Pacific Basin Shipping Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 2343)

FIRST QUARTER 2009 TRADING UPDATE

Dry bulk freight rates rallied during the first quarter but are likely to trend lower in view of the challenging global economic outlook and mounting dry bulk tonnage supply.

- The dry bulk freight market improved to an unexpected degree during the first quarter of 2009 due to a strong revival in demand and a much smaller than expected increase in the supply of ships.
- Increased demand was driven mainly by lower commodity prices, partial re-stocking of depleted inventories, an improvement in the availability of trade credit and the effects of the Chinese stimulus package. Supply growth reduced as a result of soaring scrapping of older vessels and fewer newbuildings delivering than had originally been forecast.
- After dropping to a 22-year low of 663 points on 5 December 2008, the Baltic Dry Index ("BDI") recovered to a first quarter 2009 high of 2,298 points on 10 March. It has since fallen to 1,869 points as at 22 April. During the quarter, the Baltic Handysize Index ("BHSI") rose from US$3,891 per day net as at 2 January to a first quarter high of US$10,969 on 17 March. It has since declined to US$9,166 on 22 April.
- We have secured a high level of cargo cover which reduces our freight market exposure: 78% of our 21,800 handysize revenue days in 2009 are covered at a rate of US$15,430 per day, and we have also covered 39% of our 2010 revenue days. 121% of our 3,610 handymax revenue days in 2009 are covered at a rate of US$31,310 per day, and we have also covered 165% of our 2010 revenue days, meaning that we have more cargo contract days than ship days in our handymax book. Our combined handysize and handymax fleet has cover of 86% for 2009 and 49% for 2010 in terms of handysize-equivalent days. This relatively high level of forward cover reflects our anticipation of a difficult freight market.
- Since the start of 2009, we have completed the sale of five dry bulk vessels (including one jointly owned handysize vessel) and a sixth sale is scheduled to be completed in the second quarter of 2009. These transactions will generate vessel disposal proceeds of US$105 million and net disposal losses in 2009 of US$2.6 million. Two of these vessels have been chartered back to us. Our core dry bulk fleet now comprises 75 vessels on the water and nine newbuildings on order. The average age of our core fleet is 6.7 years.
- These sales reinforce our strong balance sheet which, as at 31 December 2008, showed US$1 billion in cash and bank balances and a net cash position of US$176 million.
- Our other core businesses are developing well. PB Towage now operates a fleet of 17 tugs and six barges and has another five tugs on order. PB RoRo has four newbuildings and options for two further vessels and has secured employment for the first vessel delivering this year.
- We anticipate a continued volatile and challenging dry bulk market throughout 2009. We expect the difficult market to present opportunities to the strongest owners and operators and are therefore conserving our capital with a view to purchasing assets – mainly dry bulk fleets or companies – at attractive prices at the right time.

Market and Business Review

Dry Bulk

The dry bulk freight market improved to an unexpected degree during the first quarter of this year. Several reasons for this are noted above but the most important was, arguably, the Chinese Government's stimulus package which spurred new infrastructure projects in China and a resultant surge in imports of raw materials. In particular, many Chinese steel mills sought to restock iron ore, scrap and manganese ore following a period of de-stocking and cash conservation during the second half of 2008. China's influence on dry bulk shipping is now greater than ever: spot rates in the Pacific have been noticeably lower than in the Atlantic in recent months due to a localised over-supply of tonnage comprising both ships which have discharged their cargoes in China and newbuildings delivered from Chinese shipyards. Activity in the Atlantic has also been robust with strong exports of grain from the US Gulf and South America, and increased trade in petcoke and scrap metals.

Drastically lower supply growth also contributed to the freight market recovery. Belying expectations of a flood of new deliveries, the dry bulk fleet grew by just 1.5% during the first three months of 2009 because of the failure of many shipyards and many buyers to meet their contractual newbuilding commitments; this was due principally to the disappearance of credit following last year's collapse in spot market earnings. Indeed, some 60% of the first quarter orderbook failed to deliver during the period: if this trend is maintained then only about 30 million dwt of dry bulk vessels would deliver in 2009 compared to about 70 million dwt as projected by Clarksons at the start of the year. We expect considerably more than 30 million dwt to actually deliver, but much will depend on how freight market and ship value expectations develop. The current handysize orderbook stands at 47%, which is much lower than the overall dry bulk orderbook of 70%.

Increased scrapping of existing old vessels also reduced the fleet afloat; some 8.5 million dwt of dry bulk vessels were scrapped in the five *months* ending 31 March, almost as much as was scrapped in the previous six *years*.

Clarksons, the world's largest shipbroker, is still not publishing secondhand bulkcarrier values, but other brokers' estimates point to values ranging from US$20 million to US$22 million for a five year old 32,000 dwt handysize bulk carrier. These values are roughly in line with those at year end 2008.

We anticipate a volatile and generally low dry bulk market during the remainder of 2009, which will reflect seasonal swings in demand, possible further deterioration of the global economy (albeit moderated by the effects of various government stimulus packages) and the negative impact of significant newbuilding deliveries.

In the longer term, we expect much reduced newbuilding orders, continued scrapping and the revived industrialisation of China, India and other developing nations to lead a correction of the current supply/demand imbalance, thus supporting the case for healthier shipping markets. China's determined effort to acquire minerals assets abroad gives much hope for a revival of Chinese industrial production and raw material imports.

We are seeing comparatively high levels of enquiry for forward freight cover as cargo interests return to the market after much temporising during the fourth quarter of last year when commodity demand collapsed. As a result we have secured a relatively high level of cargo cover which reduces our market exposure.

We continually review our forward cover to evaluate potential counterparty risk. We are comforted that most of our customers are large, blue chip commodity companies rather than intermediate ship operators, and that no customer represented more than 4% of our handysize and handymax revenue in 2008.

Other Businesses

Good progress is being made in developing our other core businesses. PB Towage has recently acquired a newbuilding contract for a tug delivering in July, and its fleet now comprises 17 tugs and six barges in operation plus another five tugs to be delivered between July 2009 and March 2010. Demand for our tug and barge services is supported by continued strong upstream activity by oil and gas producers. We are actively pursuing opportunities to provide maritime logistics services for substantial new construction projects in Western Australia which, if successful, would support the case for significant further expansion of our towage fleet.

PB RoRo has four newbuildings and options for two further vessels. A three-year time charter to a blue chip operator has been secured for our first RoRo vessel delivering later this year. The current depressed state of the RoRo market means we do not expect to secure acceptable employment for our other vessels until closer to the time of their deliveries in 2010 and 2011.

Fleet Development

Since the start of 2009, we have completed the sale of five dry bulk vessels (including one jointly owned handysize vessel) and a sixth vessel sale is scheduled to be completed in the second quarter of 2009. These transactions resulted in US$19.5 million of net vessel disposal losses already recognised in our 2008 results and will generate further vessel disposal losses of US$2.6 million in 2009. Together they generate vessel disposal proceeds of US$105 million, which will result in a reduction in debt facilities of US$25 million.

Two newbuilding vessels have delivered and our long term chartered fleet has grown by two ships taking our core dry bulk fleet to 75 vessels on the water and nine newbuildings on order.

In the year to date, PB Towage has expanded its fleet through the acquisition of one tug and a newbuilding contract for one more.

The following Fleet Table summarises fleet changes (including short term chartered in vessels but excluding purely managed vessels) between the end of 2008 and 23 April 2009:

	Delivered fleet			Newbuildings on Order				Short Term Chartered[4]	
Number of Vessels	**Owned**	**Chartered[1]**	**Total**	**Owned**	**Chartered[1]**	**Total**	**Total Core Fleet**		**Grand Total**
Handysize Fleet									
As at 1 January 2009	20	42	62	5	3	8	70		
Newbuildings delivered	1	1	2	(1)	(1)	(2)	–		
Sale and time charter back	(1)	1	–	–	–	–	–		
Disposals [2]	(3)	–	(3)	–	–	–	(3)		
As at 23 April 2009	**17**	**44**	**61**	**4**	**2**	**6**	**67**	**8**	**75**
Handymax Fleet									
As at 1 January 2009	2	13	15	1	1	2	17		
Newbuilding delivered	1	–	1	(1)	–	(1)	–		
New charters	–	1	1	–	–	–	1		
Sale and time charter back	(1)	1	–	–	–	–	–		
Disposal	(1)	–	(1)	–	–	–	(1)		
Expiry of charters	–	(2)	(2)	–	–	–	(2)		
As at 23 April 2009	**1**	**13**	**14**	**–**	**1**	**1**	**15**	**16**	**31**
Post Panamax Vessels									
As at 1 January 2009 & 23 April 2009	**–**	**–**	**–**	**1**	**1**	**2**	**2**	**–**	**2**
Total Dry Bulk Fleet as at 23 April 2009	**18**	**57**	**75**	**5**	**4**	**9**	**84**	**24**	**108**
Roll on Roll off Vessels									
As at 1 January 2009 & 23 April 2009 [3]	**–**	**–**	**–**	**6**	**–**	**6**	**6**	**–**	**6**
Tugs									
As at 1 January 2009	16	–	16	4	–	4	20		
New orders	–	–	–	1	–	1	1		
Second hand purchases	1	–	1	–	–	–	1		
As at 23 April 2009	**17**	**–**	**17**	**5**	**–**	**5**	**22**	**–**	**22**
Barges									
As at 1 January 2009 & 23 April 2009	**6**	**–**	**6**	**–**	**–**	**–**	**6**	**–**	**6**
Total Other Vessel Types as at 23 April 2009	**23**	**–**	**23**	**11**	**–**	**11**	**34**	**–**	**34**
Total Fleet as at 23 April 2009	**41**	**57**	**98**	**16**	**4**	**20**	**118**	**24**	**142**

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

2 Includes one vessel whose disposal is scheduled to be completed in the second quarter of 2009.

3 Includes 2 RoRo newbuilding vessels which can be acquired by the Group within approximately 2 months of their delivery from the shipyard subject to the exercise of purchase options.

4 Short term charters are generally those with charter periods not exceeding six months.

By Order of the Board
Richard Hext
Chief Executive Officer

Hong Kong, 23 April 2009

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 update for the period ended 23 April 2009 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.