The information and statistics set out in this section have been extracted from the Clarkson Research Studies ("Clarkson Research") database and other sources. Clarkson Research advises that some information in their database may be based on, or include, subjective judgements or estimates. No independent verification has been carried out on such information and statistics. Reasonable care has been exercised by the Directors and Clarkson Research in the exercise of extracting and repeating such information. Clarkson Research makes no representation as to the accuracy of such information and statistics, which may not be consistent with each other or with other information. Clarkson Research accepts no liability for any loss suffered in consequence of any reliance on such information and statistics.

Industry Overview

The maritime transportation industry is fundamental to international trade, being the only practicable and cost effective means of transporting large volumes of many essential commodities and finished goods. In 2003, total annual world seaborne trade amounted to 6.1 billion tonnes, of which dry bulk cargoes amounted to 2.2 billion tonnes. The table below illustrates the breakdown of the various categories of cargoes which comprised the aggregate world seaborne trade in 2003.

World Seaborne Trade in 2003 — All Cargoes[1]

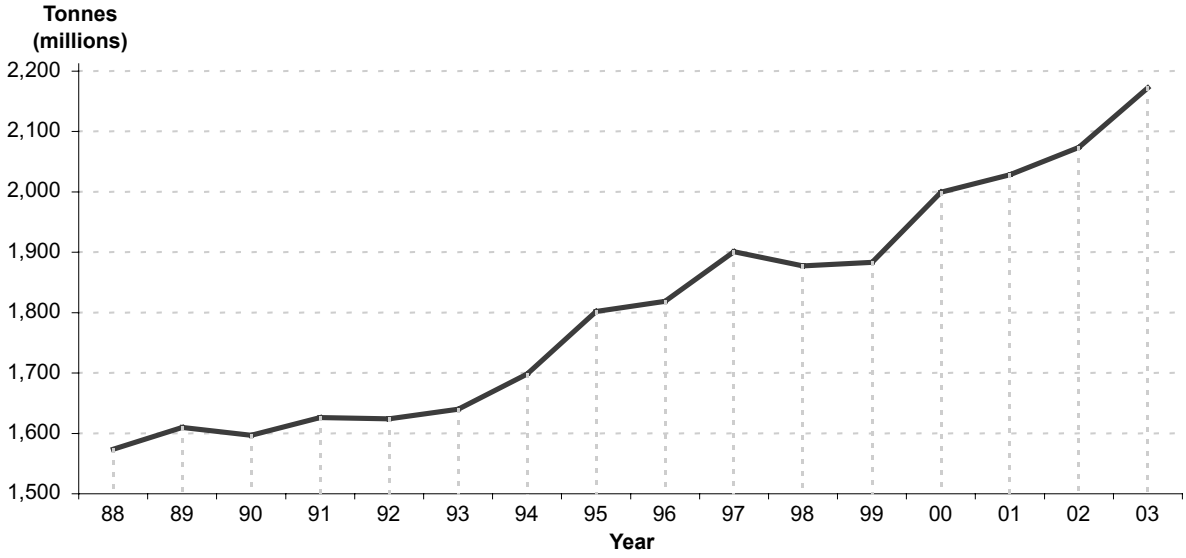
	Tonnes (millions)	% of Total Dry Bulk	% of Total
Dry Bulk			
Minor Bulks	799	37	13
Coal	588	27	10
Iron Ore	516	24	8
Grain[2]	269	12	4
Total Dry Bulk	2,172	100	35
Crude Oil	1,688		27
Container	787		13
Other Dry[3]	782		13
Oil Products	577		9
Gas	143		2
Total	6,149		100

Dry bulk cargoes are used by many industries such as manufacturing and construction and are divided into major bulk commodities and minor bulk commodities. Major bulks consist of iron ore, coal and grain. Minor bulks cover a wide variety of commodities, such as forest products, iron and steel products, fertilisers, agricultural products, ores, minerals and petcoke, bauxite and alumina, cement, other construction materials and salt.

1. Clarkson Research (As of March 2004). Totals may not add up due to rounding.
2. All grains include wheat, coarse grains and soybeans. Clarkson Research includes bauxite, alumina, and phosphate rock as major bulk commodities in published reports but for the purposes of this document it includes only iron ore, coal and grain.
3. Other Dry includes breakbulk cargo, cars, non-containerised refrigerated cargo and woodchips.

As illustrated in the chart below, world seaborne trade in dry bulk cargoes has grown from approximately 1.6 billion tonnes in 1988 to 2.2 billion tonnes in 2003, an average growth of 2.1% per annum. Since 1999, this growth has accelerated to 3.6% per annum.

World Seaborne Trade — Dry Bulk Cargo[1]



Whilst world trade has grown, the relative importance of the Asia Pacific region as a key driver of that growth has increased significantly, in part reflecting the globalisation of trade and the industrialisation of China. As the table below on trade in major bulk commodities illustrates, total cargo growth between 1989 and 2003 was approximately 470 million tonnes. The Asia Pacific region accounted for 80% of that increase, growing from 420 million tonnes in 1989 to 795 million tonnes in 2003. Asia Pacific now represents 58% of the world's seaborne trade in such cargoes.

Distribution of World Seaborne Trade in Iron Ore, Coal and Grain (Imports Only)[1]

	1989[2]		1993		1998		2003	
	Tonnes (millions)	% of Total	Tonnes (millions)	% of Total	Tonnes (millions)	% of Total	Tonnes (millions)	% of Total
Asia Pacific	420	46	479	51	411	42	795	58
W. Europe	281	31	267	29	316	33	335	24
Rest of World	205	23	186	20	237	25	246	18
Total.....	906	100	932	100	964	100	1,376	100

The Importance of China

The primary driver for growth in the Asia Pacific trade in dry bulk cargoes has been China. As illustrated in the table below, China accounted for only 28 million tonnes of iron ore, coal

1. Clarkson Research, based on industry sources.

2. 1989 is the first year for which data is available.

and grain shipped in 1989, representing 7% of such cargoes shipped in the Asia Pacific region. Whilst total trade for the region grew by 89% to 795 million tonnes by 2003, China's trade grew almost six-fold to 181 million tonnes, representing 41% of the total cargo growth. In particular, China's cargo growth has been accelerating, having nearly doubled in volume since 2000. Despite this level of growth, China still only represents 23% of such cargo shipped in the Asia Pacific region and room for further growth remains significant in comparison with the neighbouring developed economies of Japan, South Korea and Taiwan.

Distribution of Asia Pacific Seaborne Trade in Iron Ore, Coal & Grain (Imports Only)[1]

	1989[2]		1993		1998		2003	
	Tonnes (millions)	% of Total	Tonnes (millions)	% of Total	Tonnes (millions)	% of Total	Tonnes (millions)	% of Total
China	28	7	39	8	64	16	181	23
Japan	263	63	258	54	121	29	320	40
South Korea	56	13	81	17	101	25	125	16
Taiwan	33	8	43	9	60	15	77	10
Other Asia	39	9	57	12	66	16	91	11
Total	420	100	479	100	411	100	795	100

China's increasing role in international trade and its now significant role in the dry bulk commodity and transportation markets has been fuelled by China's strong economic growth. Since 1998, China's nominal GDP has grown from RMB7,835 billion to RMB11,669 billion in 2003, or 8% per annum. In 2003, nominal GDP grew 11%. The following table outlines China's GDP growth rates and the value of exports and imports between 1989 and 2003:

China GDP Growth and Imports & Exports, 1989-2003[3]

Year	Nominal GDP (RMB billions)	Nominal GDP Growth (%)	Real GDP Growth (%)	Exports (US$ billions)	Imports (US$ billions)
1989	1,691	13.3	4.1	52.5	59.1
1990	1,855	9.7	3.8	62.1	53.3
1991	2,162	16.6	9.2	71.8	63.8
1992	2,664	23.2	14.2	84.9	80.6
1993	3,463	30.0	13.5	91.7	104.0
1994	4,676	35.0	12.6	121.0	115.6
1995	5,848	25.1	10.5	148.8	132.1
1996	6,788	16.1	9.6	151.0	138.8
1997	7,446	9.7	8.8	182.8	142.4
1998	7,835	5.2	7.8	183.8	140.2
1999	8,207	4.8	7.1	194.9	165.7
2000	8,947	9.0	8.0	249.2	225.1
2001	9,731	8.8	7.5	266.1	243.6
2002	10,479	7.7	8.0	325.6	295.2
2003	11,669	11.4	9.1	438.4	412.8

1. Clarkson Research, based on industry sources. Totals may not add up due to rounding.

2. 1989 is the first year for which data is available.

3. National Bureau of Statistics, the People's Republic of China.

Chinese economic expansion has led to significant growth of import and export volumes. According to Clarkson Research, China's import trade[1] has grown from 140 million tonnes in 1998 to 515 million tonnes in 2003, or 29% annually.

Chinese imports are mostly concentrated in bulk commodities and energy sources. Steel demand, in particular, has been a main catalyst for the sharp rise in dry bulk imports into China in 2003. Steel industry imports, defined as imports of iron ore, iron and steel, accounted for 40% of total commodity imports in 2003, according to Clarkson Research. Steel industry imports have nearly tripled from 1998 to 2003. By comparison, Chinese exports consist primarily of finished products which are typically shipped out of China by container vessels.

China's demand for bulk commodities to support its growing economy is likely to continue as the population shifts from rural to urban areas necessitating construction, as per capita penetration rates of consumer durables, such as automotives and appliances, increase towards ratios exhibited in Europe and North America and as preparations for the 2008 Beijing Olympics and World Expo 2010 in Shanghai accelerate.

The Handysize Dry Bulk Sector

Overview

The dry bulk cargo fleet is generally divided into four major vessel types based on carrying capacity:

(i) **Capesize** vessels have a carrying capacity of 80,000 dwt or more and are typically used for carrying major bulk cargoes, especially iron ore;

(ii) **Panamax** vessels have a carrying capacity of 60,000 dwt to 79,999 dwt and are also typically used for carrying major bulk cargoes, but with greater emphasis on coal and grain;

(iii) **Handymax** vessels have a carrying capacity of 40,000 dwt to 59,999 dwt and carry a wide variety of cargoes including major and minor bulk commodities; and

(iv) **Handysize** vessels have a carrying capacity of 10,000 dwt to 39,999 dwt and carry principally minor bulk cargoes and limited quantities of major bulk cargoes.

We specialise in vessels in the 25,000 dwt to 35,000 dwt size range of the Handysize sector, which we refer to as the "**PB Handysize Segment**".

1. These figures only count imports reported in kilograms.

The table below sets forth certain information with respect to the worldwide dry bulk carrier fleet as at 1 March 2004:

Estimated Age and Size of the World Dry Bulk Carrier Fleet[1]

				Orderbook		
Class	Vessels	Dwt[2] (millions)	Average Age (years)[3]	Vessels	Dwt (millions)	% of Fleet[4]
Capesize	621	99	11	145	22	22
Panamax	1,076	76	11	185	14	18
Handymax	1,204	56	11	203	11	19
Handysize	2,734	73	19	141	4	6
PB Handysize Segment[5]	1,161	34	17	113	4	10

Handysize vessels, which are generally considered the most versatile of the dry bulk carriers, transport almost all types of bulk commodities and operate in almost all of the ports throughout the world. Handysize vessels are particularly well-suited to ship bulk cargoes in the Asia Pacific region, which has many countries with significant coastal economies that are dependent on shipping for the transportation of goods. Unlike most larger dry bulk carriers, Handysize vessels have cranes (or derricks fitted on older vessels) on deck for the loading and discharging of cargo in ports which do not have suitable shore facilities. Handysize vessels can also enter draft restricted ports which may be closed to other vessels. Since many countries in the Asia Pacific region have shallow ports and inadequate infrastructure, the use of larger vessels is frequently limited. In addition, despite the availability of deep water ports in Japan, Taiwan and Korea, the high cost of inland transportation and mountainous terrain often favour the use of Handysize vessels which are able to deliver more manageable quantities of cargo closer to the point of use by making direct calls to smaller ports.

Demand For and Supply of Handysize Dry Bulk Carriers

Rates for and utilisation of vessels and the financial performance of ship owners are affected by the demand for shipment of dry bulk cargoes and the supply of vessels which are capable of transporting such cargoes.

Demand Factors

Demand for bulk commodities is affected by world and regional macro- and micro-economic and political conditions. The resultant demand for dry bulk carriers to transport those commodities is then further affected by other factors such as developments in international trade, changes in seaborne and other transportation patterns, weather patterns, crop yields, armed conflicts, port congestion, canal closures and other diversions of trade. Generally, demand for larger vessels is affected by the demand for and trade patterns in a small number of commodities. As a result, charter rates and vessel values of larger ships tend

1. Clarkson Research. Excludes combination carriers and Great Lakes only vessels.
2. Dwt figures supplied by Clarkson Research are in dwt metric tonnes except where they refer to a size range or limit, where they are expressed in dwt long tonnes.
3. By number of vessels.
4. Based on dwt.
5. PB Handysize Segment is a sub-set of Handysize with all data also included within Handysize.

to exhibit greater cyclical volatility and seasonal fluctuations. Demand for the services of smaller dry bulk carriers is driven by the demand for a considerably larger number of commodities. Accordingly, charter rates and vessel values for these smaller ships tend to be subject to less cyclical volatility and seasonal fluctuations, with Handysize vessels being the least affected of all dry bulk vessel types.

As described in the section headed ‘‘Industry Overview’’ above, demand for dry bulk commodities and hence dry bulk vessels has grown steadily over the last 20 years, with the underlying rate of growth accelerating in the last five years, fuelled by the globalisation of trade and by the rapid industrialisation of China. The significant role that China is playing in driving the growth in demand for major bulk commodities is also being repeated in the growth in demand for a number of minor bulk commodities.

We believe that demand from China for dry bulk commodities, including the minor bulks, will remain strong as Chinese infrastructure development, construction and industrial production continue to grow. It is worth noting that the recent growth in demand from China for these commodities has occurred at a time when other major economies, such as the US, Japan and Western Europe, have been experiencing relatively weaker economic growth. As those economies return to more traditional rates of growth, there should be a further boost to the demand for bulk commodities and for the ships that transport them.

Supply Factors

The change in the supply of vessels is a function of the delivery of new vessels, the age profile of the vessels that are in the operating fleet and the number of older vessels which are deleted from the fleet (either lost or scrapped).

Delivery of New Vessels

The delivery of new vessels is primarily dependent on the capacity available to construct new vessels. Most of the capacity available in shipyards throughout the world is used for constructing multiple vessel types including tankers, containers, gas carriers and dry bulk vessels. Historically, at any given time, orders for the construction of new vessels have been dominated by one of the main sectors of the industry (dry bulk, tanker or container). The concentration of orders for new vessels in one industry sector has frequently resulted in a period of over-supply in that sector. In contrast to the experience of the last 20 years, the current order book for new vessels is more evenly spread across these three main sectors, with dry bulk showing the lowest level of fleet renewal among the major vessel types, as the following table[1] illustrates:

World Fleet Size and Orderbook as at 1 March 2004

Sector	Total Delivered Fleet (dwt millions)	Total on Order (dwt millions)	% of Fleet on Order[2]	% of Total Order Book[2]
Dry Bulk (> 10,000 dwt)	305	51	17	29
Tanker (> 10,000 dwt)	309	81	26	46
Container	92	36	39	20
Other Ship Types[3]	99	10	10	5
Total	804	177	22	100

We believe that the current availability of newbuilding berths for the various categories of ships for delivery until 2007 shows that there is very limited capacity at established shipyards for delivery in 2004, 2005 and 2006. Accordingly, whilst some capacity may be released to the market we believe that the risk of over-supply in any category of shipping, and dry bulk in particular, prior to 2007, is remote.

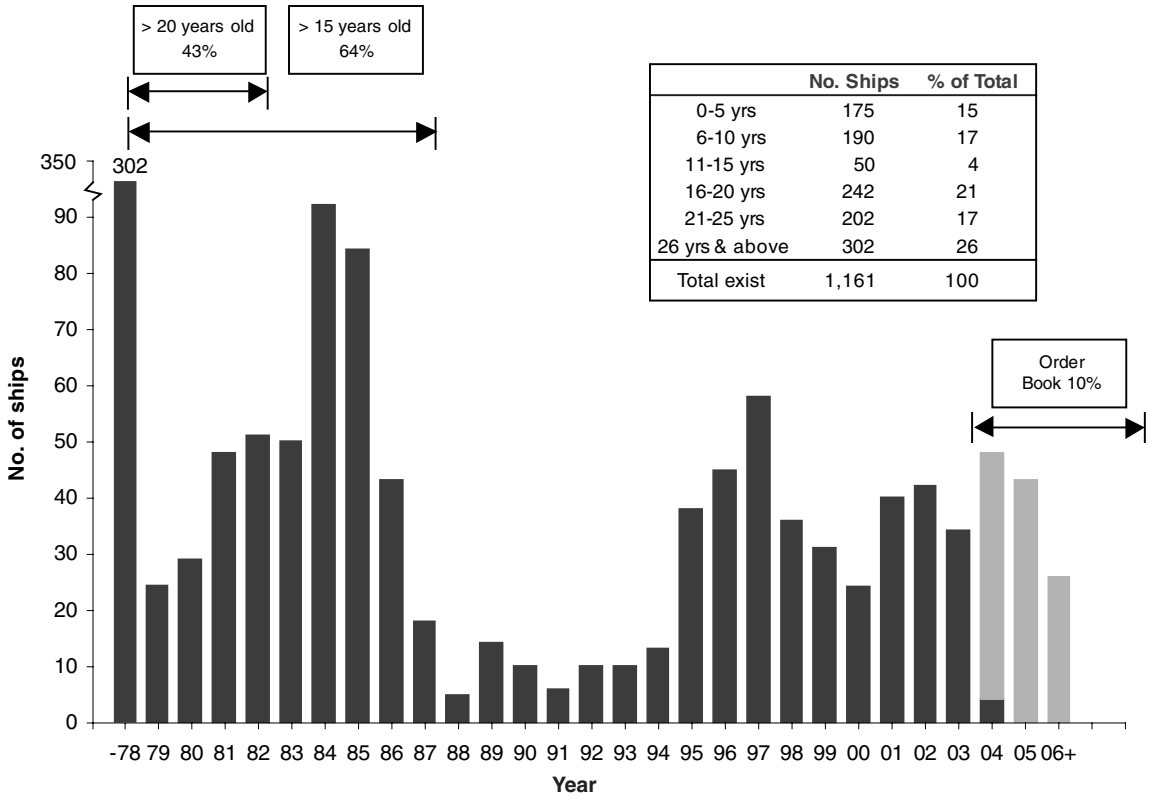
In recent years, little investment has been made to expand shipyard capacity for Handysize vessels, and a number of shipyards have closed completely or switched production to larger or more complex vessels where economic value added by the yard is greater. On average, 39 vessels in the PB Handysize Segment have been delivered each year for the last three years. We believe approximately 45-50 vessels to be full capacity for the annual construction of such vessels and we expect annual deliveries of this magnitude to continue for the foreseeable future. Based on the current declared shipyard capacity we believe that there is very little, if any, capacity available until late 2006 or early 2007 for building additional Handysize vessels. See the paragraph entitled ''Deletions'' below.

1. Clarkson Research
2. % based on dwt.
3. Other ship types includes combination carriers, gas ships, multi-purpose, general cargo, Ro Ro, car carriers, tankers and bulk carriers < 10,000 dwt and reefers as per Clarkson Shipping Intelligence Weekly.

Age Profile

The Handysize fleet is the oldest in the dry bulk sector, with an average age of 19 years. The age profile for vessels in the PB Handysize Segment, which averages 17 years, is set out below:

Age Profile of Handysize Vessels of 25,000 to 35,000 dwt[1]



	No. Ships	% of Total
0-5 yrs	175	15
6-10 yrs	190	17
11-15 yrs	50	4
16-20 yrs	242	21
21-25 yrs	202	17
26 yrs & above	302	26
Total exist	1,161	100

As indicated in the previous section, there is limited building of Handysize vessels, despite the fact that the world Handysize fleet has the most advanced age profile in the dry bulk sector. In particular, whilst the average age of the world fleet in the PB Handysize Segment is 17 years, the order book only represents 10% of the total delivered fleet for vessels of that size. In contrast, the dry bulk sector as a whole has an average age of 15 years but the order book represents 12% of the total fleet.

As a vessel gets older its operational efficiency typically declines and the days lost for repairs, maintenance and drydockings increase, further reducing the effective supply of vessels available to the market. Furthermore, the imposition of increasingly stringent regulatory and safety requirements and inspection standards by certain port, state and other regulatory authorities and trade unions are substantial deterrents to the trading of older vessels to certain regions. Such regions include Australia, New Zealand, and the western coast of North America, which are key load areas for our business. These factors are increasingly impacting the Handysize market, where, as at 1 March 2004, 43% and 64% of the

1. Clarkson Research. Age analysis is based on year of build. Information as at 1 March 2004.

world's vessels in the PB Handysize Segment were more than 20 years old and 15 years old, respectively. By contrast, the average age of our Fleet is six years.

Deletions

The number of ships lost or scrapped in any period is determined primarily by prevailing and expected charter market conditions, the physical condition of the vessels, as well as the relationship between secondhand vessel values and scrap prices, current and anticipated operating costs, expected repair and survey costs and the number of ships which sink. Charter rates are typically lower for older vessels and maintenance costs and insurance costs are typically higher. Debt finance becomes more difficult to obtain, and if available, becomes more costly. There is a limit to the extent to which older vessels can be upgraded, and vessel owners may conclude that it is more economical to scrap a vessel that has exhausted its anticipated useful life than to maintain its operating certificate. If the supply of vessels exceeds demand, owners may be more likely to scrap older ships, as charterers can demand more modern vessels.

Although the useful life of vessels is affected by charter rates, vessel values and the level of maintenance of such vessels, we believe that the useful life of a Handysize dry bulk carrier is approximately 27 years. Approximately 26% of the world's fleet of vessels in the PB Handysize Segment are more than 25 years old and could be scrapped in the near future. The table below shows that the capacity and the number of the world's vessels in the PB Handysize Segment has declined in the period from 1994 to 2003.

Additions and Deletions in the World's Fleet in the PB Handysize Segment[1]

	Vessels			Dwt (millions)		
	Additions	Deletions	Net Change	Additions	Deletions	Net Change
1994	13	25	(12)	0.4	0.7	(0.4)
1995	38	14	24	1.1	0.4	0.7
1996	45	46	(1)	1.3	1.3	(0.0)
1997	58	60	(2)	1.7	1.7	(0.0)
1998	36	77	(41)	1.1	2.3	(1.2)
1999	31	59	(28)	1.0	1.7	(0.8)
2000	24	52	(28)	0.7	1.6	(0.8)
2001	40	67	(27)	1.2	2.0	(0.8)
2002	42	52	(10)	1.3	1.5	(0.3)
2003	34	38	(4)	1.0	1.1	(0.1)

As explained in the section ''Delivery of New Vessels'' above, we believe there is currently limited capacity to build new vessels in the PB Handysize Segment and that the delivery of new tonnage into the world's fleet is unlikely to be sufficient to replace older vessels being deleted from the fleet in the next few years.

1. Clarkson Research. Information as at 1 March 2004.