



OUTLOOK

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The very strong market for dry bulk vessels has continued into 2005 providing a positive start to the year. Apart from a seasonal dip over Chinese New Year, Handysize market rates have remained above US\$20,000 per day, and the demand outlook for bulk commodities and economic indicators in the Group's main delivery destinations of Japan, China, Australia and South Korea remain encouraging.

Shipyard orderbooks are virtually full for the next two to three years and the Group remains confident that there will be only modest newbuilding deliveries for this sector and, based on current newbuilding demand projections only, manageable deliveries for the dry bulk sector as a whole. The supply picture is not expected to deteriorate in the short term and, until a fundamental change becomes evident, the Group believes that rates will continue to be healthy and supported at a higher base than has been the case historically. Additionally, until the short-term tightness between demand and supply is alleviated, the conditions that created the peak demand rate spikes in the first and fourth quarters of 2004 remain in place.

Pacific Basin's strategy continues to be to focus on providing direct freight services to the world's leading commodity companies, backed by a modern fleet of Handysize vessels. The Group believes that the growth in demand from its customers and the cargo opportunities available

to the Group clearly support continued development of its business in this niche sector. Meeting that growth through further capacity expansion will depend mostly on its ability to source additional newbuilding vessels and modern second hand tonnage which the Group believes it is better placed to achieve than most other Handysize owners.

Pacific Basin's customer relationships with leading international commodity groups, combined with its exceptionally modern fleet and the increasing visibility of its presence in Shanghai (and China in general) are also giving the Group access to some interesting and potentially significant opportunities for long-term inbound and outward cargo contracts, using vessels other than Handysize. These include iron ore, steel, coal, soya bean and grain shipments and represent an exciting development which the Group hopes will develop into an increasingly important part of its total activity.

In view of Pacific Basin's 2004 fleet expansion driving growth into 2005, combined with the Group's good contract cover at attractive rates for this year and into 2006 and positive demand and supply fundamentals for the market, the Group remains optimistic about the outlook for the dry bulk shipping market generally and for Pacific Basin's business in particular.

