Pacific Basin Shipping Limited

(incorporated in Bermuda with limited liability)

(Stock Code: 2343)

TRADING ACTIVITIES UPDATE

Continued cyclical upswing, 36% of handysize revenue days covered for 2007

- Continued evidence of the cyclical upswing in the dry bulk markets which began over the summer. Dry bulk freight rates have continued to climb – Pacific spot handysize charter rates are now US$20,250 per day and Clarksons' handysize 12 month time charter rate is now US$18,250 per day.
- Pacific Basin's net asset value adjusted for the fair market value of our ships, including newbuildings and purchase options on chartered tonnage, has increased in line with the year to date rise in asset prices. A five-year old 28,000 deadweight tonne handysize vessel is now estimated to be worth US$28-US$29 million, compared to about US$26-US$27 million in August and about US$21-US$22 million at the start of the year. The average age of our owned, long-term chartered, and managed vessels is 5.6 years.
- Freight rates and ship values are supported by continued strong cargo volumes. Chinese third quarter iron ore imports are up by 26% year on year. Chinese third quarter steel and cement exports are up by 173% and 44% year on year respectively.
- Ageing global handysize fleet has seen under 0.5% annualized growth year to date as a result of scrapping, although the overall dry bulk fleet has grown at an annualised rate of just under 7%.
- In September, Pacific Basin agreed to acquire two 32,000 deadweight tonne 6-year old secondhand handysize vessels and to sell and charter back two 28,000 deadweight tonne 11-year old vessels, thereby achieving fleet renewal at a low incremental cost and increasing our 2007-2009 revenue days by about 720 days per annum. Our owned, long-term chartered and managed fleet (including newbuildings) of handysize and handymax vessels now stands at 72 vessels as at end October 2006.
- Our cover percentages and related average earnings are now as follows:

Vessel Activity Summary	**Unit**	**FY 2006**	**FY 2007**
Handysize			
Cargo as % of ship commitments	%	94%	36%
Revenue days	days	16,327	19,073
Daily TCE	US$	15,060	15,100
Handymax			
Cargo as % of ship commitments	%	97%	74%
Revenue days	days	5,057	3,367
Daily TCE	US$	15,710	17,730

Note: Figures reflect today's fleet and committed additional secondhand and newbuilding vessels: Any future fleet expansion will augment these totals.

We therefore have 64% of our 2007 handysize days and 26% of our 2007 handymax days exposed to the strengthening market.

- Our dividend policy remains that we will pay out at least 50% of our earnings (2005 actual: 73%). We paid out HK 20 cents per share to shareholders on 6 September 2006 and we expect to pay out at least a further HK 20 cents per share in the 2006 final dividend.

The overall dry bulk market:

Since our Interim Report in August the dry bulk market has continued to improve during the (traditionally slow) summer period. This is mainly because demand for bulk commodities has surpassed expectations. During the third quarter the Baltic Dry Index climbed 33% from 2964 points to 3944 points and stood at 4006 points on 30 October. The 2006 Q3 average of 3,593 points was 47% higher than the 2006 Q1 average of 2440 points whereas the Q3 average was 23% lower than the Q1 average in 2004 and 47% lower in 2005. The main reason for the very strong market is the continued expansion in Chinese steel production and iron ore imports, both of which are up by 22% comparing January-September 2006 with the equivalent period in 2005. Demand for other commodities has also been impressive: Chinese steel exports in the period January to September 2006 were up 81% over the same period in 2005, cement exports were up by 87%, and coal imports were up 41%, all benefiting our handysize and handymax segments. These robust trade figures reflect continuing growth in world industrial production, with China showing a 16.9% increase year on year for January-September 2006.

The overall dry bulk fleet has grown by an annualised 6.7% so far this year on the back of historically high deliveries of new vessels, although the strengthening in freight rates indicates that most of this new supply has been quickly absorbed. The volume of new deliveries is expected to slacken in 2007 and 2008. Most shipyards are already fully booked until the end of 2009, so we expect very few handysize or handymax vessels to enter service in that period beyond those already on order.

Pacific Basin's handysize market:

The newly introduced Baltic Handysize Index (BHSI), which tracks spot earnings for a benchmark modern 28,000 deadweight tonne handysize bulk carrier, rose by 35% from US$15,853 per day to US$21,436 per day during Q3 2006. On 30 October the index stood at US$19,927 per day.

The handysize market was underpinned by strong demand for minor bulk commodities such as cement, steels and logs, with China playing a significant role as both importer and exporter of raw materials. The Pacific market, where 80% of the IHC fleet operates, has seen a steady increase throughout the period, and Pacific spot rates for our vessels currently trade around the US$20,250 per day mark. The Atlantic market, which traded at a significant discount to the Pacific market earlier in the year, has recovered as the US Gulf region returned to normal for bulk export shipments following Hurricane Katrina. The Atlantic market is currently supported by grain exports from the US Gulf and South America, and is trading at similar levels to the Pacific.

The increase in handysize scrapping we saw earlier this year has slowed as a result of the current market strength but is higher than in other sectors of the dry bulk market because the global handysize fleet is relatively old. According to Clarksons, 0.8 million deadweight tonnes of handysize ships (47 vessels) were scrapped in the period from 1 January to 20 October 2006 compared to 0.4 million deadweight tonnes (15 vessels) in all of 2005 and 0.3 million deadweight tonnes (14 vessels) in all of 2004. This has contributed to a very modest global handysize fleet growth of under 0.5% so far this year supported by a relatively small number of deliveries. The ageing global handysize fleet, of which 36% is more than 25 years old, and the limited orderbook should continue to underpin rates in this sector for the foreseeable future.

Pacific Basin's IHC pool continues to specialize in offering freight services to major industrial companies and end-users of bulk commodities in the handysize sector via our network of offices in locations close to our customers. IHC is one of the world's leading operators of modern handysize ships in the Pacific. IHC's primary competitive advantages are its large standardized fleet of very modern ships, and its key service tenets of reliability, quality and flexibility. IHC's cargo liftings continue to grow on the back of strong demand for our services.

We are now in the peak season for contract renewals and are making good progress towards achieving our target of having 40-50% contract cover in place for 2007 by the end of this year. At present, we have secured contract cover for about 36% of our estimated 19,073 revenue days in 2007 at an average rate of around US$15,100 per day (including our estimated US$1,000 per day execution premium). We have also started to build cover for our estimated 20,130 revenue days in 2008. A small portion of IHC's forward cover is secured with FFAs, using both the new handysize paper market and handymax paper. Using paper allows us to cover our fleet earnings in advance of securing physical cargo from our customers: in the third quarter, we traded the first ever handysize FFA through the Baltic Exchange, booking a Q1 2007 contract at US$20,000 per day gross. The contract rates associated with our FFA contracts form part of our future estimated daily TCE.

The rates below for 2006 reflect actual revenues up to the end of October and, thereafter, our contract cover rates plus a premium of about US$1,000 per day which we expect to achieve on executing voyages given our ability to reduce ballast time. This 'execution premium' is factored into our base contract valuations:

Handysize Vessel Activity Summary

	Unit	FY 2006	FY 2007
Cargo Commitments			
Revenue days	days	15,292	5,915
Net Paper contracts	days	–	1,046
Equivalent revenue days	days	15,292	6,961
Daily TCE	US$	15,060	15,100
Ship Commitments			
Revenue days	days	16,327	19,073
Net Position			
Cargo as % of ship commitments	%	94%	36%

Handysize FFAs Activity Summary

	Unit	FY 2006	FY 2007
FFAs paper sold	days	30	1,046
FFAs paper bought	days	–	–
Net realised paper exposure	days	30	–
Net FFAs paper sold	days	–	1,046

Pacific Basin's handymax market:

Freight rates for handymax vessels also rose strongly during the third quarter. Baltic Index spot rates for a benchmark 52,000 deadweight tonne (supramax) vessel rose by 25% during the third quarter from US$22,907 per day to US$28,685 per day. Demand has been underpinned by strong growth in cement and steel exports from China as well as coal and nickel ore exports from South East Asia - all products which are ideally suited to Pacific Basins' modern handymax fleet. Cargo volumes out of the US Gulf have also increased, with shipments of grain and petcoke back in full flow following the disruption caused by Hurricane Katrina. There are also increased volumes of steel moving from the Black Sea to support the building boom in the Middle East.

Confidence in the underlying physical market has been supported on the forward freight agreement (FFA) market, with forward rates for calendar 2007 increasing by nearly 40% since the end of June to US$24,625 per day as of 30 October.

The handymax market, comprising vessels of 40,000-60,000 deadweight tonnes, had 1,464 vessels on the water as of 30 September 2006. This is a net increase of 61 vessels since the 1 January 2006, with expectations of up to a further 41 vessels to deliver during the remainder of this year. The majority of the newbuildings are in the supramax sector (over 50,000 deadweight tonnes). Meanwhile, because this sector has a relatively young fleet, scrapping levels are low (approximately 0.2 million deadweight tonnes year to date).

Pacific Basin operates the IHX pool for handymax tonnage. This pool continues to build on the regional strength of the IHC (handysize) pool by operating over 65% of its fleet in the Pacific. The IHX fleet has built up steadily over the period, and we have now achieved cover totaling 97% of our expected 5,057 handymax revenue days in 2006 and 74% of our expected 3,367 revenue days in 2007. We expect to continue to improve our earnings on our committed revenue days by scheduling contract and spot cargoes to reduce our ballast time and by selectively growing our chartered-in fleet.

IHX has focused on building a similar fleet profile to IHC, providing its customers with modern, relatively homogenous, well equipped vessels – IHX's average vessel is over 50,000 deadweight tonnes and 5.5 years old. The IHX fleet has 6 "core" long-term chartered and owned vessels, and another 24 vessels on charter for minimum periods of less than twelve months. IHX has continued to market its pool product to other owners, agreeing an innovative new format for tonnage supply with one owner of multiple modern supramax vessels, and is conducting ongoing positive discussions with others.

IHX makes limited use of FFAs to hedge the positions which it takes in chartering in physical ships and contracting physical cargoes. The strength of the FFA market in 2007 has enabled IHX to secure cover for part of its fleet at attractive rates. The rates associated with these FFA contracts forms part of the future estimated daily TCE.

The rates below reflect actual revenues up to the end of October and the base November and December contract rates.

Handymax Vessel Activity Summary

	Unit	**FY 2006**	**FY 2007**
Cargo Commitments			
Revenue days	days	4,826	2,045
Net Paper contracts	days	92	455
Equivalent revenue days	days	4,918	2,500
Daily TCE	US$	15,710	17,730
Ship Commitments			
Revenue days	days	5,057	3,367
Net Position			
Cargo as % of ship commitments	%	97%	74%

Handymax FFAs Activity Summary

	Unit	**FY 2006**	**FY 2007**
FFAs paper sold	days	1,513	910
FFAs paper bought	days	1,269	455
Net realised paper exposure	days	152	–
Net FFAs paper sold	days	92	455

New business development:

As reported to shareholders in August, we are actively exploring ways of offering value to our customers further along their supply chains – going beyond our traditional port to port services – particularly in China and the Middle East. We now have a team dedicated to developing port and related infrastructure initiatives in China who, amongst other projects, are working with a major Port Authority with the intention of co-investing in a new general cargo terminal.

We are also continuing to develop our relationship with one of China's largest domestic power producers with a longer-term view to co-operating in their future international coal trades.

In the Middle East, our joint venture with the Government of Fujairah for the carriage of aggregates between Fujairah and ports in the northern Gulf now employs one handysize and two handymax vessels, and is extending its service offering to include wharf facilities in Fujairah. Our new office in Dubai serves as a base for our other business development efforts in the Middle East and South Asia.

We continue to evaluate a variety of other business expansion opportunities on a case by case basis.

Fleet Development:

Asset prices have continued to increase since we last reported to shareholders in August. We therefore count ourselves fortunate to have purchased ten vessels during the first half of the year at prices that now look very attractive indeed, using capital released by our 2005 sale and charter-back programme. In September, we took advantage of off market opportunities to upgrade our fleet further. As announced on 12 September 2006, we agreed to acquire two 6-year old handysize vessels from the same seller. We have since agreed with the seller to delay the delivery of one of the vessels, "Aries Forest" (to be renamed "English Bay") from 20 November 2006 until 27 December 2006. In return the seller delivered "Ocean Melody" on 31 October, earlier than the originally expected delivery date of 31 December 2006. Also, as announced on 12 September 2006, we agreed to sell and charter back two of our oldest owned vessels (average age 11.5 years) in a transaction which we expect to complete by the end of 2006. This transaction allowed us to capitalize on the strong sale and purchase market for two older vessels and, at the same time, to retain earnings through charterbacks for three and a half years, thereby maximizing benefits for our IHC pool.

In September, we took delivery of one newbuilding handysize vessel into our chartered fleet. Against this, one handysize vessel completed her charter and left our fleet.

The average age of our fleet of owned, long-term chartered, and managed vessels is 5.6 years.

As at 1 November 2006, following the completion of the above transactions, the composition of Pacific Basin's fleet is as follows:

Fleet developments

	Number of vessels			
	Owned	**Chartered**	**Managed**	**Total**
Handysize – in operation				
As at 21 August 2006	22	29	2	53
Newbuilding delivered	–	1	–	1
Second hand purchases	2	–	–	2
Charter expired [1]	–	(1)	–	(1)
Sale and time charter back [2]	(2)	2	–	–
As at 1 November 2006	**22** [3]	**31**	**2**	**55**
Handysize – newbuildings				
As at 21 August 2006	9	3	–	12
Newbuilding delivered	–	(1)	–	(1)
As at 1 November 2006	**9**	**2**	**–**	**11**
Handysize fleet at 1 November 2006	**31**	**33**	**2**	**66**
Handymax – in operation				
Handymax fleet as at 21 August 2006 and 1 November 2006	**2**	**4**	**–**	**6**
Total fleet at 1 November 2006 including newbuildings	**33**	**37**	**2**	**72**

1 The charter on "Eastern Star" expired in September and the vessel has left our chartered handysize fleet.

2 The transactions to sell and time charter back "Patagonia" and "Ocean Logger" will be completed by the end of 2006.

3 Includes "Aries Forest" (to be renamed "English Bay") for delivery by the end of 2006.

It is important to note that Pacific Basin holds options to purchase 25 out of the 31 chartered handysize vessels, both chartered handysize newbuildings, and two out of the four chartered handymax vessels. These options should hold significant unrealised value for the Group, given that their strike prices are well below the respective current market values. They also allow us to preserve our fleet size and scale of operations at the expiry of the charters.

Dividend Policy:

Our dividend policy to pay out by way of interim and final dividends not less than 50% of profits available for distribution in each financial year remains unchanged. We paid out HK 20 cents per share to shareholders on 6 September 2006 and we expect to pay at least a further HK 20 cents per share in the 2006 final dividend, implying a full year dividend of at least HK 40 cents.

By Order of the Board
Richard Hext
Chief Executive Officer

Hong Kong, 1 November 2006

As at the date of this announcement, the executive directors of the Company are Christopher Richard Buttery, Richard Maurice Hext, Paul Charles Over, Klaus Nyborg, and Wang Chunlin, the non-executive directors of the Company are Lee Kwok Yin, Simon and Daniel Rochfort Bradshaw, and the independent non-executive directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul, The Earl of Cromer, and David Muir Turnbull.

Shareholders and investors are reminded that this trading activities update for the period ended 30 October 2006 is based on the Group's internal records and management accounts and has not been reviewed or audited by the auditors. Shareholders and investors are cautioned not to rely unduly on this trading activities update and are advised to exercise caution when dealing in the shares of the Company.

Please also refer to the published version of this announcement in South China Morning Post.