WEBER WEEKLY TANKER REPORT

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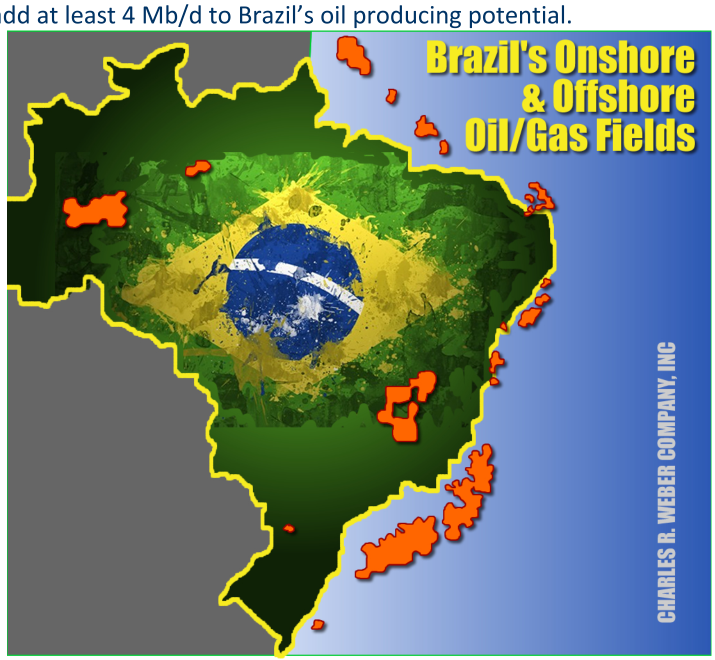
Brazil's Offshore Exploration Starting to Pay Off

(Excerpted from the latest Weber Tanker Report)

Based on long-range oil demand expansion projections, by 2035 the equivalent of three new North Sea oil production regions will be needed to meet global oil demand—not withstanding the imperative to develop new oil production to replace sources which will have been depleted.

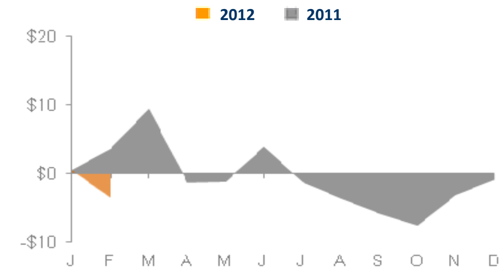
Offshore Brazil appears to have the increasing potential to become one of these new "North Seas". Newly discovered reserves of oil buried deep below the Atlantic Ocean will double Brazil's known resources, the head of energy giant Petrobras has claimed, and may add at least 4 Mb/d to Brazil's oil producing potential.



In an interview with Offshore magazine, Jose Gabrielli, chief executive of Brazil's biggest energy company, said that the "presalt" exploration area had the potential to significantly boost national reserves—by some 14.2 BnBbls to 30 BnBbls, according to estimates in last year's BP World Energy Review.

Since 2006 Petrobras has been exploring the presalt region, more than 120,0000 square km stretching from Santa Catarina state to Espirito Santo, but struck a major new find in November, 270km off Sao Paolo.

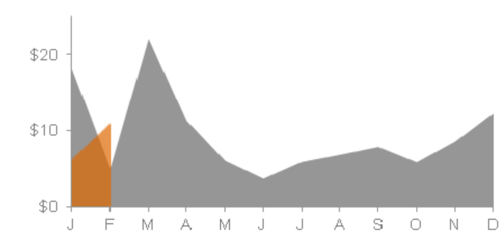
Mr Gabrielli said: "We do not know to what extent the presalt discoveries will increase our reserves, since this depends on ongoing exploration activities. However, based on what we already know, we can say that Brazil's reserves, currently standing at around 15 BnBbls, are expected to double."



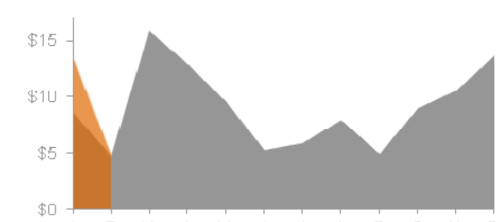
VLCC TCE 280k AG-USG | **MTD Average** $(3,500)/Day | **Month y/y** ▼ -197%

S'MAX TCE 130k WAF-USAC | **MTD Average** $19,500/Day | **Month y/y y** ▲ +63%

A'MAX TCE 70k CBS-USG | **MTD Average** $17,750/Day | **Month y/y** ▲ +177%



P'MAX TCE 50k CBS-USAC | **MTD Average** $10,750/Day | **Month y/y** ▲ +111%

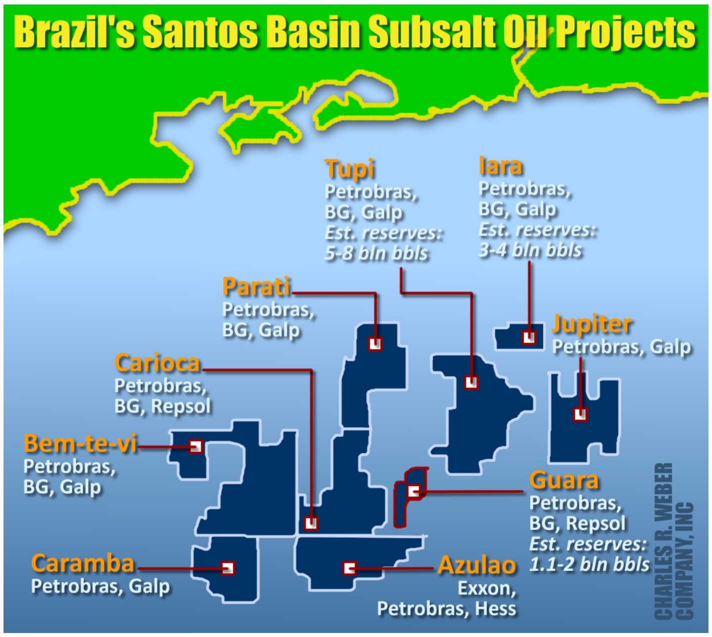


MR TCE 38k CBS-USAC | **MTD Average** $5,000/Day | **Month y/y** ▲ +3%

He predicted the company's annual production, 2 Mb/d in 2010, would grow to nearly 6.5Mbd by 2020, of which 2 Mb/d will come from the presalt region.

Mr Gabrielli said: "From what we already know about the presalt, we can say that the exploration risk is low and productivity is very high."

That said, this oil lies under 2,000m of salt, 2,000 meters of rock, and 2,500m of seawater—and much of the presalt region is more than 300km offshore.



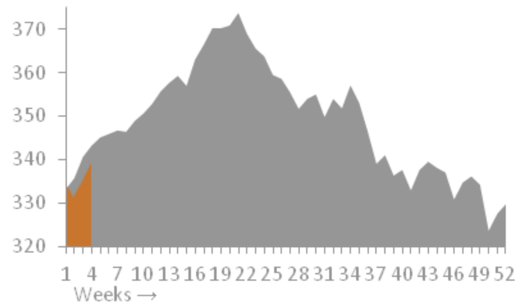
However, despite these formidable obstacles, Mr Gabrielli said the company was developing technology to reduce drilling costs.

Much like technology developments in the North American shale gas and oil sector "...progress has been made in recent years, allowing not only for stable drilling through the layer of salt, but also reducing well drilling time and investments. It is all a matter of technology. For example, the first well Petrobras drilled in this presalt section took more than a year, and cost $240 million.

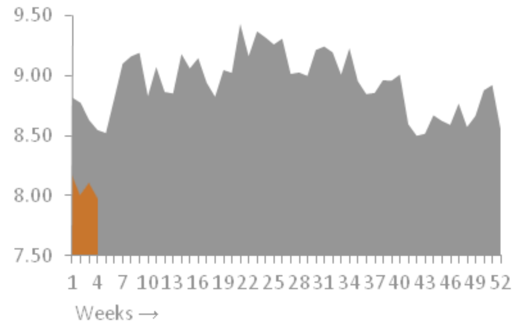
"The most recent wells Petrobras drilled there took 60 days, and cost, on average,$66 million."

Petrobras, which already produces 130,000bd in the presalt region, is investing USD225Bn up to 2015 to become the fastest expanding oil company in the world.

The investment will be spent on 58 drill rigs, 13,400 extra workers, and expanding the fleet of support vessels from 287 to 568, securing Brazil's net long position in the ever-shifting global oil supply/demand equation.



US Crude Stocks (EIA)	338.9 Mbbls	Week y/y ▼ -1.3%



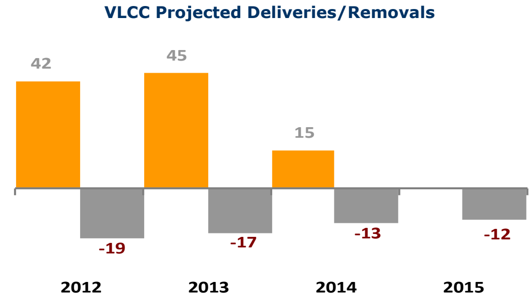
US Gasoline Demand (EIA)	7.967 Mb/d	Week y/y ▼ -6.8%

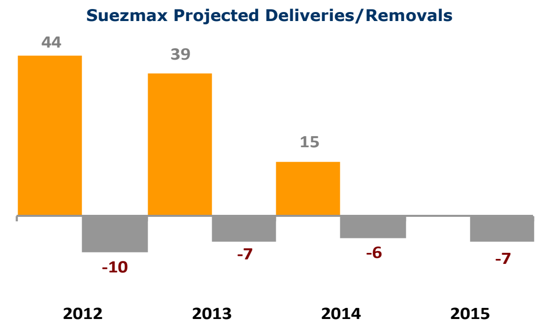
■ 2012 ■ 2011

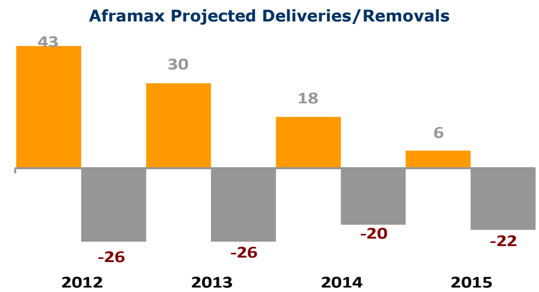
WEBER WEEKLY TANKER REPORT

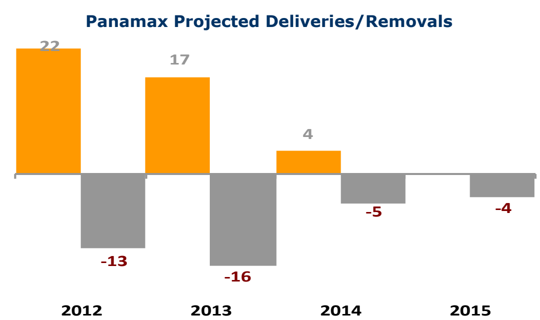
Spot Rates	Trade	Cargo	WS	TCE
VLCC				*$/day*
TD1	AG>USG	280,000 MT	32.0	$(3,200)
TD2	AG>SPORE	260,000 MT	49.0	$19,600
TD3	AG>JPN	260,000 MT	49.0	$19,000
TD4	WAFR>USG	260,000 MT	60.0	$30,900
TD15	WAFR>CHINA	260,000 MT	56.25	$25,600
SUEZMAX				
TD5	WAFR>USAC	130,000 MT	77.5	$19,600
TD6	B.SEA>MED	135,000 MT	75.0	$16,200
AFRAMAX				
TD7	N.SEA>UKC	80,000 MT	95.0	$17,600
TD9	CBS>USG	70,000 MT	120.0	$16,900
TD19	TRK>MED	80,000 MT	82.5	$6,900
PANAMAX				
TD10	CBS>USAC	50,000 MT	115.0	$8,900
TD12	CONT>TA	55,000 MT	120.0	$12,300
CPP				
TC2	CONT>TA	37,000 MT	165.0	$13,400
TC3	CBS>USAC	38,000 MT	120.0	$5,000
TC4	SPOR>JPN	30,000 MT	120.0	$100
TC1 LR2	AG>JPN	75,000 MT	88.0	$9,600
TC5 LR1	AG>JPN	55,000 MT	105.0	$7,600

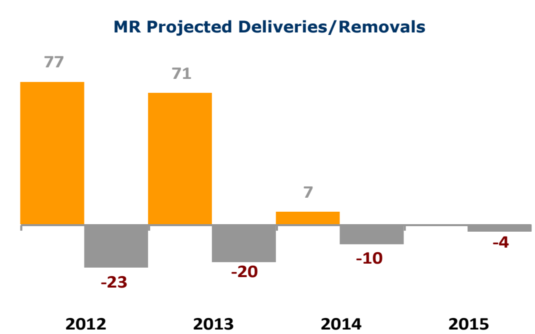
Time Charter Rates *$/day (theoretical)*	**1 Year**	**3 Years**
VLCC	$19,500	$24,250
Suezmax	$16,500	$20,750
Aframax	$13,000	$17,000
Panamax	$13,500	$14,750
MR	$13,800	$14,750











THE TANKER MARKETS

VLCC

Despite owners' expectations that the return of far eastern charterers from their holiday week would provide sufficient activity to stabilize the market following the negative pressure which had built during last week's activity lull, mounting levels of available tonnage proved too great to keep the market in their favor. By midweek, fresh cargoes in the Middle East market were receiving upwards of 10 offers, promptly correcting rates to the far east by 9 points from the start of the week to the ws51 level—and by the close of the week the rate has declined further to the ws49 level. Presently, the most likely supply/demand projections for the February program shows an excess of 22-24 units. Accordingly, optimism that the January rally might suggest a modest improvement during 2012 are eroding, as illustrated by the FFA markets which are showing a 2012 TD3 average of ws47.66.

Of interest, the forthcoming week marks the start of the new Nova VLCC pool. By the end of 2012, the Nova pool will comprise about 50 units, representing ~8% of the projected VLCC fleet, thus making it the largest VLCC pool in existence. Accordingly, the affect such a consolidation of commercial management will have on the market will certainly prove interesting.

There were 29 fresh fixtures reported in the Middle East market this week; 27 bound for the east (including 2 to the USWC) and two to the West. Rates to the far east declined 8.5 points w/w to an average of ws53.5. TCE returns to the far east declined $14,900/day to an average of ~$23,200/day. Following eastbound rates (after a slight delay) those to the USG declined 1.5 points w/w to an average of ws34. Corresponding TCEs on the AG-USG route declined $4,000/day w/w back into negative territory at an average of ~$(1,600)/day. Triangulated westbound trade earnings averaged ~$37,400/day – down $3,300/day, w/w.

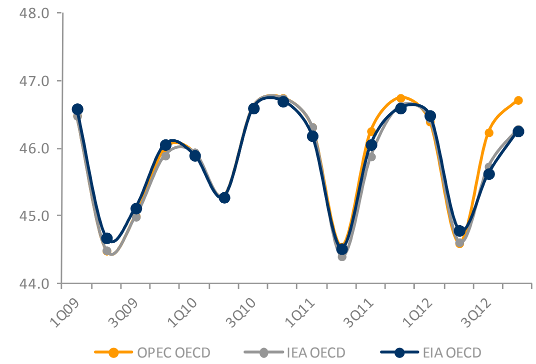
To date, some 89 February Middle East cargoes have been covered, leaving a likely further 31-33 remaining. Against this, some 55 units are projected to be available through end-February. Although some of these may ballast to the Atlantic basin for better TCE returns, the level of excess tonnage is apparent and, accordingly, the negative pressure on rates should continue during the week ahead. Rates to East are expected to decline towards the mid-ws40s whilst those to the West may ease towards the ws30 level.

The Atlantic basin was not isolated from the souring fundamentals of the Middle East as more ballast units vied for the better returns the Atlantic offered. On the WAF-India route, rates dropped by over $500,000 from last done on retesting late in the week. Many routes in the region remain untested, but the Caribbean-Singapore route is now expected to be trading below the $5m mark (whilst last done was $5.3m) and trans-Atlantic rates are likely to be retested in the mid/high ws50s. With the Middle East remaining soft, negative pressure is expected to continue in the Atlantic during the week ahead.

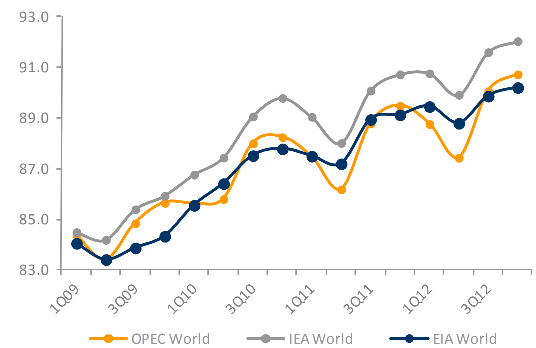
Suezmax

The Atlantic Suezmax market was volatile this week, posting an early gain to ws82.5 on the WAFR-USAC route before easing into the mid-ws70s and ultimately concluding the week at ws77.5 on the back of a busier market. With VLCCs remaining uncompetitive, trans-Atlantic activity remains centered on Suezmax tonnage. Should activity levels remain at the start of the week ahead, further-albeit modest-gains could be realized.

Projected OECD Oil Demand

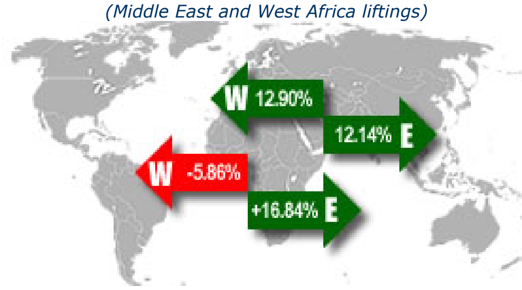


Projected World Oil Demand



Percentage Change, 130+kMT fixtures, 2011, y/y

(Middle East and West Africa liftings)



Aframax

The Caribbean Aframax market commenced the week with a continuation of last week's positive trend, initially gaining 5 points to ws140 on the CBS-USG run. Towards the end of the week, however, on the back of a decline in fresh inquiry and a buildup of tonnage. Given prevailing fundamentals, rates are expected to remain soft at the start to the week ahead.

Panamax

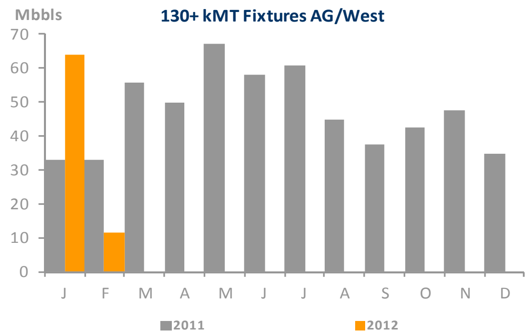
Rates on the CBS-USAC route were volatile but largely trended around the ws115 level. Expectations of a sustained move – both upwards and downwards – had surfaced at various points during the week but with little change realized. Although the European markets are offering stronger TCE returns and owners have cited this as a substantiation for stronger rates, localized activity levels have not provided the necessary impetus for gains to be realized. Accordingly, the market is expected to hold at present levels during the week ahead.

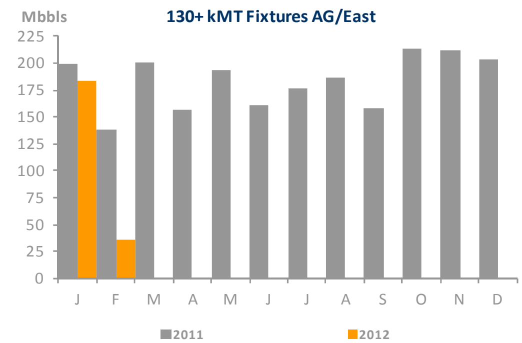
CPP

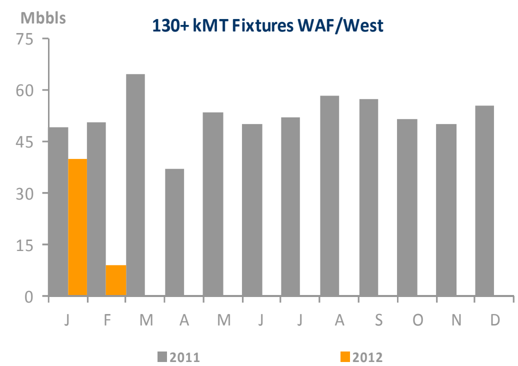
The Caribbean MR market remained flat this week at the ws120 level on the CBS-USAC route on the back of very low activity. Though rates appeared set to post further losses, a pickup in activity on the CONT-TA routes boosted earnings in the European market to more than double those in the Caribbean. Accordingly, fewer units ballasting towards the Caribbean was sufficient to keep the market steady. Should European activity sustain, an eventual rebalancing should boost Caribbean rates during the coming week.

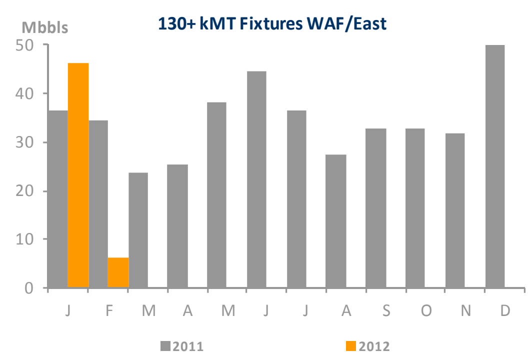
The USG-TA route saw a reversal of the steep losses experienced in recent weeks with a gain this week of 15 points to ws80. This came despite very light inquiry as owners with units coming free off the USAC opted to ballast back towards Europe where stronger returns were possible. With inquiry expected to pick up during the week ahead, rates could post further gains.

In the European market, a strong rebound in activity on the CONT-TA routes saw rates gain 25 points to conclude at ws165. Given the expectation for further USAC units ballasting towards Europe, further gains may ultimately be capped.









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REPORTED TANKER SALES

"Box" 50,366/09 – SPP – DH
-Sold for $30.5m to Greek buyers.

"Doubtless" – 47,076/91 – Halla – DH
-Sold for $5.5m to Indian buyers.

"King Edwin" 35,775/00 – Daedong – DH
-Sold for $12.75m to Greek buyers.

"Clipper Miki" 19,998/09 – Fukuoka – DH
-Sold for $24.0m to Japanese buyers.

"Stena Caribbean" 9,996/02 – Poland – DH
-Sold for $13.0m to Australian buyers.

"Golden Micronesia" 9,091/04 – Kurinoura – DH
-Sold for $9.0m to Singaporean buyers (Wilmar International).

"Eastern Goodwill" 8,740/01 – Shin Kurushima – DH
-Sold for $8.3m to South Korean buyers.

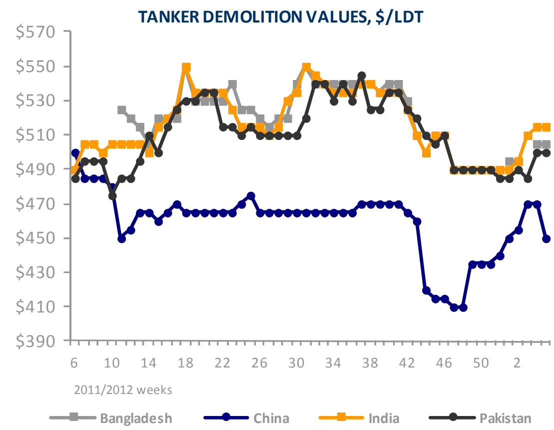
"Chartsman" 6,397/93 – Malaysia – DH
-Sold for $3.3m to Nigerian buyers.

REPORTED TANKER DEMOLITION SALES

INDIA

"Atlantic Prosperity" 311,690/95 – 40,962 LDT – DH
-Sold on private terms.

"Gemini" 29,870/86 – 9,346 LDT – DB
-Sold for $495/ldt.



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