Pacific Basin Shipping Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 2343)

THIRD QUARTER 2011 TRADING UPDATE

HIGHLIGHTS

Healthy demand drives an earlier, stronger than anticipated improvement for Handysize and Handymax segments in the third quarter

Softening Chinese demand expected to be balanced by US grain exports in the fourth quarter

PB Towage continues to improve whereas challenges remain for PB RoRo

Pacific Basin Dry Bulk

- Market freight rates for Handysize and Handymax bulk carriers have increased 12% and 22% respectively since 30 June marking an earlier and stronger than anticipated improvement
- The Baltic Dry Index (BDI) increased 52% since mid-year driven by a 147% increase in Capesize rates mainly attributable to healthy commodity demand despite global economic worries and a heavy stream of newbuilding deliveries
- Global Handysize capacity expanded by only 1% net over the quarter; dry bulk capacity overall expanded by 3% net with newbuilding deliveries in the year to date approximately 30% behind schedule
- Benchmark five year old Handysize ship values have decreased 8% year to date to US$23 million, with downward pressure on values expected to generate opportunities for additional vessel acquisitions
- Pacific Basin dry bulk fleet comprises 172 ships including 25 bulk carriers scheduled to deliver mainly in 2013
- 32% of our 2012 Handysize revenue days are covered at US$13,540 per day net which exceeds the forward market
- We see evidence of softening Chinese demand for some commodities which we expect to be balanced by the seasonal resumption of fourth quarter US Gulf grain exports
- We anticipate sustained dry bulk demand, high scrapping levels and reduced newbuilding deliveries will support a continued relatively healthy supply/demand balance for minor bulk segments in 2012 overall, though this balance could weaken if global economic growth slows further
- We believe banking industry pressures may significantly dampen many ship owners' ability to fund second hand ship acquisitions and force them to find additional cash resources to meet capital and banking obligations

PB Energy & Infrastructure Services

- Significant improvement is expected to continue with growth in new Australian offshore oil and gas projects

PB RoRo

- Five of our RoRo vessels have delivered of which four are currently employed, and our final newbuilding is scheduled to deliver in November 2011
- The Nafta Gulf Bridge RoRo service has been suspended due to unsatisfactory demand, but our two ships previously employed in that trade have been redeployed in the US Gulf albeit at low rates
- We expect the charter market for RoRo vessels to remain depressed into 2012 due to muted growth in freight volumes overall and a potentially weaker European economy threatened by recession

Other Company Developments

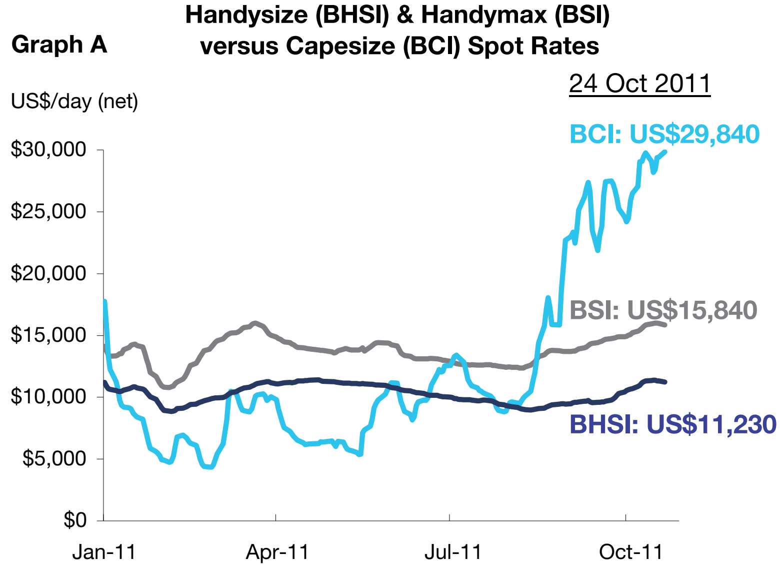
- Our Captain Zhu Qianchun was named "Seafarer of the Year" and Pacific Basin won the Environment Award at the Lloyd's List Awards – Global 2011 and Asia 2011

MARKET AND BUSINESS REVIEW

Pacific Basin Dry Bulk

Dry Bulk Market Review

Graph A



Source: The Baltic Exchange, as at 24 Oct 2011

Market freight rates for Handysize and Handymax bulk carriers have increased 12% and 22% respectively since 30 June marking an earlier and stronger than anticipated improvement. As at 24 October, Handysize and Handymax rates had strengthened to US$11,230 and US$15,840 per day net (see graph A).

Recent dry bulk market strength is mainly attributable to a return to activity following the traditionally quieter summer months and healthy commodity demand in Asia – Chinese demand for minor bulks in particular – despite global economic worries and a heavy stream of newbuilding deliveries.

Demand for Handysize and Handymax bulk carriers continued to be supported by expanded minor bulk imports into China with year to date Chinese imports of metal ores increasing as much as 60% year on year in the case of manganese and nickel ore. Seaborne log imports in the first eight months were up 40% year on year thus continuing to underpin demand for Handysize log carriers in the Pacific.

A relative shortage of ships in the Atlantic combined with high fuel prices and the associated high cost of repositioning ships into the Atlantic helped to buoy freight rates for minor bulk ships. However, the recovery in Handysize rates has been less pronounced than larger ship types due to the revival of shorter-haul grain trades from the Black Sea at the expense of longer-haul US Gulf grain shipments.

By contrast, Capesize rates increased by 147% since mid-year to US$29,840, in turn driving a 52% increase in the BDI which currently stands at 2,153 points. Commencing from very low levels in the second quarter, the Capesize rally was largely driven by strong Chinese and Japanese demand for iron ore and coal imports (with Japanese imports in August reaching their highest levels since the onset of the financial crisis in July 2008), compounded by the seasonal inventory build-up of thermal coal prior to the winter months. This has restored a sense of normality in the freight market with Capesize ships recapturing their position at the top of the dry bulk sector's spot earnings table although the correlation between large and small bulk carrier earnings remains low.

According to data collected by Clarksons, the global fleet of 25,000-40,000 dwt Handysize vessels in which we specialise expanded by only 1% net in the third quarter. Dry bulk capacity overall expanded by 3% net, driven by the delivery of 23 million deadweight tonnes of new capacity and scrapping of five million tonnes in the quarter. Approximately 19% (0.9 million tonnes) of all dry bulk scrapping was attributable to the Handysize segment which saw its highest levels of scrapping since the first quarter of 2009. Year-on-year net fleet growth peaked in January at approximately 17% and has since declined to 15% assisted by more prolific scrapping of older tonnage. Handysize net fleet growth peaked at 11% in February and has since declined to 7%.

The published dry bulk orderbook has reduced to 39% of the fleet afloat, with the orderbook for 25,000-40,000 dwt Handysize vessels still lower at 31%. As at 1 January, 137 million tonnes of new dry bulk capacity (approximately half of the orderbook) was scheduled to deliver in 2011 alone. Reflecting the rate of newbuilding deliveries in the past several months, we now expect actual deliveries for the full year to fall short of this mark by approximately 30%.

Clarksons currently estimate the value of a benchmark five year old 28,000 dwt Handysize vessel at US$23 million – down 8% in the year to date compared to a drop of up to 25% in other dry bulk segments.

Recent European economic uncertainty has caused a number of ship finance banks to cease signing new shipping loans. We believe this may significantly dampen many ship owners' ability to fund second hand ship acquisitions in 2012 and force them to find additional cash resources to meet capital and banking obligations.

Dry Bulk Market Outlook

Our dry bulk market view has been slightly recalibrated to reflect the earlier than expected improvement in dry bulk earnings. Despite the strength of demand in recent months, we now see evidence of softening Chinese demand for some commodities in the remainder of the year which we expect to be balanced by the seasonal resumption of fourth quarter US Gulf grain exports. Notwithstanding seasonal market fluctuations, we anticipate sustained dry bulk demand, high scrapping levels and reduced newbuilding deliveries will support a continued relatively healthy supply/demand balance for the minor bulk segments in 2012 overall, though this balance could weaken if global economic growth slows further.

Pacific Basin Dry Bulk Activity

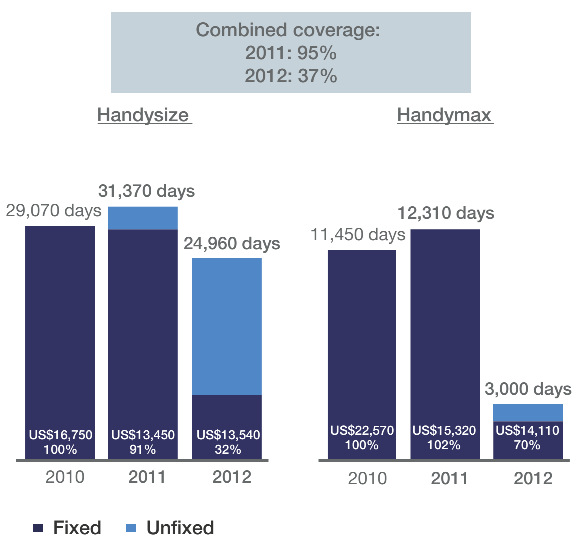
Pacific Basin Dry Bulk has done well to outperform market earnings and continues to strengthen its position in the Handysize and Handymax segments by actively expanding its global presence, its short and long term fleet and its cargo contract portfolio.

We have committed to the purchase of two dry bulk ships and the long term charter of a further four since mid-year as part of our programme to acquire vessels of our preferred designs as opportunities arise, mindful not to increase our competitive fleet breakeven cost. Our orderbook currently comprises 25 owned and chartered ships to deliver into our core fleet mainly in 2013. We remain focused on expanding further our core dry bulk fleet, and anticipate that downward pressure on values and newbuilding prices combined with continued market challenges will generate opportunities for additional vessel acquisitions in 2012.

During the third quarter, our fleet of Handysize ships in operation surpassed 100 vessels for the first time in our Company's history, enhancing the revenue generating capacity of our cornerstone dry bulk business and affording our customers an even more flexible, reliable and truly global service. As at 24 October 2011, we had secured cargo cover as summarised in graph B.

Graph B

As at 24 Oct 2011



PB Energy & Infrastructure Services

The market for both offshore and harbour towage services continued its significant improvement in the third quarter resulting in further improved rates and trading conditions for PB Towage's Australasia-focused business. We expect growth especially in the Australian oil and gas sector to continue, boding well for potential offshore projects in the pipeline and for the prospects for our offshore support activities.

PB RoRo

Two of our first four RoRo vessels continue to trade satisfactorily in Europe and the Mediterranean. Disappointingly, the Nafta Gulf Bridge RoRo service in the US Gulf has been suspended due to unsatisfactory demand, but our two vessels previously employed in that trade have already been redeployed on short-term business within the US Gulf albeit at low rates. We are also engaged in developing employment for our final two Odense newbuildings, one of which delivered in August while the other is scheduled to deliver in November, though we continue to see limited prospects for employment at acceptable rates. 80% of our 1,570 RoRo revenue days in 2011 are covered at US$20,290 per day net, and 16% of our 2,200 RoRo revenue days in 2012 are covered at US$27,510 per day net. We expect the charter market for RoRo vessels to remain depressed into 2012 due to muted growth in freight volumes overall and a potentially weaker European economy threatened by recession.

Other Company Developments

At the Lloyd's List Awards – Global 2011, our Captain Zhu Qianchun was named "Seafarer of the Year" for his exemplary actions to ensure the safety of his ship ("Port Pegasus") and crew during the Japanese earthquake and Tsunami of 11 March 2011. Pacific Basin received the Environment Award at the same event, for what the judges considered to be a comprehensive programme of environmentally-sound systems across our fleet and a company-wide gold standard environmental policy promising real results. At the Lloyd's List Awards – Asia 2011, we received the same two awards and won "Shipmanager of the Year" and a High Commendation for our initiatives and performance in the field of Safety. Other awards we have won this year include Seatrade Asia's "Bulk Operator Award" as well as awards for performance in Port State Control Inspections, corporate governance and investor relations. Together they represent growing recognition of the commitment and hard work of the whole Pacific Basin team, and evidence of the progress we have made through various strategic priorities that drive us towards our vision: to be a shipping industry leader and the partner of choice for customers, staff, shareholders and other stakeholders.

On 5 September, we announced news of Klaus Nyborg's intention to resign as an Executive Director and the Chief Executive Officer of the Company in March 2012. The process of identifying his successor is well underway.

Fleet Development

As at 24 October 2011, the Group's fleet (including newbuildings) numbered 221 vessels comprising 172 dry bulk ships, 42 tugs and barges, one bunker tanker and six RoRos. We await the delivery of 25 owned or long term chartered bulk carriers and one RoRo. Our dry bulk core fleet has an average vessel age of 6.5 years.

The following table summarises our fleet commitments as at 24 October 2011:

	Delivered		Newbuildings on order		
	Owned	Chartered[1]	Owned	Chartered	Total
Dry Bulk Fleet					
Handysize	30	73	7	9	119
Handymax	3[2]	39	6	3	51
Post Panamax	1	1	–	–	2
Total Dry Bulk Vessels	**34**	**113**	**13**	**12**	**172**
Towage					
Tugs	33	2	–	–	35
Barges	6	1	–	–	7
Bunker Tanker	1[3]	–	–	–	1
Total Towage Vessels	**40**	**3**	**–**	**–**	**43**
Roll on Roll off	**5**	**–**	**1**	**–**	**6**
Grand Total	**79**	**116**	**14**	**12**	**221**

Note:

1 Delivered dry bulk chartered fleet comprises 13 vessels under finance leases and 100 vessels under operating leases, including non-core vessels chartered in for shorter term periods

2 The delivered fleet of owned handymax vessels includes a second hand vessel scheduled to deliver into our ownership in the first quarter of 2012

3 The Group has a 50% interest in the bunker tanker

A table detailing our fleet development in the period since 30 June 2011 can be found in the Fleet section of our website at www.pacificbasin.com.

By Order of the Board
Klaus Nyborg
Chief Executive Officer

Hong Kong, 27 October 2011

As at the date of this announcement, the executive Directors of the Company are David Muir Turnbull, Klaus Nyborg, Jan Rindbo, Andrew Thomas Broomhead and Wang Chunlin, the non-executive Director of the Company is Richard Maurice Hext, and the independent non-executive Directors of the Company are Robert Charles Nicholson, Patrick Blackwell Paul, Alasdair George Morrison and Daniel Rochfort Bradshaw.

Shareholders and investors are reminded that this trading update for the period ended 27 October 2011 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.