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**DIANA SHIPPING INC. ANNOUNCES TIME CHARTER CONTRACT FOR
M/V ERATO WITH CARGILL**

ATHENS, GREECE, January 7, 2013 – Diana Shipping Inc. (NYSE: DSX), a global shipping company specializing in the ownership and operation of dry bulk vessels, today announced that it has entered into a time charter contract with Cargill International S.A., Geneva, through a separate wholly-owned subsidiary, for one of its Panamax dry bulk carriers, the m/v Erato. The gross charter rate is US\$6,500 per day, minus a 5% commission paid to third parties, for a period of minimum eighteen (18) months to maximum twenty-four (24) months. The charter is expected to commence at the middle of January 2013.

This employment is anticipated to generate approximately US\$3.5 million of gross revenue for the minimum scheduled period of the charter.

The Erato is a 74,444 dwt Panamax dry bulk vessel built in 2004.

Diana Shipping Inc.'s fleet currently consists of 30 dry bulk carriers (17 Panamax, 3 Post-Panamax, 8 Capesize and 2 Newcastlemax), as well as 1 new-building Kamsarmax vessel expected to be delivered to the Company during the first quarter of 2013 and 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.