

Eagle Bulk Shipping Inc.  
Form 10-Q  
May 08, 2008

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the quarterly period ended March 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

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For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-51366

EAGLE BULK SHIPPING INC.

(Exact name of Registrant as specified in its charter)

Republic of

the Marshall Islands 98-0453513 (State or other jurisdiction of  
incorporation or organization) (I.R.S. Employer

Identification No.)

477 Madison Avenue

New York, New York 10022

Address of Principal Executive Offices

Registrant's telephone number, including area code: (212) 785-2500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES      NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Filer      Accelerated Filer      Non-accelerated Filer      Smaller reporting company      Large accelerated

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES      NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Common Stock, par value \$0.01 per share, 46,757,153 shares outstanding as of May 7, 2008.

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## Part 1 : FINANCIAL INFORMATION

## Item 1 : Financial Statements

EAGLE BULK SHIPPING INC.  
CONSOLIDATED BALANCE SHEETS

|                |  |                     |                                    |                                 |                    |                       |
|----------------|--|---------------------|------------------------------------|---------------------------------|--------------------|-----------------------|
| March 31, 2008 | December 31, 2007  | (Unaudited)         | ASSETS:                            | Current Assets:                 | Cash               | \$                    |
| 148,513,423    | \$ 152,903,692   | Accounts Receivable | 3,279,383                          | 3,392,461                       | Prepaid Expenses   | 1,299,813             |
| 1,158,113      | Total Current Assets   | 153,092,619         | 157,454,266                        | Fixed Assets:                   | Vessels and Vessel |                       |
|                | Improvements, at cost, net of Accumulated  |                     |                                    |                                 |                    |                       |
|                | Depreciation of \$59,442,019 and \$52,733,604, respectively  | 598,659,588         | 605,244,861                        | Advances for Vessel             |                    |                       |
|                | Construction   | 358,542,727         | 344,854,962                        | Restricted Cash                 | 9,276,056          | 9,124,616             |
|                | net of Accumulated Amortization of \$3,080,877 and \$2,453,253, respectively                         | 3,356,233           | 3,918,006                          | Deferred Drydock Costs,         |                    |                       |
|                | Financing Costs  | 14,550,824          | 14,479,024                         | Other Assets                    | 10,809,238         | 932,638               |
|                | 1,148,287,285  | \$ 1,136,008,373    | LIABILITIES & STOCKHOLDERS' EQUITY | Current Liabilities:            |                    |                       |
|                | Accounts Payable   | \$ 2,145,264        | \$ 3,621,559                       | Accrued Interest                | 3,561,824          | 455,750               |
|                | Liabilities  | 1,816,342           | 1,863,272                          | Unearned Charter Hire Revenue   | 5,028,551          | 4,322,024             |
|                | Liabilities  | 12,551,981          | 10,262,605                         | Long-term Debt                  | 603,872,890        | 597,242,890           |
|                | 31,008,992   | 13,531,883          | Total Liabilities                  | 647,433,863                     | 621,037,378        | Stockholders' Equity: |
|                | Preferred Stock, \$.01 par value, 25,000,000 shares authorized, none issued                          | —                   | —                                  | Common shares, \$.01 par value, |                    |                       |
|                | 100,000,000 shares authorized, 46,757,153 and 46,727,153 shares issued and outstanding, respectively | 467,571             | 467,571                            | Additional Paid-In Capital      | 605,444,933        | 602,929,530           |
|                | Retained Earnings (net of Dividends declared of \$191,904,059 and \$168,525,482 respectively)        | (84,859,328)        | (75,826,561)                       | Accumulated Other Comprehensive |                    |                       |
|                | Loss   | (20,199,754)        | (12,599,245)                       | Total Stockholders' Equity      | 500,853,422        | 514,970,995           |
|                | Total Liabilities and Stockholders' Equity   | \$ 1,148,287,285    | \$ 1,136,008,373                   |                                 |                    |                       |

The accompanying notes are an integral part of these Consolidated Financial Statements.

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EAGLE BULK SHIPPING INC.  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (UNAUDITED)

|                    |                                     |                |                              |                                      |             |                                  |         |         |
|--------------------|-------------------------------------|----------------|------------------------------|--------------------------------------|-------------|----------------------------------|---------|---------|
| Three Months Ended | March 31, 2008                      | March 31, 2007 | Revenues, net of Commissions | \$ 36,686,016                        | \$          |                                  |         |         |
| 26,908,532         | Vessel Expenses                     | 7,991,261      | 6,245,898                    | Depreciation and Amortization        | 7,336,039   | 5,790,631                        |         |         |
|                    | General and Administrative Expenses | 5,049,159      | 4,903,043                    | Gain on Sale of Vessel               | —           | (872,568)                        |         |         |
|                    | Operating Expenses                  | 20,376,459     | 16,067,004                   | Operating Income                     | 16,309,557  | 10,841,528                       |         |         |
|                    | Interest Expense                    | 3,350,253      | 3,152,125                    | Interest Income                      | (1,386,506) | (798,385)                        |         |         |
|                    | Net Interest Expense                |                |                              | Net Interest Expense                 |             | 1,963,747                        |         |         |
|                    | Net Income                          | \$ 14,345,810  | \$ 8,487,788                 | Weighted Average Shares Outstanding: |             | Basic                            |         |         |
|                    | 46,752,538                          | 37,450,578     | Diluted                      | 46,925,494                           | 37,480,914  | Per Share Amounts:               |         |         |
|                    | \$ 0.31                             | \$ 0.23        | Diluted Net Income           | \$ 0.31                              | \$ 0.23     | Cash Dividends Declared and Paid | \$ 0.50 | \$ 0.51 |

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EAGLE BULK SHIPPING INC.  
 CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (UNAUDITED)  
 FOR THE THREE MONTHS ENDED MARCH 31, 2008

|                       |                       | Common                   |  |                           |                        |                  |                  |  |  |
|-----------------------|-----------------------|--------------------------|--|---------------------------|------------------------|------------------|------------------|--|--|
| Shares                | Common                |                          |  |                           |                        |                  |                  |  |  |
| Shares                |                       |                          |  |                           |                        |                  |                  |  |  |
| Amount                | Additional            |                          |  |                           |                        |                  |                  |  |  |
| Paid-In Capital       | Retained Earnings     | Other                    |  |                           |                        |                  |                  |  |  |
| Comprehensive         |                       |                          |  |                           |                        |                  |                  |  |  |
| (Loss)                | Total                 |                          |  |                           |                        |                  |                  |  |  |
| Stockholders'         |                       |                          |  |                           |                        |                  |                  |  |  |
| Equity                | Net Income            | Cash Dividends           | Accumulated                                    |                           |                        |                  |                  |  |  |
| Deficit               | Balance at            |                          |  |                           |                        |                  |                  |  |  |
| December 31, 2007     | 46,727,153            | \$ 467,271               | \$ 602,929,530                                 |                           |                        | \$ (75,826,561 ) | \$ (12,599,245 ) |  |  |
| \$ 514,970,995        | Comprehensive Income: |                          |  |                           |                        | Net Income       | — — — \$         |  |  |
| 14,345,810            | — 14,345,810          | — 14,345,810             | Net Unrealized losses on change in derivatives | — — — —                   |                        |                  |                  |  |  |
| — — (7,600,509 )      | (7,600,509 )          | Comprehensive Income     | — — — —  |                           |                        | 6,745,301        | Cash             |  |  |
| Dividends             | — — — —               | \$ (23,378,577 )         | (23,378,577 )                                  | — (23,378,577 )           | Non-cash Compensation: |                  |                  |  |  |
|                       |                       | Issuance of Stock Grants | 30,000 300 608,100                             | — — — —                   |                        |                  | 608,400          |  |  |
| Non-cash Compensation | — — 1,907,303         | — — — —                  | 1,907,303                                      | Balance at March 31, 2008 |                        |                  |                  |  |  |
| 46,757,153            | \$ 467,571            | \$ 605,444,933           | \$ (84,859,328 )                               | \$ (20,199,754 )          | \$ 500,853,422         |                  |                  |  |  |

The accompanying notes are an integral part of these Consolidated Financial Statements.

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EAGLE BULK SHIPPING INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

| Three Months Ended                | March 31, 2008   | March 31, 2007  | Cash Flows from Operating Activities:                                 | Net                                |
|-----------------------------------|--|---|---|------------------------------------|
| Income                            | \$ 14,345,810  | \$ 8,487,788  | Adjustments to Reconcile Net Income to Net Cash provided by Operating |                                    |
| Activities:                       | Items included in net income not affecting cash flows: |   | Depreciation  | 6,708,415                          |
| 5,515,648                         | Amortization of Deferred Drydocking Costs              | 627,624   | 274,983   | Amortization of Deferred Financing |
| Costs                             | 61,907   | 58,012  | Amortization of Prepaid and Deferred Charter Revenue                  | — 1,080,000                        |
| Compensation Expense              | 2,515,703  | 3,259,223   | Gain on Sale of Vessel  | — (872,568)                        |
| Assets and Liabilities:           | Accounts Receivable                                    |   | 113,078   | (236,485)                          |
| 2,666                             | Accounts Payable                                       | (1,476,295)   | 496,342   | Accrued Interest                   |
| (46,930)                          | 194,636  | Drydocking Expenditures   | (65,851)  | —                                  |
| 459,837                           | Net Cash Provided by Operating Activities              | 26,454,362  | 18,801,874  | Cash Flows from Investing          |
| Activities:                       | Advances for Vessel Acquisition and Improvements       |   | (123,142)   | (23,475,897)                       |
| for Vessel Construction           | (13,276,332)   | (25,787,282)  | Proceeds from Sale of Vessel  | — 12,011,482                       |
| Cash Used in Investing Activities | (13,399,474)   | (37,251,697)  | Cash Flows from Financing Activities:                                 |                                    |
| Issuance of Common Stock          | —  | 110,171,870   | Equity Issuance Costs   | — (2,743,067)                      |
| 6,630,000                         | 38,089,741   | Repayment of Bank Debt  | —   | (12,440,000)                       |
| 400,000                           | Deferred Financing Costs                               | (545,140)   | —   | Cash Dividends                     |
| (4,390,269)                       | 96,719,721   | Cash at Beginning of Period   | 152,903,692   | 22,275,491                         |
| 148,513,423                       | \$ 118,995,212   | Supplemental Cash Flow Information:   | Cash paid during the period for                                       |                                    |
|                                   |  | Interest (including Capitalized interest of \$3,169,495 and \$375,845 respectively) | \$ 5,891,487  | \$ 3,485,585                       |

The accompanying notes are an integral part of these Consolidated Financial Statements.

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EAGLE BULK SHIPPING INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Basis of Presentation and General Information

The accompanying consolidated financial statements include the accounts of Eagle Bulk Shipping Inc. and its wholly-owned subsidiaries (collectively, the “Company”). The Company is engaged in the ocean transportation of dry bulk cargoes worldwide through the ownership and operation of dry bulk vessels. The Company’s fleet is comprised of Handymax bulk carriers and the Company operates its business in one business segment.

The Company is a holding company incorporated in 2005, under the laws of the Republic of the Marshall Islands and is the sole owner of all of the outstanding shares of the Republic of the Marshall Islands incorporated wholly-owned subsidiaries. The primary activity of each of the subsidiaries is the ownership of a vessel. The operations of the vessels are managed by a wholly-owned subsidiary of the Company, Eagle Shipping International (USA) LLC, a Republic of the Marshall Islands limited liability company.

As of March 31, 2008, the Company’s operating fleet consists of 18 vessels. The Company has also entered into contracts for the construction of 35 vessels under its newbuilding program. The following table presents certain information concerning the Company’s fleet as of March 31, 2008:

| No. of Vessels                                    | Dwt               | Vessel Type | Delivery  | Employment        | 18 Vessels  | 915,502      | 15 Supramax       | 2005 – 2007 |
|---|-------------------|-------------|---|-------------------|-------------|--------------|-------------------|-------------|
| Time Charter                                      | 3                 | Handymax    | 2005  | Time Charter      | 5 Vessels   | 265,000      | 53,000 dwt series | 2008 – 2009 |
| Vessels on Time Charter and 1 Vessel Charter Free | 5                 | Vessels     | 280,000   | 56,000 dwt series | 2008 – 2010 | Charter Free | 25 Vessels(1)     | 1,450,000   |
| Charter Free                                      | 58,000 dwt series | 2009 – 2012 | 17 Vessels on Time Charter and 8 Vessels Charter Free |                   |             |              |                   |             |

(1) The Company had options at the Chinese shipyard for the construction of nine additional 58,000 dwt Supramax vessels. On December 27, 2007, the Company exercised four of these options. The remaining five options expired on March 31, 2008.

The following table describes the revenue concentration:

|                              | % of Consolidated |   |
|------------------------------|-------------------|---|
| Time Charter Revenue         |                   |   |
| Three Months Ended Charterer | March 31,         |   |
| 2008                         | March 31,         |   |
| 2007 Charterer A             | — 14.8 %          | Charterer B 26.2 % 23.9 % Charterer D — 16.2 % Charterer H 15.4 % |
| Charterer J                  | 10.7 %            | Charterer L 19.5 % Charterer M 11.6 %                             |

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States, and the rules and regulations of the SEC (“Securities and Exchange Commission”) which apply to interim financial statements. Accordingly, they do not include all of the information and footnotes normally included in consolidated financial statements prepared in conformity with accounting principles in



the United States. They should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2007 Annual Report on Form 10-K.

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The accompanying unaudited consolidated financial statements include all adjustments (consisting of normal recurring adjustments) that management considers necessary for a fair presentation of its consolidated financial position and results of operations for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the entire year.

## Note 2. Vessels

## a. Vessel and Vessel Improvements

At March 31, 2008, the Company's operating fleet consisted of 18 dry bulk vessels. Vessel and vessel improvements consist of the following:

|                   |  |                                     |
|-------------------|--|-------------------------------------|
|                   |  | Vessels and Vessel Improvements, at |
| December 31, 2007 | \$ 605,244,861                                     | Purchase of Vessel Improvements     |
|                   |  | 123,142 Depreciation Expense        |
| (6,708,415 )      | Vessels and Vessel Improvements, at March 31, 2008 | \$ 598,659,588                      |

## b. Advances for Vessel Construction

At March 31, 2008, the Company had 35 vessels under construction. Advances for Vessel Construction consist of the following:

|                   |                |  |
|-------------------|----------------|--|
|                   |                | Advances for Vessel Construction at                |
| December 31, 2007 | \$ 344,854,962 | Progress Payments                                  |
|                   |                | 6,778,808 Capitalized Interest                     |
|                   |                | 6,123,115 Legal and                                |
|                   |                | Technical Supervision Costs                        |
|                   | 785,842        | Advances for Vessel Construction at March 31, 2008 |
|                   |                | \$ 358,542,727                                     |

As of March 31, 2008, the Company had five Supramax vessels under construction at a shipyard in Japan. These five vessels construction contracts are Japanese yen based and the total cost of these contracts in US dollars is \$167,172,089. The Company will incur additional associated costs relating to the construction of these vessels. As of March 31, 2008, the Company has advanced \$62,912,091 in progress payments towards these contracts. These vessels are expected to be delivered between 2008 and 2010.

As of March 31, 2008, the Company had 30 Supramax vessels under construction at a shipyard in China and the total cost of the construction project is approximately \$1,270,000,000. As of March 31, 2008, the Company has advanced \$277,718,808 in progress payments towards the construction of these vessels. These vessels are expected to be delivered between 2008 and 2010. The Company will incur additional associated costs relating to the construction of these vessels, including capitalized interest, insurance, legal, and technical supervision costs. The vessel construction contracts are US dollar based and the total cost of these contracts is approximately \$1,120,000,000. The Company had acquired the rights to these newbuilding vessels in 2007 from Kyrini Shipping Inc., an unrelated privately held Greek shipping company, for a consideration of \$150,000,000. The acquisition comprised purchase contracts for the construction of the 26 Supramax vessels, time charter employment contracts for 21 of the 26 vessels and options for the construction of 9 additional Supramax vessels. On December 27, 2007, the Company exercised four of these options and the options for the remaining five vessels expired on March 31, 2008. The assets acquired are required to be recorded at fair value. The amounts recorded as of March 31, 2008 are preliminary and subject to the completion of a valuation.

As of March 31, 2008, the Company has advanced a total of \$340,656,205 in progress payments towards the newbuilding vessels and incurred a total of \$17,886,522 in additional associated costs relating to the construction of these vessels, including capitalized interest, insurance, legal, and technical supervision costs.

Note 3. Long-Term Debt

At March 31, 2008, the Company's debt consisted of \$603,872,890 in net borrowings under the \$1,600,000,000 amended Revolving Credit Facility. These borrowings consist of \$238,704,000 for the

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18 vessels currently in operation and \$365,168,890 to fund the Company's newbuilding program. During the three months ended March 31, 2008, the Company borrowed \$6,630,000 to fund the progress payment for the newbuilding vessels.

For the three months ended March 31, 2008, interest rates on the outstanding debt ranged from 3.57% to 6.04%, including a margin over LIBOR applicable under the terms of the amended revolving credit facility. The weighted average effective interest rate was 5.51%. The Company incurs a commitment fee of 0.25% on the undrawn portion of the revolving credit facility. Interest costs on borrowings used to fund the Company's newbuilding program are capitalized until the vessels are delivered.

Interest Expense, exclusive of capitalized interest, consists of:

|                    | Three Months Ended |              | March   |
|--------------------|--------------------|--------------|---|
| 31,                |                    |              |   |
| 2008               | March 31,          |              |   |
| 2007 Loan Interest | \$ 3,273,413       | \$ 2,948,754 | Commitment Fees 14,933 145,359 Amortization of Deferred |
| Financing Costs    | 61,907             | 58,012       | Total Interest Expense \$ 3,350,253 \$ 3,152,125        |

Cash interest paid, exclusive of capitalized interest, in the three month periods ended March 31, 2008 and 2007 amounted to \$2,721,992 and \$3,109,740, respectively.

Interest-Rate Swaps

The Company has entered into interest rate swaps to effectively convert a portion of its debt from a floating to a fixed-rate basis. Under these swap contracts, exclusive of applicable margins, the Company will pay fixed rate interest and receive floating-rate interest amounts based on three-month LIBOR settings. The swaps are designated and qualify as cash flow hedges.

As of March 31, 2008, the Company has the following swap contracts outstanding:

|   |                      |
|---|----------------------|
| amount of \$84,800,000 with a fixed interest rate of 5.24% and maturity in September 2009 | – Notional           |
| \$25,776,443 with a fixed interest rate of 4.90% and maturity in March 2010               | – Notional amount of |
| \$202,340,000 with a fixed interest rate of 5.04% and maturity in August 2010             | – Notional amount of |
| \$10,995,000 with a fixed interest rate of 4.98% and maturity in August 2010              | – Notional amount of |
| \$100,000,000 with a fixed interest rate of 4.22% and maturity in September 2010          | – Notional amount of |
| \$30,000,000 with a fixed interest rate of 4.54% and maturity in September 2010           | – Notional amount of |
| \$25,048,118 with a fixed interest rate of 4.74% and maturity in December 2011            | – Notional amount of |
| \$36,752,038 with a fixed interest rate of 5.22% and maturity in August 2012              | – Notional amount of |

– Notional amount of

\$81,500,000 with a fixed interest rate of 3.895% and maturity in January 2013

The Company records the fair value of the interest rate swaps as an asset or liability on its balance sheet. The effective portion of the swap is recorded in accumulated other comprehensive income. Accordingly, a liability of \$31,008,992 and \$13,531,883 has been recorded in Other Liabilities in the Company's balance sheets as of March 31, 2008 and December 31, 2007, respectively.

Subsequent to March 31, 2008, the Company entered into a forward interest rate swap contract for a notional amount of \$84,800,000 of its outstanding debt which will commence upon the maturity in September 2009 of the existing swap for the notional amount of \$84,800,000 of its outstanding debt. Under the forward swap, the Company will pay fixed rate interest of 3.90% and receive floating rate interest amounts based on three-month Libor settings, exclusive of applicable margin. The forward swap matures in September 2013.

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Foreign Currency Swaps

The Company has entered into foreign exchange swap transactions to hedge foreign currency risks on its capital asset transactions (vessel newbuildings). The swaps are designated and qualify as cash flow hedges.

At March 31, 2008 and December 31, 2007, the Company had outstanding foreign currency swap contracts for notional amounts aggregating 11.28 billion Japanese yen swapped into the equivalent of \$104,259,998.

The Company records the fair value of the currency swaps as an asset or liability in its financial statements. The effective portion of the swap is recorded in accumulated other comprehensive income. Accordingly, an amount of \$10,809,238 and \$932,638 have been recorded in Other Assets in the accompanying financial statements as of March 31, 2008 and December 31, 2007, respectively.

Note 4. Commitments and Contingencies

Vessel Technical Management Contracts

The Company has technical management agreements for each of its vessels with independent technical managers. The Company paid average monthly technical management fees of \$9,623 and \$8,851 per vessel during the three months ended March 31, 2008 and 2007, respectively.

Operating Lease

In December 2005, the Company entered into a lease for office space. The lease is secured by a Letter of Credit backed by cash collateral of \$124,616 which amount is recorded as Restricted Cash. In March 2008, the Company amended the lease to incorporate additional office space. The amended lease expires in 2018. The cash collateral securing the lease has been increased by \$151,440. The Company has recorded the total Cash collateral of \$276,056 as Restricted Cash. The future minimum commitments under the leases for office space as of March 31, 2008 are as follows:

|      |         |      |         |         |           |       |              |      |         |      |         |
|------|---------|------|---------|---------|-----------|-------|--------------|------|---------|------|---------|
|      |         |      |         |         |           | 2008  | \$ 420,067   | 2009 | 648,552 | 2010 | 648,552 |
| 2011 | 788,519 | 2012 | 835,175 | 2013-18 | 4,523,865 | Total | \$ 7,864,730 |      |         |      |         |

Note 5. Earnings Per Common Share

The computation of basic earnings per share is based on the weighted average number of common shares outstanding during the period. Diluted net income per share gives effect to the assumed exercise of stock options and restricted stock units using the treasury stock method, unless the impact is anti-dilutive. Diluted net income per share as of March 31, 2008 does not include the assumed exercise of 433,713 restricted stock units as its effect was anti-dilutive.

|                 |               |              |                                 |            |            |  |  |  |  |       |
|-----------------|---------------|--------------|---------------------------------|------------|------------|--|--|--|--|-------|
|                 |               |              |                                 |            |            |  |  |  |  | Three |
| Months Ended    | March 31,     |              |                                 |            |            |  |  |  |  |       |
| 2008            | March 31,     |              |                                 |            |            |  |  |  |  |       |
| 2007 Net Income | \$ 14,345,810 | \$ 8,487,788 | Weighted Average Shares – Basic | 46,752,538 | 37,450,578 |  |  |  |  |       |

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|   |            |                          |                                   |         |                            |         |    |
|---|------------|--------------------------|-----------------------------------|---------|----------------------------|---------|----|
| Dilutive effect of stock options and restricted stock units | 172,956    | 30,336                   | Weighted Average Shares – Diluted |         |                            |         |    |
| 46,925,494  | 37,480,914 | Basic Earnings Per Share | \$ 0.31                           | \$ 0.23 | Diluted Earnings Per Share | \$ 0.31 | \$ |
| 0.23  |            |                          |                                   |         |                            |         |    |
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### Note 6. Non-cash Compensation

Non-cash Compensation expenses is included in General and Administrative Expenses. For the three-month periods ended March 31, 2008 and 2007, the Company recorded non-cash compensation charges of \$2,515,703 and \$3,259,223, respectively. The expense for the three-month period ended March 31, 2008 relates to the fair value of stock options and restricted stock grants to members of management, and stock grants awarded to the independent non-employee directors under the 2005 Stock Incentive Plan (see Note 8). The expense for the three-month period ended March 31, 2007 consists of \$3,137,812 in non-cash, non-dilutive charges relating to profits interests awarded to members of the Company's management by the Company's former principal shareholder Eagle Ventures LLC., and \$121,411 in non-cash compensation charges relating to the fair value of stock options granted to members of management and independent non-employee directors under the 2005 Stock Incentive Plan.

### Note 7. Capital Stock

#### Dividends

The Company's current policy is to declare quarterly dividends to shareholders in March, May, August and November. Payment of dividends is limited by the terms of certain agreements which the Company and its subsidiaries are party to. The Company's revolving credit facility permits it to pay quarterly dividends in amounts up to its cumulative free cash flows which is our earnings before extraordinary or exceptional items, interest, taxes, depreciation and amortization (Credit Agreement EBITDA), less the aggregate amount of interest incurred and net amounts payable under interest rate hedging agreements during the relevant period and an agreed upon reserve for dry-docking for the period, provided that there is not a default or breach of loan covenant under the credit facility and the payment of the dividends would not result in a default or breach of a loan covenant. Depending on market conditions in the dry bulk shipping industry and acquisition opportunities that may arise, the Company may be required to obtain additional debt or equity financing which could affect its dividend policy. However, any determination to pay dividends in the future will be at the discretion of the Board of Directors and will depend upon the Company's results of operations, financial condition, capital restrictions, covenants and other factors deemed relevant by the Board of Directors.

On February 27, 2008, the Company's Board of Directors declared a cash dividend for the fourth quarter of 2007 of \$0.50 per share. The aggregate amount of this cash dividend was \$23,378,577 and was paid on March 18, 2008 to all shareholders of record as of March 13, 2008.

### Note 8. 2005 Stock Incentive Plan

The Company adopted the 2005 Stock Incentive Plan for the purpose of affording an incentive to eligible persons. The 2005 Stock Incentive Plan provides for the grant of equity-based awards, including stock options, stock appreciation rights, restricted stock, restricted stock units, stock bonuses, dividend equivalents and other awards based on or relating to the Company's common shares to eligible non-employee directors, selected officers and other employees and independent contractors. The plan is administered by a committee of the Company's Board of Directors. An aggregate of 2.6 million shares of the Company's common stock has been authorized for issuance under the plan.

In 2006 and 2007, the Company awarded stock options to members of its management and its independent non-employee directors. As of March 31, 2008, options covering 630,556 of the Company's common shares are outstanding with exercise prices ranging from \$13.23 to \$21.88 per share (the market prices at dates of grant). The options granted to the directors vested and became exercisable on the grant dates. The options granted to members of its management vest and become exercisable over three years. All options expire ten years from the date of grant.



For purposes of determining the non-cash compensation cost for the Company's stock option plans using the fair value method of FAS 123(R), the fair value of the options granted was estimated on the date of grant using the Black-Scholes option pricing model. For the three months ended March 31, 2008, the Company has recorded a non-cash compensation charge of \$81,257 relating to the fair value of these options.

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In 2007, the Company granted restricted stock units (“RSUs”) to members of its management. As of March 31, 2008, RSUs covering 793,713 of the Company’s shares are outstanding at a fair value which was equal to the market price of the Company’s common shares on the date of the grant. These RSUs vest ratably over three years and also entitle the participant to receive a Dividend Equivalent payment on the unvested portion of the underlying shares granted under the award, each time the Company pays a dividend to the Company’s shareholders. The Company is amortizing to non-cash compensation expense the fair value of the non-vested restricted stock at the grant date. For the three months ended March 31, 2008, the amortization charge was \$1,826,046. The remaining expense for each of the years ending 2008, 2009, and 2010 will be \$5,478,137, \$7,304,182 and \$6,633,255, respectively.

In 2006 and 2007, the Company had granted Dividend Equivalent Rights Award (“DERs”) to its independent non-employee directors and members of its management. As of March 31, 2008, DERs equivalent to 632,334 of the Company’s common shares are outstanding.

The Company has recorded a total cash compensation expense of \$713,023 towards the various Dividend Equivalent awards and this amount is recorded in General and Administrative Expense.

On January 15, 2008, the Company granted 30,000 shares of its common stock to its independent non-employee directors. The fair value of the stock at the grant date is equal to the closing stock price on that date and a total amount of \$608,400 has been recorded in non-cash compensation expense.

## Note 9. Subsequent Events

### Dividend

On May 6, 2008, the Company’s Board of Directors declared a cash dividend for the first quarter of 2008 of \$0.50 per share, based on 46,757,153 of the Company’s common shares outstanding, payable to all shareholders of record as of May 20, 2008. The aggregate amount of this cash dividend payable to the Company’s shareholders on May 23, 2008 is \$23,378,577.

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ITEM 2.

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

The following is a discussion of the Company's financial condition and results of operation for the three-month periods ended March 31, 2008 and 2007. This section should be read in conjunction with the consolidated financial statements included elsewhere in this report and the notes to those financial statements.

This discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended and the Private Securities Litigation Reform Act of 1995 and are intended to be covered by the safe harbor provided for under these sections. These statements may include words such as "believe," "estimate," "project," "intend," "expect," "plan," "anticipate," and similar expressions in connection with any discussion of the timing or nature of future operating or financial performance or other events. Forward looking statements reflect management's current expectations and observations with respect to future events and financial performance. Where we express an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed, projected, or implied by those forward-looking statements. The principal factors that affect our financial position, results of operations and cash flows include, charter market rates, which have recently increased to historic highs, and periods of charter hire, vessel operating expenses and voyage costs, which are incurred primarily in U.S. dollars, depreciation expenses, which are a function of the cost of our vessels, significant vessel improvement costs and our vessels' estimated useful lives, and financing costs related to our indebtedness. Our actual results may differ materially from those anticipated in these forward looking statements as a result of certain factors which could include the following: (i) changes in demand in the dry bulk market, including, without limitation, changes in production of, or demand for, commodities and bulk cargoes, generally or in particular regions; (ii) greater than anticipated levels of dry bulk vessel new building orders or lower than anticipated rates of dry bulk vessel scrapping; (iii) changes in rules and regulations applicable to the dry bulk industry, including, without limitation, legislation adopted by international bodies or organizations such as the International Maritime Organization and the European Union or by individual countries; (iv) actions taken by regulatory authorities; (v) changes in trading patterns significantly impacting overall dry bulk tonnage requirements; (vi) changes in the typical seasonal variations in dry bulk charter rates; (vii) changes in the cost of other modes of bulk commodity transportation; (viii) changes in general domestic and international political conditions; (ix) changes in the condition of the Company's vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated dry docking costs); (x) and other factors listed from time to time in our filings with the Securities and Exchange Commission. This discussion also includes statistical data regarding world dry bulk fleet and orderbook and fleet age. We generated some of these data internally, and some were obtained from independent industry publications and reports that we believe to be reliable sources. We have not independently verified these data nor sought the consent of any organizations to refer to their reports in this quarterly report. We disclaim any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

Overview

We are Eagle Bulk Shipping Inc., a Republic of Marshall Islands corporation headquartered in New York City. We own one of the largest fleets of Supramax dry bulk vessels in the world. Supramax dry bulk vessels range in size from 50,000 to 60,000 dwt. We transport a broad range of major and minor bulk cargoes, including iron ore, coal, grain, cement and fertilizer, along worldwide shipping routes. As of March 31, 2008, we owned and operated a modern fleet of 18 Handymax dry bulk vessels, 15 of which are of the Supramax class. In addition to our operating fleet of 18

vessels, we have contracted for the construction of 35 newbuilding vessels in Japan and China, deliveries of which are scheduled to commence in mid-2008. Upon delivery of all newbuilding vessels by early 2012, our total fleet will consist of 53 vessels with a combined carrying capacity of 2.9 million dwt.

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We are focused on maintaining a high quality fleet that is concentrated primarily in one vessel type – Handymax dry bulk carriers and its sub-category of Supramax vessels which are Handymax vessels ranging in size from 50,000 to 60,000 dwt. These vessels have the cargo loading and unloading flexibility of on-board cranes while offering cargo carrying capacities approaching that of Panamax dry bulk vessels, which range in size from 60,000 to 100,000 dwt and must rely on port facilities to load and offload their cargoes. We believe that the cargo handling flexibility and cargo carrying capacity of the Supramax class vessels make them attractive to potential charterers. The 18 vessels in our operating fleet, with an aggregate carrying capacity of 915,502 deadweight tons, have an average age of only 6 years compared to an average age for the world Handymax dry bulk fleet of over 15 years.

Each of our vessels is owned by us through a separate wholly owned Republic of the Marshall Islands limited liability company.

We maintain our principal executive offices at 477 Madison Avenue, New York, New York 10022. Our telephone number at that address is (212) 785-2500. Our website address is [www.eagleships.com](http://www.eagleships.com). Information contained on our website does not constitute part of this quarterly report.

Our financial performance since inception is based on the following key elements of our business strategy:

- (1) concentration in one vessel category: Supramax class of Handymax dry bulk vessels, which we believe offer size, operational and geographical advantages (over Panamax and Capesize vessels),
- (2) our strategy is to charter our vessels primarily pursuant to one- to three-year time charters to allow us to take advantage of the stable cash flow and high utilization rates that are associated with medium to long-term time charters. Reliance on the spot market contributes to fluctuations in revenue, cash flow, and net income. On the other hand, time charters provide a shipping company with a predictable level of revenues. We have entered into time charters for all of our vessels which range in length from one to three years and provide for fixed semi-monthly payments in advance. This strategy is effective in strong and weak dry bulk markets, giving us security and predictability of cashflows when we look at the volatility of the shipping markets,
- (3) maintain high quality vessels and improve standards of operation through improved environmental procedures, crew training and maintenance and repair procedures, and
- (4) maintain a balance between purchasing vessels as market conditions and opportunities arise and maintaining prudent financial ratios (e.g. leverage ratio).

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We have employed all of our vessels in our operating fleet on time charters for periods ranging from one to three years. The following table represents certain information about the Company's revenue earning charters on its operating fleet as of March 31, 2008:

| Vessel        | Year Built | Dwt    | Delivered to Charterer | Time Charter Expiration(1)     | Daily Time Charter | Hire Rate     |
|---------------|------------|--------|------------------------|--------------------------------|--------------------|---------------|
| Cardinal      | 2004       | 55,408 | June 21, 2007          | May 2008 to August 2008        | \$28,000           | Condor(2)     |
| Condor(2)     | 2001       | 50,296 | March 19, 2007         | May 2009 to August 2009        | \$20,500           | Falcon(3)     |
| Falcon(3)     | 2001       | 50,296 | April 22, 2005         | April 2008 to June 2008        | \$20,950           | Griffon       |
| Griffon       | 1995       | 46,635 | March 18, 2007         | March 2009 to June 2009        | \$20,075           | Harrier(4)    |
| Harrier(4)    | 2001       | 50,296 | June 21, 2007          | June 2009 to September 2009    | \$24,000           | Hawk I        |
| Hawk I        | 2001       | 50,296 | April 1, 2007          | April 2009 to June 2009        | \$22,000           | Heron(5)      |
| Heron(5)      | 2001       | 52,827 | January 28, 2008       | January 2011 to March 2011     | \$26,375           | Jaeger(6)     |
| Jaeger(6)     | 2004       | 52,248 | July 12, 2007          | July 2008 to September 2008    | \$27,500           | Kestrel I(7)  |
| Kestrel I(7)  | 2004       | 50,326 | July 1, 2006           | April 2008 to June 2008        | \$18,750           | Kite          |
| Kite          | 1997       | 47,195 | August 11, 2007        | September 2009 to January 2010 | \$21,000           | Merlin(8)     |
| Merlin(8)     | 2001       | 50,296 | December 19, 2007      | December 2010 to March 2011    | \$25,000           | Osprey I(9)   |
| Osprey I(9)   | 2002       | 50,206 | September 1, 2005      | July 2008 to November 2008     | \$21,000           | Peregrine     |
| Peregrine     | 2001       | 50,913 | December 16, 2006      | December 2008 to March 2009    | \$20,500           | Sparrow(10)   |
| Sparrow(10)   | 2000       | 48,225 | February 28, 2008      | February 2010 to April 2010    | \$34,500           | Tern(11)      |
| Tern(11)      | 2003       | 50,200 | March 9, 2008          | February 2009 to April 2009    | \$20,500           | Shrike(12)    |
| Shrike(12)    | 2003       | 53,343 | April 24, 2007         | April 2009 to August 2009      | \$24,600           | Skua(13)      |
| Skua(13)      | 2003       | 53,350 | June 20, 2007          | May 2009 to August 2009        | \$24,200           | Kittiwake(14) |
| Kittiwake(14) | 2002       | 53,146 | June 27, 2007          | May 2008 to August 2008        | \$30,400           |               |

(1) The date range provided represents the earliest and latest date on which the charterer may redeliver the vessel to the Company upon the termination of the charter. (2) The charterer of the CONDOR has exercised its option to extend the charter period by 11 to 13 months at a time charter rate of \$22,000 per day. (3) Upon conclusion of the current charter, the FALCON commences a new time charter with a rate of \$39,500 per day for 21 to 23 months. The charterer has an option to extend the charter period by 11 to 13 months at a daily time charter rate of \$41,000. (4) The daily rate for the HARRIER is \$27,000 for the first year and \$21,000 for the second year. Revenue recognition is based on an average daily rate of \$24,000. (5) The previous time charter on the HERON at a daily rate of \$24,000 ended on January 28, 2008. The vessel commenced a new time charter with a rate of \$26,375 per day for 36 to 39 months. The charterer has an option for a further 11 to 13 months at a time charter rate of \$27,375 per day. The charterer has a second option for a further 11 to 13 months at a time charter rate of \$28,375 per day. (6) The charter rate for the JAEGER may reset at the beginning of each month based on the average time charter rate for the Baltic Supramax Index, but in no case be greater than \$27,500 per day or less than \$22,500 per day. (7) The charterer of the KESTREL I has exercised its option to extend the charter period by 11 to 13 months at a daily time charter rate of \$20,000 per day. (8) The MERLIN is on a 36 to 39 month time charter at the following daily rates: \$27,000 for the first year, \$25,000 for the second year and \$23,000 for the third year. Revenue recognition is based on an average daily rate of \$25,000. (9) The charterer of the OSPREY I has exercised its option to extend the charter period by up to 11 to 13 months at a time charter rate of \$25,000 per day. The charterer has an additional option to extend for a further 11 to 13 months at a time charter rate of \$25,000 per day.



Table of Contents (10) The SPARROW was previously on a time charter at a base rate of \$24,000 per day for 11 to 13 months with a profit share of 30% of up to the first \$3,000 per day over the base rate. This charter ended on February 28, 2008. (11) The TERN previously was on a time charter at a daily rate of \$19,000. This charter ended in March 2008 and the charterer has exercised its option to extend the charter period by 11 to 13 months at a time charter rate of \$20,500 per day. (12) The charterer of the SHRIKE has an option to extend the charter period by 12 to 14 months at a daily time charter rate of \$25,600. (13) The charterer of the SKUA has an option to extend the charter period by 11 to 13 months at a daily time charter rate of \$25,200. (14) The KITTIWAKE is employed on a time charter for 11 to 13 months. The charter rate may reset at the beginning of each month based on the average time charter rate for the Baltic Supramax Index, but in no case be greater than \$30,400 per day or less than \$24,400 per day.

As of March 31, 2008, the Company has contracted for 35 vessels to be constructed. The following table represents certain information about the Company's newbuilding vessels and their employment upon delivery:

| Vessel        | Dwt    | Year Built –<br>Expected<br>Delivery(1) | Time Charter<br>Employment Expiration(2) | Daily Time<br>Charter Hire<br>Rate(3) | Profit Share | Wren          | 53,100 | Aug 2008 | Feb 2012     | \$ 24,750 | — | Feb 2012 to Dec 2018/Apr 2019 | \$ 18,000 | 50% over \$22,000 | Woodstar     | 53,100 | Oct 2008 | Jan 2014 | \$ 18,300 | —        | Jan 2014 to Dec 2018/Apr 2019 | \$ 18,000 | 50% over \$22,000             | Crowned Eagle | 56,000            | Nov 2008 | Charter Free | —        |          |           |   |                               |           |                   |          |        |          |          |           |   |                               |           |                   |       |        |          |          |           |   |                               |           |                   |        |        |          |          |           |   |                               |           |                   |          |        |          |                      |           |                   |              |        |          |              |   |           |        |          |                      |           |                   |                |        |          |              |   |          |        |          |                      |           |                   |         |        |          |                      |           |                   |     |        |          |          |           |                   |     |        |          |          |           |                   |            |        |          |          |           |                   |        |        |          |                      |           |   |          |        |          |              |   |
|---------------|--------|---|--|---------------------------------------|--------------|---------------|--------|----------|--------------|-----------|---|-------------------------------|-----------|-------------------|--------------|--------|----------|----------|-----------|----------|-------------------------------|-----------|-------------------------------|---------------|-------------------|----------|--------------|----------|----------|-----------|---|-------------------------------|-----------|-------------------|----------|--------|----------|----------|-----------|---|-------------------------------|-----------|-------------------|-------|--------|----------|----------|-----------|---|-------------------------------|-----------|-------------------|--------|--------|----------|----------|-----------|---|-------------------------------|-----------|-------------------|----------|--------|----------|----------------------|-----------|-------------------|--------------|--------|----------|--------------|---|-----------|--------|----------|----------------------|-----------|-------------------|----------------|--------|----------|--------------|---|----------|--------|----------|----------------------|-----------|-------------------|---------|--------|----------|----------------------|-----------|-------------------|-----|--------|----------|----------|-----------|-------------------|-----|--------|----------|----------|-----------|-------------------|------------|--------|----------|----------|-----------|-------------------|--------|--------|----------|----------------------|-----------|---|----------|--------|----------|--------------|---|
| Crested Eagle | 56,000 | Feb 2009                                | Charter Free                             | —                                     | —            | Stellar Eagle | 6,000  | Apr 2009 | Charter Free | —         | — | Thrush                        | 53,100    | Sep 2009          | Charter Free | —      | Bittern  | 58,000   | Sep 2009  | Dec 2014 | \$ 18,850                     | —         | Dec 2014 to Dec 2018/Apr 2019 | \$ 18,000     | 50% over \$22,000 | Canary   | 58,000       | Oct 2009 | Jan 2015 | \$ 18,850 | — | Jan 2015 to Dec 2018/Apr 2019 | \$ 18,000 | 50% over \$22,000 | Thrasher | 53,100 | Nov 2009 | Feb 2016 | \$ 18,400 | — | Feb 2016 to Dec 2018/Apr 2019 | \$ 18,000 | 50% over \$22,000 | Crane | 58,000 | Nov 2009 | Feb 2015 | \$ 18,850 | — | Feb 2015 to Dec 2018/Apr 2019 | \$ 18,000 | 50% over \$22,000 | Avocet | 53,100 | Dec 2009 | Mar 2016 | \$ 18,400 | — | Mar 2016 to Dec 2018/Apr 2019 | \$ 18,000 | 50% over \$22,000 | Egret(4) | 58,000 | Dec 2009 | Sep 2012 to Jan 2013 | \$ 17,650 | 50% over \$20,000 | Golden Eagle | 56,000 | Jan 2010 | Charter Free | — | Gannet(4) | 58,000 | Jan 2010 | Oct 2012 to Feb 2013 | \$ 17,650 | 50% over \$20,000 | Imperial Eagle | 56,000 | Feb 2010 | Charter Free | — | Grebe(4) | 58,000 | Feb 2010 | Nov 2012 to Mar 2013 | \$ 17,650 | 50% over \$20,000 | Ibis(4) | 58,000 | Mar 2010 | Dec 2012 to Apr 2013 | \$ 17,650 | 50% over \$20,000 | Jay | 58,000 | Apr 2010 | Sep 2015 | \$ 18,500 | 50% over \$21,500 | Jay | 58,000 | Apr 2010 | Sep 2015 | \$ 18,500 | 50% over \$21,500 | Kingfisher | 58,000 | May 2010 | Oct 2015 | \$ 18,500 | 50% over \$21,500 | Martin | 58,000 | Jun 2010 | Dec 2016 to Dec 2017 | \$ 18,400 | — | Besra(5) | 58,000 | Oct 2010 | Charter Free | — |



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Vessel Dwt Year Built –  
Expected

Delivery(1) Time Charter

Employment Expiration(2) Daily Time

Charter Hire

|                      |              |                      |                      |                   |                      |                      |                      |           |           |
|----------------------|--------------|----------------------|----------------------|-------------------|----------------------|----------------------|----------------------|-----------|-----------|
| Rate(3)              | Profit Share | Cernicalo(5)         | 58,000               | Jan 2011          | Charter Free         | —                    | Nighthawk            | 58,000    | Mar 2011  |
| Sep 2017 to Sep 2018 | \$ 18,400    | —                    | Oriole               | 58,000            | Jul 2011             | Jan 2018 to Jan 2019 | \$ 18,400            | —         | Fulmar(5) |
| 58,000               | Jul 2011     | Charter Free         | —                    | Owl               | 58,000               | Aug 2011             | Feb 2018 to Feb 2019 | \$ 18,400 | —         |
| 58,000               | Sep 2011     | Jun 2014 to Oct 2014 | \$ 17,650            | 50% over \$20,000 | Goshawk(5)           | 58,000               | Sep 2011             |           |           |
| Charter Free         | —            | Puffin(4)            | 58,000               | Oct 2011          | Jul 2014 to Nov 2014 | \$ 17,650            | 50% over \$20,000    |           |           |
| Roadrunner(4)        | 58,000       | Nov 2011             | Aug 2014 to Dec 2014 | \$ 17,650         | 50% over \$20,000    | Sandpiper(4)         |                      |           |           |
| 58,000               | Dec 2011     | Sep 2014 to Jan 2015 | \$ 17,650            | 50% over \$20,000 | Snipe                | 58,000               | Jan 2012             | Charter   |           |
| Free                 | —            | Swift                | 58,000               | Feb 2012          | Charter Free         | —                    | Raptor               | 58,000    | Mar 2012  |
| Saker                | 58,000       | Apr 2012             | Charter Free         | —                 |                      |                      |                      |           |           |

(1) Vessel

build and delivery dates are estimates based on guidance received from shipyard. (2) The date range represents the earliest and latest date on which the charterer may redeliver the vessel to the Company upon the termination of the charter. (3) The time charter hire rates presented are gross daily charter rates before brokerage commissions, ranging from 2.25% to 6.25%, to third party ship brokers. (4) The charterer has an option to extend the charter by 2 periods of 11 to 13 months each. (5) Options for construction exercised on December 27, 2007.

Fleet Management

The management of our fleet includes the following functions:

- Strategic management. We locate, obtain financing and insurance for, purchase and sell vessels.
- Commercial management. We obtain employment for our vessels and manage our relationships with charterers.
- Technical management. The technical manager performs day-to-day operations and maintenance of our vessels.

Commercial and Strategic Management

We carry out the commercial and strategic management of our fleet through our wholly owned subsidiary, Eagle Shipping International (USA) LLC, a Republic of the Marshall Islands limited liability company that maintains its principal executive offices in New York City. We currently have a total of fifteen shore based personnel, including our senior management team and our office staff, who either directly or through this subsidiary, provides the following services:

- commercial operations and technical supervision;
- safety monitoring;
- vessel acquisition;
- and financial, accounting and information technology services.



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### Technical Management

The technical management of our fleet is provided by unaffiliated third party technical managers V.Ships, whom we believe is the world's largest provider of independent ship management and related services and Wilhelmsen Ship Management (formerly Barber Ship Management, "Barber"), a leading internationally recognized ship manager. In conjunction with our management, V. Ships and Barber have established an operating expense budget for each vessel. All deviations from the budgeted amounts are for our account. We review the performance of our ship managers on an ongoing basis and may add or change technical managers.

Our technical managers are paid a fixed management fee for each vessel in our operating fleet for the technical management services provided. For the three-month periods ended March 31, 2008 and 2007, the technical management fee averaged \$9,623 and \$8,851 per vessel per month, respectively. Management fees paid to our technical managers are recorded under Vessel Expenses.

### Value of Assets and Cash Requirements

The replacement costs of comparable new vessels may be above or below the book value of our fleet. The market value of our fleet may be below book value when market conditions are weak and exceed book value when markets conditions are strong. In common with other shipowners, we may consider asset redeployment which at times may include the sale of vessels at less than their book value.

The Company's results of operations and cash flow may be significantly affected by future charter markets.

### Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based upon our interim, unaudited, consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, and the rules and regulations of the SEC which apply to interim financial statements. The preparation of those financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions.

Critical accounting policies are those that reflect significant judgments of uncertainties and potentially result in materially different results under different assumptions and conditions. As the discussion and analysis of our financial condition and results of operations is based upon our interim, unaudited, consolidated financial statements, they do not include all of the information on critical accounting policies normally included in consolidated financial statements. Accordingly, a detailed description of these critical accounting policies should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Reports on Form 10-K. There have been no material changes from the "Critical Accounting Policies" previously disclosed in our Form 10-K for the year ended December 31, 2007.

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Results of Operations for the three month periods ended March 31, 2008 and 2007:

Fleet Data

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

|                |                |                |                   |        |        |                | Three Months |       |
|----------------|----------------|----------------|-------------------|--------|--------|----------------|--------------|-------|
| End            | March 31, 2008 | March 31, 2007 | Ownership Days    | 1,638  | 1,407  | Available Days | 1,638        | 1,395 |
| Operating Days | 1,633          | 1,387          | Fleet Utilization | 99.7 % | 99.4 % |                |              |       |

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. Ownership days for the three month period ended March 31, 2008 increased 16.4% from the corresponding period in 2007 as we operated 18 vessels in the first quarter of 2008 compared to 15 vessels, net of a vessel sold, in the corresponding quarter in 2007.

- 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 vessel familiarization upon acquisition, 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. Available days in the first quarter of 2008 increased 17.4% compared to the corresponding quarter in 2007 due to larger fleet size. Available days in the first quarter of 2007 were also impacted by one vessel entering drydock at the end of the first quarter of 2007 and time spent positioning the vessel SHIKRA for sale.

- 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. Our fleet continues to perform at high utilization rates.

Revenues

All our vessels are employed on time charters. Our time charter equivalent ("TCE") rate is equal to the time charter rate. As is common in the shipping industry, we pay commissions ranging from 1.25% 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.

Net revenues for the three-month period ended March 31, 2008 of \$36,686,016 included billed time charter revenues of \$38,610,921 and deductions for brokerage commissions of \$1,924,905. Net revenues for the three-month period ended March 31, 2008 were 36% greater than net revenues for the three-month period ended March 31, 2007, primarily due to a larger fleet size as reflected by increased operating days and an increase in daily time charter rates.

Net revenue for the three-month period ended March 31, 2007 of \$26,908,532 included billed time charter revenues of \$29,476,374, deductions for brokerage commissions of \$1,487,842 and amortization of net prepaid and deferred charter revenue of \$1,080,000.

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### Vessel 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 and related inventory, tonnage taxes, pre-operating costs associated with the delivery of acquired vessels including providing the newly acquired vessels with initial provisions and stores, and other miscellaneous expenses.

Vessel expenses for the three-month period ended March 31, 2008 were \$7,991,261 compared to \$6,245,898 in the three-month period ended March 31, 2007. The increase in vessel expense is attributable to a larger fleet size in operation for the first quarter of 2008 and increases in vessel crew and lubricants costs. Vessel expenses for the three-month period ended March 31, 2008 included \$7,439,959 of vessel operating costs and \$551,302 of technical management fees. Vessel expenses for the three-month period ended March 31, 2007 included \$5,836,461 in vessel operating costs and \$409,437 in technical management fees.

Our vessel expenses will increase with the enlargement of our fleet. Other factors beyond our control, some of which may affect the shipping industry in general, may also cause these expenses to increase, including, for instance, developments relating to market prices for crew, insurance and petroleum-based lubricants and supplies.

### Depreciation and Amortization

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 28 years from the date of initial delivery from the shipyard to the original owner. Furthermore, we estimate the residual values of our vessels to be \$150 per lightweight ton, which we believe is common in the dry bulk shipping industry. Our depreciation charges will increase as our fleet is enlarged.

For the three-month periods ended March 31, 2008 and 2007, total depreciation and amortization expense were \$7,336,039 and \$5,790,631, respectively. Total depreciation and amortization expense for the three-month period ended March 31, 2008 includes \$6,708,415 of vessel depreciation and \$627,624 relating to the amortization of deferred drydocking costs. Comparable amounts for the three-month period ended March 31, 2007 were \$5,515,648 of vessel depreciation and \$274,983 of amortization of deferred drydocking costs.

Amortization of deferred financing costs is included in interest expense. These financing costs relate to costs associated with our revolving credit facility and these are amortized over the life of the facility. For the three-month periods ended March 31, 2008 and 2007, the amortization of deferred financing costs was \$61,907 and \$58,012, respectively.

### General and Administrative Expenses

Our general and administrative expenses include onshore vessel administration related expenses such as legal and professional expenses and administrative and other expenses including payroll and expenses relating to our executive officers and office staff, office rent and expenses, directors fees, and directors and officers insurance. General and administrative expenses also include non-cash compensation expenses.

General and administrative expenses for the three-month periods ended March 31, 2008 and 2007 were \$5,049,159 and \$4,903,043, respectively. The increase in general and administrative expenses for the three-month period ended March 31, 2008 was attributable to expenses associated with a larger fleet.

Capitalized Interest

Interest costs on borrowings used to fund the Company's newbuilding program are capitalized as part of the cost of the newbuilding vessels until the vessels are delivered. As of March 31, 2008, we have borrowed \$365,168,890 to fund the Company's newbuilding program.

For the three-month period ended March 31, 2008, capitalized interest amounted to \$6,123,115 (\$5,711,682 in interest and \$411,433 in amortization of financing expenses) and this amount has been

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recorded and included in Advances for Vessel Construction in the financial statements. For the corresponding three months ended March 31, 2007, capitalized interest amounted to \$509,051 (\$473,314 in interest and \$35,737 in amortization of financing expenses).

## EBITDA

EBITDA represents operating earnings before extraordinary items, depreciation and amortization, interest expense, and income taxes, if any. EBITDA is included because it is used by certain investors to measure a company's financial performance. EBITDA is not an item recognized by GAAP and should not be considered a substitute for net income, cash flow from operating activities and other operations or cash flow statement data prepared in accordance with accounting principles generally accepted in the United States or as a measure of profitability or liquidity. EBITDA is presented to provide additional information with respect to the Company's ability to satisfy its obligations including debt service, capital expenditures, and working capital requirements. While EBITDA is frequently used as a measure of operating results and the ability to meet debt service requirements, the definition of EBITDA used here may not be comparable to that used by other companies due to differences in methods of calculation.

Our revolving credit facility permits us to pay dividends in amounts up to our cumulative free cash flows which is our earnings before extraordinary or exceptional items, interest, taxes, depreciation and amortization (Credit Agreement EBITDA), less the aggregate amount of interest incurred and net amounts payable under interest rate hedging agreements during the relevant period and an agreed upon reserve for dry-docking. Therefore, we believe that this non-GAAP measure is important for our investors as it reflects our ability to pay dividends. The following table is a reconciliation of net income, as reflected in the consolidated statements of operations, to the Credit Agreement EBITDA:

| Months Ended                      | March 31, 2008 | March 31, 2007 | Net Income                    | \$ 14,345,810 | \$ 8,487,788 | Three  |
|-----------------------------------|----------------|----------------|-------------------------------|---------------|--------------|--|
| Interest Expense                  | 3,350,253      | 3,152,125      | Depreciation and Amortization | 7,336,039     | 5,790,631    | Amortization of Prepaid and Deferred Revenue |
| EBITDA                            | —              | 1,080,000      | EBITDA                        | 25,032,102    | 18,510,544   | Adjustments for Exceptional Items:           |
| Non-cash Compensation Expense (1) | 2,515,703      | 3,259,223      | Credit Agreement EBITDA       | \$ 27,547,805 |              |  |
|                                   | \$ 21,769,767  |                |                               |               |              |  |

(1) Stock based compensation related to stock options, restricted stock units, and management's participation in profits interests in Eagle Ventures LLC (see Notes to our financial statements).

## Effects of Inflation

We do not believe that inflation has had or is likely, in the foreseeable future, to have a significant impact on vessel operating expenses, drydocking expenses or general and administrative expenses.

## Liquidity and Capital Resources

Net cash provided by operating activities during the three month periods ended March 31, 2008 and 2007 was \$26,454,362 and \$18,801,874, respectively. The increase was primarily due to cash generated from the operation of the fleet for 1,638 days in the three month period ended March 31, 2008 compared to 1,407 days during the same period in 2007.



Net cash used in investing activities during the three month period ended March 31, 2008, was \$13,399,474 compared to \$37,251,697 during the corresponding three month period ended March 31, 2007. Investing activities during the three month period ended March 31, 2008 related primarily to making progress payments for the newbuilding vessels and incurring related vessel construction expenses. During

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the three months ended March 31, 2007, investing activities primarily related to placement of \$23,440,000 in deposits towards the acquisition cost of 3 modern second-hand Supramax vessels, and funding deposits in Japanese yen of an equivalent \$25,265,936 for two 56,000 deadweight ton vessels being built in Japan. During the same period we sold the SHIKRA, a 1984-built Handymax vessel, to an unrelated third party for \$12,525,000 and we incurred total expenses of \$513,518 relating to the sale.

Net cash used by financing activities during the three month period ended March 31, 2008 was \$17,445,157, compared to net cash provided by financing activities of \$115,169,544 during the corresponding three month period ended March 31, 2007. In the three month period ended March 31, 2008, financing activities included borrowing \$6,630,000 from our revolving credit facility to fund progress payments for the newbuilding vessels and paying \$23,378,577 in dividends. Financing activities during the three month period ended March 31, 2007 included receipt of \$110,171,870 in gross proceeds from the sale of our common shares, incurring costs of \$2,743,067 associated with the sale, borrowing \$38,089,741 from our revolving credit facility of which \$25,649,741 was used to fund the deposits and part of the capitalized financing costs for the two newbuilding vessels which were contracted for construction during the quarter and \$12,440,000 was used to partly fund the deposits for the three second hand Supramax vessels which we agreed to acquire in the quarter. During the three month period ended March 31, 2007 we also used \$12,440,000 from the gross proceeds of the sale of the SHIKRA to repay borrowings from the revolving credit facility and paid \$18,309,000 in dividends.

As of March 31, 2008, our cash balance was \$148,513,423 compared to a cash balance of \$118,995,212 at March 31, 2007. In addition, \$9,000,000 in cash deposits are maintained with our lender for loan compliance purposes and this amount is recorded in Restricted Cash in our financial statements as of March 31, 2008. Also recorded in Restricted Cash is an amount of \$276,056 which is collateralizing a letter of credit relating to our office leases.

As of March 31, 2008, total availability under our \$1,600,000,000 revolving credit facility is \$996,127,110. The facility also provides us with the ability to borrow up to \$20,000,000 for working capital purposes. We anticipate that our current financial resources, together with cash generated from operations and, if necessary, borrowings under our revolving credit facility will be sufficient to fund the operations of our fleet, including our working capital requirements, for the foreseeable future. We will rely on operating cash flows as well as our revolving credit facility and possible additional equity and debt financing alternatives to fund our long term capital requirements for vessel construction and implement future growth plans. We were in compliance with all of the covenants contained in our debt agreements as of March 31, 2008.

## Dividends

Our current policy is to declare quarterly dividends to stockholders in March, May, August and November in amounts that are substantially equal to our cumulative available cash from operations during the previous quarters less any cash reserves for drydocking and working capital. Our revolving credit facility permits us to pay quarterly dividends in amounts up to cumulative free cash flows which is our quarterly earnings before extraordinary or exceptional items, interest, taxes, depreciation and amortization (Credit Agreement EBITDA), less the aggregate amount of interest incurred and net amounts payable under interest rate hedging agreements during the relevant period and an agreed upon reserve for drydocking for the period, provided that there is not a default or breach of loan covenant under the credit facility and the payment of the dividends would not result in a default or breach of a loan covenant. 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.

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On February 27, 2008 the Company's Board of Directors declared a cash dividend for the fourth quarter of 2007 of \$0.50 per share. The aggregate amount of this cash dividend was \$23,378,577 and was paid on March 18, 2008 to all shareholders of record as of March 13, 2008.

Subsequent to the end of the first quarter, on May 6, 2008, the Company's Board of Directors declared a cash dividend for the first quarter of 2008 of \$0.50 per share, based on 46,757,153 of the

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Company's common shares outstanding, payable to all shareholders of record as of May 20, 2008. The aggregate amount of this cash dividend payable to the Company's shareholders on May 23, 2008 is \$23,378,577.

## Contractual Obligations

The following table sets forth our expected contractual obligations and their maturity dates as of March 31, 2008:

|                 |                  | (in thousands of U.S. dollars) |            | Within     |        |              |            |            |            |    |
|-----------------|------------------|--------------------------------|------------|------------|--------|--------------|------------|------------|------------|----|
| One Year        | One to           |                                |            |            |        |              |            |            |            |    |
| Three Years     | Three to         |                                |            |            |        |              |            |            |            |    |
| Five Years      | More than        |                                |            |            |        |              |            |            |            |    |
| Five years      | Total Vessels(1) | \$ 239,916                     | \$ 532,587 | \$ 320,138 | —      | \$ 1,092,641 | Bank Loans | —          | —          | —  |
| \$ 603,873      | 603,873          | Interest and borrowing fees(2) | 36,403     | 72,806     | 72,906 | 154,788      | 336,903    |            |            |    |
| Office lease(3) | 582              | 1,297                          | 1,670      | 4,315      | 7,864  | Total        | \$ 276,901 | \$ 606,690 | \$ 394,714 | \$ |
| 762,976         | \$ 2,041,281     |                                |            |            |        |              |            |            |            |    |

(1) The balance of the contract price in US dollars for the 35 newbuilding vessels which are to be constructed and delivered between August 2008 and April 2012. (2) The Company is a party to floating-to-fixed interest rate swaps covering notional amounts of \$100,000,000, \$30,000,000, \$84,800,000, \$25,048,118, \$25,776,443, \$36,752,038, \$10,995,000, \$202,340,000 and \$81,500,000 as of March 31, 2008 that effectively convert the Company's interest rate exposure from a floating rate based on LIBOR to a fixed rate of 4.22%, 4.54%, 5.24%, 4.74%, 4.90%, 5.22%, 4.98%, 5.04% and 3.895% respectively, plus applicable margin. Interest and borrowing fees includes capitalized interest for the newbuilding vessels. (3) Remainder of the 63-month lease on the office space which we occupy.

## Capital Expenditures

Our capital expenditures relate to the purchase of vessels and capital improvements to our vessels which are expected to enhance the revenue earning capabilities and safety of these vessels.

We make capital expenditures from time to time in connection with our vessel acquisitions. As of March 31, 2008, our fleet consists of 18 vessels which are currently operational and 35 newbuilding vessels which have been contracted for construction.

In addition to acquisitions that we may undertake in future periods, the Company's other major capital expenditures include funding the Company's maintenance program of regularly scheduled drydocking necessary to preserve the quality of our vessels as well as to comply with international shipping standards and environmental laws and regulations. Although the Company has some flexibility regarding the timing of its dry docking, the costs are relatively predictable. Management anticipates that vessels are to be drydocked every two and a half years. Funding of these requirements is anticipated to be met with cash from operations. We anticipate that this process of recertification will require us to reposition these vessels from a discharge port to shipyard facilities, which will reduce our available days and operating days during that period.

Drydocking costs incurred are amortized to expense on a straight-line basis over the period through the date the next drydocking for those vessels are scheduled to occur. We did not drydock any vessels in the three months ended

March 31, 2008. The following table represents certain information about the estimated costs for anticipated vessel drydockings in the next four quarters, along with the anticipated off-hire days:

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|                   |                    |                |                |                |                    | Quarter Ending | Off-hire       |
|-------------------|--------------------|----------------|----------------|----------------|--------------------|----------------|----------------|
| Days(1)           | Projected Costs(2) | June 30, 2008  | 30             | \$1.00 million | September 30, 2008 | 60             | \$2.00 million |
| December 31, 2008 | 15                 | \$0.50 million | March 31, 2009 | 15             | \$0.50 million     |                |                |

(1) Actual

duration of drydocking will vary based on the condition of the vessel, yard schedules and other factors. (2) Actual costs will vary based on various factors, including where the drydockings are actually performed.

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Risk

There have been no material changes from the “Interest Rate Risk” previously disclosed in our Form 10-K for the year ended December 31, 2007.

In addition to the interest rate swaps outstanding as of December 31, 2007, during the three months ended March 31, 2008, the Company entered into an interest rate swap contract as follows:

- Notional amount of \$81,500,000 with a fixed interest rate of 3.895% and maturity in January 2013

The Company records the fair value of the interest rate swaps as an asset or liability on its balance sheet. The effective portion of the swap is recorded in accumulated other comprehensive income. Accordingly, a liability of \$31,008,992 and \$13,531,883 has been recorded in Other Liabilities in the Company’s financial statements as of March 31, 2008 and December 31, 2007, respectively.

Subsequent to March 31, 2008, the Company entered into a forward interest rate swap contract for a notional amount of \$84,800,000 of its outstanding debt which will commence upon the maturity in September 2009 of the existing swap for the notional amount of \$84,800,000 of its outstanding debt. Under the forward swap, the Company will pay fixed rate interest of 3.90% and receive floating rate interest amounts based on three-month Libor settings, exclusive of applicable margin. The forward swap matures in September 2013.

Currency and Exchange Rates

There have been no material changes from the “Currency and Exchange Rates” risk previously disclosed in our Form 10-K for the year ended December 31, 2007.

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Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the “Exchange Act”)) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective.

Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II: OTHER INFORMATION

Item 1 — Legal Proceedings

We are not aware of any legal proceedings or claims to which we or our subsidiaries are party or of which our property is subject. From time to time in the future, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. Those claims, even if lacking merit, could result in the expenditure by us of significant financial and managerial resources.

Item 1A — Risk Factors

There have been no material changes from the “Risk Factors” previously disclosed in our Form 10-K for the year ended December 31, 2007.

Item 2 — Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 — Defaults upon Senior Securities

None.

Item 4 — Submission of Matters to a Vote of Security Holders

None.

Item 5 — Other Information

None.

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Item 6 — Exhibits

EXHIBIT INDEX

|   |       |
|---|-------|
|   | 3 .1  |
| Amended and Restated Articles of Incorporation of the Company*  | 3 .2  |
| Amended and Restated Bylaws of the Company*   | 3 .3  |
| Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock** | 4 .1  |
| Form of Share Certificate of the Company*   | 4 .2  |
| Form of Senior Indenture***   | 4 .3  |
| Form of Subordinated Indenture***   | 4 .4  |
| Rights Agreement**  | 10 .1 |
| Amendment Agreement, dated March 25, 2008, to Employment Agreement of Mr. Sophocles N. Zoullas****    | 31 .1 |
| Rule 13a-14(d) / 15d-14(a) Certification of CEO   | 31 .2 |
| Rule 13a-14(d) / 15d-14(a) Certification of CFO   | 32 .1 |
| Section 1350 Certification of CEO   | 32 .2 |
| Section 1350 Certification of CFO   |       |

\*

Incorporated by reference to Amendment No. 4 to the Company's Registration Statement on Form S-1, Registration No. 333-123817, filed on June 22, 2005. \*\* Incorporated by reference to the Company's Registration Statement on Form 8-A filed on November 13, 2007. \*\*\* Incorporated by reference to the Company's Registration Statement on Form S-3, Registration No. 333-139745, filed on December 29, 2007. \*\*\*\* Incorporated by reference to the Company's Current Report on Form 8-K filed on March 27, 2008.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Zoullas  
Chairman of the Board and  
Chief Executive Officer  
Date: May 7, 2008

EAGLE BULK SHIPPING INC. By: /s/ Sophocles N.  
Sophocles N. Zoullas

Alan S. Ginsberg  
Chief Financial Officer  
and Treasurer  
Date: May 7, 2008

By: /s/ Alan S. Ginsberg

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