Pacific Basin Shipping Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 2343)

Q3 2008 TRADING ACTIVITIES UPDATE

Unprecedented fall in the dry bulk market coinciding with uncertain and deteriorating global economic outlook

- The dry bulk freight market has been greatly weakened by a combination of slower growth of industrial production in China, stalling trade volumes caused by tighter credit conditions globally and an increasing economic slowdown in the world's developed economies. Rates for both spot and forward business have experienced an unprecedented fall over the last quarter.

- As at 27 October 2008, the Baltic Dry Index ("BDI") stood at 1,048 points, a decrease of 89% since the end of June. Over the same period, Baltic Handysize spot rates declined by 84% to US$5,830 per day net. Clarkson's 12 month time charter rate for a handysize vessel now stands at US$10,213 per day net, down by 73% from US$37,525 per day net at the end of June.

- Dry bulk demand has been directly affected by many banks' difficulties in providing routine trade finance to shippers. This is quite extraordinary.

- In the current weak market, we expect much lower time charter earnings for 2009 as compared to 2008. Pacific Basin's handysize cover for 2008 stands at 93% at US$31,340 per day and for 2009 at 43% at US$22,580 per day and we are continuing to secure cover for 2010 and 2011. Our handymax cover for 2008 and 2009 stands at 101% and 107%, meaning that we have more cargo contract days than ship days in our handymax book.

- As at 30 June 2008 we had net cash of US$192 million. Gross cash was US$804 million with an additional US$292 million of unutilised committed bank borrowings. Our capital expenditure requirements comprised US$556 million for non-dry bulk assets and US$165 million for dry bulk assets and are fully covered at the present time by our cash and credit facilities.

- Our core dry bulk fleet comprises 78 vessels on the water and 11 newbuilds on order. The average age of our owned and long term chartered fleet is 6.8 years.

- A volatile and extraordinarily challenging dry bulk market is anticipated to continue through Q4 2008 and beyond. It is difficult to predict when the market will improve.

Vessel Activity Summary

	Unit	FY 2008	FY 2009
Handysize			
Cargo as % of ship commitments	%	93%	43%
Revenue days	days	22,830	21,750
Daily TCE	US$	31,340	22,580
Handymax			
Cargo as % of ship commitments	%	101%	107%
Revenue days	days	5,950	3,360
Daily TCE	US$	45,070	33,360

Market and Business Review

The recent difficulties in the dry bulk market have been driven by several factors.

The normal seasonal slowdown in the third quarter was compounded by a reduction in industrial production in China, poor weather in the key grain export regions in the Atlantic, a serious price dispute between Chinese steel mills and Vale, the major Brazilian producer of iron ore, and an accelerating global economic deterioration. Importantly, credit market difficulties since mid-September 2008 have made it much more difficult for shippers and consignees to arrange the all-important letters of credit that they need to conduct normal trade. If the credit market stabilises, we would expect these difficulties to diminish.

The financial crisis has slowed economic growth worldwide, one result of which is a drop in metal demand. In China, reduced steel demand from the construction and infrastructure sector coupled with mandated steel production cuts during the Olympics brought on a 7.7% fall in Chinese crude steel production in the third quarter relative to the second quarter of this year[1]. Chinese domestic steel prices have continued to fall post-Olympics, leading to further production cuts by major steel mills. This in turn has further weakened commodity markets, with buyers holding back, anticipating additional price falls. Moreover, the unresolved iron ore price dispute between Vale and Chinese steel mills has lately slowed down iron ore shipments from Brazil to China and led to a dramatic weakening in capesize freight rates. This market sentiment has spread to other dry bulk sectors including handysize.

[1] World Steel.

The orderbook for newbuilds in key dry bulk segments has for some time shown a potential significant oversupply of ships. As a result of the fundamentally weaker dry bulk market and tightened credit market conditions, we believe that a significant number of these newbuild orders will be cancelled for a variety of reasons, including shipowners or shipyards failing to secure the necessary financing. Meanwhile scrapping should increase, as 15% of all dry bulk and 33% of all handysize tonnage is more than 25 years old[2]. Many scrapyards are currently finding it difficult to arrange letters of credit so there is little scrapping at present. Over time, however, increased order cancellations and scrapping could have a positive impact on the dry bulk market.

According to Clarkson, secondhand values for 5 year old handysize vessels fell by 19% from their all-time highs at the end of August 2008 to around US$44 million by 3 October 2008 but, since then, Clarkson has stopped publishing handysize (indeed any bulk carrier) vessel values because of "the market turbulence and increasingly complex sale and purchase market", in which no modern handysize vessels have been sold since August.

We still believe that the industrialisation of China, India and other countries will support the long term demand for dry bulk shipping for many years, although the credit crisis is having a significant negative effect in the short to medium term and it is extremely difficult to predict for how long this will last.

In the current weak market, we expect much lower time charter earnings for 2009 as compared to 2008. We are continuing to seek cover at the most favourable rates available with our broad range of established customers. We have covered 93% of our 2008 handysize revenue days at US$31,340 and 43% of our 2009 revenue days at US$22,580, and these rates exclude any execution premium. The additional 6% handysize cover for 2009 has been contracted at about US$18,500 per day compared to our last reported figure on 4 August 2008 of 37% cover at US$24,200 per day. We are continuing to secure cover for 2010, with around 22% of revenue days covered, and have begun to secure cover for 2011.

In the handymax sector, we are 101% covered in 2008 and 107% in 2009 at average rates of US$45,070 and US$33,360 respectively, well above current market rates. The cover rate above 100% means that we have more cargo contract days than ship days in our handymax book and we may need to charter in vessels from the spot market to cover these cargo contract days.

We are very focused on the credit worthiness of our counterparties. We continually review our forward cover to evaluate potential counterparty risks. Most of our customers are large, blue chip commodity companies whose business requires global shipping. No customer currently represents more than 6% of our handysize and handymax revenue.

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2 Clarkson Research. Percentages are based on deadweight tonnes. Handysize fleet defined as handysize bulk carriers between 25,000 – 34,999 deadweight tonnes.

We have worked hard to ensure the strength of our balance sheet and the safety of our cash. As at 30 June 2008 we had net cash of US$192 million. Gross cash was US$804 million and, in addition, we had unutilised committed bank borrowing facilities of US$292 million. Based on our cash and credit facilities at the present time, our capital expenditure requirements of US$165 million for dry bulk assets and US$556 million for non-dry bulk assets are fully covered.

Progress is being made in our other operations. Our towage division currently has 15 tugs and five barges in operation, with another six tugs and one barge to be delivered between November 2008 and March 2010. We have six RoRo vessels on order to be delivered between 2009 and 2011.

Recently, we have purchased US$60 million (approximately 15% of the aggregate principal amount outstanding) of our 3.3% guaranteed convertible bonds due 2013 at an average price of US$6,551 per unit of bond at a face value of US$10,000 each. The transaction will save us US$21 million at the time of redemption as well as interest of 3.3% per annum on the amount repurchased.

Fleet Development

Due to the drop in freight rates and resultant illiquidity of the sale and purchase dry bulk market, we have not committed to any sales or disposals in the third quarter. In the first half of 2008, however, we locked-in significant vessel disposal gains of approximately US$150 million through the sale of three handysize and one handymax vessels, and the sale and charter back of three handysize vessels. These transactions have been completed, the purchase considerations have been received, and we have booked US$39 million of gains in the first half of 2008 and US$111 million in the second half.

In our towage division, the acquisition of Sea-Tow in New Zealand brought us two additional tug vessels and four barges. Two newbuild tugs have been delivered. We have deployed these vessels in the Australian and New Zealand markets and are actively building our franchise in the region.

Core Fleet Development (excluding short term charters)[5]

	Number of vessels						
	Delivered fleet			Newbuildings on Order			
	Owned	Chartered[1]	Total	Owned	Chartered[1]	Total	Total Fleet
Handysize Fleet							
As at 1 August 2008	17	46	63	7	1	8	71
Newbuildings delivered	2	–	2	(2)	–	(2)	–
Expiry of charters	–	(3)	(3)	–	–	–	(3)
As at 30 October 2008	**19**	**43**	**62**	**5**	**1**	**6**	**68**
Handymax Fleet							
As at 1 August 2008	2	15	17	1	1	2	19
Expiry of charters	–	(1)	(1)	–	–	–	(1)
As at 30 October 2008	**2**	**14**	**16**	**1**	**1**	**2**	**18**
Post Panamax Vessels							
As at 1 August 2008 and 30 October 2008[2]	**–**	**–**	**–**	**2**	**1**	**3**	**3**
Total Dry Bulk Fleet as at 30 October 2008	**21**	**57**	**78**	**8**	**3**	**11**	**89**
Roll on Roll off Vessels							
As at 1 August 2008 and 30 October 2008[3]	**–**	**–**	**–**	**6**	**–**	**6**	**6**
Tugs							
As at 1 August 2008	11	–	11	6	–	6	17
Net acquisitions[4]	4	–	4	1	–	1	5
Newbuildings delivered	2	–	2	(2)	–	(2)	–
Disposal	(1)	–	(1)	–	–	–	(1)
As at 30 October 2008	**16**	**–**	**16**	**5**	**–**	**5**	**21**
Barges							
As at 1 August 2008	1	–	1	2	–	2	3
Net acquisitions[4]	5	–	5	(1)	–	(1)	4
As at 30 October 2008	**6**	**–**	**6**	**1**	**–**	**1**	**7**
Total Other Vessel Types as at 30 October 2008	**22**	**–**	**22**	**12**	**–**	**12**	**34**
Total Fleet as at 30 October 2008	**43**	**57**	**100**	**20**	**3**	**23**	**123**

1 Includes 23 handysize, 1 handymax and 1 post panamax chartered vessels with purchase options.

2 The Group has a 50% interest in one of the owned newbuildings and the chartered newbuilding through a 50/50 joint venture.

3 Includes 2 roll on roll off newbuilding cargo vessels which will be acquired by the Group within approximately 2 months of their delivery from the shipyard subject to the anticipated exercise of purchase options.

4 Includes 2 tugs and 1 barge which are expected to be delivered by end of 2008.

5 Excludes purely managed vessels.

By Order of the Board
Richard Hext
Chief Executive Officer

Hong Kong, 30 October 2008

As at the date of this announcement, the executive directors of the Company are David Muir Turnbull, Richard Maurice Hext, Klaus Nyborg, Wang Chunlin, and Jan Rindbo, the non-executive directors of the Company are Dr. Lee Kwok Yin, Simon and Daniel Rochfort Bradshaw, and the independent non-executive directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul and Alasdair George Morrison.

Shareholders and investors are reminded that this trading activities update for the period ended 30 October 2008 is based on the Group's internal records and management accounts, and has not been reviewed or audited by external 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.