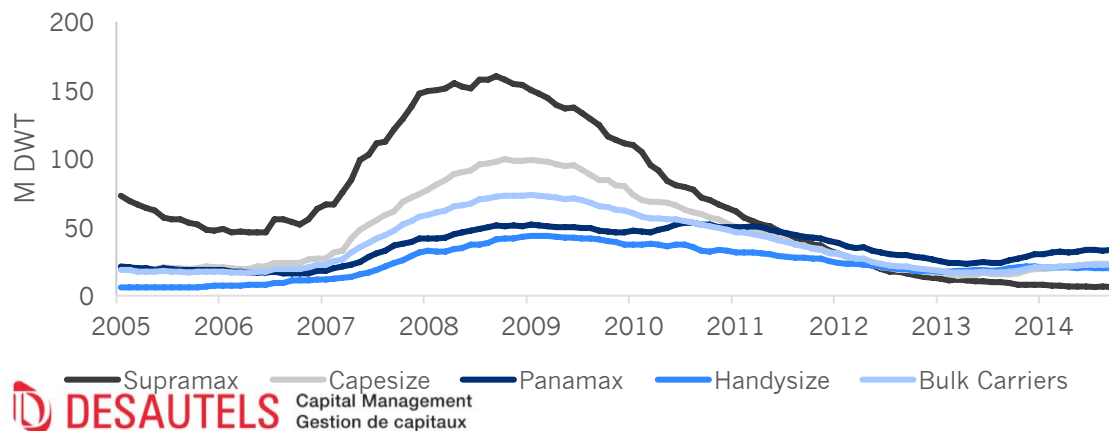
Mill tons



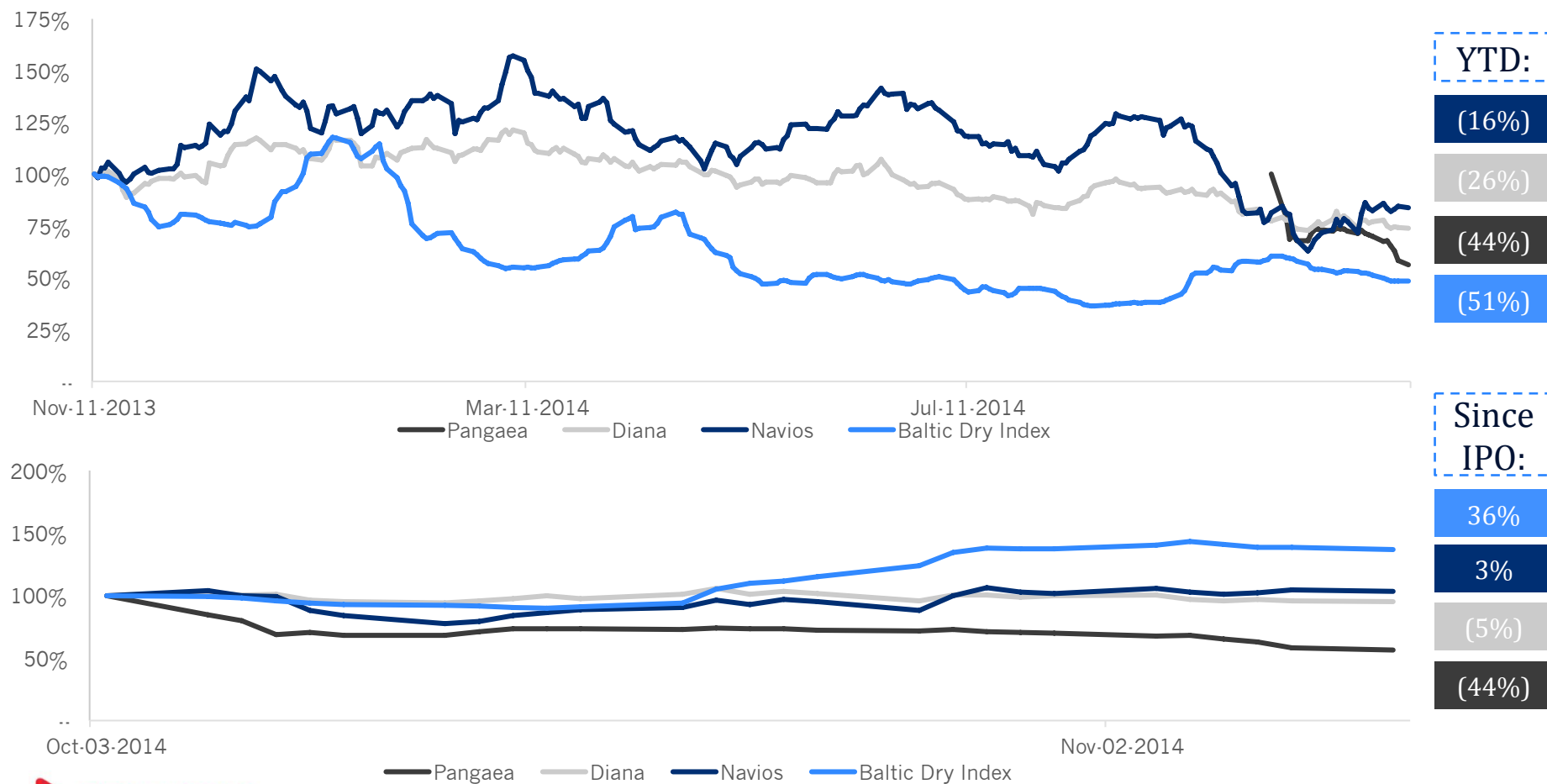
Dry Bulk Shipping Overview

Dry Bulk Shipping – Spot Rates Outlook

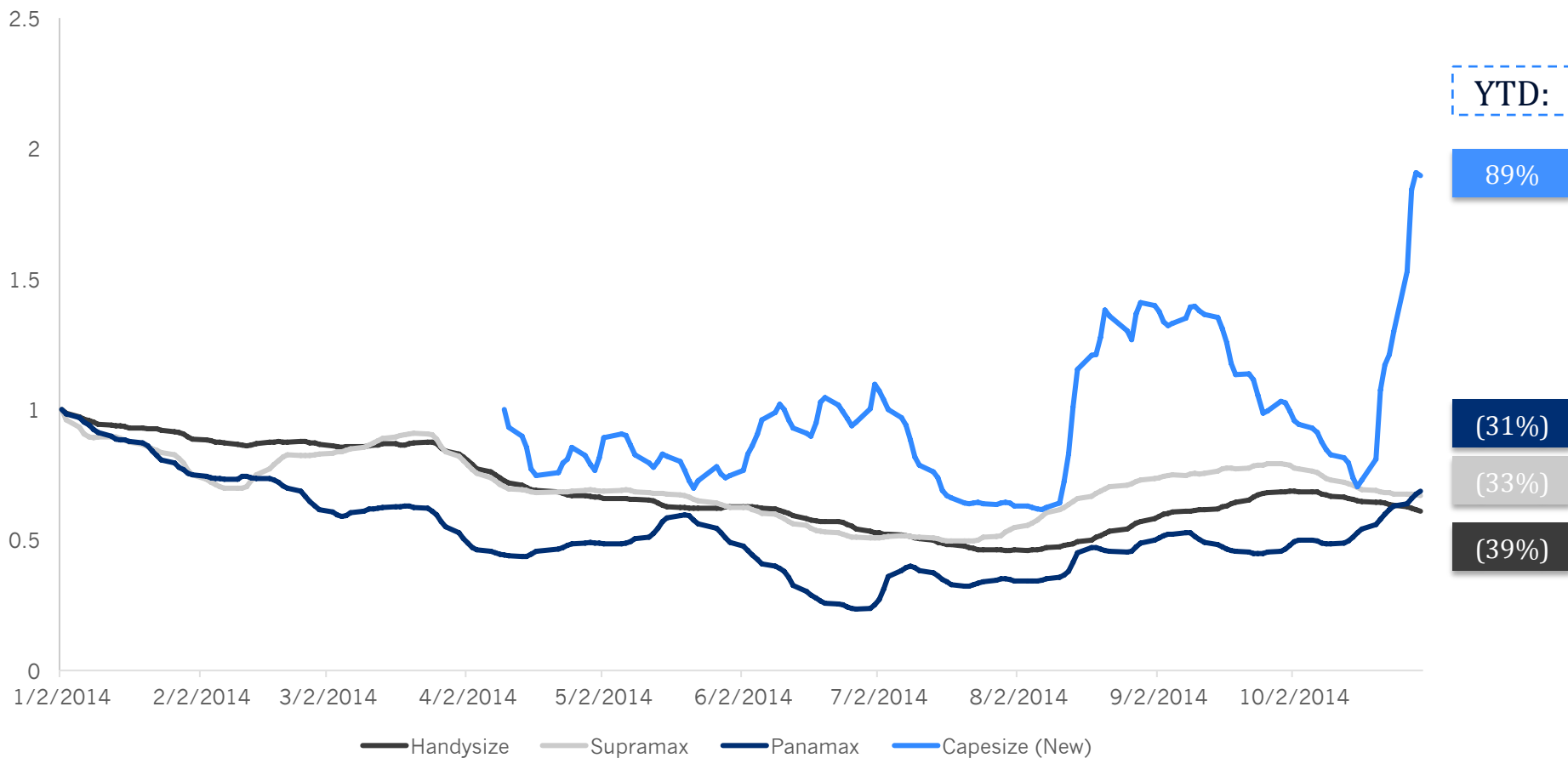
- Rates, now currently at lows last seen during 2008-2009, are forecasted to rebound in the next quarter due to:
 - Slower tonnage growth as current rates have reduced the order books of shipbuilders
 - Higher economic growth in China, 7.4% of forecasted for H2, due to its expansionary economic policy
 - Seasonal exports of thermal and grain coal are high in Q4
- Consistent growth in total seaborne trade should also support a rate increase in the medium to long run:
 - Total growth of 6.9% forecasted 2014 and 2015 will also contribute to improve rates
 - Increases in demand for iron ore in China, EU and Japan; 8% CAGR
- Net dry bulk fleet growth softening should also drive increases in rates as rates are determined by the supply and demand for capacity
 - Current unattractive rates have decreased the order books of shipbuilders: 16% growth in 2010 compared to 5% in 2014
 - 18% YoY increase in scrapping activity by tonnage



Dry Bulk Shipping – Performance Since October



Dry Bulk Shipping Outlook – YTD Spot Rate Performance



Second Quarter 2014

Recent News & Development

- Demand has declined to amounts seen at the end of 2008, beginning 2009
- To counteract the decline, Pangaea reduced their overall voyage days compared to Q1 by 9.8%
- Expects to dry-dock 4 vessels by the end of the year at an expected cost of \$3.1M
- Reduced capital expenditures by \$33.9M compared to 2013 mainly attributed to the purchase of new properties in 2013
- Increase in vessel operating expenses is due to the acquisition of 4 vessels in fiscal 2013 and 2 vessels in the three months ended March 31st, 2014
- Announced October 28th, 2014 the delivery of the worlds largest Ice-Class 1A Panamax Nordic Oshima, which has dramatically increased tonnage capacity

Sold Vessels

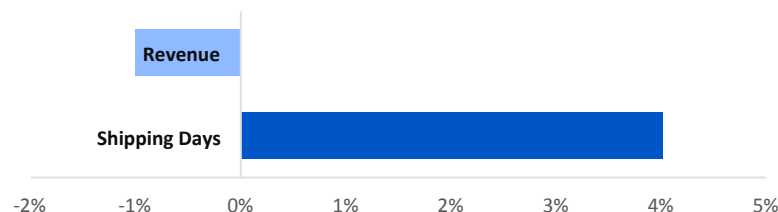


- The Bulk Liberty was built in 1998 as a Handymax vessel
- It was sold during the second quarter of 2014 at \$12.4M



- The Bulk Providence was built in 2007 as a Handysize vessel
- It was sold on May 27, 2014 for \$13.1M and realized a gain of \$2.3M

YoY Comparison

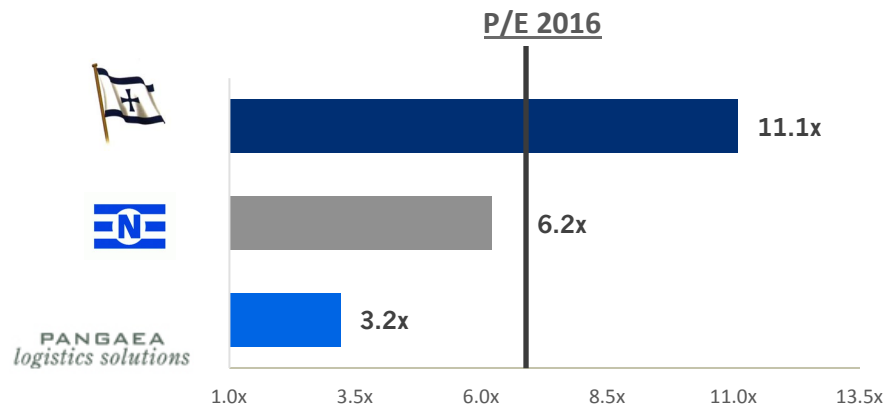
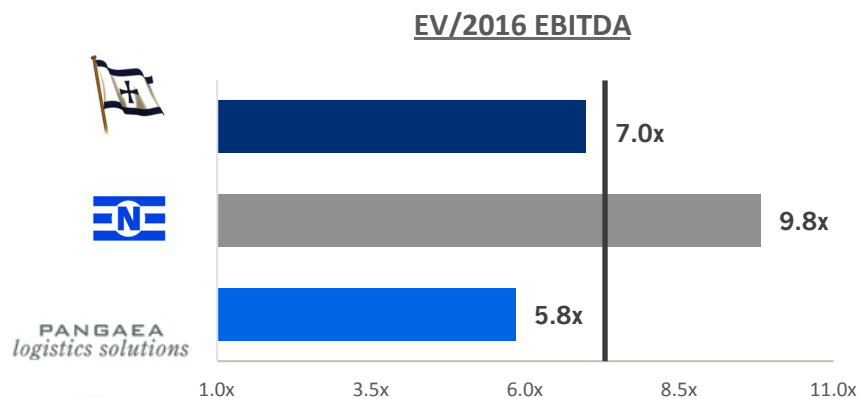
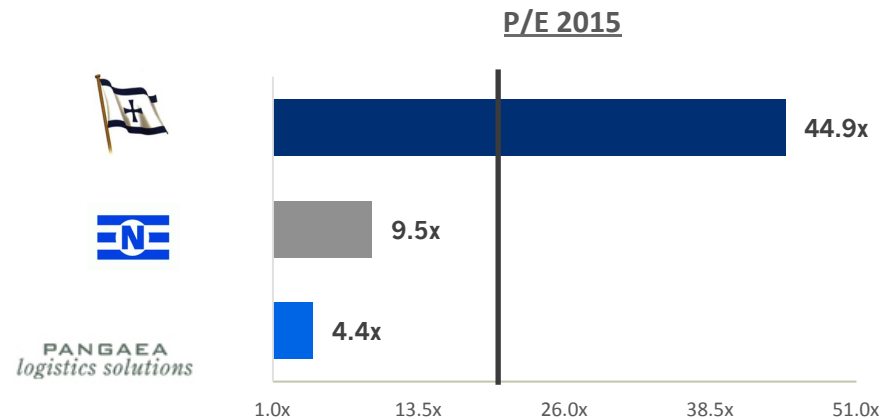
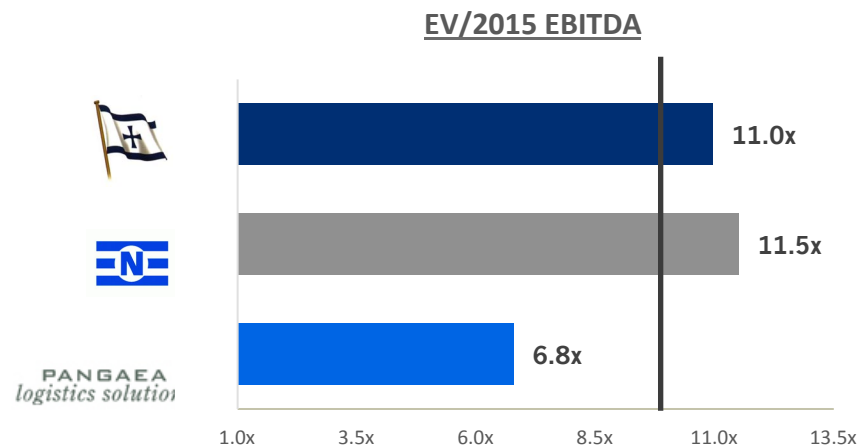


Valuation

Comparable Valuation

| Comparable Company Analysis | | | | | 2013A | | | P / E | | | 2015 |
|---------------------------------|--------------------------------|---------|-------------|------------------|---------|--------|------------|-------|-------|-------|-------------|
| | Company Name | Ticker | Market Cap. | Enterprise Value | Net | | Net Profit | 2013A | 2014E | 2015E | EV / EBITDA |
| | | | | | Income | ROE | Margin | | | | |
| | Expeditors Intl. of Washington | EXPD | \$9,711.8 | \$8,536.6 | \$348.3 | 17.0% | 5.7% | 7.0x | 18.4x | 16.4x | 10.8x |
| | Hub Group Inc. | HUBG | 1,599.7 | 1,576.5 | 65.8 | 12.1% | 2.0% | 1.6x | 21.6x | 18.2x | 9.5x |
| | CH Robinson Worldwide Inc. | CHRW | 12,041.8 | 12,861.6 | 415.9 | 34.0% | 3.3% | 5.1x | 20.2x | 18.2x | 12.8x |
| | UTi Worldwide Inc. | UTIW | 1,340.2 | 1,977.8 | -76.7 | -9.3% | -1.7% | NMF | 58.3x | 18.0x | 7.3x |
| | XPO Logistics, Inc. | XPO | 2,862.6 | 3,241.6 | -48.5 | -12.8% | -6.9% | NMF | NMF | 61.3x | 12.5x |
| | Echo Global Logistics, Inc. | ECHO | 747.5 | 733.1 | 13.7 | 8.9% | 1.5% | 0.4x | 25.5x | 19.6x | 10.3x |
| | Navios Maritime Holdings Inc. | NM | 798.8 | 2,454.4 | 109.1 | -8.4% | -21.3% | 15.9x | NMF | 11.3x | 8.0x |
| Diana Shipping Inc. | DSX | 771.1 | 850.4 | -21.2 | -1.7% | -12.9% | NMF | NMF | 18.5x | 8.6x | |
| Forward Air Corp. | FWRD | 1,660.1 | 1,633.9 | 53.8 | 12.9% | 8.6% | 1.0x | 20.7x | 17.7x | 9.5x | |
| Pangaea Logistics Solutions Ltd | | | \$173.0 | \$306.1 | 17.7 | 16.2% | 3.9% | 11.2x | 6.2x | 4.4x | 6.8x |
| Mean | | | 3,170.7 | 3,417.2 | 87.8 | 6.9% | -1.8% | 6.0x | 24.4x | 20.4x | 9.6x |
| Median | | | 1,470.0 | 1,805.9 | 35.8 | 10.5% | 1.8% | 5.1x | 20.7x | 18.1x | 9.5x |

Comparable Valuation



Valuation – DCF Assumptions

Bull

| Segment Revenue Growth | % of Revenue | 2013A | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E | 2021E | |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------|
| Total | 100% | 392.5 | 503.4 | 601.1 | 735.1 | 771.9 | 810.4 | 851.0 | 893.5 | 938.2 | CAGR |
| Pangaea Rev Growth | | | 28% | 19% | 22% | 5% | 5% | 5% | 5% | 5% | 9.3% |
| Industry Growth | | | 6.9% | 6.9% | 6.4% | 5.9% | 5.9% | 5.9% | 5.9% | 5.9% | |
| Operating Margin | | | 6.8% | 8.5% | 9.0% | 9.0% | 9.4% | 9.5% | 9.6% | 9.7% | Margin Exp 2.9% |

Base

| Segment Revenue Growth | % of Revenue | 2013A | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E | 2021E | |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------------|
| Total | 100% | 392.5 | 478.8 | 541.1 | 627.6 | 664.6 | 703.7 | 745.2 | 789.1 | 835.6 | CAGR |
| Pangaea Rev Growth | | | 22.0% | 13.0% | 16.0% | 5.9% | 5.9% | 5.9% | 5.9% | 5.9% | 8.3% |
| Industry Growth | | | 6.9% | 6.9% | 6.4% | 5.9% | 5.9% | 5.9% | 5.9% | 5.9% | |
| Operating Margin | | | 6.8% | 8.3% | 8.5% | 9.0% | 9.0% | 9.0% | 9.0% | 9.0% | Margin Expansion 2.2% |

Bear

| Segment Revenue Growth | % of Revenue | 2013A | 2014E | 2015E | 2016E | 2017E | 2018E | 2019E | 2020E | 2021E | |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------------|
| Growth | | | -7% | 50% | 34% | 10% | 10% | 10% | 10% | 10% | |
| Total | 100% | 392.5 | 459.2 | 514.3 | 576.0 | 609.9 | 645.9 | 683.9 | 724.2 | 766.8 | CAGR |
| Pangaea Rev Growth | | | 17.0% | 12.0% | 12.0% | 5.9% | 5.9% | 5.9% | 5.9% | 5.9% | 7.6% |
| Industry Growth | | | 6.9% | 6.9% | 6.4% | 5.9% | 5.9% | 5.9% | 5.9% | 5.9% | |
| Operating Margin | | | 6.0% | 7.0% | 7.2% | 7.2% | 7.2% | 7.2% | 7.2% | 7.2% | Margin Exp 1.2% |

Valuation – DCF



Bear Case

Revenue Growth
2014-2021 :
7.6% CAGR

EBIT Margin Expansion:
1.2%

Price Target:
\$4.62

Downside:
(20%)



Base Case

Revenue Growth
2014-2021:
8.3% CAGR

EBIT Margin Expansion:
2.2%

Price Target:
\$8.05

Upside:
40%



Bull Case

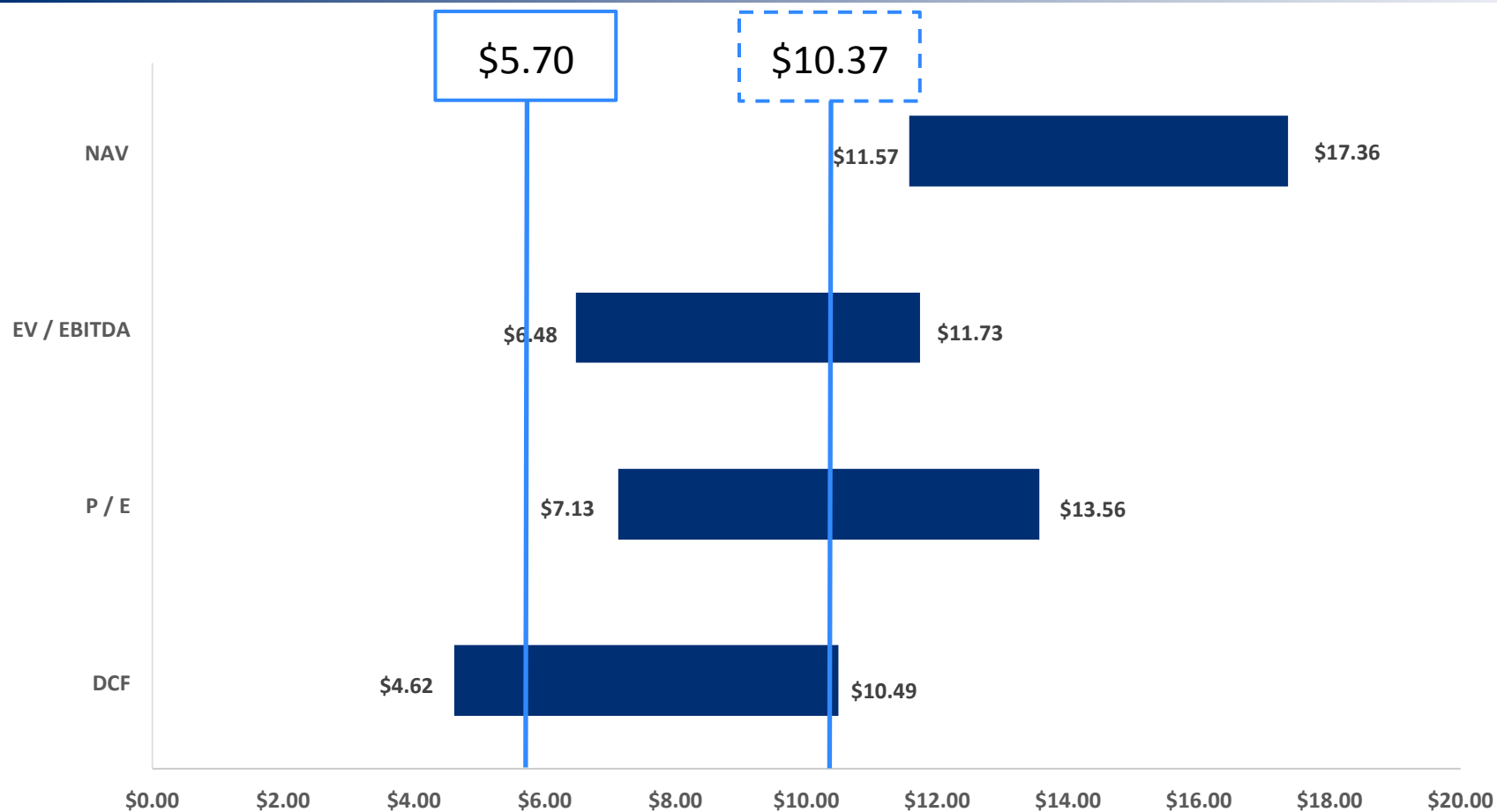
Revenue Growth
2014-2021:
9.3% CAGR

EBIT Margin Expansion:
2.9%

Price Target:
\$10.50

Upside:
50%

Football Field Analysis



Risks & Mitigants

- Baltic Dry Index (vessel Spot Rate) remaining at historical lows
 - All indicators point to a recovery in vessel rates as supply growth is reducing while demand growth is in expansion
 - Pangaea already captures a premium on industry rates with its Backhaul and its Arctic routes
- Slowdown commodities imports and exports, particularly in China
 - Pangaea's cargo is very diversified from a commodities and customers point of view: no commodity represents more than 14% of its revenue, and no customer more than 10%
 - "The best cure for low commodity prices is low commodity prices" –Don Cox
- Failing to expand margins
 - Would be surprising given divestment of older less profitable vessels and acquisition of newer and more profitable panamax
 - Proven track record and highly incentivized management
- Strong competitive advantages:
 - Less levered than industry average
 - Ability to grow revenue with less capex than competitors
 - Less fixed costs than competitors

Despite the shipping industry being very cyclical and capex intensive, we believe that Pangaea's differentiated business model limits downside risk.

What is the Street Missing

- Very little coverage from the street as the company is small cap, was private until last month and operates in an industry that doesn't attract the public's attention
 - Only broker covering it is Canaccord Genuity
 - Trading volume ~10,000 shares per day
 - Dry Bulk Shipping in general doesn't have a lot of coverage, ex: RBC
- Share price is depressed due to the selling of Quartet shareholder's who weren't interested in this special purpose acquisition, putting downward pressure on the stock price
 - Potential investor might be waiting for these insiders to get a better price and / or see how many exercise their put options
- Industry which isn't particularly attractive to retail investors while small market caps and trading volumes make it hard for institutional players to invest in them

| Institutional Holders | Shares Owned | % of Shares Outstanding |
|----------------------------------|-------------------|-------------------------|
| CARTESIAN CAPITAL PARTNERS LLC | 13,916,467 | 40.2% |
| POLAR SECURITIES INC | 1,600,000 | 4.6% |
| AQR CAPITAL MANAGEMENT LLC | 1,080,000 | 3.1% |
| FIR TREE INCORPORATED | 991,813 | 2.9% |
| DAVIDSON KEMPNER CAPITAL MGMT LP | 810,000 | 2.3% |
| DKU 2013 LLC | 678,625 | 2.0% |
| WEISS ASSET MANAGEMENT LP | 600,000 | 1.7% |
| GLAZER CAPITAL LLC | 562,380 | 1.6% |
| CREDIT SUISSE AG | 200,000 | 0.6% |
| BASSO CAPITAL MANAGEMENT LP | 182,300 | 0.5% |
| BERKLEY INS CO [Multi-Managed] | 172,116 | 0.5% |
| DEUTSCHE BANK AG | 138,100 | 0.4% |
| WOLVERINE ASSET MANAGEMENT | 100,000 | 0.3% |
| ADVANCED SERIES TRUST | 64,800 | 0.2% |
| GREY OWL CAPITAL MANAGEMENT LLC | 14,308 | 0.0% |
| Total | 21,110,909 | 61.0% |

"An attractive valuation, an experienced management team, and a global leader in its sector are some of the attributes that make this a unique investment opportunity. This is a quality company with significant growth prospects and I am excited about its future."

-Joel Greenblatt

Quartet's Special Advisor

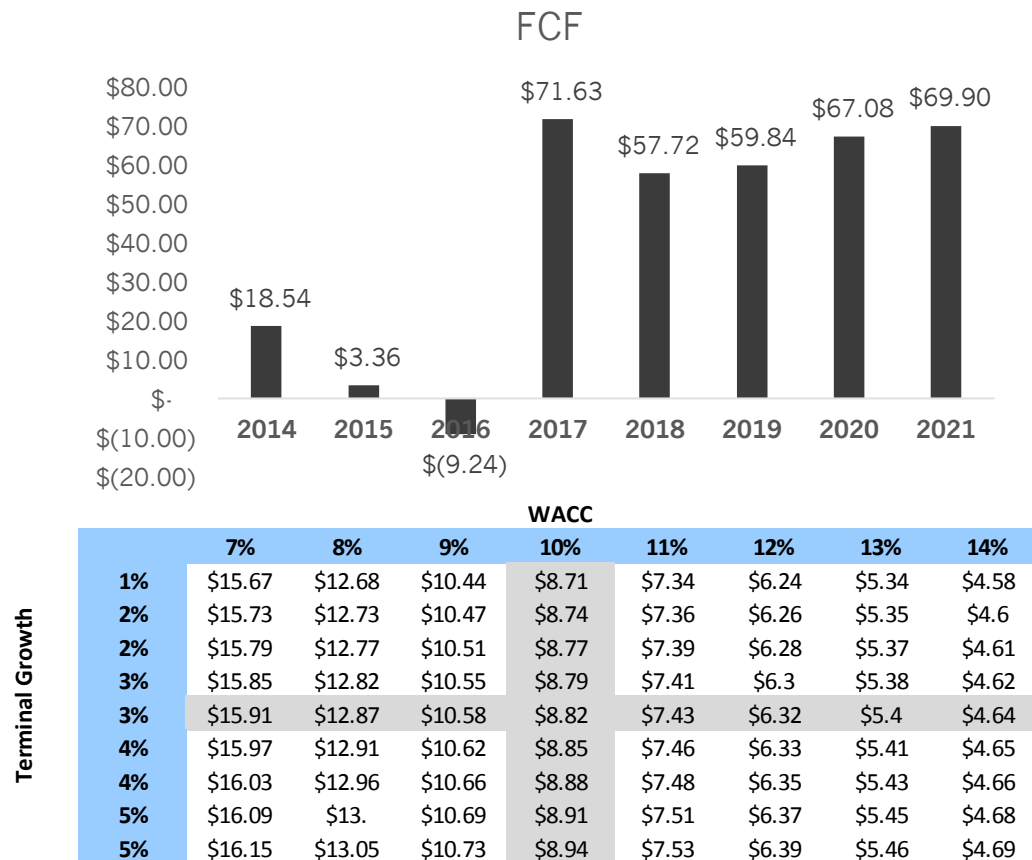
| Insiders | Shares Owned | % of Shares Outstanding |
|--------------------|-------------------|-------------------------|
| EDWARD COLL | 7,481,873 | 21.6% |
| LAURA ANTHONY | 2,335,382 | 6.8% |
| ROSENFELD ERIC S | 356,576 | 1.0% |
| SGRO DAVID D | 65,568 | 0.2% |
| CARL CLAUS BOGGILD | 7,417,105 | 21.4% |
| Total | 17,656,504 | 51.0% |

Recommendation

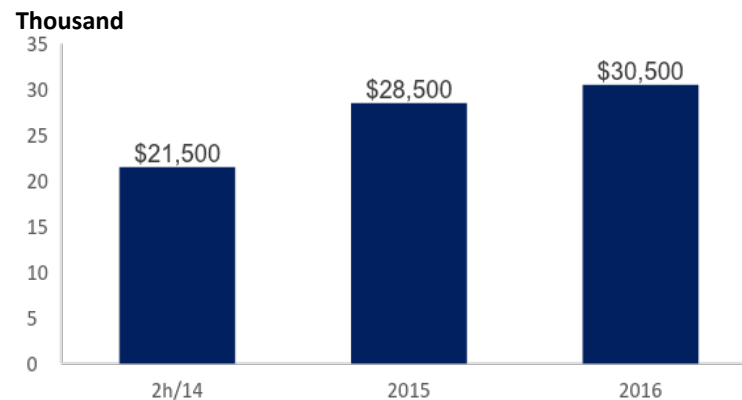
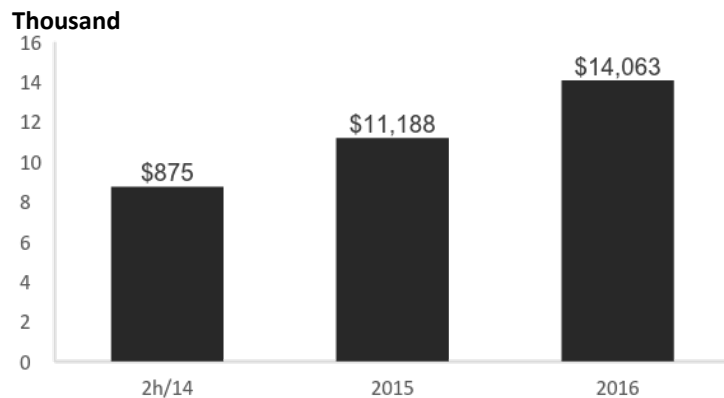
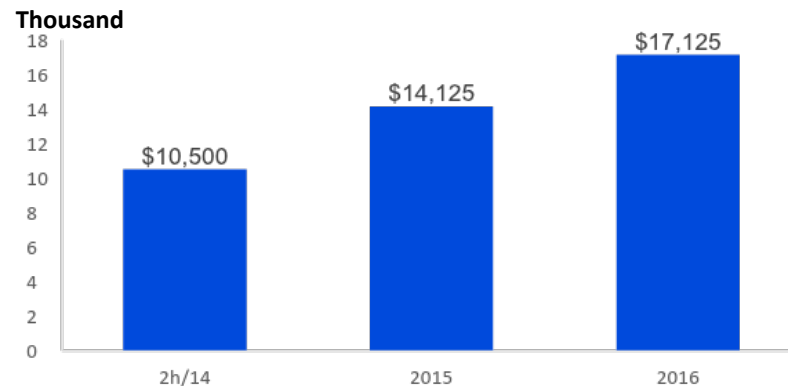
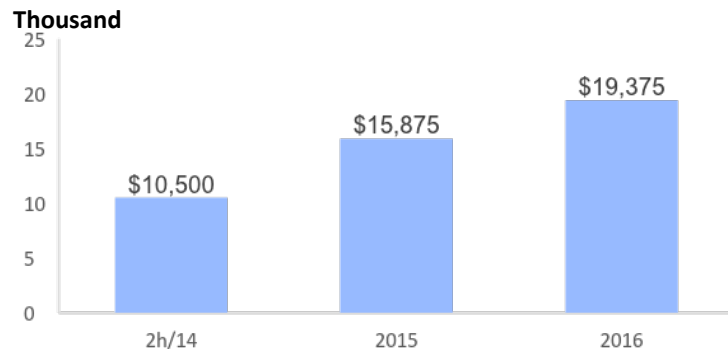
We recommend a BUY with a target price of \$8.00 based on the base case of our DCF, implying \$40 of potential upside.

Appendix

Valuation – DCF

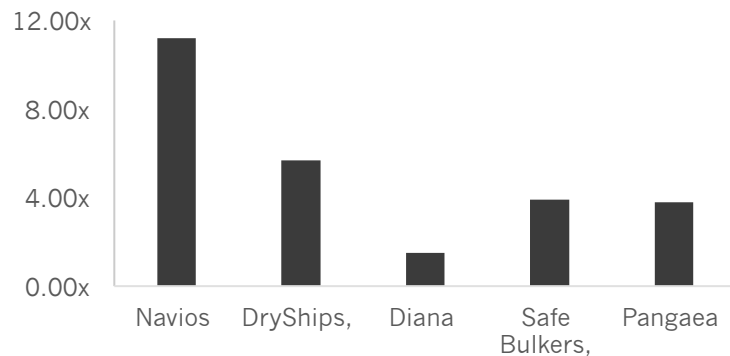


Spot Rate Forecast

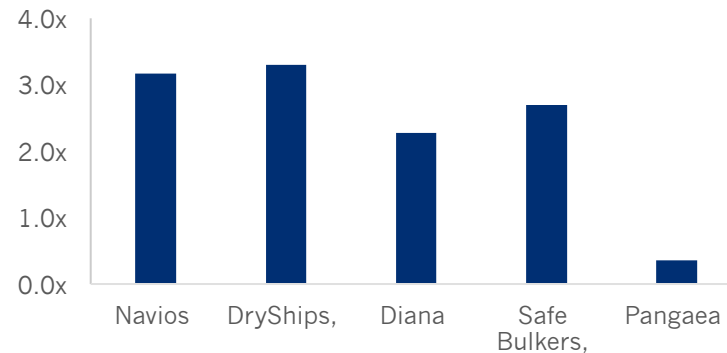


Comparables – Industry Debt Profile

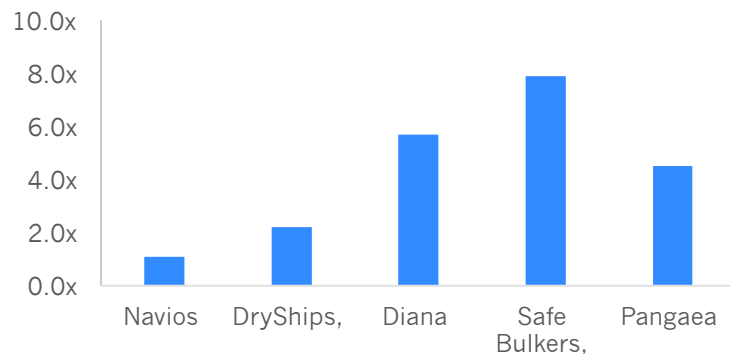
LTM Net Debt / EBITDA



Total Debt / Revenue



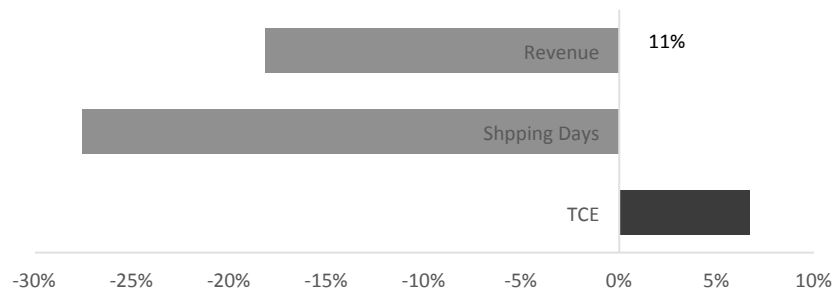
LTM EBITDA / Interest Exp.



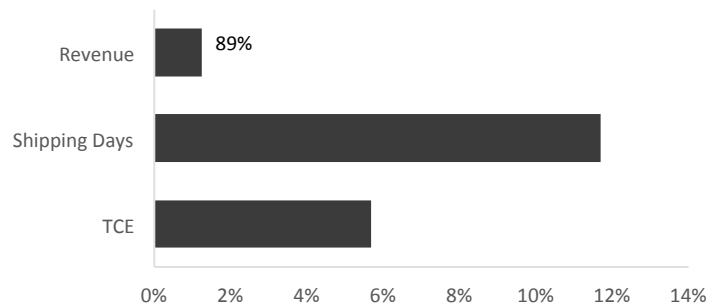
Second Quarter Overview

Comparing Q2 2013-2014

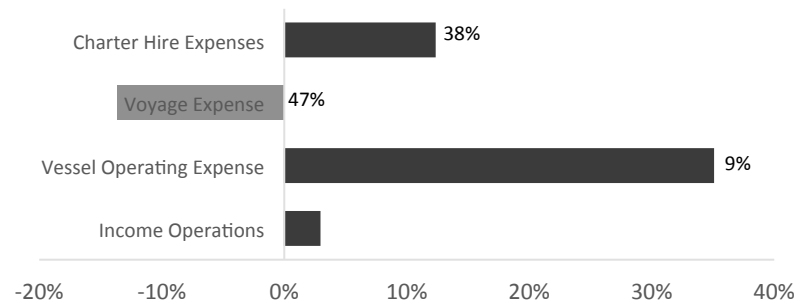
Time Charter



Voyage Charter



Operations



- Focus on acquiring premium generating assets in

