Pacific Basin Shipping Limited

(*incorporated in Bermuda with limited liability*)
(Stock Code: 2343)

THIRD QUARTER 2012 TRADING UPDATE

HIGHLIGHTS

Robust dry bulk business model again enabled outperformance in a weak spot market
Company returns to ship acquisitions market as vessel values decrease further
Fourth quarter and full-year dry bulk market outlook is bleak
PB Towage is expected to continue to benefit from healthy sector activity
PB RoRo fleet has been sold with forward delivery

Pacific Basin Dry Bulk

- 93% of our 39,060 contracted Handysize revenue days in 2012 are covered at US$10,820 per day net
- Our dry bulk business model continues to enable us to outperform Handysize spot market rates which averaged US$7,600 per day net in the year to date
- Spot market rates for Handysize and Handymax bulk carriers in which we specialise fell 37% over the third quarter which will reduce our fourth quarter vessel earnings
- The Baltic Dry Index (BDI) registered its lowest quarterly average since 1998, reflecting the continued oversupply of vessels primarily in the larger bulk carrier segments
- We expect weaker economic conditions and generally softer Chinese commodity demand growth to limit seasonal recovery in dry bulk freight rates in the remainder of the year
- Protracted dry bulk market weakness and funding shortages continue to drive down vessel prices to levels that make acquisitions increasingly attractive to well-capitalised owners like us
- Five year old Handysize ship values remain down 29% year to date at US$16 million
- Global Handysize capacity expanded by only 0.2% net during the third quarter with significant newbuilding deliveries largely offset by record high scrapping
- We purchased one secondhand Handysize ship, marking our return to the ship acquisitions market for the first time since October last year; we are actively looking at more ship buying opportunities to expand our core fleet at attractive prices
- We currently operate 124 Handysize and 37 Handymax ships, with 20 newbuildings (13 owned and 7 chartered) scheduled to join our core fleet mainly in 2013-2014

PB Towage

- We expect healthy levels of activity in the Australian towage market to maintain our performance this year and into 2013

PB RoRo

- Our six RoRo vessels are being chartered to the Grimaldi Group with an obligation to purchase at least one vessel every six months – the first is to be purchased latest by 30 June 2013

Financing & Other Developments

- We have entered into a subscription agreement to issue approximately US$124 million of new convertible bonds expiring 2018 with a cash coupon of 1.875% per annum
- We expect to convert our existing EUR 162 million, 12-year RoRo loan facility to a dry bulk loan facility of approximately US$210 million thus further enhancing our dry bulk vessel buying power

MARKET AND BUSINESS REVIEW

PACIFIC BASIN DRY BULK

Dry Bulk Market Review

Freight Market Summary

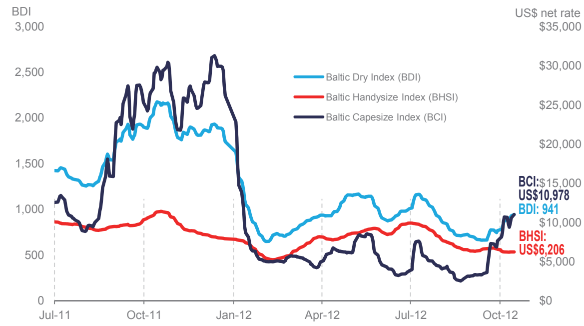
Spot market rates for Handysize and Handymax bulk carriers in which we specialise fell 37% over the third quarter and averaged US$7,600 and US$9,800 respectively in what is typically the weakest quarter of the year (see Graph A).

Even so, quarterly average freight rates for Handysize and Handymax ships exceeded that for larger Panamax and Capesize for the first time since all four indices have coexisted, underscoring the better freight market support that currently exists for smaller and more versatile ship types that specialise in carrying minor bulks.

The Baltic Dry Index (BDI) declined by 17% quarter on quarter to its lowest quarterly level since 1998, reflecting the continued oversupply of vessels primarily in the larger bulk carrier segments.

Graph A

Baltic Dry Bulk Earnings Indices



Source: The Baltic Exchange, data as at 15 Oct 2012

Key Demand Developments

The rate of growth in global dry bulk shipping demand has remained significant this year – around 8% for the first half of 2012 according to R.S. Platou. However, demand growth continues to slow, influenced by softer Chinese industrial production growth and increased Chinese hydro-electric power output at the expense of coal imports which were significantly reduced quarter on quarter from very high levels. Consequently, growth in global dry bulk trade has failed to match global fleet expansion – the main cause of the protracted market weakness – resulting in lower freight rates.

Global Fleet Developments

Despite increased newbuilding deliveries in the year to date, more ship scrapping has moderated the pace of global net fleet growth year on year.

The global fleet of 25,000-40,000 dwt Handysize vessels in which we specialise has expanded by 5% net over the past twelve months, which remains significantly below the 13% expansion of dry bulk capacity overall (data source: Clarksons). Over the third quarter, Handysize capacity expanded by only 0.2% net while dry bulk capacity overall expanded by 1.5% net. This was driven by the delivery of 18 million out of an expected 26 million tonnes of scheduled new capacity during the quarter, which represents a reduced pace of deliveries both quarter on quarter and year on year.

A record 8 million tonnes of old capacity was scrapped during the period which, on an annualised basis, is approximately 46% higher than recorded scrapping in 2011. 19% of all dry bulk scrapping was attributable to the Handysize segment.

We expect newbuilding deliveries in the remainder of the year to remain below the levels of earlier this year and scrapping to continue at a high rate as long as the freight market remains challenging.

Orderbook

The current published orderbook for Handysize vessels stands at 20% which is down by one-third year on year. The orderbook for dry bulk vessels overall has also reduced by around one-third year on year to 22%.

As at 1 January, 139 million tonnes of new dry bulk capacity (over two thirds of the outstanding orderbook) was scheduled to deliver in 2012 alone. We expect actual deliveries for the full year to fall short of this mark by 25-30%.

Ship Values

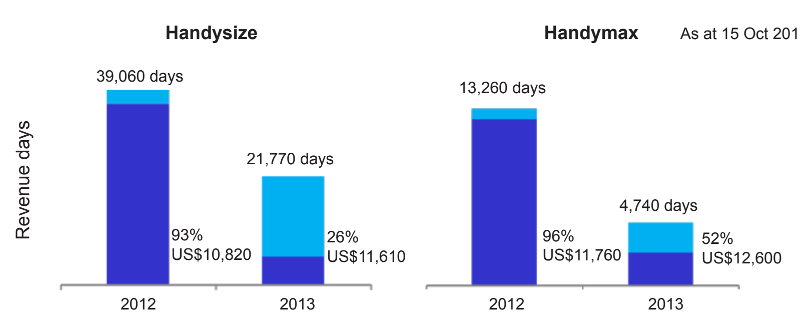
Clarksons estimates the value of their benchmark five year old Handysize (defined as 32,000 dwt) to be US$16 million – unchanged since our 2012 Interim Report but down 29% in the year to date. Ship values continue to be under pressure, influenced by the weak freight market and the financial difficulties facing a number of ship owners pressed to raise cash and reduce debt while shipping banks seek to reduce their exposure to shipping.

Pacific Basin Dry Bulk Activity

As at 15 October, 93% of our 39,060 contracted Handysize revenue days in 2012 were covered at US$10,820 per day net (see Graph B). By comparison, Handysize spot market rates averaged US$7,600 per day net in the year to date.

The uplift that we have achieved over spot market rates underscores the continued strong value of our dry bulk business model focused on providing dry bulk cargo owners with world-class service. However, a weak spot market in the third quarter and a continued weak outlook for dry bulk freight rates in the remainder of 2012 will reduce the earnings we are able to achieve for our remaining unfixed vessels in 2012.

Graph B



26% of our 21,770 contracted Handysize revenue days in 2013 have so far been covered at US$11,610 per day net. This 2013 cover increases to 43% if we include the 6,350 revenue days (1,670 revenue days as at October 2011) relating to vessels we have chartered in on an index-linked basis which we had included in all employment cover statistics prior to our 2012 Interim Report.

We currently operate 124 Handysize and 37 Handymax ships, with 20 newbuildings – including 13 owned and seven chartered ships – scheduled to join our core fleet mainly in 2013-2014. Our recent fleet expansion cements our position as the world's largest operator of modern Handysize tonnage, and we continue to grow our already significant presence in the Handymax segment.

We purchased and took delivery of one second hand Japanese-built Handysize ship during the quarter, marking our return to the ship acquisitions market for the first time since October last year. We are actively looking at more ship buying opportunities to expand our core fleet of owned vessels at attractive prices, in turn enabling us to continue to offer our customers competitive freight rates coupled with second-to-none fleet scheduling flexibility to ensure a reliable and punctual service globally.

However, our recent fleet growth is largely attributable to an increase in low-cost, long-term and short-term chartered ships. We have been well-placed to secure chartered vessels as ship owners look to high-quality and financially strong counterparties such as ourselves for employment in these challenging times.

In particular, we have increased the number of vessels we have chartered in on an index-linked basis, with which our business model enables us to generate a profitable margin above the market rate which we pay for these vessels.

PB TOWAGE

Australian oil and gas activity continues to buoy PB Towage's results, with robust demand for marine construction support driving strong utilisation of its fleet. Our core fleet of offshore tugs and barges have employment cover through 2013. In the short to medium term, we expect to continue to benefit from healthy demand in Australia and other markets as a number of key offshore projects commence construction work and others enter their Front-End Engineering Design phase.

PB Towage has expanded its operational and technical support to meet customer expectations and is looking to build on its activities both in Australia and potentially further afield, targeting tug and barge transportation projects and new harbour towage opportunities.

PB RORO

We announced on 7 September 2012 an agreement to sell all of our six RoRo vessels to the Grimaldi Group who have an obligation to purchase at least one vessel by the end of each six month period ending 30 June 2013 through 31 December 2015. Under the agreement, the Grimaldi Group will charter the vessels on a bareboat basis until ownership of the vessels eventually transfers. The first two vessels have now commenced their bareboat charters.

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FINANCING & OTHER DEVELOPMENTS

We announced on 20 September 2012 that we have entered into a subscription agreement to issue approximately US$124 million of new convertible bonds expiring 2018 with a cash coupon of 1.875% per annum representing an attractive cost of funding. The net proceeds from the issue will be primarily used to invest in further Handysize and Handymax opportunities.

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We expect to convert our existing EUR 162 million, 12-year RoRo loan facility to a dry bulk loan facility of approximately US$210 million by the year end, thus further enhancing our dry bulk vessel buying power.

OUTLOOK

Market Outlook

The fourth quarter of the year is typically characterised by seasonal strength, partly due to the resumption of US grain exports which this year will be affected by drought across major US farming areas. However, despite an expected slow-down in newbuilding deliveries, we expect weaker economic conditions and generally softer growth in Chinese demand for commodities to limit seasonal recovery in dry bulk freight rates in the remainder of the year. Average Handysize spot market earnings in the first nine months of the year were US$7,600 per day net, as compared to US$15,600 and US$10,025 in 2010 and 2011 respectively, pointing to another year of decline in full-year average market freight rates.

We expect healthy levels of activity in the Australian towage sector to be maintained and PB Towage to continue to perform well into 2013.

Severe weakness is expected to continue in the RoRo charter market, but our exposure is largely eliminated by the employment cover we now have in place until our RoRo ships transfer into the Grimaldi Group's ownership.

Business Strategy

We remain committed to our strategy of directing new investment principally towards the expansion of our fleet of dry bulk ships. The protracted dry bulk market weakness and funding shortages continue to drive down vessel prices to levels that make acquisitions increasingly attractive to well-capitalised owners like us, and we are actively evaluating opportunities to buy secondhand ships that are suitable to our requirements.

We are also committed to growing our towage division through carefully considered investments in both the project and harbour sectors.

We continue to be confident in our business model, team, structures and strong balance sheet to expand our dry bulk fleet through ship or fleet acquisitions at the right time and price, and in our ability to deliver a world-class service and sustainable growth and shareholder value over the long term.

FLEET

As at 15 October 2012, the Group's fleet (including newbuildings) numbered 234 vessels. Our dry bulk core fleet on the water has an average vessel age of 6.4 years. Our fleet commitments are currently as follows:

	Delivered		Newbuildings on order		
	Owned	**Chartered**[1]	**Owned**	**Chartered**	**Total**
Dry Bulk Fleet					
Handysize	32	92	7	5	**136**
Handymax	3	34	6	2	**45**
Post Panamax	1	1	–	–	**2**
Total Dry Bulk Vessels	**36**	**127**	**13**	**7**	**183**
Towage					
Tugs	32	4	–	–	**36**
Barges	6	1	–	–	**7**
Other PB Towage Vessels [2]	1	1	–	–	**2**
Total Towage Vessels	**39**	**6**	**–**	**–**	**45**
Roll-on Roll-off Vessels	**6**	**–**	**–**	**–**	**6**
Grand Total	**81**	**133**	**13**	**7**	**234**

Note:

1 Delivered dry bulk chartered fleet comprises 13 vessels under finance leases and 114 vessels under operating leases, including non-core vessels chartered in for shorter term periods

2 Other PB Towage Vessels comprises an owned bunker tanker in which the Group has a 50% interest and a chartered passenger/supply vessel

A table detailing our fleet development in the period since 30 June 2012 can be found in the Fleet section of our website at www.pacificbasin.com.

By Order of the Board
Mok Kit Ting, Kitty
Company Secretary

Hong Kong, 18 October 2012

As at the date of this announcement, the executive Directors of the Company are David Muir Turnbull, Mats Henrik Berglund, Jan Rindbo, Andrew Thomas Broomhead, Wang Chunlin and Chanakya Kocherla, 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 18 October 2012 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.