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**DIANA SHIPPING INC. ANNOUNCES THE ACQUISITION
OF A NEW-BUILDING KAMSARMAX DRY BULK CARRIER**

**SIGNING AND DRAWDOWN OF A US\$20 MILLION TERM LOAN FACILITY
WITH NORDEA BANK**

ATHENS, GREECE, December 21, 2012 – Diana Shipping Inc. (NYSE: DSX), a global shipping company specializing in the ownership and operation of dry bulk vessels, announced that on December 20, 2012 it signed, through a separate wholly-owned subsidiary, a Memorandum of Agreement to acquire a new-building Kamsarmax dry bulk carrier of 82,131 dwt, built by Tsuneishi Shipbuilding Co., Ltd., Japan, from an unaffiliated third party seller for a purchase price of US\$26.5 million. The vessel, to be named “Myrto”, is expected to be delivered to the Company by the sellers at the end of January 2013.

Separately, the Company also announced that yesterday it signed, through two separate wholly owned subsidiaries, a term loan facility with Nordea Bank Finland Plc, London Branch, and today completed the drawdown of US\$20 million. The purpose of this facility is to partially finance the acquisition costs of the two newly built Post-Panamax dry bulk carriers, the m/v “Amphitrite” and m/v “Polymnia”, which were delivered to the Company on August 14, 2012 and November 20, 2012, respectively.

Including the “Myrto” Diana Shipping Inc.’s fleet currently consists of 31 dry bulk carriers (17 Panamax, 1 Kamsarmax, 3 Post-Panamax, 8 Capesize and 2 Newcastlemax), as well as 2 new-building Ice Class Panamax vessels expected to be delivered to the Company during the fourth quarter of 2013. As of today, the combined carrying capacity of our current fleet, excluding the three vessels not yet delivered, is approximately 3.4 million dwt with a weighted average age of 6.0 years. A table describing the current Diana Shipping Inc. fleet can be found on the Company’s website, www.dianashippinginc.com. Information contained on the Company’s website does not constitute a part of this press release.

About the Company

Diana Shipping Inc. is a leading global provider of shipping transportation services through the ownership and operation of dry bulk vessels. The Company's vessels are employed primarily on medium to long-term time charters and transport a range of dry bulk cargoes, including such commodities as iron ore, coal, grain and other materials along worldwide shipping routes.

Cautionary Statement Regarding Forward-Looking Statements

Matters discussed in this press release 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.

The Company desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. The words "believe," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect," "pending" and similar expressions identify forward-looking statements.

The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, our 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, other 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 rates and vessel values, changes in demand for dry bulk shipping capacity, changes in our operating expenses, including bunker prices, drydocking and insurance costs, the market for our vessels, availability of financing and refinancing, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, vessels breakdowns and instances of off-hires and other factors. Please see our filings with the Securities and Exchange Commission for a more complete discussion of these and other risks and uncertainties.