DIANA SHIPPING INC.
Form 424B5
September 21, 2007

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PROSPECTUS SUPPLEMENT
(to Prospectus dated June 11, 2007)

10,000,000 Shares

Diana Shipping Inc.

Common Stock

We are offering 10,000,000 shares of our common stock pursuant to this prospectus supplement. Our common stock is listed on the New York Stock Exchange under the symbol "DSX". The last reported sale price of our common stock on the New York Stock Exchange on September 20, 2007 was $25.15 per share.

Each share of our common stock includes one right that, under certain circumstances, entitles the holder to purchase from us a unit consisting of one-thousandth of a share of our preferred stock at a purchase price of $25.00 per unit, subject to specified adjustments.

Investing in our common stock involves risks. See "Risk factors" beginning on page S-12 of this prospectus supplement.

	Per Share	Total
Public Offering Price	$ 25.00	$ 250,000,000
Underwriting Discounts and Commissions	$ 1.1875	$ 11,875,000
Proceeds to Diana Shipping Inc.	$ 23.8125	$ 238,125,000

Delivery of the shares of common stock will be made on or about September 26, 2007.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or accompanying prospectus. Any representation to the contrary is a criminal offense.

We have granted the underwriters an option to purchase a maximum of 1,500,000 additional shares of our common stock to cover over-allotments of shares, exercisable at any time until 30 days after the date of this prospectus supplement.

Wachovia Securities **JPMorgan**

Credit Suisse **Dahlman Rose & Company** **Jefferies & Company**

The date of this prospectus supplement is September 20, 2007.

Important Notice About Information in this Prospectus Supplement

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying base prospectus and the documents incorporated by reference into this prospectus supplement and the base prospectus. The second part, the base prospectus, gives more general information about securities we may offer from time to time, some of which does not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined, and when we refer to the accompanying prospectus, we are referring to the base prospectus.

If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in or incorporated by reference in this document is accurate only as of the date such information was issued, regardless of the time of delivery of this prospectus supplement or any sale of our shares of common stock.

Dry Bulk Shipping Industry Data

The discussions contained in the section of this prospectus supplement entitled "The International Dry Bulk Shipping Industry" have been reviewed by Drewry Shipping Consultants Ltd., or Drewry, which has confirmed to us that they accurately describe the international dry bulk shipping industry, subject to the reliability of the data supporting the statistical and graphical information presented in this prospectus supplement.

The statistical and graphical information we use in this prospectus supplement has been compiled by Drewry from its database. Drewry compiles and publishes data for the benefit of its clients. Its methodologies for collecting data, and therefore the data collected, may differ from those of other sources, and its data does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the market.

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Diana Shipping Inc. is a holding company existing under the laws of the Marshall Islands. We maintain our principal executive offices at Pendelis 16, 175 64 Palaio Faliro, Athens, Greece. Our telephone number at that address is +30 (210) 947-0100. Our website address is *www.dianashippinginc.com*. The information on our website is not a part of this prospectus supplement or accompanying prospectus.

In this prospectus supplement, references to "Diana Shipping Inc.", "we", "us", "company" and "our" refer to Diana Shipping Inc. and its subsidiaries. References to our "fleet" refer to the thirteen Panamax and three Capesize dry bulk carriers that we currently own and operate and to the three additional Capesize dry bulk carriers that we have agreed to purchase. References to our "fleet manager" or to "DSS" refer to Diana Shipping Services S.A., our fleet manager and a wholly-owned subsidiary of the company.

FORWARD-LOOKING STATEMENTS

Matters discussed in this document may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

We desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements which reflect our current views with respect to future events and financial performance. The words "believe", "anticipate", "intend", "estimate", "forecast", "project", "plan", "potential", "will", "may", "should", "expect" and similar expressions identify forward-looking statements.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors and matters discussed elsewhere in this prospectus, and in the documents incorporated by reference in this prospectus, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including fluctuations in charter hire rates and vessel values, changes in demand in the dry bulk vessel market, changes in the company's operating expenses, including bunker prices, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities including those that may limit the commercial useful lives of dry bulk vessels, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports we file with the Commission and the New York Stock Exchange. We caution readers of this prospectus and any prospectus supplement not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to update or revise any forward-looking statements.

PROSPECTUS SUPPLEMENT SUMMARY

This summary provides an overview of the Company and its subsidiaries and the key aspects of the offering. This summary is not complete and does not contain all of the information you should consider before purchasing our common stock. You should carefully read all of the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, including the "Risk factors" and our financial statements and related notes contained herein and therein, before making an investment decision.

Our Company

We are Diana Shipping Inc., a Marshall Islands company that owns and operates dry bulk carriers that transport iron ore, coal, grain and other dry cargoes along worldwide shipping routes. Our fleet consists of 13 modern Panamax dry bulk carriers, three Capesize dry bulk carriers that we currently own and operate, and three additional Capesize dry bulk carriers that we have agreed to purchase, one of which we expect to take delivery of in November 2007, and two of which we expect to take delivery of in the second quarter of 2010. Upon delivery of the Capesize dry bulk carrier in November 2007, but excluding the two Capesize dry bulk carriers that we expect to take delivery of in 2010, the combined carrying capacity of our fleet will be 1.7 million dwt and the vessels in our fleet will have a weighted average age of 3.1 years, based upon dwt capacity.

For the six months ended June 30, 2007, we had a fleet utilization of 98.9%, our vessels achieved daily time charter equivalent rates of $28,212 and we generated revenues of $82.5 million. During 2006, we had a fleet utilization of 99.9%, our vessels achieved daily time charter equivalent rates of $22,661 and we generated revenues of $116.1 million. During 2005, we had a fleet utilization of 99.7%, our vessels achieved daily time charter equivalent rates of $27,838 and we generated revenues of $103.1 million. Net income and net income available to common stockholders for the six months ended June 30, 2007, was $47.5 million. For 2006 and 2005, we recorded net income of $61.1 million and $65.0 million, respectively. Net income available to common stockholders for 2006 was $40.8 million as a result of the payment of a preferential deemed dividend relating to our acquisition of our fleet manager in April 2006.

Our objective is to continue to expand our presence in the dry bulk shipping industry. In furtherance of this objective, since the completion of our initial public offering in March 2005, we have increased the size of our fleet from eight Panamax dry bulk carriers and one Capesize dry bulk carrier with a combined carrying capacity of 768,587 dwt to 13 Panamax dry bulk carriers and four Capesize dry bulk carriers with a combined carrying capacity of 1.7 million dwt, including the Capesize dry bulk carrier that we expect to take delivery of in November 2007. The two additional Capesize dry bulk carriers that we have agreed to purchase will further increase the carrying capacity of our fleet by 354,000 dwt. In addition, we intend to continue to grow our fleet through timely and selective acquisitions of vessels in a manner that is accretive to dividends per share. We expect to focus future vessel acquisitions primarily on Panamax and Capesize dry bulk carriers. However, we will also consider purchasing other classes of dry cargo vessels, including container vessels, when we determine that those vessels would, in our view, present favorable investment opportunities.

The following table presents certain information concerning the dry bulk carriers in our fleet as of September 11, 2007:

Vessel	Operating Status[1]	Dwt	Age	Time charter Expiration Dates	Daily time Charter Hire Rate	Sister Ship[2]
Nirefs	Delivered Jan. 2001	75,311	6.6 years	Oct 23, 2007-Jan 23, 2008	4TCs Average[3] + 4.5%	A
Alcyon	Delivered Feb. 2001	75,247	6.6 years	Oct 15, 2007-Feb 15, 2008	$ 22,582	A
Triton	Delivered March 2001	75,336	6.4 years	Oct 17, 2009-Jan 17, 2010[4]	24,400	A
Oceanis	Delivered May 2001	75,211	6.3 years	Sep 22, 2007-Sep 27, 2007[5]	43,000	A
Dione	Acquired May 2003	75,172	6.6 years	Nov 7, 2007-Jan 17, 2008	28,500	A
Danae	Acquired July 2003	75,106	6.7 years	Feb 18, 2009-May 18, 2009	29,400	A
Protefs	Delivered Aug. 2004	73,630	3.0 years	Feb 3, 2008-Apr 3, 2008	31,650	B
Calipso	Delivered Feb. 2005	73,691	2.6 years	Dec 21, 2007-Feb 21, 2008	26,750	B
Clio	Delivered May 2005	73,691	2.3 years	Jan 27, 2009-Mar 27, 2009	27,000	B
Thetis	Acquired Nov. 2005	73,583	3.1 years	Sep 28, 2007-Oct 4, 2007[6]	25,000	B
Naias	Delivered Aug. 2006	73,546	1.2 years	Sep 18, 2007-Sep 20, 2007	21,000	B
Erato	Acquired Nov. 2005	74,444	3.0 years	Nov 9, 2007-Jan 9, 2008	30,500	C
Coronis	Delivered Jan. 2006	74,381	1.6 years	Jan 18, 2009-Apr 9, 2009	27,500	C
Sideris GS	Delivered Nov. 2006	174,186	0.8 years	Nov 30, 2007 Nov 30, 2008 Nov 30, 2009 Oct 15, 2010-Jan 15, 2011[9]	46,000[8] 43,000[8] 39,000[8] 36,000[8]	D
Semirio	Delivered June 2007	174,261	0.2 years	Jun 15, 2009 Apr 30, 2011-Jul 30, 2011[10]	51,000[8] 31,000[8]	D
Aliki	Acquired April 2007	180,235	2.5 years	May 1, 2009 Mar 1, 2011-Jun 1, 2011[11]	52,000[8] 45,000[8]	
Dry Bulk Carriers in Our Fleet That We Have Agreed to Purchase						
Boston	Delivery expected Nov 2007	177,000		Oct 5, 2011-Jan 4, 2012	$ 52,000[12]	D
Hull H1107[13]	Delivery expected 2010	177,000				D
Hull H1108[13]	Delivery expected 2010	177,000				D

1 A vessel's delivery date refers to the date that a newly built vessel was or is to be delivered to us by the shipbuilding yard. A vessel's acquisition date refers to the date that a secondhand vessel was or will be acquired by us from its previous owner.

2 Each dry bulk carrier is a sister ship of each other dry bulk carrier that has the same letter.

3 Adjustable every 15 days based on the average of four main pre-determined time charter routes, as published by the Baltic Exchange.

4 The charterer has the option to employ the vessel for a further 11-13 month period at a daily rate time charter based on the average rate of four pre-determined time charter routes as published by the Baltic Exchange. The optional period, if exercised, must be declared on or before the end of the 30th month of employment and can only commence at the end of the 36th month.

5 Upon expiration of the current charter, the *Oceanis* is scheduled to be re-chartered at a daily time charter rate of $40,000 for a minimum period of 22 months to a maximum period of 25 months, which charter will commence immediately upon termination of the current charter.

6 Upon expiration of the current charter, the *Thetis* is scheduled to be re-chartered at a daily time charter rate of $60,250 for a minimum period of 11 months to a maximum period of 13 months, which will commence immediately upon termination of the current charter.

7

Upon expiration of the current charter, the *Naias* is scheduled to be re-chartered at a daily time charter rate of $34,000 for a minimum period of 23 months to a maximum period of 25 months, which charter will commence immediately upon termination of the current charter.

8 For financial reporting purposes, we recognize revenue from time charters that have varying rates on a straight-line basis equal to the average revenue during the term of that time charter. We calculate quarterly dividends based on the available cash from operations during the relevant quarter.

9 The daily time charter rate will be $46,000 during the first year, $43,000 during the second year, $39,000 during the third year and $36,000 during the fourth year. The charterer has the option to employ the vessel for a further 11-13 month period from the end of the 48^{th} month, at the daily time charter rate of $48,500.

10 The daily time charter rate will be $51,000 for the first and second years and $31,000 for the third and fourth years. The charterer has the option to employ the vessel for a further 11-13 month period from the end of the 48^{th} month, at the daily time charter rate of $48,500.

11 During the first two years of the charter, the daily time charter rate will be $52,000 and during the third and fourth years of the charter it will be $45,000. The charterer has the option to employ the vessel for a further 11-13 month period from the end of the 48^{th} month at the daily time charter rate of $48,500.

12 The charterer has the option to employ the vessel for a further 11-13 month period counting from the end of the 48^{th} month at the daily time charter rate of $52,000. The vessel is expected to be delivered on or about November 20, 2007.

13 The vessel is expected to be delivered in the second quarter of 2010.

Chartering

We charter our dry bulk carriers to customers primarily pursuant to time charters. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and canal and port charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel. We also pay commissions ranging from 0% to 6.25% of the total daily charter hire rate of each charter to unaffiliated ship brokers and to in-house brokers associated with the charterer, depending on the number of brokers involved with arranging the charter. We acquired our fleet manager, Diana Shipping Services S.A., or DSS, as of April 1, 2006 and have continued to perform the commercial and technical management of our vessels in-house since that date.

We strategically monitor developments in the dry bulk shipping industry on a regular basis and, subject to market demand, seek to adjust the charter hire periods for our vessels according to prevailing market conditions. In order to take advantage of the relatively stable cash flow and high utilization rates associated with long-term time charters along with the historically high charter hire rates for Panamax and Capesize vessels, we currently employ 12 of our vessels, including the Capesize dry bulk carrier that we expect to take delivery of in November 2007, on longer-term time charters ranging in duration from 18 months to 60 months. Those of our vessels on short-term time charters provide us with flexibility in responding to market developments. We will continue to evaluate our balance of short- and long-term charters relative to developments in the dry bulk shipping industry and may extend the charter hire periods of additional vessels in our fleet to take advantage of these historically high charter hire rates.

Our Competitive Strengths

We believe that we possess a number of strengths that provide us with a competitive advantage in the dry bulk shipping industry:

We own a modern, high quality fleet of dry bulk carriers. We believe that owning a modern, high quality fleet reduces operating costs, improves safety and provides us with a competitive advantage in securing favorable time charters. We maintain the quality of our vessels by carrying out regular inspections, both while in port and at sea, and adopting a comprehensive maintenance program for each vessel.

Our fleet includes four groups of sister ships. We believe that maintaining a fleet that includes sister ships enhances the revenue generating potential of our fleet by providing us with operational and scheduling flexibility. The uniform nature of sister ships also improves our operating efficiency by allowing our fleet manager to apply the technical knowledge of one vessel to all vessels of the same series and creates economies of scale that enable us to realize cost savings when maintaining, supplying and crewing our vessels.

We have an experienced management team. Our management team consists of experienced executives who have on average more than 21 years of operating experience in the shipping industry and have demonstrated ability in managing the commercial, technical and financial areas of our business. Our management team is led by Mr. Simeon Palios, a qualified naval architect and engineer who has 39 years of experience in the shipping industry.

Internal management of vessel operations. We conduct all of the commercial and technical management of our vessels in-house through DSS. We believe having in-house commercial and technical management provides us with a competitive advantage over many of our competitors by allowing us to more closely monitor our operations and to offer higher quality performance, reliability and efficiency in arranging charters and the maintenance of our vessels.

We benefit from strong relationships with members of the shipping and financial industries. We have developed strong relationships with major international charterers, shipbuilders and financial institutions that we believe are the result of the quality of our operations, the strength of our management team and our reputation for dependability.

We have a strong balance sheet and a relatively low level of indebtedness. We believe that our strong balance sheet and relatively low level of indebtedness provide us with the flexibility to increase the amount of funds that we may draw under our credit facilities in connection with future acquisitions and enable us to use cash flow that would otherwise be dedicated to debt service for other purposes, including funding operations and making dividend payments.

Our Business Strategy

Our main objective is to manage and expand our fleet in a manner that enables us to pay attractive dividends to our stockholders. To accomplish this objective, we intend to:

Continue to operate a high quality fleet. We intend to limit our acquisition of ships to vessels that meet rigorous industry standards and that are capable of meeting charterer certification requirements. We intend to preserve the quality of our fleet through regular inspections of our vessels and a comprehensive maintenance program.

Strategically expand the size of our fleet. We intend to grow our fleet through timely and selective acquisitions of vessels in a manner that is accretive to dividends per share. We expect to focus our dry bulk carrier acquisitions primarily on Panamax and Capesize dry bulk carriers, although we will also consider acquisitions of other classes of dry cargo vessels, including container vessels, that would, in our view, provide favorable investment opportunities. We may also acquire other vessel-owning companies to expand the size of our fleet. We intend to continue to regularly monitor developments in market conditions and expect to acquire vessels in the future when those acquisitions would, in our view, present favorable investment opportunities.

Pursue an appropriate balance of short-term and long-term time charters. In order to take advantage of the relatively stable cash flow and high utilization rates associated with long-term time charters along with the historically high charter hire rates for Panamax and Capesize vessels, we currently employ 12 of our vessels, including the Capesize dry bulk carrier that we expect to take delivery of in November 2007, on longer-term time charters ranging in duration from 18 months to 60 months. Those of our vessels on short-term time charters provide us with flexibility in responding to market developments. We will continue to evaluate our balance of short- and long-term charters relative to developments in the dry bulk shipping industry and may extend the charter hire periods of additional vessels in our fleet to take advantage of these historically high charter hire rates.

Maintain a strong balance sheet with conservative leverage. In the future, we expect to draw funds under our credit facilities to fund vessel acquisitions. Our current policy is to repay our debt, excluding construction pre-delivery financing, in excess of approximately $150.0 million from time to time with the net proceeds from equity issuances, although from time to time we may use the net proceeds from equity offerings to temporarily reduce our outstanding debt, excluding construction pre-delivery financing, to less than $150.0 million pending the application of such proceeds to vessel acquisitions or other uses. As of August 31, 2007, we had total debt outstanding of $124.8 million, including $24.1 million of construction pre-delivery financing. We intend to limit the amount of indebtedness that we have outstanding at any time to relatively conservative levels.

Maintain low cost, highly efficient operations. We intend to actively monitor and control vessel operating expenses without compromising the quality of our vessel management by utilizing regular inspection and maintenance programs, employing and retaining qualified crew members and taking advantage of the economies of scale that result from operating sister ships.

Capitalize on our established reputation. We intend to capitalize on our reputation for maintaining high standards of performance, reliability and safety in establishing and maintaining relationships with major international charterers who consider the reputation of a vessel owner and operator when entering into time charters and with shipyards and financial institutions who consider reputation to be an indicator of creditworthiness.

Credit Facilities

In February 2005, we entered into a $230.0 million secured revolving credit facility with The Royal Bank of Scotland Plc., which was amended on May 24, 2006 to increase the facility amount to $300.0 million. Our credit facility permits us to borrow up to $50.0 million for working capital. In January 2007, we entered into a supplemental agreement with The Royal Bank of Scotland Plc. for a 364-day standby credit facility of up to $200.0 million, which is available to us in connection with future vessel acquisitions or the acquisitions of vessel owning, chartering or operating subsidiaries upon our full utilization of the existing $300.0 million revolving credit facility. Because our strategy involves limiting the amount of debt that we have outstanding, we intend to draw funds under our $300.0 million credit facility and $200.0 million standby credit facility, which we refer to collectively as the credit facilities, to fund acquisitions and, as necessary, in the case of our $300.0 million credit facility, to fund our working capital needs and to repay outstanding debt from time to time with the net proceeds of future equity issuances.

The $300.0 million revolving credit facility has a term of ten years from May 24, 2006, which we refer to as the availability date, and we are permitted to borrow up to the facility limit, provided that conditions to drawdown are satisfied and that borrowings do not exceed 75% of the aggregate value of the vessels. The facility limit will be $300.0 million for a period of six years from the availability date, at which time the facility limit will be reduced to $285.0 million. Thereafter, the facility limit will be reduced by $15.0 million semi-annually over a period of four years with a final reduction of $180.0 million at the time of the last semi-annual reduction. The terms of the $200.0 million credit facility are similar to the terms of the $300.0 million facility. However, we are permitted to draw down our $200.0 million standby credit facility only upon the full utilization, and subject to the same conditions to drawdown, of the $300.0 million facility at any time through December 31, 2007.

Our obligations under our credit facilities are secured by, or will be secured upon, drawdown by a first priority mortgage on one or more of the vessels in our fleet and such other vessels that we may from time to time include with the approval of our lender, and a first assignment of all freights, earnings, insurances and requisition compensation. We may grant additional security from time to time in the future.

Our credit facilities do not prohibit us from paying dividends as long as an event of default has not occurred and we are not, and after giving effect to the payment of the dividend would not be, in breach of a covenant. When we have debt outstanding under our credit facilities, however, the amount of cash that we have available to distribute as dividends in a period may be reduced by any interest or principal payments that we are required to make.

As of June 30, 2007, we had $179.0 million principal balance outstanding under our $300.0 million revolving credit facility, which amounts were used to fund a portion of the purchase price for the two Capesize dry bulk carriers that we took delivery of in April and June 2007, respectively, and the Capesize dry bulk carrier that we expect to take delivery of in November 2007. In July 2007, we repaid $90.0 million of the outstanding principal balance of this facility with the proceeds from the sale of one of our Capesize dry bulk carriers. In August 2007, we drew down an additional amount of $11.8 million under our revolving credit facility as part of the acquisition cost of the *Semirio*, which at the time of the vessel's delivery was funded with cash on hand. We will continue to seek to identify additional vessel acquisition opportunities that we will finance in whole or in part with a portion of the net proceeds of this offering or future offerings and with additional drawdowns under our credit facility consistent with our stated dividend policy.

In November 2006, we entered into a loan agreement with Fortis Bank for a secured term loan of $60.2 million and a guarantee facility of up to $36.5 million, which we intend to use to finance the pre-delivery installments of the two newbuilding Capesize dry bulk carriers that we expect to take delivery of during the second quarter of 2010. Under this loan agreement, principal payments are scheduled upon completion of certain stages of the construction of the vessels. The interest and finance costs on this facility during the construction period are capitalized and included in the construction cost of the vessels. As of June 30, 2007, we had a $24.1 million principal balance outstanding under our $60.2 million loan facility.

Dividend Policy

Our policy is to declare quarterly distributions to stockholders by each February, May, August and November substantially equal to our available cash from operations during the previous quarter after cash expenses and reserves for scheduled drydockings, intermediate and special surveys and other purposes as our board of directors may from time to time determine are required, and after taking into account contingent liabilities, the terms of our credit facility, our growth strategy and other cash needs and the requirements of Marshall Islands law. Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors.

In times when we have more than $150.0 million of debt outstanding, excluding construction pre-delivery financing, we intend to calculate our dividends per share as if the debt in excess of $150.0 million were financed entirely with equity as described in the section of this prospectus supplement entitled "Dividend Policy." It is noted that from time to time we may use the net proceeds from equity offerings to temporarily reduce our outstanding debt, excluding construction pre-delivery financing, to less than $150.0 million pending the application of such proceeds to vessel acquisitions or other uses. As of August 31, 2007, we had total debt outstanding of $124.8 million, including $24.1 million of construction pre-delivery financing.

To limit the impact of the issuance of our common stock in this offering on our dividends per share, we intend to calculate and pay our dividend per share in respect of the third quarter of 2007 as if we had not issued the additional shares of common stock in this offering. Because we do not expect to be able to fully pay such a dividend with our available cash from operations for the period, we may fund a portion of the dividend with excess working capital under our secured revolving credit facility.

We have paid the following dividends per share since our initial public offering with respect to the following periods:

Period	Dividend Paid
	(U.S. Dollars)
Fourteen day period from initial public offering on March 17, 2005 through and including March 31, 2005	$ 0.08
Second quarter 2005	0.54
Third quarter 2005	0.465
Fourth quarter 2005	0.40
First quarter 2006	0.345
Second quarter 2006	0.355
Third quarter 2006	0.40
Fourth quarter 2006	0.46
First quarter 2007	0.50
Second quarter 2007	0.51

THE OFFERING

The Company	Diana Shipping Inc.
Common Stock to be Offered	10,000,000 shares (11,500,000 shares if the underwriters' over-allotment option is exercised in full)
Common Stock to be Outstanding After This Offering	72,875,000 shares (74,375,000 shares if the underwriters' over-allotment option is exercised in full)
Listing	Our common stock is listed on the New York Stock Exchange under the symbol "DSX".
Use of Proceeds	We estimate that we will receive net proceeds of $237,625,000 ($273,343,750 million if the underwriters' over-allotment option is exercised in full) from the sale of the common stock in this offering, after deducting the underwriting discount and estimated offering expenses payable by us. We expect to use the net proceeds of this offering for general corporate purposes and to fund all or a portion of the acquisition costs of additional vessels or vessel-owning companies that we may acquire in the future. We may also use the net proceeds of this offering to temporarily reduce our outstanding debt, excluding construction pre-delivery financing, to less than $150.0 million pending the application of such proceeds to vessel acquisitions or other uses. Currently we have not identified vessels or vessel-owning companies for purchase.
Risk Factors	See "Risk factors" beginning on page S-12 of this prospectus supplement and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus, for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth our summary consolidated financial and other operating data. The summary consolidated and other financial data in the table as of and for the three years ended December 31, 2006 are derived from our audited consolidated financial statements. The summary consolidated financial and other operating data for the six months ended June 30, 2006 and 2007 is derived from our unaudited interim consolidated financial statements. We refer you to the footnotes to our consolidated financial statements and our unaudited interim consolidated financial statements for a discussion of the basis on which our consolidated financial statements are presented. In accordance with standard shipping industry practice, we have not obtained historical operating data for secondhand vessels that we have acquired from third parties, as that data was not material to our decision to purchase the vessels. Accordingly, we have not included any historical financial data relating to the results of operations of secondhand vessels from the period before our acquisitions of those vessels.

The following data should be read in conjunction with the consolidated financial statements, related notes and other financial information as of and for the year ended December 31, 2006, filed with the SEC on our annual report on Form 20-F on June 11, 2007, and our unaudited interim financial statements as of and for the six months ended June 30, 2007, filed with the SEC on a form 6-K on September 12, 2007 and incorporated by reference herein.

	As of and For The Year Ended December 31,			As of and For The Six Months Ended June 30,	
	2004	2005	2006	2006	2007
	(in thousands of U.S. Dollars, except for share and per share data)				
Income Statement Data:					
Voyage and time charter revenues	$ 63,839	$ 103,104	$ 116,101	$ 50,322	$ 82,505
Voyage expenses	4,330	6,480	6,059	2,910	3,680
Vessel operating expenses	9,514	14,955	22,489	10,275	13,429
Depreciation and amortization of deferred charges	5,087	9,943	16,709	7,743	10,223
Management fees	947	1,731	573	572	
Executive management services and rent	1,528	455	76	76	
General and administrative expenses	300	2,871	6,331	2,529	4,415
Foreign currency (gains) losses	3	(30)	(52)	(18)	(117)
Operating income	$ 42,130	$ 66,699	$ 63,916	$ 26,235	$ 50,875
Interest and finance cost, net	(2,165)	(2,731)	(3,886)	(1,870)	(3,900)
Interest income	136	1,022	1,033	549	488
Gain on sale of vessel	19,982				
Net income	$ 60,083	$ 64,990	$ 61,063	$ 24,914	$ 47,463
Preferential deemed dividend	$	$	$ (20,267)	$ (20,267)	$
Net income available to common stockholders	$ 60,083	$ 64,990	$ 40,796	$ 4,647	$ 47,463
Earnings per common share, basic and diluted	$ 2.17	$ 1.72	$ 0.82	$ 0.10	$ 0.82
Weighted average number of common shares outstanding, basic and diluted	27,625,000	37,765,753	49,528,904	45,949,448	58,126,381
Other Financial Data:					
Cash and cash equivalents	$ 1,758	$ 21,230	$ 14,511		$ 11,623
Total current assets	3,549	26,597	19,062		73,772
Total assets	155,636	341,949	510,675		728,880
Total current liabilities	11,344	4,667	7,636		9,464
Long-term debt (including current portion)	92,246	12,859	138,239		202,423[4]
Total stockholders' equity	59,052	324,158	363,103		514,068
Net cash flow provided by operating activities	47,379	69,256	82,370	$ 33,985	60,649
Net cash flow used in investing activities	(11,778)	(169,241)	(193,096)	(41,880)	(231,339)
Net cash flow provided by (used in) financing activities	(41,284)	119,457	104,007	5,380	167,802
Fleet Data:					
Average number of vessels[1]	6.3	9.6	13.4	12.9	15.4
Number of vessels at end of period	7.0	12.0	15.0	13.0	17.0
Weighted average age of fleet (in years)	3.4	3.8	3.7	4.0	3.6
Fleet utilization[2]	99.8%	99.7%	99.9%	99.8%	98.9%

	As of and For The Year Ended December 31,			As of and For The Six Months Ended June 30,	
Time charter equivalent (TCE) rate[3]	$ 25,661	$ 27,838	$ 22,661	$ 20,722	$ 28,212

1 Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in the period.

2 We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the number of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades or special surveys. Operating days are the number of available days in a period less the aggregate number of days that our vessels are off-hire due to any reason, including unforeseen circumstances, and are used to measure the aggregate number of days in a period during which the vessels actually generate revenues. Available days are the number of our ownership days, which are the aggregate number of days in a period during which each vessel in our fleet has been owned by us, less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we

spend positioning our vessels, and are used to measure the number of days in a period during which vessels should be capable of generating revenues.

3

Time charter equivalent rates, or TCE rates, are defined as our voyage and time charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. Voyage expenses include port charges, bunker (fuel) expenses, canal charges and commissions. TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters because charter hire rates for vessels on voyage charters generally are not expressed in per day amounts while charter hire rates for vessels on time charters generally are expressed in such amounts. The following table reflects the calculation of our TCE rates for the periods presented:

	Year Ended December 31,			Six Months Ended June 30,	
	2004	**2005**	**2006**	**2006**	**2007**
	(in thousands of U.S. Dollars, except for TCE rates and available days)				
Voyage and time charter revenues	$ 63,839	$ 103,104	$ 116,101	$ 50,322	$ 82,505
Less: voyage expenses	(4,330)	(6,480)	(6,059)	(2,910)	(3,680)
Time charter equivalent revenues	$ 59,509	$ 96,624	$ 110,042	$ 47,412	$ 78,825
Available days	2,319	3,471	4,856	2,288	2,794
Time charter equivalent (TCE) rate	$ 25,661	$ 27,838	$ 22,661	$ 20,722	$ 28,212

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As of August 31, 2007, we had total debt outstanding of $124.8 million, including $24.1 million of construction pre-delivery financing.

RISK FACTORS

You should consider carefully the following factors, as well as the other information set forth in this prospectus supplement, accompanying prospectus and the documents incorporated by reference herein and therein, before making an investment in our common stock. Some of the following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our common stock. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition, operating results or cash available for dividends or the trading price of our common stock and cause you to lose all or part of your investment.

Industry Specific Risk Factors

Charter hire rates for dry bulk carriers may decrease in the future, which may adversely affect our earnings.

The dry bulk shipping industry is cyclical with attendant volatility in charter hire rates and profitability. For example, the degree of charter hire rate volatility among different types of dry bulk carriers has varied widely. Charter hire rates for Panamax and Capesize dry bulk carriers are near historically high levels. Because we charter certain of our vessels pursuant to short-term time charters, we are exposed to changes in spot market and short-term charter rates for dry bulk carriers and such changes may affect our earnings and the value of our dry bulk carriers at any given time. We cannot assure you that we will be able to successfully charter our vessels in the future or renew existing charters at rates sufficient to allow us to meet our obligations or to pay dividends to our stockholders. Please see "The International Dry Bulk Shipping Industry Charter Hire Rates" for additional information regarding historical dry bulk carrier charter rates. Because the factors affecting the supply and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable.

Factors that influence demand for vessel capacity include:

- demand for and production of dry bulk products;
- global and regional economic and political conditions;
- the distance dry bulk is to be moved by sea; and
- changes in seaborne and other transportation patterns.

The factors that influence the supply of vessel capacity include:

- the number of newbuilding deliveries;
- port and canal congestion;
- the scrapping rate of older vessels;
- vessel casualties; and
- the number of vessels that are out of service.

We anticipate that the future demand for our dry bulk carriers will be dependent upon continued economic growth in the world's economies, including China and India, seasonal and regional changes in demand, changes in the capacity of the global dry bulk carrier fleet and the sources and supply of dry bulk cargo to be transported by sea. The capacity of the global dry bulk carrier fleet seems likely to increase and there can be no assurance that economic growth will continue. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

The market values of our vessels may decrease, which could limit the amount of funds that we can borrow under our credit facilities.

The fair market values of our vessels have generally experienced high volatility. The market prices for secondhand Panamax and Capesize dry bulk carriers are at historically high levels. You should expect the market value of our vessels to fluctuate depending on general economic and market conditions affecting the shipping industry and prevailing charter hire rates, competition from other shipping companies and other modes of transportation, types, sizes and age of vessels, applicable governmental regulations and the cost of newbuildings. If the market value of our fleet declines, we may not be able to draw down the full amount of our credit facilities and we may not be able to obtain other financing or incur debt on terms that are acceptable to us or at all. Please see the section of this prospectus supplement entitled "The International Dry Bulk Shipping Industry" for information concerning historical prices of dry bulk carriers.

The market values of our vessels may decrease, which could cause us to breach covenants in our credit facilities and adversely affect our operating results.

We believe that the market value of the vessels in our fleet is in excess of amounts required under our credit facilities. However, if the market values of our vessels, which are at historically high levels, decrease, we may breach some of the covenants contained in the financing agreements relating to our indebtedness at the time, including covenants in our credit facilities. If we do breach such covenants and we are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our fleet. In addition, if the book value of a vessel is impaired due to unfavorable market conditions or a vessel is sold at a price below its book value, we would incur a loss that could adversely affect our operating results.

World events could affect our results of operations and financial condition.

The threat of future terrorist attacks in the United States and elsewhere continues to cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. The continuing conflict in Iraq may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. Any of these occurrences could have a material adverse impact on our operating results, revenues and costs.

Our operating results are subject to seasonal fluctuations, which could affect our operating results and the amount of available cash with which we can pay dividends.

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charter hire rates. This seasonality may result in quarter-to-quarter volatility in our operating results, which could affect the amount of dividends that we pay to our stockholders from quarter to quarter. The dry bulk carrier market is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere during the winter months. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. As a result, our revenues have historically been weaker during the fiscal quarters ended June 30 and September 30, and, conversely, our revenues have historically been stronger in fiscal quarters ended December 31 and March 31. While this seasonality has not materially affected our operating results, it could materially affect our operating results and cash available for distribution to our stockholders as dividends in the future.

Rising fuel prices may adversely affect our profits.

While we generally do not bear the cost of fuel (bunkers) under our charters, fuel is a significant, if not the largest, expense in our shipping operations when vessels are under voyage charter. Changes in the price of fuel may adversely affect our profitability. The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by OPEC and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce the profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

We are subject to international safety regulations and the failure to comply with these regulations may subject us to increased liability, may adversely affect our insurance coverage and may result in a denial of access to, or detention in, certain ports.

The operation of our vessels is affected by the requirements set forth in the United Nations' International Maritime Organization's International Management Code for the Safe Operation of Ships and Pollution Prevention, or ISM Code. The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. As of the date of this prospectus supplement, each of our vessels is ISM code-certified.

Maritime claimants could arrest one or more of our vessels, which could interrupt our cash flow.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a claimant may seek to obtain security for its claim by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flow and require us to pay large sums of money to have the arrest or attachment lifted. In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel which is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could attempt to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our vessels.

Governments could requisition our vessels during a period of war or emergency, resulting in a loss of earnings.

A government could requisition one or more of our vessels for title or for hire. Requisition for title occurs when a government takes control of a vessel and becomes her owner, while requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although we would be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of payment would be uncertain. Government requisition of one or more of our vessels may negatively impact our revenues and reduce the amount of cash we have available for distribution as dividends to our stockholders.

Company Specific Risk Factors

We charter certain of our vessels on short-term time charters in a volatile shipping industry and a decline in charter hire rates would affect our results of operations and ability to pay dividends.

We charter certain of our vessels pursuant to short-term time charters, although we have also entered into longer-term time charters ranging in duration from 18 months to 60 months for 12 of the vessels in our fleet, including the Capesize dry bulk carrier that we expect to take delivery of in November 2007, and we may in the future employ additional vessels, including any container vessel that we may acquire, on longer term time charters. Currently, eight of our vessels are employed on time charters scheduled to expire within the next six months, at which time we expect to enter into new charters for those vessels. Although significant exposure to short-term time charters is not unusual in the dry bulk shipping industry, the short-term time charter market is highly competitive and spot market charter hire rates (which affect time charter rates) may fluctuate significantly based upon available charters and the supply of, and demand for, seaborne shipping capacity. While the short-term time charter market may enable us to benefit in periods of increasing charter hire rates, we must consistently renew our charters and this dependence makes us vulnerable to declining charter rates. As a result of the volatility in the dry bulk carrier charter market, we may not be able to employ our vessels upon the termination of their existing charters at their current charter hire rates. The dry bulk carrier charter market is volatile, and in the past, short-term time charter and spot market charter rates for dry bulk carriers have declined below operating costs of vessels. We cannot assure you that future charter hire rates will enable us to operate our vessels profitably or to pay you dividends. Please see the section of this prospectus supplement entitled "The International Dry Bulk Shipping Industry" for historical time charter rates for dry bulk charters.

Our earnings and the amount of dividends that we are able to pay in the future may be adversely affected if we are not able to take advantage of favorable charter rates.

We charter certain of our dry bulk carriers to customers pursuant to short-term time charters that range in duration from several days to 13 months. However, as part of our business strategy, 12 of our vessels, including the Capesize dry bulk carrier that we expect to take delivery of in November 2007, are currently employed on longer-term time charters ranging in duration from 18 months to 60 months. We may extend the charter periods for additional vessels in our fleet, including additional dry bulk carriers or container vessels that we may purchase in the future, to take advantage of the relatively stable cash flow and high utilization rates that are associated with long-term time charters. While we believe that longer-term charters provide us with relatively stable cash flows and higher utilization rates than shorter-term charters, our vessels that are committed to longer-term charters may not be available for employment on short-term charters during periods of increasing short-term charter hire rates when these charters may be more profitable than long-term charters.

Investment in derivative instruments such as freight forward agreements could result in losses.

From time to time, we may take positions in derivative instruments including freight forward agreements, or FFAs. FFAs and other derivative instruments may be used to hedge a vessel owner's exposure to the charter market by providing for the sale of a contracted charter rate along a specified route and period of time. Upon settlement, if the contracted charter rate is less than the average of the rates, as reported by an identified index, for the specified route and period, the seller of the FFA is required to pay the buyer an amount equal to the difference between the contracted rate and the settlement rate, multiplied by the number of days in the specified period. Conversely, if the contracted rate is greater than the settlement rate, the buyer is required to pay the seller the settlement sum. If we take positions in FFAs or other derivative instruments and do not correctly anticipate charter rate movements over the specified route and time period, we could suffer losses in the settling or termination of the FFA. This could adversely affect our results of operations and cash flows.

We cannot assure you that our board of directors will declare dividends.

Our policy is to declare quarterly distributions to stockholders by each February, May, August and November substantially equal to our available cash from operations during the previous quarter after cash expenses and reserves for scheduled drydockings, intermediate and special surveys and other purposes as our board of directors may from time to time determine are required, and after taking into account contingent liabilities, the terms of our credit facilities, our growth strategy and other cash needs and the requirements of Marshall Islands law. The declaration and payment of dividends, if any, will always be subject to the discretion of our board of directors. The timing and amount of any dividends declared will depend on, among other things, our earnings, financial condition and cash requirements and availability, our ability to obtain debt and equity financing on acceptable terms as contemplated by our growth strategy and provisions of Marshall Islands law affecting the payment of dividends. The international dry bulk shipping industry is highly volatile, and we cannot predict with certainty the amount of cash, if any, that will be available for distribution as dividends in any period. Also, there may be a high degree of variability from period to period in the amount of cash that is available for the payment of dividends.

We may incur expenses or liabilities or be subject to other circumstances in the future that reduce or eliminate the amount of cash that we have available for distribution as dividends, including as a result of the risks described in this section of the prospectus supplement. Our growth strategy contemplates that we will finance the acquisition of additional vessels through a combination of debt and equity financing on terms acceptable to us. If financing is not available to us on acceptable terms, our board of directors may determine to finance or refinance acquisitions with cash from operations, which would reduce or even eliminate the amount of cash available for the payment of dividends.

Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or while a company is insolvent or would be rendered insolvent by the payment of such a dividend. We may not have sufficient surplus in the future to pay dividends. We can give no assurance that dividends will be paid in the amounts anticipated in this prospectus supplement or at all.

We may use the proceeds of this offering for general corporate purposes with which you may not agree.

We expect to use the net proceeds of this offering for general corporate purposes and to fund all or a portion of the acquisition costs of additional vessels or vessel-owning companies that we may acquire in the future. We may also use the net proceeds of this offering to temporarily reduce our outstanding debt, excluding construction pre-delivery financing, to less than $150.0 million pending the application of such proceeds to vessel acquisitions or other uses. Currently, we have not identified vessels for purchase. Our management retains the discretion to apply the proceeds of this offering for general corporate purposes with which you may not agree.

We may have difficulty effectively managing our planned growth, which may adversely affect our ability to pay dividends.

Since the completion of our initial public offering in March 2005, we have taken delivery of five Panamax dry bulk carriers and three Capesize dry bulk carriers, sold one of our Capesize dry bulk carriers, and have agreed to purchase three additional Capesize dry bulk carriers, the first of which is expected to be delivered in November 2007, and the remaining two of which are expected to be delivered in the second quarter of 2010. The addition of these vessels to our fleet has resulted in a significant increase in the size of our fleet and imposes significant additional responsibilities on our management and staff. While we expect our fleet to grow further, this may require us to increase the number of our personnel. We will also have to increase our customer base to provide continued employment for the new vessels. In addition, our acquisition of our fleet manager has imposed further requirements upon our management and staff.

Our future growth will primarily depend on our ability to:

- locate and acquire suitable vessels;
- identify and consummate acquisitions or joint ventures;
- enhance our customer base;
- manage our expansion; and
- obtain required financing on acceptable terms.

Growing any business by acquisition presents numerous risks, such as undisclosed liabilities and obligations, the possibility that indemnification agreements will be unenforceable or insufficient to cover potential losses and difficulties associated with imposing common standards, controls, procedures and policies, obtaining additional qualified personnel, managing relationships with customers and integrating newly acquired assets and operations into existing infrastructure. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with our future growth. If we are not able to successfully grow the size of our company or increase the size of our fleet, our ability to pay dividends may be adversely affected.

We cannot assure you that we will be able to borrow amounts under our credit facilities and restrictive covenants in our credit facilities may impose financial and other restrictions on us.

We entered into a secured revolving credit facility with The Royal Bank of Scotland Plc in February 2005 and amended the facility in May 2006, and in January 2007 we entered into a supplemental loan agreement for an additional credit facility with the Royal Bank of Scotland Plc. We have also entered into a loan agreement with Fortis Bank for a secured term loan of $60.2 million, which we intend to use to use to finance the pre-delivery installments of two newbuilding Capesize dry bulk carriers that we expect to take delivery of during the second quarter of 2010. As of June 30, 2007, we had $203.1 million outstanding under our facilities, of which an amount of $90.0 million was repaid under our revolving credit facility with the proceeds from the sale of one of our Capesize dry bulk carriers in July 2007. In August 2007, we drew down an additional amount of $11.8 million under our revolving credit facility. We have used and intend to use our facilities in the future to finance future vessel acquisitions and our working capital requirements. Our ability to borrow amounts under the credit facilities is subject to the execution of customary documentation relating to the facilities, including security documents, satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. Prior to each drawdown, we are required, among other things, to provide the lender with acceptable valuations of the vessels in our fleet confirming that the vessels in our fleet have a minimum value and that the vessels in our fleet that secure our obligations under the facilities are sufficient to satisfy minimum security requirements. To the extent that we are not able to satisfy these requirements, including as a result of a decline in the value of our vessels, we may not be able to draw down the full amount under the credit facilities without obtaining a waiver or consent from the lender. We will also not be permitted to borrow amounts under the facilities if we experience a change of control.

The credit facilities also impose operating and financial restrictions on us. These restrictions may limit our ability to, among other things:

- pay dividends or make capital expenditures if we do not repay amounts drawn under our credit facilities, if there is a default under the credit facilities or if the payment of the dividend or capital expenditure would result in a default or breach of a loan covenant;
- incur additional indebtedness, including through the issuance of guarantees;

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- change the flag, class or management of our vessels;
- create liens on our assets;
- sell our vessels;
- enter into a time charter or consecutive voyage charters that have a term that exceeds, or which by virtue of any optional extensions may exceed, thirteen months;
- merge or consolidate with, or transfer all or substantially all our assets to, another person; and
- enter into a new line of business.

Therefore, we may need to seek permission from our lender in order to engage in some corporate actions. Our lender's interests may be different from ours and we cannot guarantee that we will be able to obtain our lenders' permission when needed. This may limit our ability to pay dividends to you, finance our future operations, make acquisitions or pursue business opportunities.

We cannot assure you that we will be able to refinance indebtedness incurred under our credit facilities.

We intend to finance our future vessel or vessel-owning company acquisitions with a portion of the net proceeds of this offering and future equity offerings and with secured indebtedness drawn under our credit facilities. While our current policy is to refinance amounts in excess of $150.0 million, excluding construction pre-delivery financing, drawn under our credit facilities with the net proceeds from equity offerings, we cannot assure you that we will be able to do so on terms that are acceptable to us or at all. If we are not able to refinance these amounts with the net proceeds of equity offerings on terms acceptable to us or at all, we will have to dedicate a greater portion of our cash flow from operations to pay the principal and interest of this indebtedness than if we were able to refinance such amounts. If we are not able to satisfy these obligations, we may have to undertake alternative financing plans. The actual or perceived credit quality of our charterers, any defaults by them, and the market value of our fleet, among other things, may materially affect our ability to obtain alternative financing. In addition, debt service payments under our credit facilities or alternative financing may limit funds otherwise available for working capital, capital expenditures and other purposes. If we are unable to meet our debt obligations, or if we otherwise default under our credit facilities or an alternative financing arrangement, our lenders could declare the debt, together with accrued interest and fees, to be immediately due and payable and foreclose on our fleet, which could result in the acceleration of other indebtedness that we may have at such time and the commencement of similar foreclosure proceedings by other lenders.

If the delivery of any of the three vessels that have not yet been delivered to us is delayed or any of the vessels is delivered with significant defects, our earnings and financial condition could suffer.

We have entered into agreements to purchase one additional Capesize dry bulk carrier that we expect to be delivered to us in November 2007. Additionally, we have assumed shipbuilding contracts for two Capesize dry bulk carriers that we expect to be delivered to us during the second quarter of 2010. A delay in the delivery of one or more of these vessels to us or the failure of the contract counterparty to deliver one or more of these vessels at all could adversely affect our earnings, our financial condition and the amount of dividends that we pay in the future.

Purchasing and operating secondhand vessels may result in increased operating costs and reduced fleet utilization.

While we have the right to inspect previously owned vessels prior to our purchase of them and we intend to inspect all secondhand vessels that we acquire in the future, such an inspection does not provide us with the same knowledge about their condition that we would have if these vessels had been built for and operated exclusively by us. A secondhand vessel may have conditions or defects that we were not aware of when we bought the vessel and which may require us to incur costly repairs to the vessel. These repairs may require us to put a vessel into drydock which would reduce our fleet utilization. Furthermore, we usually do not receive the benefit of warranties on secondhand vessels.

In the highly competitive international shipping industry, we may not be able to compete for charters with new entrants or established companies with greater resources.

We employ our vessels in a highly competitive market that is capital intensive and highly fragmented. Competition arises primarily from other vessel owners, some of whom have substantially greater resources than we do. Competition for the transportation of dry bulk cargo by sea is intense and depends on price, location, size, age, condition and the acceptability of the vessel and its operators to the charterers. Due in part to the highly fragmented market, competitors with greater resources could enter the dry bulk shipping industry and operate larger fleets through consolidations or acquisitions and may be able to offer lower charter rates and higher quality vessels than we are able to offer.

We may be unable to attract and retain key management personnel and other employees in the shipping industry, which may negatively impact the effectiveness of our management and results of operations.

Our success depends to a significant extent upon the abilities and efforts of our management team. We have entered into employment contracts with our Chairman and Chief Executive Officer, Mr. Simeon Palios, our President, Mr. Anastassis Margaronis, our Chief Financial Officer, Mr. Andreas Michalopoulos and our Vice President, Mr. Ioannis Zafirakis. Our success will depend upon our ability to retain key members of our management team and to hire new members as may be necessary. The loss of any of these individuals could adversely affect our business prospects and financial condition. Difficulty in hiring and retaining replacement personnel could have a similar effect. We do not currently, nor do we intend to, maintain "key man" life insurance on any of our officers.

Risks associated with operating ocean-going vessels could affect our business and reputation, which could adversely affect our revenues and stock price.

The operation of ocean-going vessels carries inherent risks. These risks include the possibility of:

- marine disaster;
- environmental accidents;
- cargo and property losses or damage;
- business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions; and
- piracy.

Any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel owner and operator.

The shipping industry has inherent operational risks that may not be adequately covered by our insurance.

We procure insurance for our fleet against risks commonly insured against by vessel owners and operators. Our current insurance includes hull and machinery insurance, war risks insurance and protection and indemnity insurance (which includes environmental damage and pollution insurance). We can give no assurance that we are adequately insured against all risks or that our insurers will pay a particular claim. Even if our insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement vessel in the event of a loss. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage for tort liability. Our insurance policies also contain deductibles, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs.

Our vessels may suffer damage and we may face unexpected drydocking costs, which could adversely affect our cash flow and financial condition.

If our vessels suffer damage, they may need to be repaired at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. The loss of earnings while a vessel is being repaired and repositioned, as well as the actual cost of these repairs not covered by our insurance, would decrease our earnings and reduce the amount of cash that we have available for dividends. We may not have insurance that is sufficient to cover all or any of the costs or losses for damages to our vessels and may have to pay drydocking costs not covered by our insurance.

The aging of our fleet may result in increased operating costs in the future, which could adversely affect our earnings.

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. Our current fleet consists of 13 Panamax dry bulk carriers and four Capesize dry bulk carriers with a combined carrying capacity of 1.7 million dwt, including the Capesize dry bulk carrier that we expect to take delivery of in November 2007. The two additional Capesize dry bulk carriers that we have agreed to purchase will increase the carrying capacity of our fleet by 354,000 dwt. As our fleet ages, we will incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which our vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

We are exposed to U.S. Dollar and foreign currency fluctuations and devaluations that could harm our reported revenue and results of operations.

We generate all of our revenues in U.S. Dollars but currently incur over half of our operating expenses and the majority of our general and administrative expenses in currencies other than the U.S. Dollar, primarily the euro. Because a significant portion of our expenses are incurred in currencies other than the U.S. Dollar, our expenses may from time to time increase relative to our revenues as a result of fluctuations in exchange rates, particularly between the U.S. Dollar and the euro, which could affect the amount of net income that we report in future periods. While we historically have not mitigated the risk associated with exchange rate fluctuations through the use of financial derivatives, we may employ such instruments from time to time in the future in order to minimize this risk. Our use of financial derivatives would involve certain risks, including the risk that losses on a hedged position could exceed the nominal amount invested in the instrument and the risk that the counterparty to the derivative transaction may be unable or unwilling to satisfy its contractual obligations, which could have an adverse effect on our results.

We may have to pay tax on United States source income, which would reduce our earnings.

Under the United States Internal Revenue Code of 1986, or the Code, 50% of the gross shipping income of a vessel owning or chartering corporation, such as ourselves and our subsidiaries, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United

States is characterized as United States source shipping income and such income is subject to a 4% United States federal income tax without allowance for deductions, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the Treasury Regulations.

Prior to our secondary offering in December 2005, based on a literal reading of the Section 883 regulation treatment of holders of bearer shares as non-qualified shareholders, we did not qualify for this statutory tax exemption for the 2005 taxable year because our Chairman and Chief Executive Officer, Mr. Simeon Palios, who owned 51.8% of our stock, owned our shares through holding companies that had bearer shares. Nevertheless, we believe our facts are distinguishable from those which the regulations were intended to address and, therefore, we have taken the position that we qualify for this statutory tax exemption for United States federal income tax purposes for 2005. We can give no assurance, however, that we would prevail if our position were challenged on audit.

We expect that we and each of our subsidiaries will qualify for exemption under Section 883 for 2006 and each taxable year thereafter, assuming that for more than half the days of the year, the ownership of our shares by holders of bearer shares remains below 50%, there are no other owners of 5% or more of our stock other than Fortis Bank (Nederland) N.V. or Mr. Palios during such period, and Fortis Bank (Nederland) N.V. submits ownership statements evidencing its qualified shareholder status for such period. However, there are factual circumstances beyond our control that could cause us to lose the benefit of this tax exemption. For example, if other shareholders with a five percent or greater interest in our stock were to acquire and hold our stock for more than half the days of the year and we could not obtain ownership statements from them evidencing their qualified shareholder status, our eligibility to qualify for exemption under Section 883 could depend upon taking the same position as to the holders of bearer shares as we have taken on our U.S. tax returns for 2005 and as indicated above, we can give no assurance that we would prevail if our position were challenged on audit.

If we or our subsidiaries are not entitled to this exemption under Section 883 for any taxable year, we or our subsidiaries would be subject for those years to a 4% United States federal income tax on our U.S.-source shipping income. The imposition of this taxation could have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders. For the 2005 and 2006 taxable years, we estimate that our maximum United States federal income tax liability would be immaterial if we were to be subject to this taxation. Please see the section of this prospectus supplement entitled "Tax Considerations" for a more comprehensive discussion of the United States federal income tax consequences.

United States tax authorities could treat us as a "passive foreign investment company", which could have adverse United States federal income tax consequences to United States holders.

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for United States federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of "passive income" or (2) at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." United States shareholders of a PFIC are subject to a disadvantageous United States federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC.

Based on our current and proposed method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute "passive income," and the assets that we own and operate in connection with the production of that income do not constitute passive assets.

There is, however, no direct legal authority under the PFIC rules addressing our proposed method of operation. Accordingly, no assurance can be given that the United States Internal Revenue Service, or IRS, or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, our United States shareholders will face adverse United States tax consequences. Under the PFIC rules, unless those shareholders make an election available under the Code (which election could itself have adverse consequences for such shareholders, as discussed below under "Tax Considerations United States Federal Income Taxation of United States Holders"), such shareholders would be liable to pay United States federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common shares, as if the excess distribution or gain had been recognized ratably over the stockholder's holding period of our common shares. Please see the section of this prospectus entitled "Tax Considerations" for a more comprehensive discussion of the United States federal income tax consequences to United States shareholders if we are treated as a PFIC.

We depend upon a few significant customers for a large part of our revenues and the loss of one or more of these customers could adversely affect our financial performance.

We have historically derived a significant part of our revenues from a small number of charterers. During the six months ended June 30, 2007, approximately 53% of our revenues derived from four charterers. During 2006, approximately 50% of our revenues derived from three charterers and in 2005, approximately 63% of our revenues derived from four charterers. If one or more of our charterers chooses not to charter our vessels or is unable to perform under one or more charters with us and we are not able to find a replacement charter, we could suffer a loss of revenues that could adversely affect our financial condition, results of operations and cash available for distribution as dividends to our stockholders.

We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations and to make dividend payments.

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to make dividend payments depends on our subsidiaries and their ability to distribute funds to us. If we are unable to obtain funds from our subsidiaries, our board of directors may exercise its discretion not to declare or pay dividends. We do not intend to obtain funds from other sources to pay dividends.

As we expand our business, we may need to improve our operating and financial systems and will need to recruit suitable employees and crew for our vessels.

Our current operating and financial systems may not be adequate as we expand the size of our fleet and our attempts to improve those systems may be ineffective. In addition, as we expand our fleet, we will need to recruit suitable additional seafarers and shoreside administrative and management personnel. While we have not experienced any difficulty in recruiting to date, we cannot guarantee that we will be able to continue to hire suitable employees as we expand our fleet. If we or our crewing agent encounter business or financial difficulties, we may not be able to adequately staff our vessels. If we are unable to grow our financial and operating systems or to recruit suitable employees as we expand our fleet, our financial performance may be adversely affected and, among other things, the amount of cash available for distribution as dividends to our stockholders may be reduced.

Risks Relating to Our Common Stock

There is no guarantee that there will continue to be an active and liquid public market for you to resell our common stock in the future.

The price of our common stock after this offering may be volatile and may fluctuate due to factors such as:

- actual or anticipated fluctuations in our quarterly and annual results and those of other public companies in our industry;
- mergers and strategic alliances in the dry bulk shipping industry;
- market conditions in the dry bulk shipping industry;
- changes in government regulation;
- shortfalls in our operating results from levels forecast by securities analysts;
- announcements concerning us or our competitors; and
- the general state of the securities market.

The dry bulk shipping industry has been highly unpredictable and volatile. The market for common stock in this industry may be equally volatile.

We are incorporated in the Marshall Islands, which does not have a well-developed body of corporate law.

Our corporate affairs are governed by our amended and restated articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act, or the BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the laws of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in the United States. The rights of stockholders of the Marshall Islands may differ from the rights of stockholders of companies incorporated in the United States. While the BCA provides that it is to be interpreted according to the laws of the State of Delaware and other states with substantially similar legislative provisions, there have been few, if any, court cases interpreting the BCA in the Marshall Islands and we cannot predict whether Marshall Islands courts would reach the same conclusions as United States courts. Thus, you may have more difficulty in protecting your interests in the face of actions by the management, directors or controlling stockholders than would stockholders of a corporation incorporated in a United States jurisdiction which has developed a relatively more substantial body of case law.

Certain existing stockholders will be able to exert considerable control over matters on which our stockholders are entitled to vote following the completion of this offering.

Immediately after this offering entities affiliated with our President and Chief Executive Officer and certain other large stockholders will own 17,768,750 shares, or approximately 24.4%, of our outstanding common stock, assuming that the underwriters do not exercise their over-allotment option. Please see the section of our 2006 annual report on Form 20-F, incorporated by reference herein, entitled "Principal Stockholders." While these stockholders have no agreement, arrangement or understanding relating to the voting of their shares of our common stock following the completion of this offering, they will effectively control the outcome of matters on which our stockholders are entitled to vote, including the election of directors and other significant corporate actions. The interests of these stockholders may be different from your interests.

Future sales of our common stock could cause the market price of our common stock to decline.

Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that these sales could occur, may depress the market price for our common stock. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future.

We intend to issue additional shares of our common stock in the future to refinance indebtedness, excluding construction pre-delivery financing, in excess of $150.0 million incurred in connection with the acquisition of ships and our stockholders may elect to sell large numbers of shares held by them from time to time. Our amended and restated articles of incorporation authorize us to issue up to 100,000,000 shares of common stock, of which 72,875,000 shares will be outstanding immediately after this offering, assuming that the underwriters do not exercise their over-allotment option. The number of shares of common stock available for sale in the public market will be limited by restrictions applicable under securities laws and agreements that we and our executive officers, directors and principal stockholders have entered into with the underwriters of this offering. Subject to certain exceptions, these agreements generally restrict us and our executive officers, directors and principal stockholders from directly or indirectly offering, selling, pledging, hedging or otherwise disposing of our equity securities or any security that is convertible into or exercisable or exchangeable for our equity securities and from engaging in certain other transactions relating to such securities for a period of 90 days after the date of this prospectus supplement without the prior written consent of Wachovia Capital Markets, LLC.

Prior to our initial public offering, we entered into a registration rights agreement with Corozal Compania Naviera S.A., Ironwood Trading Corp. and Zoe S. Company Ltd., certain of our stockholders, pursuant to which we have granted them, their affiliates (including Mr. Simeon Palios, Mr. Anastassis Margaronis and Mr. Ioannis Zafirakis) and certain of their transferees, the right, under certain circumstances and subject to certain restrictions, including restrictions included in the lock-up agreements to which they are a party, to require us to register under the Securities Act of 1933, as amended, or the Securities Act, shares of our common stock held by them. Under the registration rights agreement, these persons have the right to request us to register the sale of shares held by them on their behalf and may require us to make available shelf registration statements permitting sales of shares into the market from time to time over an extended period. In addition, these persons have the ability to exercise certain piggyback registration rights in connection with registered offerings requested by stockholders or initiated by us. These stockholders have waived the right to have any of their shares of our common stock registered in this offering pursuant to this agreement. Registration of such shares under the Securities Act would, except for shares purchased by affiliates, result in such shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of such registration. In addition, shares not registered pursuant to the registration rights agreement may, subject to the lock-up agreements to which certain of our stockholders of record are a party, be resold pursuant to an exemption from the registration requirements of the Securities Act, including the exemptions provided by Rule 144 and Regulation S under the Securities Act.

Anti-takeover provisions in our organizational documents could make it difficult for our stockholders to replace or remove our current board of directors or have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of our common stock.

Several provisions of our amended and restated articles of incorporation and bylaws could make it difficult for our stockholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable.

These provisions include:

- authorizing our board of directors to issue "blank check" preferred stock without stockholder approval;
- providing for a classified board of directors with staggered, three year terms;
- prohibiting cumulative voting in the election of directors;
- authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote for the directors;
- prohibiting stockholder action by written consent;
- limiting the persons who may call special meetings of stockholders; and
- establishing advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

In addition, we have adopted a stockholder rights plan pursuant to which our board of directors may cause the substantial dilution of any person that attempts to acquire us without the approval of our board of directors.

These anti-takeover provisions, including provisions of our stockholder rights plan, could substantially impede the ability of public stockholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

USE OF PROCEEDS

We estimate that we will receive net proceeds of $237,625,000 ($273,343,750 million if the underwriters' over-allotment option is exercised in full) from the sale of the common stock in this offering, after deducting the underwriting discount and estimated offering expenses payable by us. We expect to use the net proceeds of this offering for general corporate purposes and to fund all or a portion of the acquisition costs of additional vessels or vessel-owning companies that we may acquire in the future. We may also use the net proceeds of this offering to temporarily reduce our outstanding debt, excluding construction pre-delivery financing, to less than $150.0 million pending the application of such proceeds to vessel acquisitions or other uses. Currently we have not identified any vessels or vessel-owning companies for purchase.

PRICE RANGE OF COMMON STOCK

The trading market for shares of our common stock is the New York Stock Exchange, on which our shares trade under the symbol "DSX." The following table sets forth the high and low closing prices for shares of our common stock in U.S. Dollars since our initial public offering of common stock at $17.00 per share on March 17, 2005, as reported by the New York Stock Exchange:

For the period:	High	Low
March 17 to March 31, 2005	$ 17.50	$ 15.63
April 1 to June 30, 2005	17.06	13.16
July 1 to September 30, 2005	16.78	12.46
October 1 to December 31, 2005	16.85	12.14
January 1 to March 31, 2006	13.55	11.19
April 1 to June 30, 2006	12.53	9.85
July 1 to September 30, 2006	13.95	10.23
October 1 to December 31, 2006	15.83	13.24
January 1 to March 30, 2007	20.31	15.79
April 1 to June 30, 2007	23.00	17.95
July 1 to September 20, 2007	29.24	21.62

On September 20, 2007, the closing price for our common shares on the New York Stock Exchange was $25.15 per share.

DIVIDEND POLICY

Our policy is to declare quarterly distributions to stockholders by each February, May, August and November substantially equal to our available cash from operations during the previous quarter after expenses and reserves for scheduled drydockings, intermediate and special surveys and other purposes as our board of directors may from time to time determine are required, and after taking into account contingent liabilities, the terms of our credit facility, our growth strategy and other cash needs and the requirements of Marshall Islands law. Our board of directors may review and amend our dividend policy from time to time in light of our plans for future growth and other factors.

In times when we have in excess of $150.0 million of debt outstanding, excluding construction pre-delivery financing, we intend to calculate our dividends per share as if any debt, excluding construction pre-delivery financing, in excess of $150.0 million were financed entirely with equity such that (i) the available cash from operations as determined by our board of directors would be increased by the amount of interest expense incurred on account of such outstanding debt during the related period, and (ii) the number of shares outstanding would be deemed to include an additional number of shares, which, if issued, would have generated net proceeds that would have been sufficient to have allowed us to repay such outstanding debt as of the beginning of the related period (based on the market price of our common stock as of the determination date). Depending on the circumstances, we may or may not be required to use sources other than our available cash from operations to fund such dividends. From time to time we may use the net proceeds from equity offerings to temporarily reduce our outstanding debt, excluding construction pre-delivery financing, to less than $150.0 million pending the application of such proceeds to vessel acquisitions or other uses. As of August 31, 2007, we had total debt outstanding of $124.8 million, including $24.1 million of construction pre-delivery financing.

To limit the impact of the issuance of our common stock in this offering on our dividends per share, we intend to calculate and pay our dividend per share in respect of the third quarter of 2007 as if we had not issued the additional shares of common stock in this offering. Because we do not expect to be able to fully pay such a dividend with our available cash from operations for the period, we may fund a portion of the dividend with excess working capital under our secured revolving credit facility.

We have paid the following dividends per share since our initial public offering with respect to the following periods:

Period	Dividend Paid (U.S. Dollars)
Fourteen day period from initial public offering on March 17, 2005 through and including March 31, 2005	$ 0.08
Second quarter 2005	0.54
Third quarter 2005	0.465
Fourth quarter 2005	0.40
First quarter 2006	0.345
Second quarter 2006	0.355
Third quarter 2006	0.40
Fourth quarter 2006	0.46
First quarter 2007	0.50
Second quarter 2007	0.51

We believe that, under current law, our dividend payments from earnings and profits will constitute "qualified dividend income" and as such will generally be subject to a 15% United States federal income tax rate with respect to non-corporate United States stockholders. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of a United States stockholder's tax basis in its common stock on a dollar-for-dollar basis and thereafter as capital gain. We note that legislation was recently introduced in the United States Congress, which, if enacted in its present form, would preclude dividends received after the date of enactment from qualifying as "qualified dividend income." Please see the section of this prospectus entitled "Tax Considerations" for additional information relating to the tax treatment of our dividend payments.

The dry bulk shipping industry is highly volatile and we cannot accurately predict the amount of cash distributions that we may make in any period. Factors beyond our control may affect the charter market for our vessels and our charterers' ability to satisfy their contractual obligations to us, and we cannot assure you that dividends in any amounts will actually be declared.

Marshall Islands law generally prohibits the payment of dividends other than from surplus or when a company is insolvent or if the payment of the dividend would render the company insolvent.

In addition, we may incur expenses or liabilities, including extraordinary expenses, which could include costs of claims and related litigation expenses, or be subject to other circumstances in the future that reduce or eliminate the amount of cash that we have available for distribution as dividends or for which our board of directors may determine we require the establishment of reserves. Our growth strategy contemplates that we will finance the acquisition of additional vessels through a combination of debt and equity financing on terms acceptable to us. If financing is not available to us on acceptable terms, our board of directors may determine to finance or refinance acquisitions with cash from operations, which would reduce or even eliminate the amount of cash available for the payment of dividends.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of June 30, 2007:

on an actual basis;

on an adjusted basis to give effect to (i) the payment of a $32.1 million dividend on August 24, 2007, (ii) the repayment of $90.0 million of the outstanding balance under our revolving credit facility using the sale proceeds from the sale of the vessel *Pantelis SP* and cash on hand on July 10, 2007 and (iii) our incurrence of $11.8 million of indebtedness under our revolving credit facility to partly fund the acquisition cost of the vessel *Semirio* on August 22, 2007; and

on an as further adjusted basis giving effect to our issuance and sale of 10,000,000 shares of common stock in this offering at the offering price of $25.00 per share and the application of the net proceeds as described under "Use of Proceeds".

	As of June 30, 2007		
	Actual	**As Adjusted[1]**	**As Further Adjusted[2]**
	(in thousands of U.S. Dollars, except share amount)		
Cash	$ 11,623	$ 11,623	$ 249,248
Debt (Principal balance)			
Current portion of long-term debt	$	$	$
Long-term debt, net of current portion	203,080	124,830	124,830
Total debt	$ 203,080	$ 124,830	$ 124,830
Stockholders' equity			
Preferred stock, $0.01 par value; 25,000,000 shares authorized, none issued	$	$	$
Common stock, $0.01 par value; 100,000,000 shares authorized; 62,875,000 issued and outstanding, actual and adjusted, 72,875,000 shares issued and outstanding, as further adjusted	629	629	729
Additional paid-in capital	527,721	527,721	765,246
Accumulated deficit	(14,282)	(46,348)	(46,348)
Total shareholders' equity	$ 514,068	$ 482,002	$ 719,627
Total capitalization	$ 717,148	$ 606,832	$ 844,457

[1] There have been no significant adjustments to our capitalization since June 30, 2007, as so adjusted.

2 Assumes no exercise of the underwriters' over-allotment option.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis should be read in conjunction with our audited and interim unaudited consolidated financial statements and their notes incorporated by reference herein. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in the section entitled "Risk Factors" and elsewhere in this prospectus supplement and accompanying prospectus. For additional information relating to our management's discussion and analysis of financial condition and results of operation, please see our annual report on form 20-F for the year ended 2006, the Form 6-K filed with the SEC on September 12, 2007, each incorporated by reference herein.

Operating Results

We charter our dry bulk carriers to customers pursuant to short-term and long-term time charters. Currently, 12 of our vessels, including the Capesize dry bulk carrier that we expect to take delivery of in November 2007, are employed on longer-term time charters ranging in duration from 18 months to 60 months. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and port and canal charges. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses, and we also pay commissions to one or more unaffiliated ship brokers and to in-house brokers associated with the charterer for the arrangement of the relevant charter.

Factors Affecting our Results of Operations

We believe that the important measures for analyzing trends in our results of operations consist of the following:

Ownership days. We define ownership days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

Available days. We define available days as the number of our ownership days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

Operating days. We define operating days as the number of our available days in a period less the aggregate number of days that our vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

Fleet utilization. We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.

TCE rates. We define TCE rates as our voyage and time charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts while charter hire rates for vessels on time charters generally are expressed in such amounts.

The following table reflects our ownership days, available days, operating days, fleet utilization and TCE rates for the periods indicated.

	Year Ended December 31,			Six Months Ended June 30	
	2004	2005	2006	2006	2007
Ownership days	2,319	3,510	4,897	2,329	2,794
Available days	2,319	3,471	4,856	2,288	2,794
Operating days	2,315	3,460	4,849	2,283	2,764
Fleet utilization	99.8%	99.7%	99.9%	99.8%	98.9%
Time charter equivalent (TCE) rate	$ 25,661	$ 27,838	$ 22,661	$ 20,722	$ 28,212

Voyage and Time Charter Revenue

Our revenues are driven primarily by the number of vessels in our fleet, the number of days during which our vessels operate and the amount of daily charter hire rates that our vessels earn under charters, which, in turn, are affected by a number of factors, including:

- the duration of our charters;
- our decisions relating to vessel acquisitions and disposals;
- the amount of time that we spend positioning our vessels;
- the amount of time that our vessels spend in dry-dock undergoing repairs;
- maintenance and upgrade work;
- the age, condition and specifications of our vessels;
- levels of supply and demand in the dry bulk shipping industry; and
- other factors affecting spot market charter rates for dry bulk carriers.

Our revenues have grown significantly in recent periods as a result of the enlargement of our fleet, which has increased our ownership, available and operating days. At the same time, we have maintained relatively high vessel utilization rates.

Voyage Expenses

We incur voyage expenses that include port and canal charges, bunker (fuel oil) expenses and commissions. Port and canal charges and bunker expenses primarily increase in periods during which vessels are employed on voyage charters because these expenses are for the account of the vessels. Port and canal charges and bunker expenses currently represent a relatively small portion of our vessels' overall expenses because all of our vessels are employed under time charters that require the charterer to bear all of those expenses.

As is common in the shipping industry, we pay commissions ranging from 0% to 6.25% of the total daily charter hire rate of each charter to unaffiliated ship brokers and in-house brokers associated with the charterers, depending on the number of brokers involved with arranging the charter. In addition to commissions paid to third parties, we have historically paid our fleet manager a commission that is equal

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to 2% of our revenues in exchange for providing us with technical and commercial management services in connection with the employment of our fleet. This commission is in addition to the fixed management fees we pay to our fleet manager for the same services, as described below.

The following table presents a breakdown of the commissions paid during the periods indicated.

	Year Ended December 31,			Six Months Ended June 30,	
	2004	2005	2006	2006	2007
	(in thousands of U.S. Dollars)				
Commissions paid to unaffiliated and in-house ship brokers	$ 3,019	$ 4,731	$ 5,364	$ 2,356	$ 3,848
Commissions paid to our fleet manager	1,276	2,061	2,384	1,035	1,702
Total	$ 4,295	$ 6,792	$ 7,748	$ 3,391	$ 5,550

We believe that the amounts and the structures of our commissions are consistent with industry practices.

We expect that the amount of our total commissions will continue to grow as a result of our increased revenues related to the growth of our fleet. As of April 1, 2006, the 2% commissions that we pay our fleet manager, are eliminated from our consolidated financial statements as intercompany transactions. However, this reduction in costs has been offset by the costs of managing the fleet directly as a result of the acquisition of DSS.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Our vessel operating expenses, which generally represent fixed costs, have historically increased as a result of the enlargement of our fleet. We expect these expenses to increase further as a result of our acquisition of additional vessels. Other factors beyond our control, some of which may affect the shipping industry in general, including, for instance, developments relating to market prices for insurance, may also cause these expenses to increase.

Depreciation

The cost of our vessels is depreciated on a straight-line basis over the expected useful life of each vessel. Depreciation is based on the cost of the vessel less its estimated residual value. We estimate the useful life of our vessels to be 25 years from the date construction is completed, which we believe is common in the dry bulk shipping industry. Furthermore, we estimate the residual values of our vessels to be $150 per light-weight ton which we also believe is common in the dry bulk shipping industry. Our depreciation charges have increased in recent periods due to the enlargement of our fleet which has also led to an increase of ownership days. We expect that these charges will continue to grow as a result of our acquisition of additional vessels.

Management Fees

We pay our fleet manager a fixed management fee of $15,000 per month for each vessel in our operating fleet in exchange for providing us with technical and commercial management services in connection with the employment of our fleet. This fee is in addition to the 2% commission on revenues we pay to our fleet manager for the services as described above. As of April 1, 2006, the management fees that we pay to our fleet manager have been eliminated from our consolidated financial statements as intercompany transactions and replaced by the direct expenses of operating the manager as a wholly-owned subsidiary.

Executive Management Services and Rent

We have recognized expenses relating to executive management services, as well as the value of the lease expense for the office space and the secretarial services that were provided to us at no additional charge by DSS. The recognition of these expenses as executive management services and rent, for historical purposes, is based on our estimates of the value of the amounts that we would have incurred had our fleet manager not provided the related services and office space to us. The value of the services and rent was determined by reference to the amounts that we intended to compensate our executive officers and to the lease agreement between DSS and the owner of the office space that was previously owned by DSS.

General and Administrative Expenses

We incur general and administrative expenses which include our onshore vessel related expenses such as legal and professional expenses and other general vessel expenses. Our general and administrative expenses also include our payroll expenses, including those relating to our executive officers. General and administrative expenses may increase as a result of the enlargement of our fleet. Furthermore, subsequent to April 2006, our general and administrative expenses increased as a result of our acquisition of our fleet manager, which resulted in the recognition of additional expenses, including payroll expenses, relating to our fleet manager's operations.

Interest and Finance Costs

We have historically incurred interest expense and financing costs in connection with the vessel specific debt of our subsidiaries. As of June 30, 2007, we had $179.0 million of indebtedness outstanding under our revolving credit facility of which $90.0 million was repaid in July 2007 and incurred additional indebtedness of $11.8 million in August 2007. As of December 31 2006, we had $114.6 million of indebtedness outstanding under our revolving credit facility. We incur interest expense and financing costs relating to our outstanding debt and our available credit facility. We expect to incur additional debt to finance future acquisitions. However, we intend to limit the amount of these expenses and costs by repaying our outstanding indebtedness, excluding construction pre-delivery financing, in excess of approximately $150.0 million from time to time with the net proceeds of future equity issuances. As of June 30, 2007 and December 31, 2006, we had $24.1 million of construction pre-delivery financing outstanding under our credit facility with Fortis bank and as of August 31, 2007, we had total debt outstanding of $124.8 million, including the $24.1 million of construction pre-delivery financing. Interest and finance costs incurred in connection with this loan facility are capitalized in vessel cost.

Inflation

Inflation has only a moderate effect on our expenses given current economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase our operating, voyage, administrative and financing costs.

Fleet Employment Profile

The following table presents certain information concerning the dry bulk carriers in our fleet as of September 11, 2007:

Name	Sister Ship[1]	Year Built	Dwt	Daily Time Charter Hire Rate[2]	Time Charter Expiration Dates[3]
Nirefs	A	2001	75,311	4TCs Average [4]+4.5%	Oct 23, 2007- Jan 23, 2008
Alcyon	A	2001	75,247	$ 22,582	Oct 15, 2007- Feb 15, 2008
Triton	A	2001	75,336	24,400	Oct 17, 2009- Jan 17, 2010[5]
Oceanis	A	2001	75,211	43,000	Sep 22, 2007- Sep 27, 2007[6]
Dione	A	2001	75,172	28,500	Nov 7, 2007- Jan 17, 2008
Danae	A	2001	75,106	29,400	Feb 18, 2009- May 18, 2009
Protefs	B	2004	73,630	31,650	Feb 3, 2008- Apr 3, 2008
Calipso	B	2005	73,691	26,750	Dec 21, 2007- Feb 21, 2008
Clio	B	2005	73,691	27,000	Jan 27, 2009- Mar 27, 2009
Thetis	B	2004	73,583	25,000	Sep 28, 2007- Oct 4, 2007[7]
Naias	B	2006	73,546	21,000	Sep 18, 2007- Sep 20, 2007[8]
Erato	C	2004	74,444	30,500	Nov 9, 2007- Jan 9, 2008
Coronis	C	2006	74,381	27,500	Jan 18, 2009- Apr 9, 2009
Sideris GS	D	2006	174,186	46,000[9] 43,000[9] 39,000[9] 36,000[9]	Nov 30, 2007 Nov 30, 2008 Nov 30, 2009 Oct 15, 2010- Jan 15, 2011[10]
Semirio	D	2007	174,261	51,000[9] 31,000[9]	Jun 15, 2009 Apr 30, 2011- Jul 30, 2011[11]
Aliki		2005	180,235	52,000[9] 45,000[9]	May 1, 2009 Mar 1, 2011- May 30, 2011[12]

Dry Bulk Carriers in our Fleet That We Have Agreed to Purchase

Boston	D	2007	177,000	$ 52,000	Oct 5, 2011- Jan 4, 2012[13]
Hull H1107[14]	D	2010	177,000		
Hull H1108[14]	D	2010	177,000		

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1 Each vessel is a sister ship of the other vessels that have the same letter.

2 Gross time charter rate per day.

3 Charterers' optional period to redeliver the vessel to owners.

4 Adjustable every 15 days based on the average of four main pre-determined time charter routes, as published by the Baltic Exchange.

5 The charterer has the option to employ the vessel for a further 11-13 month period at a daily time charter rate based on the average rate of four pre-determined time charter routes as published by the Baltic Exchange. The optional period, if exercised, must be declared on or before the end of the 30th month of employment and can only commence at the end of the 36th month.

6 Upon expiration of the current charter, the *Oceanis* is scheduled to be re-chartered at a daily time charter rate of $40,000 for a minimum period of 22 months to a maximum period of 25 months, which charter will commence immediately upon termination of the current charter.

7 Upon expiration of the current charter, the *Thetis* is scheduled to be re-chartered at a daily time charter rate of $60,250 for a minimum period of 11 months to a maximum period of 13 months, which will commence immediately upon termination of the current charter.

8 Upon expiration of the current charter, the *Naias* is scheduled to be re-chartered at a daily time charter rate of $34,000 for a minimum period of 23 months to a maximum period of 25 months, which charter will commence immediately upon termination of the current charter.

9 For financial reporting purposes, we recognize revenue from time charters that have varying rates on a straight-line basis equal to the average revenue during the term of that time charter. We calculate quarterly dividends based on the available cash from operations during the relevant quarter.

10 The daily time charter rate will be $46,000 during the first year, $43,000 during the second year, $39,000 during the third year and $36,000 during the fourth year. The charterer has the option to employ the vessel for a further 11-13 month period from the end of the 48th month, at the daily time charter rate of $48,500.

11 The daily time charter rate will be $51,000 for the first and second years and $31,000 for the third and fourth years. The charterer has the option to employ the vessel for a further 11-13 month period from the end of the 48th month, at the daily time charter rate of $48,500.

12 During the first two years of the charter, the daily time charter rate will be $52,000 and during the third and fourth years of the charter it will be $45,000. The charterer has the option to employ the vessel for a further 11-13 month period from the end of the 48th month at the daily time charter rate of $48,500. The time charter is expected to commence immediately after delivery of the vessel in April 2007.

13 The charterer has the option to employ the vessel for a further 11-13 month period counting from the end of the 48th month, at the daily time charter rate of $52,000. The vessel is expected to be delivered on or about November 20, 2007.

14 Expected to be delivered in the second quarter of 2010.

Results of Operations

Six Months Ended June 30, 2007 Compared to the Six Months Ended June 30, 2006

Net Income. Net Income for the six months ended June 30, 2007 amounted to $47.5 million and increased by $22.6 million or 91%, compared to $24.9 million for the same period in 2006. The increase is attributable to improving trading conditions and the increase in the number of vessels in our fleet. The acquisition of the fleet manager on April 1, 2006, which resulted in a preferential deemed dividend, reduced net income available to common stockholders for the six months ended June 30, 2006 to $4.6 million.

Voyage and Time Charter Revenues. Voyage and Time Charter Revenues increased by $32.2 million, or 64%, to $82.5 million in the six months ended June 30, 2007, compared to $50.3 million in the same period in 2006. The increase is attributable to increased average hire rates in 2007 compared to the same period of 2006 and the enlargement of the Company's fleet after the acquisition of the *Naias* and the *Sideris GS* in the second half of 2006 and the *Aliki* and *Semirio* in 2007, which increased ownership days. Ownership days were 2,794 for the six months ended June 30, 2007 compared to 2,329 in the same period of 2006 and fleet utilization was 98.9% for the six months ended June 30, 2007, compared to 99.8% for the same period in 2006. The decrease in fleet utilization is attributable primarily to approximately 21 off-hire days for the Coronis due to a grounding incident and consequent repairs during the first quarter of 2007.

Voyage Expenses. Voyage Expenses increased by $0.8 million, or 28%, to $3.7 million in the six months ended June 30, 2007 compared to $2.9 for the same period in 2006. The increase in voyage expenses is attributable to the increase in revenues and was partly offset by the 2% elimination in commissions charged by the management company, after its acquisition on April 1, 2006. Commissions paid to our fleet manager in the first six months of 2007 and 2006 amounted to $1.7 million and $1.0 million, respectively, of which $1.7 million and $0.5 million was eliminated after the acquisition of our fleet manager. Commissions paid to unaffiliated ship brokers and in-house ship brokers associated with charterers for the first six months of 2007 and 2006 amounted to $3.8 million and $2.4 million, respectively.

Vessel Operating Expenses. Vessel Operating Expenses increased by $3.1 million, or 30%, to $13.4 million in the six months ended June 30, 2007 compared to $10.3 million for the same period in 2006. The increase in operating expenses is attributable to the increased ownership days resulting from the addition of new vessels to our fleet and increased crew costs, insurances and repairs.

Depreciation and Amortization of Deferred Charges. Depreciation and Amortization of Deferred Charges increased by $2.5 million, or 32%, to $10.2 million for the six months ended June 30, 2007, compared to $7.7 million for the same period in 2006. This increase is the result of the increase in the number of vessels to our fleet.

Management Fees. Management Fees amounting to $0.6 million in the six months ended June 30, 2006 represent management fees charged by the management company during the first quarter of 2006 before its acquisition as of April 1, 2006. During the first six months of 2007, all management fees charged by our fleet manager have been eliminated as intercompany transactions.

General and Administrative Expenses. General and Administrative Expenses during the six months ended June 30, 2007 increased by $1.9 million or 76% to $4.4 million compared to $2.5 million in the same period in 2006. The increase is attributable to the expenses of DSS relating to the first quarter of 2007, which did not exist in the first quarter of 2006, to increases in salaries and consultancy fees and to the exchange rate of U.S. Dollar to the Euro.

Interest and Finance Cost. Interest and Finance Cost during the six months ended June 30, 2007 increased by $2.0 million or 105% to $3.9 million compared to $1.9 million in the same period in 2006. The increase is attributable to interest expenses relating to long term debt that was outstanding during the first six months of 2007 and did not exist in 2006.

Year Ended December 31, 2006 Compared to the Year Ended December 31, 2005

Net Income. Net income decreased by $3.9 million, or 6%, to $61.1 million for the year ended December 31, 2006, compared to $65.0 million for the same period in 2005. The decrease is attributable to declining trading conditions at the end of 2005 and the beginning of 2006, with an average TCE rate of $22,661 during 2006, down 19% from the average TCE rate of $27,838 during 2005. Trading conditions improved during the second half of 2006, with average TCE rates increasing from $20,165 during the first quarter of 2006 to $23,399 and $25,323 during the third and fourth quarters of 2006, respectively. The acquisition of the fleet manager on April 1, 2006 resulted in reporting a $20.3 million preferential deemed dividend which reduced net income available to common stockholders for 2006 to $40.8 million.

Voyage and Time Charter Revenues. Voyage and time charter revenues increased by $13.0 million, or 13%, to $116.1 million for the year ended December 31, 2006, compared to $103.1 million for the same period in 2005. This increase is primarily attributable to an increase in the number of operating days that we achieved. The increase in operating days during 2006 resulted primarily from the enlargement of our fleet following our acquisition of the *Coronis*, the *Naias* and the *Sideris GS* in January, August and November 2006, respectively, and the full operation in 2006 of *Pantelis SP*, the *Calipso*, the *Clio*, the *Erato* and the *Thetis,* all acquired in 2005. In 2006 we had total operating days of 4,849 and fleet utilization of 99.9%, compared to 3,460 total operating days and a fleet utilization of 99.7% in 2005.

Voyage Expenses. Voyage expenses decreased by $0.4 million, or 6%, to $6.1 million for the year ended December 31, 2006, compared to $6.5 million for the same period in 2005. This decrease is attributable to the elimination of the 2% commission paid to the management company effective April 1, 2006. This decrease was partly offset with increases in commissions due to increased revenues. Commissions paid during 2006 and 2005 to our fleet manager amounted to $2.4 million (of which $1.9 million was eliminated upon the acquisition of our fleet manager as of April 1, 2006) and $2.1 million, respectively, and commissions paid to the unaffiliated ship brokers and in-house ship brokers associated with charterers amounted to $5.4 million and $4.7 million, respectively. The increase in commissions was primarily the result of the increase in the amount of revenue we reported due to increased fleet operating days in 2006.

Vessel Operating Expenses. Vessel operating expenses increased by $7.5 million, or 50%, to $22.5 million for the year ended December 31, 2006 compared to $15.0 million for the same period in 2005. This increase was primarily the result of the increased number of ownership days during 2005, resulting from the enlargement of our fleet. Daily vessel operating expenses increased by 8% to $4,592 for 2006, compared to $4,261 for 2005. This increase was mainly attributable to increased crew costs, stores, spares and repairs.

Depreciation and Amortization of Deferred Charges. Depreciation and amortization of deferred charges increased by $6.8 million, or 69%, to $16.7 million for the year ended December 31, 2006, compared to $9.9 million for the same period in 2005. This increase was primarily the result of increased number of vessels and ownership days, as described above, and the increase in vessels that underwent drydock and special surveys during the year.

Management Fees. Management fees decreased by $1.1 million, or 65%, to $0.6 million for the year ended December 31, 2006, compared to $1.7 million for the same period in 2005. This decrease is attributable to the elimination of the management fees paid to DSS after its acquisition effective April 1, 2006. However, due to this acquisition, General and Administrative Expenses during 2006 increased by $3.4 million to $6.3 million compared, to $2.9 million in 2005.

Interest and Finance Costs. Interest and finance costs increased by $1.2 million, or 44%, to $3.9 million for the year ended December 31, 2006, compared to $2.7 million for the same period in 2005. Interest and finance costs increased due to increased interest costs which as of December 31, 2006 amounted to $3.1 million compared to $1.4 million for the same period in 2005, which resulted from increased long-term debt outstanding during the year, increased average interest rates and attributable interest relating to leased property that did not exist in 2005.

Year Ended December 31, 2005 Compared to the Year Ended December 31, 2004

Net Income. Net income increased by $4.9 million, or 8%, to $65.0 million for the year ended December 31, 2005 compared to $60.1 million for the same period in 2004. The increase in net income is primarily attributed to the income generated as a result of the enlargement of the fleet following the delivery of five vessels, four Panamax dry bulk carriers and one Capesize dry bulk carrier in February, May and November 2005, respectively. This increase was offset by a gain of $20.0 million from the sale of the vessel *Amfitrite* in the fourth quarter of 2004.

Voyage and Time Charter Revenues. Voyage and time charter revenues increased by $39.3 million, or 62%, to $103.1 million for the year ended December 31, 2005, compared to $63.8 million for the same period in 2004. This increase is primarily attributable to an increase in the number of operating days that we achieved. The increase in operating days during 2005 resulted primarily from the enlargement of our fleet following our acquisition of the *Protefs* in August 2004, which was fully operated in 2005, the delivery of the *Calipso* and the *Pantelis SP* in February 2005, the delivery of the *Clio* in May 2005 and the delivery of the *Erato* and the *Thetis* in November 2005. In 2005 we had total operating days of 3,460 and fleet utilization of 99.7%, compared to 2,315 total operating days and a fleet utilization of 99.8% in 2004.

Voyage Expenses. Voyage expenses increased by $2.2 million, or 51%, to $6.5 million for the year ended December 31, 2005, compared to $4.3 million for the same period in 2004. This increase is attributable to increased commissions. Commissions paid during 2005 and 2004 to our fleet manager amounted to $2.1 million and $1.3 million, respectively, and commissions paid to the unaffiliated ship brokers and in-house ship brokers associated with charterers amounted to $4.7 million and $3.0 million, respectively. The increase in commissions was primarily the result of the increase in operating days in 2005, which increased the amount of revenue we reported. However, the increase in voyage expenses due to the increase in commissions was partly offset by gains incurred from the sale and purchase of bunkers on the delivery and redelivery of the vessels to and from their time charterers.

Vessel Operating Expenses. Vessel operating expenses increased by $5.5 million, or 58%, to $15.0 million for the year ended December 31, 2005 compared to $9.5 million for the same period in 2004. This increase was primarily the result of the increased number of ownership days during 2005, resulting from full operation of the *Protefs*, which was acquired in August 2004 and the delivery of four additional Panamax dry bulk carriers and one Capesize dry bulk carrier in 2005. Daily vessel operating expenses increased by 4% to $4,261 for 2005, compared to $4,103 for 2004. This increase was mainly attributable to increased crew wages and related costs.

Depreciation and Amortization of Deferred Charges. Depreciation and amortization of deferred charges increased by $4.8 million, or 94%, to $9.9 million for the year ended December 31, 2005, compared to $5.1 million for the same period in 2004. This increase was primarily the result of increased number of vessels and ownership days, as described above, and from the fact that in 2005 three of our vessels underwent their first scheduled surveys compared to no such surveys performed in 2004.

Management Fees. Management fees increased by $0.8 million, or 89%, to $1.7 million for the year ended December 31, 2005, compared to $0.9 million for the same period in 2004. This increase is attributable to the increased average number of vessels under management, as well as the increase in the monthly management fee per vessel from $12,000 to $15,000 beginning in November 2004.

Interest and Finance Costs. Interest and finance costs increased by $0.5 million, or 23%, to $2.7 million for the year ended December 31, 2005, compared to $2.2 million for the same period in 2004. Interest and finance costs increased due to the commitment fees we incurred under our revolving credit facility, which for the year ended December 31, 2005, amounted to $0.6 million, and the write off of $0.5 million of financing costs due to prepayment of the outstanding loans in March 2005. This increase was offset by a decrease in interest expense by $0.6 million, or 32%, to $1.4 million in 2005, compared to

$2.0 million in 2004, which resulted from the payment in full of the outstanding balance of all loans as of March 2005 with the proceeds of our initial public offering in March 2005 and the fact that we did not incur any further indebtedness until November 2005.

Liquidity and Capital Resources

We have historically financed our capital requirements with cash flow from operations, equity contributions from stockholders and long-term bank debt. Our main uses of funds have been capital expenditures for the acquisition of new vessels, expenditures incurred in connection with ensuring that our vessels comply with international and regulatory standards, repayments of bank loans and payments of dividends. We will require capital to fund ongoing operations, the construction of new vessels, acquisitions and debt service. We anticipate that internally generated cash flow and borrowings under our credit facility will be sufficient to fund the operations of our fleet, including our working capital requirements.

It is our current policy to fund our future acquisition related capital requirements initially through borrowings under our credit facility and to repay those borrowings in excess of $150 million, excluding construction pre-delivery financing, from time to time with the net proceeds from equity issuances. We believe that excess funds will be available to support our growth strategy, which involves the acquisition of additional vessels and vessel-owning companies and will allow us to distribute substantially all of our available cash flow from operations as dividends to our stockholders as contemplated by our dividend policy. Depending on market conditions in the dry bulk shipping industry and acquisition opportunities that may arise, we may be required to obtain additional debt or equity financing which could affect our dividend policy.

Cash Flow

As of June 30, 2007, cash decreased to $11.6 million compared to $14.5 million as of December 31, 2006. Working capital, which is current assets minus current liabilities, including the current portion of long-term debt, amounted to $64.3 million as of June 30, 2007, compared to $11.4 million as of December 31, 2006.

Net Cash Provided by Operating Activities

For the six months ended June 30, 2007, net cash provided by operating activities was $60.6 million, compared to $34.0 million for the same period in 2006, an increase of $26.6 million or 78%. The increase was the result of increased average hire rates and the increase in operating days in the first six months of 2007 compared to 2006.

For the year ended December 31, 2006 net cash provided by operating activities increased by $13.1 million, or 19%, to $82.4 million compared to $69.3 million in 2005. The increase was primarily the result of the increase in operating days in 2006 compared to 2005. Net cash provided by operating activities increased by $21.9 million, or 46%, to $69.3 million for the year ended December 31, 2005 compared to $47.4 million in 2004. This increase was primarily attributable to the increase in the number of operating days that we achieved during the year, which resulted in an increase in our revenues.

Net Cash Used in Investing Activities

Net cash used in investing activities was $231.3 million for the first six months of 2007, consisting of the 20% advance paid in connection with the acquisition of the *Boston* amounting to $22.0 million, construction costs relating to the construction of *Hull 1107* and *Hull 1108* amounting to $0.9 million and $208.2 million paid for the acquisition of the *Aliki* and the *Semirio* in April and June 2007, respectively, and $0.2 million paid for other assets.

Net cash used in investing activities was $41.9 million for the six months ended June 30, 2006, consisting of the 10% advance and expenses paid in connection with the acquisition of the *Naias* amounting to $4.0 million and $37.9 million paid for the delivery installment and other predelivery costs in connection with the acquisition of the *Coronis* in January 2006.

Net cash used in investing activities was $193.1 million for the year ended December 31, 2006, consisting of the first predelivery advance we paid for our vessels under construction, *Hull 1107* and *Hull 1108,* amounting to $24.1 million plus additional construction costs and $168.7 million paid for the delivery installment of the *Coronis* and the acquisition of the *Naias* and the *Sideris GS*.

Net cash used in investing activities was $169.2 million for 2005, consisting of the final installments that we paid in connection with our acquisitions of the *Calipso*, the *Clio* and the *Pantelis SP*, the acquisitions of the *Erato* and the *Thetis* and the 10% advance we paid for the *Coronis*.

Net cash used in investing activities was $11.8 million for 2004, consisting of the final installments that we paid in connection with our acquisitions of the *Amfitrite* and the *Protefs*, 10% advance payment for the acquisition of the second hand bulk carrier vessel *Pantelis SP* and installments paid for the *Calipso* and the *Clio*, netted off with the proceeds from the sale of the *Amfitrite* in November 2004.

Net Cash Provided By / Used In Financing Activities

Net cash provided by financing activities was $167.8 million for the six months ended June 30, 2007, consisting of $201.0 million of proceeds drawn under our revolving credit facility to fund part of the acquisition cost of the *Aliki* ($87.0 million), the *Semirio* ($92.0 million) and the 20% advance of the *Boston* ($22.0 million); $159.3 million of proceeds from our secondary public offering in April 2007; the repayment of $136.6 million of indebtedness under our revolving credit facility; $55.8 million of cash dividends paid during the period; and $0.1 million paid as financing costs pursuant to the supplemental loan agreement with the Royal Bank of Scotland Plc. for the 364-day facility.

Net cash provided by financing activities for the six months ended June 30, 2006 was $5.4 million, consisting of $58.5 million drawn under our revolving credit facility; $71.7 million of proceeds from our secondary public offering in June 2006; $0.1 million of financing costs relating to the amendment of our revolving credit facility with the Royal Bank of Scotland Plc., in May 2006; the repayment of $71.4 million of indebtedness under our revolving credit facility; and net cash consideration of $19.7 million paid for the acquisition of DSS, which represents the consideration of $20.0 million paid for the acquisition, net of $0.3 million of cash acquired in the transaction. In addition, $33.5 million was paid as cash dividends.

Net cash provided by financing activities was $104.0 million for the year ended December 31, 2006, consisting of $197.2 million of proceeds drawn under our revolving credit and loan facilities for the acquisition of the *Coronis* ($38.5 million), the management company ($20.0 million), the *Naias* ($39.6 million), the *Sideris GS* ($75.0 million) and *Hulls 1107* and *1108* ($24.1 million). From these loan proceeds, $71.4 million was repaid with the net proceeds of our additional primary public offering in June 2006, amounting to $71.7 million. Net cash consideration of $19.7 million was paid for the acquisition of DSS, which represents the consideration of $20.0 million paid, net of $0.3 million of cash acquired in the transaction. In addition, $73.6 million was paid as dividends in 2006.

Net cash provided by financing activities was $119.5 million in 2005. We borrowed $150.9 million of long-term debt to partially finance the acquisition of the *Calipso*, the *Pantelis SP*, the *Erato* and the *Clio* and incurred $1.2 million of financing costs. We repaid $230.7 million of outstanding long-term debt with the net proceeds of our initial public offering in March 2005, which amounted to $194.0 million; and with the net proceeds of our follow on offering in December 2005, which amounted to $63.1 million; and released $0.8 million of restricted cash. We paid our stockholders $57.4 million in cash dividends.

Net cash used in financing activities was $41.3 million in 2004. We borrowed $15.7 million of long-term debt to partially finance the acquisition of the *Protefs*. In addition, we repaid $6.3 million of outstanding long-term debt and paid our stockholders $51.0 million in cash dividends.

Contractual Obligations

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2006:

	Within One Year	One to Three Years	Three to Five Years	More than Five years	Total
	(in thousands of U.S. Dollars)				
Shipbuilding contracts[1]	$	$ 96,320	$	$	$ 96,320
Long term debt[2]		24,080		114,600	138,680
Financing lease obligations[3]	194	206			400
Operating lease obligations[4]	147	156			303

1 We have entered into agreements to assume the shipbuilding contracts for the construction of two Capesize dry bulk carriers for the purchase price of $60.2 million each. In November 2006, we paid the first predelivery installments of $12.0 million on each vessel, or 20% of each vessel's contract price. We financed the first pre-delivery installment with proceeds from our loan facility with Fortis Bank, mentioned in note (2) below. The remaining installments of $48.2 million for each vessel will be paid as certain stages of construction are completed, pursuant to the respective shipbuilding contracts. The amounts included in this line do not include agreements relating to the two dry bulk carriers entered into after December 31, 2006, discussed below.

2 As of December 31, 2006, we had an aggregate of $138.7 million of indebtedness outstanding under our credit facilities. This indebtedness was incurred in connection with our acquisition of the *Naias* and the *Sideris GS* and in connection with the first pre-delivery installments for *Hulls 1107* and *Hull 1108*, mentioned in note (1) above and does not include projected interest payments which are based on LIBOR plus a margin. In March, May, June and August 2007, we incurred additional debt of $212.75 million under our revolving credit facility in order to finance part of the acquisition cost of the *Semirio* and the *Aliki* and the 20% advance for the acquisition of the *Boston*. In April and July 2007, $136.6 million and $90.0 million of indebtedness under our revolving credit facility, respectively, was repaid with part of the proceeds from our public offering in April 2007 and the sale proceeds from the sale of the *Pantelis SP* in July 2007.

3 Upon our acquisition of our fleet manager, effective April 1, 2006, we have continued to pay rent to Universal Shipping and Real Estates Inc., a related party company controlled by our Chairman and Chief Executive Officer, Mr. Simeon Palios, pursuant to a lease agreement signed between DSS and Universal Shipping and Real Estates Inc. in January 2006 and amended in December 2006. This finance lease has a term of three years and minimum estimated lease payments of $0.4 million during the term of the agreement, using the exchange rate at December 31, 2006 of U.S. $1.34 to €1.00.

4 We pay rent to Altair Travel Agency Ltd. and Diana Shipping Agencies S.A., both related party companies controlled by our Chairman and Chief Executive Officer, Mr. Palios, pursuant to lease agreements signed between the two companies and DSS in January and December 2006, respectively. Both agreements expire in December 2008 and minimum estimated lease payments amounts during the term of the agreements, using the exchange rate at December 31, 2006 of U.S. $1.34 to €1.00, are estimated to be $33,000 and $270,000, respectively.

In February 2007, we entered into an agreement to acquire a newbuilding Capesize dry bulk carrier, the *Semirio,* for $98.0 million, which was delivered to us in June 2007. In February 2007, we also entered into an agreement to sell our Capesize dry bulk carrier, the *Pantelis SP*, for $81.0 million less 2.5% commission. The vessel was delivered to its new owners in July 2007.

In March 2007 we entered into an agreement to acquire a secondhand Capesize dry bulk carrier, the *Aliki*, for $110.0 million, which was delivered to us in April 2007.

In April 2007, we entered into an agreement to acquire a newbuilding Capesize dry bulk carrier, the *Boston*, for $110.0 million, which we expect to be delivered to us in November 2007. We have paid a 20% advance of $22.0 million upon signing the agreement and we will pay the balance of the purchase price of $88.0 million upon the vessel's delivery to us.

Related Party Transactions

We entered into a finance lease agreement for our office space in Athens, Greece in January 2006, which was subsequently amended in December 2006, with Universal Shipping and Real Estates Inc., a related party controlled by our Chairman and Chief Executive Officer, Mr. Simeon Palios. Under this agreement, which has a term of three years, we will make minimum estimated lease payments of $0.4 million to Universal Shipping and Real Estates Inc.

We also entered into lease agreements for office space in Athens, Greece with Altair Travel Agency Ltd., or Altair, in January 2006 and with Diana Shipping Agencies S.A., or DSA, in December 2006, both related parties controlled by our Chairman and Chief Executive Officer, Mr. Simeon Palios. Under the terms of the Altair lease agreement, we make an annual lease payment to Altair of approximately $16,500, and under the terms of the DSA lease agreement, we make an annual lease payment to DSA of approximately $135,000. Each lease agreement will terminate in December 2008.

THE INTERNATIONAL DRY BULK SHIPPING INDUSTRY

The information and data in this section relating to the international dry bulk shipping industry has been provided by Drewry Shipping Consultants Ltd., or Drewry, and is taken from Drewry databases and other sources available in the public domain. Drewry has advised us that it accurately describes the international dry bulk shipping industry, subject to the availability and reliability of the data supporting the statistical and graphical information presented. Drewry's methodologies for collecting information and data, and therefore the information discussed in this section, may differ from those of other sources, and does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the dry bulk shipping industry.

Overview

The marine industry is a vital link in international trade, with oceangoing vessels representing the most efficient, and often the only method of transporting large volumes of basic commodities and finished products. In 2006, approximately 2.8 billion tons of dry bulk cargo was transported by sea, comprising more than one-third of all international seaborne trade. Dry bulk cargo is cargo that is shipped in large quantities and can be easily stowed in a single hold with little risk of cargo damage. Dry bulk cargo is generally categorized as either major bulk or minor bulk. Major bulk cargo constitutes the vast majority of dry bulk cargo by weight, and includes, among other things, iron ore, coal and grain. Minor bulk cargo includes products such as agricultural products, mineral cargoes, cement, forest products and steel products and represents the balance of the dry bulk industry. Other dry cargo is categorized as container cargo, which is cargo shipped in 20 or 40 foot containers and includes a wide variety of finished products, and non-container cargo, which includes other dry cargoes that cannot be shipped in a container due to size, weight or handling requirements, such as large manufacturing equipment or large industrial vehicles. The balance of seaborne trade involves the transport of liquids or gases in tanker vessels and includes products such as oil, refined oil products and chemicals.

The following table presents the breakdown of the global seaborne trade by type of cargo in 2006:

Global Seaborne Trade

	2001 (million tons)	2006 (million tons)	CAGR %[1] 2001-2006	2006 % Total Seaborne Trade
All Cargo				
Dry Cargo	3,196	4,500	7.1%	54.3%
Liquid Cargo	3,092	3,782	4.1	45.7
Total	**6,288**	**8,282**	**5.7%**	**100.0%**
Dry Cargo				
Dry Bulk	**2,142**	**2,771**	**5.3%**	**33.4%**
Major Dry Bulks	**1,252**	**1,685**	**6.1**	**20.4**
Coal	565	701	4.4	8.5
Iron Ore	452	722	9.8	8.7
Grain	235	262	2.2	3.2
Minor Dry Bulks	**890**	**1,086**	**4.0**	**13.1**
Container Cargo	**648**	**1,161**	**12.4**	**14.0**
Non Container/General Cargo	**406**	**568**	**6.9**	**6.9**
Liquid Cargo				
Oil	**2,789**	**3,411**	**4.1%**	**41.2%**
Liquefied Gases/Chemicals	**303**	**371**	**7.0**	**4.5**

1 Compound annual growth rate.

Source: Drewry.

Dry Bulk Carrier Supply

The global dry bulk carrier fleet may be divided into four categories based on a vessel's carrying capacity. These categories are:

Capesize.	Capesize vessels have carrying capacities of more than 100,000 dwt. These vessels generally operate along long haul iron ore and coal trade routes. There are relatively few ports around the world with the infrastructure to accommodate vessels of this size.
Panamax.	Panamax vessels have a carrying capacity of between 60,000 and 99,999 dwt. These vessels carry coal, grains, and, to a lesser extent, minor bulks, including steel products, forest products and fertilizers. Panamax vessels are able to pass through the Panama Canal, making them more versatile than larger vessels.
Handymax.	Handymax vessels have a carrying capacity of between 30,000 and 59,999 dwt. These vessels operate along a large number of geographically dispersed global trade routes mainly carrying grains and minor bulks. Vessels below 60,000 dwt are sometimes built with on-board cranes enabling them to load and discharge cargo in countries and ports with limited infrastructure.
Handysize.	Handysize vessels have a carrying capacity of up to 29,999 dwt. These vessels carry exclusively minor bulk cargo. Increasingly, these vessels have operated along regional trading routes. Handysize vessels are well suited for small ports with length and draft restrictions that may lack the infrastructure for cargo loading and unloading.

The supply of dry bulk carriers is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss.

The following table illustrates the size of the global dry bulk carrier fleet for the periods indicated:

Dry Bulk Carrier Fleet Development

	Handysize 10-29,999		**Handymax 30-59,999**		**Panamax 60-99,999**		**Capesize 100,000 +**		**Total**	
Size (dwt) End Period	**No.**	**'000 Dwt**	**No.**	**'000 Dwt**	**No.**	**'000 Dwt**	**No.**	**'000 Dwt**	**No.**	**'000 Dwt**
2000	1,941	44.0	1,929	79.4	1,001	70.8	515	84.6	5,386	278.8
2001	1,922	43.7	2,002	83.2	1,085	77.2	544	89.7	5,553	293.7
2002	1,899	43.0	2,080	86.9	1,128	80.6	556	92.2	5,663	302.7
2003	1,897	43.0	2,126	89.3	1,149	82.2	579	96.3	5,751	310.7
2004	1,915	43.4	2,190	92.2	1,211	86.8	607	101.4	5,923	323.7
2005	1,924	43.6	2,320	98.6	1,304	94.0	653	110.0	6,201	346.1
2006	1,918	43.5	2,417	103.7	1,398	101.3	703	119.2	6,436	368.0
August 2007	1,930	43.7	2,497	107.7	1,457	106.4	744	126.8	6,628	384.6

Source: Drewry.

As of August 2007, the global dry bulk carrier orderbook amounted to 158.5 million dwt, or 41.2% of the existing fleet.

Dry Bulk Carrier Orderbook August 2007

Size Category	Dwt	Number of Vessels	% of Fleet (number)	Total Capacity (million dwt)	% of Fleet (dwt)
Capesize	100,000<	428	57.5%	80.1	63.1%
Panamax	60,000 - 99,999	408	28.0	32.9	30.9
Handymax	30,000 - 59,999	914	36.6	43.3	40.2
Handysize	10,000 - 29,999	108	5.6	2.2	5.1
Total		**1,858**	**28.0**	**158.5**	**41.2**

Source: Drewry.

Although the orderbook to fleet ratio of 41.2% in August 2007 is large by historical standards, delivery times for newbuildings have been extended because of the large number of new vessels on order in other sectors, such as tankers and containers.

The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. The following table illustrates the scrapping rates of dry bulk carriers for the periods indicated:

Dry Bulk Carrier Scrapping
(in millions of dwt)

	2000	2001	2002	2003	2004	2005	2006
Capesize	0.5	0.4	0.9	0.3	0.1	0.2	0.3
Panamax	0.7	1.9	1.2	0.5	0.1	0.2	0.5
Handymax	1.5	1.5	0.9	1.1	0.0	0.2	0.4
Handysize	1.2	1.4	1.6	0.6	0.1	0.1	0.4
Total	**3.8**	**5.2**	**4.7**	**2.4**	**0.3**	**0.7**	**1.6**

Source: Drewry.

The average age at which a vessel is scrapped over the last five years has been 26 years. However, due to recent strength in the dry bulk shipping industry, the average age at which vessels are scrapped has increased. The following chart illustrates the age of the global dry bulk carrier fleet for the periods indicated:

Dry Bulk Carrier Fleet Age Profile as at 31 August 2007

Source: Drewry.

Dry Bulk Carrier Demand

The demand for dry bulk carrier capacity is determined by the underlying demand for commodities transported in dry bulk carriers, which in turn is influenced by trends in the global economy. Seaborne dry bulk trade increased by slightly more than 2% annually during the 1980s and 1990s. However, this rate of growth has increased dramatically in recent years. Between 2001 and 2006, trade in all dry bulk commodities increased from 2.1 billion tons to 2.8 billion tons, equivalent to a compound average growth rate of 5.3%.

The following table illustrates the growth in demand for dry bulk shipping capacity for the periods indicated:

Dry Bulk Trade Development
(million tons)

Source: Drewry.

The extent to which increases in dry bulk trade have affected demand for dry bulk carriers is shown in estimates of ton-mile demand. Ton-mile demand is calculated by multiplying the volume of cargo moved on each route by the distance of the voyage. Between 2001 and 2007, ton-mile demand in the dry bulk sector increased by a compound annual growth rate of 8.3% to 14.5 billion ton-miles.

The following table below details the growth in ton-mile demand for the primary dry bulk commodities.

Demand by Commodity
(in million ton-miles)

	2001	2002	2003	2004	2005	2006
Iron Ore	2,580	2,741	3,050	3,463	3,905	4,259
Coal	2,583	2,583	2,910	3,386	3,638	3,784
Grain	1,360	1,256	1,290	1,317	1,341	1,389
Bauxite/Alumina	191	207	228	257	276	283
Phosrock	155	167	159	172	171	171
Other Minor Bulks	3,645	3,841	3,979	4,260	4,347	4,606
Total Demand	**9,723**	**10,795**	**11,616**	**12,854**	**13,678**	**14,492**

Source: Drewry.

One of the primary reasons for the resurgence in dry bulk trade has been the growth in imports by China of iron ore, coal and steel products during the last five years. Chinese imports of iron ore alone increased from 55.3 million tons in 1999 to more than 270 million tons in 2006.

Historically, certain economies have acted as the "primary drivers" of dry bulk trade. In the 1990's, Japan was the driving force when buoyant Japanese industrial production stimulated demand for imported dry bulk commodities. More recently, China, and to a lesser extent India, have been the main drivers behind the recent increase in seaborne dry bulk trade as high levels of economic growth have generated increased demand for imported raw materials. The following table illustrates China's and India's gross domestic product growth rates compared to those of the United States and the world during the periods indicated.

Real GDP Growth
(% change previous period)

	2001	2002	2003	2004	2005	2006
China	7.5%	8.3%	10.0%	10.1%	10.4%	10.7%
India	4.4	4.7	17.4	7.0	8.7	9.2
U.S.	0.3	1.6	2.7	3.9	3.2	3.3
Global Economy	2.4	3.0	4.1	5.3	4.7	5.2
Europe	1.7	1.1	1.1	2.1	1.6	2.8
Japan	0.4	(0.3)	1.8	2.7	1.9	2.2

Source: Drewry derived from Industry Sources

Demand for dry bulk carrier capacity is also affected by the operating efficiency of the global fleet, with port congestion, which has been a feature of the market since 2004, absorbing tonnage and therefore leading to a tighter balance between supply and demand.

In evaluating demand factors for dry bulk carrier capacity, it is important to bear in mind that dry bulk carriers can be the most versatile element of the global shipping fleets in terms of employment alternatives. Dry bulk carriers seldom operate on round trip voyages. Rather, the norm is triangular or multi-leg voyages. Hence, trade distances assume greater importance in the demand equation.

The following map represents the major global dry bulk trade routes:

Major Dry Bulk Seaborne Trades

Source: Drewry.

Charter Hire Rates

Charter hire rates fluctuate by varying degrees among dry bulk carrier size categories. The volume and pattern of trade in a small number of commodities (major bulks) affect demand for larger vessels. Therefore, charter rates and vessel values of larger vessels often show greater volatility. Conversely, trade in a greater number of commodities (minor bulks) drives demand for smaller dry bulk carriers. Accordingly, charter rates and vessel values for those vessels are subject to less volatility.

Charter hire rates paid for dry bulk carriers are primarily a function of the underlying balance between vessel supply and demand, although at times other factors may play a role. Furthermore, the pattern seen in charter rates is broadly mirrored across the different charter types and the different dry bulk carrier categories. However, because demand for larger dry bulk vessels is affected by the volume and pattern of trade in a relatively small number of commodities, charter hire rates (and vessel values) of larger ships tend to be more volatile than those for smaller vessels.

In the time charter market, rates vary depending on the length of the charter period and vessel specific factors such as age, speed and fuel consumption.

In the