

Edgar Filing: Eagle Bulk Shipping Inc. - Form 10-Q

Eagle Bulk Shipping Inc.  
Form 10-Q  
May 10, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q  
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2006

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Commission File Number 000-51366

EAGLE BULK SHIPPING INC.

(Exact name of Registrant as specified in its charter)

Republic of the Marshall Islands  
(State or other jurisdiction of  
incorporation or organization)

98-0453513  
(I.R.S. Employer  
Identification No.)

Registrant's Address:  
477 Madison Avenue  
New York, New York 10022

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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated Filer  Accelerated Filer  Non-accelerated Filer

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.

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Common Stock, par value \$0.01 per share 33,150,000 shares  
outstanding as of May 9, 2006.

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Part 1 : FINANCIAL INFORMATION  
Item 1 : Financial Statements

### EAGLE BULK SHIPPING INC. CONSOLIDATED BALANCE SHEETS

|                              | March 31, 2006 |       |
|------------------------------|----------------|-------|
|                              | -----          | ----- |
| ASSETS:                      | (Unaudited)    |       |
| Current Assets:              |                |       |
| Cash .....                   | \$21,379,146   | \$    |
| Accounts Receivable.....     | 332,239        |       |
| Prepaid Charter Revenue..... | 7,166,000      |       |

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|   |               |     |
|---|---------------|-----|
| Prepaid Expenses.....   | 1,782,835     |     |
|   |               |     |
| Total Current Assets.....   | 30,660,220    |     |
| Fixed Assets:   |               |     |
| Vessels and Vessel Improvements, at cost, net of Accumulated<br>Depreciation of \$15,081,718 at March 31, 2006 and<br>\$10,384,247          | 412,884,139   | 4   |
| at December 31, 2005.....   |               |     |
| Restricted Cash.....  | 6,624,616     |     |
| Deferred Drydock Costs, net of Accumulated Amortization of<br>\$150,091 at March 31, 2006, and \$27,980 at December 31, 2005....            | 1,736,064     |     |
| Deferred Financing Costs, net of Accumulated Amortization of<br>\$131,015 at March 31, 2006 and \$98,065 at December 31, 2005....           | 1,236,789     |     |
| Other Assets .....  | 4,664,130     |     |
|   |               |     |
| Total Assets.....   | \$457,805,958 | \$4 |
|   |               |     |
| LIABILITIES & STOCKHOLDERS' EQUITY  |               |     |
| Current Liabilities:  |               |     |
| Accounts Payable.....   | \$3,273,454   |     |
| Accrued Interest.....   | 521,906       |     |
| Other Accrued Liabilities.....  | 383,342       |     |
| Deferred Revenue.....   | 901,000       |     |
| Unearned Charter Hire Revenue.....  | 2,266,502     |     |
|   |               |     |
| Total Current Liabilities.....  | 7,346,204     |     |
| Long-term Debt.....   | 140,000,000   | 1   |
|   |               |     |
| Total Liabilities.....  | 147,346,204   | 1   |
| Commitment and Contingencies  |               |     |
| Stockholders' Equity:   |               |     |
| Preferred Stock, \$.01 par value, 25,000,000 shares authorized,<br>none issued.....   | -             |     |
| Common stock, \$.01 par value, 100,000,000 shares authorized,<br>33,150,000 shares issued and outstanding.....                              | 331,500       |     |
| Additional Paid-In Capital.....   | 321,574,723   | 3   |
| Retained Earnings (net of cumulative Dividends declared of<br>\$33,556,500 at March 31, 2006 and \$14,661,000 at December 31,<br>2005)..... | (16,110,599)  | (   |
| Accumulated Other Comprehensive Income.....   | 4,664,130     |     |
|   |               |     |
| Total Stockholders' Equity.....   | 310,459,754   | 3   |
|   |               |     |
| Total Liabilities and Stockholders' Equity.....   | \$457,805,958 | \$4 |

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

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

|              |                  |
|--------------|------------------|
| Three Months | Period from      |
| ended        | January 26, 2005 |
|              | (inception) to   |

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|  | March 31, 2006 | March 31, 2005 |
|--|----------------|----------------|
|  | -----          | -----          |
| Revenues, net of commissions.....        | \$23,790,052   | \$-            |
| Vessel Expenses.....                     | 4,704,997      | 49,210         |
| Depreciation and Amortization.....       | 4,819,582      | -              |
| General and Administrative Expenses..... | 985,479        | 757,003        |
| Non-cash Compensation Expense.....       | 752,686        | -              |
|  | -----          | -----          |
| Total Operating Expenses.....            | 11,262,744     | 806,213        |
|  | -----          | -----          |
| Operating Income/(Loss).....             | 12,527,308     | (806,213)      |
| Interest Expense.....                    | 2,066,351      | -              |
| Interest Income.....                     | (331,544)      | -              |
|  | -----          | -----          |
| Net Interest Expense.....                | 1,734,807      | -              |
|  | -----          | -----          |
| Net Income/(Loss).....                   | 10,792,501     | \$ (806,213)   |

Weighted Average Shares Outstanding :

|              |            |            |
|--------------|------------|------------|
| Basic.....   | 33,150,000 | 12,750,000 |
| Diluted..... | 33,150,106 | 12,750,000 |

Per Share Amounts:

|                                       |         |           |
|---------------------------------------|---------|-----------|
| Basic Net Income/(Loss).....          | \$ 0.33 | \$ (0.06) |
| Diluted Net Income/(Loss).....        | \$ 0.33 | \$ (0.06) |
| Cash dividends declared and paid..... | \$ 0.57 | -         |

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

EAGLE BULK SHIPPING INC.  
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY  
FOR THE THREE-MONTHS ENDED MARCH 31, 2006

|                                      | Shares     | Common<br>Shares | Additional<br>Paid-In<br>Capital | Net Income  | Retained Earnings<br>Cash<br>Dividends | Accu<br>Defi |
|--------------------------------------|------------|------------------|----------------------------------|-------------|--|--------------|
|                                      | -----      | -----            | -----                            | -----       | -----                                  | -----        |
| Balance at December 31,<br>2005..... | 33,150,000 | \$331,500        | \$320,822,037                    | \$6,653,400 | \$(14,661,000)                         | \$(8         |
| Comprehensive Income :               |            |                  |                                  |             |  |              |

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|   |            |           |               |              |                |        |
|---|------------|-----------|---------------|--------------|----------------|--------|
| Net Income.....                             | -          | -         | -             | 10,792,501   | -              | 1      |
| Net Unrealized gains<br>on derivatives..... | -          | -         | -             | -            | -              | -      |
| Comprehensive Income .....                  | -          | -         | -             | -            | -              | -      |
| Cash Dividends.....                         | -          | -         | -             | -            | (18,895,500)   | (18)   |
| Non-cash Compensation.....                  | -          | -         | 752,686       | -            | -              | -      |
| Balance at March 31, 2006....               | 33,150,000 | \$331,500 | \$321,574,723 | \$17,445,901 | \$(33,556,500) | \$(16) |

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

EAGLE BULK SHIPPING INC. CONSOLIDATED STATEMENT OF CASH FLOWS

|  | Three Months<br>ended<br>March 31, 2006 | Period from<br>January 26, 2005<br>(inception) to<br>March 31, 2005 |
|--|---|---|
|  | -----                                   | -----   |
| Cash Flows from Operating Activities   |   |   |
| Net Income.....  | \$10,792,501                            | \$(806,213)   |
| Adjustments to Reconcile Net Income to Net Cash<br>provided by Operating Activities: |   |   |
| Items included in net income not affecting cash<br>flows:                            |   |   |
| Depreciation.....  | 4,697,471                               | -   |
| Amortization of Deferred Drydocking Costs.....                                       | 122,111                                 | -   |
| Amortization of Deferred Financing Costs .....                                       | 32,950                                  | -   |
| Amortization of Prepaid and Deferred Charter Revenue..                               | 937,000                                 | -   |
| Non-cash Compensation Expense.....   | 752,686                                 | -   |
| Changes in Operating Assets and Liabilities:   |   |   |
| Accounts Receivable.....   | (51,145)                                | -   |
| Prepaid Expenses.....  | (1,269,690)                             | (19,124)  |
| Accounts Payable.....  | 1,412,309                               | 237,717   |
| Accrued Interest.....  | 7,275                                   | -   |
| Accrued Expenses.....  | (41,327)                                | 500,526   |
| Drydocking Expenses.....   | (1,464,473)                             | -   |
| Unearned Charter Hire Revenue.....   | (178,020)                               | -   |
|  | -----                                   | -----   |
| Net Cash Provided by/(Used in) Operating Activities..                                | 15,749,648                              | (87,094)  |
| Cash Flows from Investing Activities   |   |   |
| Advances for Vessel Deposits.....  | -                                       | (36,518,100)  |
|  | -----                                   | -----   |
| Net Cash Used in Investing Activities.....   | -                                       | (36,518,100)  |
| Cash Flows from Financing Activities   |   |   |
| Issuance of Common Stock.....  | -                                       | 40,822,278  |
| Deferred Financing Costs.....  | (1,530)                                 | (30,000)  |
| Cash Dividend.....   | (18,895,500)                            | -   |
| Net Cash (Used in)/ Provided by Financing Activities..                               | (18,897,030)                            | 40,792,278  |
| Net (Decrease)/Increase in Cash.....   | (3,147,382)                             | 4,187,084   |
| Cash at Beginning of Period.....   | 24,526,528                              | -   |

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|                            |              |              |
|----------------------------|--------------|--------------|
| Cash at End of Period..... | \$21,379,146 | \$ 4,187,084 |
|----------------------------|--------------|--------------|

Supplemental Cash Flow Information:

|  |             |      |
|--|-------------|------|
| Cash paid during the period for Interest (including Fees)..... | \$2,025,940 | \$ - |
|--|-------------|------|

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

### EAGLE BULK SHIPPING INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation and General Information

The accompanying unaudited interim 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 on March 23, 2005, under the laws of the Republic of the Marshall Islands. Following incorporation, the Company merged with Eagle Holdings LLC, a Marshall Islands limited liability company formed on January 26, 2005, and became a wholly-owned subsidiary of Eagle Ventures LLC, a Marshall Islands limited liability company. Eagle Ventures LLC is owned by Kelso Investments Associates VII, L.P. and KEP VI, LLC, both affiliates of Kelso & Company, L.P. ("Kelso"), members of management, a director, and outside investors. The merger was accounted for as a reorganization of entities under common control. Eagle Ventures LLC currently owns approximately 37.5% of the Company's outstanding common stock. Eagle Ventures LLC is 85.9% owned by affiliates of Kelso.

The Company is the sole owner of all of the outstanding shares of the Marshall Island incorporated wholly-owned subsidiaries listed below. The primary activity of each of these subsidiaries is the ownership of a vessel.

| Company                     | Owner of Vessel | dwt.   | Built | Vessel Acquired  |
|-----------------------------|-----------------|--------|-------|------------------|
| Cardinal Shipping LLC.....  | Cardinal        | 55,362 | 2004  | April 18, 2005   |
| Condor Shipping LLC.....    | Condor          | 50,206 | 2001  | April 29, 2005   |
| Falcon Shipping LLC.....    | Falcon          | 50,206 | 2001  | April 21, 2005   |
| Griffon Shipping LLC.....   | Griffon         | 46,635 | 1995  | June 1, 2005     |
| Harrier Shipping LLC.....   | Harrier         | 50,206 | 2001  | April 19, 2005   |
| Hawk Shipping LLC.....      | Hawk I          | 50,206 | 2001  | April 26, 2005   |
| Heron Shipping LLC.....     | Heron           | 52,827 | 2001  | December 1, 2005 |
| Kite Shipping LLC.....      | Kite            | 47,195 | 1997  | May 9, 2005      |
| Merlin Shipping LLC.....    | Merlin          | 50,296 | 2001  | October 26, 2005 |
| Osprey Shipping LLC.....    | Osprey I        | 50,206 | 2002  | August 31, 2005  |
| Peregrine Shipping LLC..... | Peregrine       | 50,913 | 2001  | June 30, 2005    |
| Shikra Shipping LLC.....    | Shikra          | 41,096 | 1984  | April 29, 2005   |
| Sparrow Shipping LLC.....   | Sparrow         | 48,225 | 2000  | July 19, 2005    |

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The commercial and strategic management of the is carried out by a wholly-owned subsidiary of the Company, Eagle Shipping International (USA) LLC, a Marshall Islands limited liability company.

The following table represents certain information about the Company's revenue earning charters, as of March 31, 2006:

| Vessel         | Delivered to Charterer | Time Charter Expiration (1)    | Daily Time Charter Hire Rate |
|----------------|------------------------|--------------------------------|------------------------------|
| Cardinal.....  | April 19, 2005         | March 2007 to June 2007        | \$26,500                     |
| Condor.....    | April 30, 2005         | November 2006 to March 2007    | \$24,000                     |
| Falcon.....    | April 22, 2005         | February 2008 to June 2008     | \$20,950                     |
| Griffon2 ..... | February 17, 2006      | January 2007 to February 2007  | \$13,550                     |
| Harrier.....   | April 21, 2005         | March 2007 to June 2007        | \$23,750                     |
| Hawk I.....    | April 28, 2005         | March 2007 to June 2007        | \$23,750                     |
| Heron.....     | December 11, 2005      | November 2007 to February 2008 | \$24,000                     |
| Kite.....      | May 10, 2005           | April 2006                     | \$25,000                     |
| Merlin.....    | October 26, 2005       | October 2007 to December 2007  | \$24,000                     |
| Osprey I.....  | August 31, 2005        | July 2008 to November 2008     | \$21,000                     |
| Peregrine..... | July 1, 2005           | October 2006 to January 2007   | \$24,000                     |
| Shikra.....    | April 30, 2005         | July 2006 to November 2006     | \$22,000                     |
| Sparrow.....   | July 20, 2005          | November 2006 to February 2007 | \$22,500                     |

(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 initial charter on the GRIFFON at a daily charter rate of \$28,000 ended in February 2006.

The Company began vessel operations in April 2005. There was no vessel revenue generated in the quarter ended March 31, 2005. During the three-month period ended March 31, 2006, four charterers individually accounted for more than 10% of the Company's gross time charter revenue as follows:

| Charterer        | % of time charter revenue |
|------------------|---------------------------|
| Charterer A..... | 16.2%                     |
| Charterer B..... | 15.7%                     |
| Charterer C..... | 14.9%                     |
| Charterer D..... | 10.9%                     |

The accompanying unaudited consolidated financial statements 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. 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

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included in the Company's 2005 Annual Report on Form 10-K and Registration Statements on Form S-1.

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 and Vessel Improvements

As of March 31, 2006, the Company had acquired 13 Handymax dry bulk vessels at a total cost of \$427,144,953. These costs consist of the total contracted purchase price of \$434,877,903, \$359,550 in additional costs relating to the acquisition of the vessels, and \$8,092,500 in net prepaid charter revenue adjustments relating to the assumption of time charters associated with certain of the acquired vessels. The Company has also capitalized \$820,904 of costs relating to vessel improvements. Vessel and vessel improvement costs have been depreciated from the date of their acquisition through their remaining estimated useful life. Depreciation expense for the three-month period ended March 31, 2006 was \$4,697,471.

### Note 3. Long-Term Debt

At March 31, 2006, the Company's debt consisted of \$140,000,000 in borrowings under a revolving credit facility, an amount which is unchanged from the debt outstanding as of December 31, 2005.

The revolving credit facility has a facility limit of \$330,000,000 and a term of ten years. The Company is permitted to borrow the remaining undrawn capacity of \$190 million, which amount includes amounts available to borrow for working capital purposes as described below, in connection with future acquisitions of dry bulk carriers between 25,000 dwt and 85,000 dwt that are not older than 10 years. The Company is permitted to borrow up to \$10,000,000 at any one time for working capital purposes during an initial period of 18 months from the first draw down date, after which time the Company's ability to borrow amounts for working capital purposes will be subject to review and reapproval on an annual basis.

Under the terms of the revolving credit agreement, the facility will be available in full for five years and there are no principal repayment obligations for the first five years. Over the remaining period of five years, the amount available under the facility will reduce in semi-annual amounts of \$20,500,000 with a final reduction of \$125,000,000 occurring simultaneously with the last semi-annual reduction. The credit facility bears interest at the London Interbank Offered Rate (LIBOR) plus a margin of 0.95%. The Company must also pay a fee of 0.4% per annum on the unused portion of the revolving credit facility on a quarterly basis.

The Company's ability to borrow amounts under the credit facility is subject to satisfaction of certain customary conditions precedent and compliance with terms and conditions included in the loan documents. In connection with vessel acquisitions, amounts borrowed may not exceed 60% of the value of the vessels securing the Company's obligations under the credit facility. The Company's ability to borrow such amounts, in each case, is subject to its lender's approval of the vessel acquisition. The lender's approval will be based on the lender's satisfaction of the Company's ability to raise additional capital through equity issuances in amounts acceptable to the lender and the proposed employment of the vessel to be acquired.



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The Company's obligations under the credit facility is secured by a first priority mortgage on each of the vessels in its fleet and such other vessels that it may from time to time include with the approval of the lender, a first assignment of all freights, earnings, issuances and compensation. The Company's credit facility also limits its ability to create liens on its assets in favor of other parties. The Company may grant additional security from time to time in the future.

The credit facility, as amended, contains financial covenants requiring the Company, among other things, to ensure that: (1) the aggregate market value of the vessels in the Company's fleet that secure its obligations under the credit facility, as determined by an independent shipbroker on a charter-free basis, at all times exceeds 130% of the aggregate principal amount of debt outstanding under the credit facility and the notional or actual cost of terminating any related hedging arrangements; (2) to the extent the Company's debt during any accounting period is less than \$200,000,000, the Company's total assets minus debt will not be less than \$100,000,000; to the extent the Company's debt during any accounting period is greater than \$200,000,000, the Company's total assets minus debt will not be less than \$150,000,000; (3) the Company's EBITDA, as defined in the credit agreement, will at all times be not less than 2.0x the aggregate amount of interest incurred and net amounts payable under interest rate hedging arrangements during the relevant period; and (4) the Company maintains with the lender \$500,000 per vessel in addition to an amount adequate to meet anticipated capital expenditures for the vessel over a 12 month period. Such cash deposits are recorded in Restricted Cash.

For the purposes of the credit facility, the Company's "total assets" will be defined to include its tangible fixed assets and its current assets, as set forth in the consolidated financial statements, except that the value of any vessels in its fleet that secure its obligations under the credit facility will be measured by their fair market value rather than their carrying value on its consolidated balance sheet.

The Company's revolving credit facility permits it to pay dividends in amounts up to its earnings before extraordinary or exceptional items, interest, taxes, depreciation and amortization (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, 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.

For the three-month period ended March 31, 2006, interest rates applicable on the Company's debt ranged from 5.17% to 5.49%, including the margin. The weighted average effective interest rate was 5.26%.

Interest Expense for the three months ended March 31, 2006 consists of:

|   | March 31, 2006 |
|---|----------------|
|   | -----          |
| Loan Interest.....                            | \$1,841,290    |
| Commitment Fees.....                          | 192,111        |
| Amortization of Deferred Financing Costs..... | 32,950         |
|   | -----          |
| Total Interest Expense.....                   | \$2,066,351    |
|   | =====          |

### Interest-Rate Swaps

The Company has entered into interest rate swaps to effectively convert a

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portion of its debt from a floating to a fixed-rate basis. The swaps are designated and qualify as cash flow hedges. Interest rate swap contracts for notional amounts of \$100,000,000 and \$30,000,000 were entered into in 2005. These contracts mature in September 2010. Exclusive of a margin of 0.95%, the Company will pay 4.22% and 4.54% fixed-rate interest, respectively, and receive floating-rate interest amounts based on three-month LIBOR settings. The Company records the fair value of the interest rate swap as an asset or liability on the balance sheet. The effective portion of the swap is recorded in accumulated other comprehensive income. At March 31, 2006 and December 31, 2005, the Company recorded an asset of \$4,664,130 and \$2,647,077, respectively, which is included in Other Assets in the accompanying balance sheet.

### Note 4. Related Party Transactions

The Company did not incur any related party expenses in the three-months ended March 31, 2006.

The Company had a financial advisory agreement dated February 1, 2005 with Kelso. Under the terms of the agreement the Company was to pay Kelso annual fees of up to \$500,000. The agreement had also provided for Kelso to be paid fees in connection with other services. In 2005, the Company terminated certain of its obligations under this agreement, including its obligation to pay the annual fees of \$500,000, for a one-time payment of \$1,000,000. The Company recorded an expense of \$83,333 for the period ended March 31, 2005 for fees under this agreement.

### Note 5. Commitments and Contingencies

#### Vessel Technical Management Contract

The Company entered into technical management agreements for each of its vessels with V. Ships Management Ltd., an independent technical manager. V. Ships is paid a technical management fee of \$8,638 per vessel per month.

#### 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 under Restricted Cash. The Letter of Credit amounts decline to zero at the conclusion of the lease.

### Note 6. Earnings Per Common Share

The computation of earnings per share is based on the weighted average number of common shares outstanding during the period. In the three-month period ended March 31, 2006, the Company granted 56,666 shares of the Company's stock in options under the 2005 Stock Incentive Plan (see Note 9). Diluted net income per share gives effect to the aforementioned stock options.

|  | Three Months<br>ended<br>March 31, 2006 | Period from<br>January 26, 2005<br>(inception) to<br>March 31, 2005 |
|--|---|---|
|  | -----                                   | -----   |
| Net Income/(Loss).....                               | \$10,792,501                            | \$ (813,206)  |
| Weighted Average Shares - Basic.....                 | 33,150,000                              | 12,750,000  |
| Incremental Shares using treasury stock method ..... | 106                                     | --  |
| Weighted Average Shares - Diluted.....               | 33,150,106                              | 12,750,000  |
| Basic Earnings Per Share.....                        | \$0.33                                  | \$(0.06)  |

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Diluted Earnings Per Share..... \$0.33 \$ (0.06)

### Note 7. Non-cash Compensation

For the quarter ended March 31, 2006 the Company recorded a non-cash compensation charge of \$752,686. This amount includes \$705,653 in non-cash, non-dilutive charges relating to profits interests awarded to members of the Company's management by the Company's principal shareholder Eagle Ventures LLC. Non-Cash Compensation Expense also includes a non-cash amount of \$47,033 which relates to the fair value of the stock options granted to certain directors of the Company under the 2005 Stock Incentive Plan on the date of grant (see Note 9).

On January 28, 2006, the limited liability company agreement of Eagle Ventures LLC was amended and restated. This provided for the award of the previously unallocated profits interests in Eagle Ventures LLC to certain employees and adjusted the manner distributions are made by Eagle Ventures in connection with these newly awarded profits interests. In most other respects, the terms of these newly awarded profits interests are similar in nature to those awarded previously.

On March 8, 2006, the limited liability company agreement of Eagle Ventures LLC was amended and restated again (the "Fourth LLC Agreement") and is included as an Exhibit to our annual report for the period ending December 31, 2005. This provided for an acceleration of the retention schedule applicable to all service based profits interests that were allocated prior to January 28, 2006. In addition, this provided for the immediate vesting of 25% of the service-related profits interests that were granted on January 28, 2006 with the remaining amount vesting over a three-year period.

These profits interests will dilute only the interests of owners of Eagle Ventures LLC, and will not dilute the direct holders of the Company's common stock. The non-cash compensation charge is being recorded as an expense over the estimated service period in accordance with SFAS No. 123(R). The non-cash compensation charges will be based on the fair value of the profits interests which will be "marked to market" at the end of each reporting period. The impact of any changes in the estimated fair value of the profits interests will be recorded as a change in estimate cumulative to the date of change. The impact on the amortization of the compensation charge of any changes to the estimated vesting periods for the performance related profits interests will be adjusted prospectively as a change in estimate. The Company's Financial Statements for the year ended December 31, 2005 on Form 10-K includes a more detailed description of these profits interests.

### Note 8. Capital Stock

#### Dividends

The Company's current policy is to declare quarterly dividends to stockholders in February, April, July and October. Payment of dividends is limited by the terms of certain agreements to which the Company and its subsidiaries are party. The Company's revolving credit facility permits it to pay quarterly dividends in amounts up to its 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 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

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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 January 30, 2006 the Company's Board of Directors declared a cash dividend for the fourth quarter of 2005 of \$0.57 per share which was paid on February 24, 2006 to all shareholders of record as of February 15, 2006. The aggregate amount of this cash dividend was \$18,895,500.

### Note 9. 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 stock 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. As of December 31, 2005, no grants had been made under the plan. On March 17, 2006, the Company granted options to purchase 56,666 shares of the Company's common stock to its independent non-employee directors. These options vested and became exercisable on the grant date at an exercise price of \$13.23 per share. All options expire ten years from the date of grant. As of March 31, 2006, no other grants have been made under the plan.

For purposes of determining compensation cost for the Company's stock option plans using the fair value method of FAS 123(R), the fair values of the options granted were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 5%, dividend yield of 14%, expected stock price volatility factor of 0.33.

On March 17, 2006, the Company also granted a Dividend Equivalent Rights Award to its independent non-employee directors equivalent to 62,964 shares of the Company's common stock. This award entitles the participant to receive a Dividend Equivalent payment each time the Company pays a dividend to the Company's stockholders. The amount of the Dividend Equivalent payment is equal to the number of Dividend Equivalent Rights multiplied by the amount of the per share dividend paid by the Company on its stock on the date the dividend is paid. These payments will be recorded as compensation expense.

### Note 10. Subsequent Events

On April 14, 2006 the Company's Board of Directors declared a cash dividend for the first quarter of 2006 of \$0.50 per share, based on 33,150,000 shares of common stock outstanding, payable on May 3, 2006 to all shareholders of record as of April 28, 2006. The aggregate amount of the cash dividend paid to the Company's shareholders on May 3, 2006 was \$16,575,000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

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The following is a discussion of the Company's financial condition and results of operation for the three-month period ended March 31, 2006. 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, including, without limitation, our Registration Statement on Form S-1 filed 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 annual 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 Marshall Islands corporation headquartered in New York City. We are the largest U.S. based owner of Handymax dry bulk vessels. Handymax dry bulk vessels range in size from 35,000 to 60,000 deadweight tons, or dwt, and transport a broad range of major and minor bulk

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cargoes, including iron ore, coal, grain, cement and fertilizer, along worldwide shipping routes. As of March 31, 2006, we owned and operated a modern fleet of 13 Handymax dry bulk vessels that we have purchased from unrelated third parties.

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. Nine of the 13 vessels in our fleet are classed as Supramax dry bulk vessels. 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 13 vessels in our fleet have a combined carrying capacity of 643,980 dwt and an average age of only six years, as of March 31, 2006, as 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 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: Handymax dry bulk vessels, which 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).

### Our Fleet

The following table presents certain information concerning our fleet as of March 31, 2006.

---

| Vessel | Year Built | Dwt | Time Charter Expiration (1) | Employment |
|--------|------------|-----|-----------------------------|------------|
|--------|------------|-----|-----------------------------|------------|

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### SUPRAMAX:

|                        |      |        |                                |
|------------------------|------|--------|--------------------------------|
| Condor (2).....        | 2001 | 50,296 | November 2006 to March 2007    |
| Falcon (2).....        | 2001 | 50,296 | February 2008 to June 2008     |
| Harrier (2).....       | 2001 | 50,296 | March 2007 to June 2007        |
| Hawk I (2).....        | 2001 | 50,296 | March 2007 to June 2007        |
| Merlin (2).....        | 2001 | 50,296 | October 2007 to December 2007  |
| Osprey I (2) (4) ..... | 2002 | 50,206 | July 2008 to November 2008     |
| Cardinal (3).....      | 2004 | 55,408 | March 2007 to June 2007        |
| Peregrine (3).....     | 2001 | 50,913 | October 2006 to January 2007   |
| Heron .....            | 2001 | 52,827 | December 2007 to February 2008 |

### HANDYMAX:

|                  |      |        |                                |
|------------------|------|--------|--------------------------------|
| Sparrow (3)..... | 2000 | 48,220 | November 2006 to February 2007 |
| Kite (5).....    | 1997 | 47,195 | April 2006                     |
| Griffon.....     | 1995 | 46,635 | January 2007 to February 2007  |
| Shikra.....      | 1984 | 41,096 | July 2006 to November 2006     |

- (1) The date range provided represents the earliest and latest date on which the charterers may redeliver the vessel to us upon the termination of the charter.
- (2) These vessels are sister ships.
- (3) These vessels are similar ships built at the same shipyard.
- (4) The charterer of the OSPREY I has an option to extend the charter period by up to 26 month. (5) Upon completion of the charter in April 2006, the KITE has commenced a new charter at \$14,750 per day until March 2007 to May 2007.

### Fleet Management

The management of our fleet includes the following functions:

- o Strategic management. We locate, obtain financing and insurance for, purchase and sell vessels.
- o Commercial management. We obtain employment for our vessels and manage our relationships with charterers.
- o 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 Marshall Islands limited liability company that maintains its principal executive offices in New York City. Our office staff, either directly or through this subsidiary, provides the following services:

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

We currently have a total of seven shore based personnel, including our senior management team.

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### Technical Management

The technical management of our fleet is provided by our technical manager, V.Ships, an unaffiliated third party, that we believe is the world's largest provider of independent ship management and related services. We review the performance of V.Ships on an annual basis and may add or change technical managers.

Technical management includes managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging our hire of qualified officers and crew, arranging and supervising drydocking and repairs, purchasing supplies, spare parts and new equipment for vessels, appointing supervisors and technical consultants and providing technical support. V.Ships also manages and processes all crew insurance claims. Our technical manager maintains records of all costs and expenditures incurred in connection with its services that are available for our review on a daily basis. Our technical manager is a member of Marine Contracting Association Limited (MARCAS), an association that arranges bulk purchasing for its members, which enables us to benefit from economies of scale.

We currently crew our vessels with Ukrainian officers and seamen supplied by V.Ships in its capacity as technical manager. These officers and seamen are employees of our wholly owned vessel owning subsidiaries while aboard our vessels. We currently employ a total of 288 officers and seamen on the 13 vessels in our operating fleet. Our technical manager handles each seaman's training, travel, and payroll and ensures that all our seamen have the qualifications and licenses required to comply with international regulations and shipping conventions. Additionally, our seafaring employees perform most commissioning work and assist in supervising work at shipyards and drydock facilities. We typically man our vessels with more crew members than are required by the country of the vessel's flag in order to allow for the performance of routine maintenance duties. All of our crew members are subject to and are paid commensurate with international collective bargaining agreements and, therefore, we do not anticipate any labor disruptions. No international collective bargaining agreements to which we are a party are set to expire within two years.

For the three-month period ended March 31, 2006, we paid our technical manager a fee of \$8,638 per vessel per month, plus actual costs incurred by our vessels.

### Competition

We compete with a large number of international fleets. The international shipping industry is highly competitive and fragmented with many market participants. There are approximately 6,100 drybulk carriers aggregating approximately 350 million dwt, and the ownership of these vessels is divided among approximately 1,400 mainly private independent dry bulk vessel owners with no one shipping group owning or controlling more than 5.0% of the world dry bulk fleet. We primarily compete with other owners of dry bulk vessels in the Handymax class that are mainly privately owned fleets.

Competition in the ocean shipping industry varies primarily according to the nature of the contractual relationship as well as with respect to the kind of commodity being shipped. Our business will fluctuate in line with the main patterns of trade of dry bulk cargoes and varies according to changes in the supply and demand for these items. Competition in virtually all bulk trades is intense and based primarily on supply and demand. We compete for charters on the basis of price, vessel location, size, age and condition of the vessel, as well as on our reputation as an owner and operator. Increasingly, major customers are



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demonstrating a preference for modern vessels based on concerns about the environmental and operational risks associated with older vessels. Consequently, owners of large modern fleets have gained a competitive advantage over owners of older fleets.

As in the spot market, the time charter market is price sensitive and also depends on our ability to demonstrate the high quality of our vessels and operations to chartering customers. However, because of the longer term commitment, customers entering time charters are more concerned about their exposure and image from chartering vessels that do not comply with environmental regulations or that will be forced out of service for extensive maintenance and repairs. Consequently, in the time charter market, factors such as the age and quality of a vessel and the reputation of the owner and operator tend to be more significant than in the spot market in competing for business.

### 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 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 consolidated financial statements, which have been prepared in accordance with U.S. GAAP. 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. We have described below what we believe are our most critical accounting policies, because they generally involve a comparatively higher degree of judgment in their application. For a description of all our significant accounting policies, see Note 2 to our interim consolidated financial statements included herein.

### Revenue Recognition

We currently generate all of our revenue from time charters. Time charters are for a specific period of time at a specific rate per day or month, and are generally not as complex or as subjective as voyage charters. If we had a vessel on a voyage charter, or a charter in the spot market, we would agree to provide a vessel for the transport of specific goods between specific ports in return for the payment of an agreed upon freight per ton of cargo or, alternatively, for a specified total amount. All operating costs would be for our account. Voyage expenses, such as fuel and port charges, are recognized ratably over the duration of the voyage and, therefore, are allocated between reporting periods based on the relative transit time in each period. Estimated losses under a voyage charter are provided for in full at the time such losses become evident.

Revenue recognition for voyage charters may be calculated on either a load-to-load basis or on a discharge-to-discharge basis. Our accounting policy for recognition of voyage freight for vessels operating on voyage charters would

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be on a discharge-to-discharge basis. Under this method, voyage revenue is recognized evenly over the period from the departure of a vessel from its prior discharge port to departure from the next discharge port. We believe that the discharge-to-discharge method is preferable because it eliminates the uncertainty associated with the location of the next load port. This method is the predominant one used by the industry.

### Vessel Lives and Impairment

The carrying value of each of our vessels represents its original cost at the time it was delivered or purchased less depreciation. We depreciate our dry bulk vessels on a straight-line basis over their estimated useful lives, estimated to be 28 years from date of initial delivery from the shipyard to the original owner. Depreciation is based on cost less the estimated residual salvage value. Salvage, or scrap, value is based upon a vessel's lightweight tonnage ("lwt") multiplied by a scrap rate. We use a scrap rate of \$150 per lwt, which we believe is common in the dry bulk shipping industry, to compute each vessel's salvage value. An increase in the useful life of a dry bulk vessel or in its salvage value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a dry bulk vessel or in its salvage value would have the effect of increasing the annual depreciation charge. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, the vessel's useful life is adjusted to end at the date such regulations become effective. The estimated scrap value is used in the computation of depreciation expense and recoverability of the carrying value of each vessel when evaluating for impairment of vessels. Management's estimates for salvage values may differ from actual results.

The carrying values of the Company's vessels may not represent their fair market value at any point in time since the market prices of second-hand vessels tend to fluctuate with changes in charter rates and the cost of newbuildings. Historically, both charter rates and vessel values tend to be cyclical. We evaluate the carrying amounts and periods over which long-lived assets are depreciated to determine if events have occurred which would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, we review certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. We determine undiscounted projected net operating cash flow for each vessel and compare it to the vessel carrying value. This assessment is made at the individual vessel level since separately identifiable cash flow information for each vessel is available. In developing estimates of future cash flows, the Company must make assumptions about future charter rates, ship operating expenses, and the estimated remaining useful lives of the vessels. These assumptions are based on historical trends as well as future expectations. Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate, such assumptions are highly subjective. In the event that an impairment were to occur, we would determine the fair value of the related asset and record a charge to operations calculated by comparing the asset's carrying value to the estimated fair value. We estimate fair value primarily through the use of third party valuations performed on an individual vessel basis.

### Deferred Drydock Cost

There are three methods that are used by the shipping industry to account for drydockings; first is the prepaid method where drydock costs are capitalized when incurred and amortized over the period to the next scheduled drydock; second, is the accrual method where the estimated cost of the next scheduled drydock is accrued over the period preceding such drydock, and lastly; expensing drydocking costs in the period it is incurred. We use the prepaid method of

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accounting for drydock expenses. Under the prepaid method, drydock expenses are capitalized and amortized on a straight-line basis until the next drydock, which we estimate to be a period of two to three years. We believe the prepaid method better matches costs with revenue and minimizes any significant changes in estimates associated with the accrual method, including the disposal of vessels before a drydock which has been accrued before it is performed. We use judgment when estimating the period between drydocks performed, which can result in adjustments to the estimated amortization of drydock expense. If the vessel is disposed of before the next drydock, the remaining balance in prepaid drydock is written-off to the gain or loss upon disposal of vessels in the period when contracted. We expect that our vessels will be required to be drydocked approximately every 30 to 60 months for major repairs and maintenance that cannot be performed while the vessels are operating. Costs capitalized as part of the drydocking include actual costs incurred at the drydock yard and parts and supplies used in making such repairs.

### Vessel Acquisitions

Where we identify any intangible assets or liabilities associated with the acquisition of a vessel, we record all identified tangible and intangible assets or liabilities at fair value. Fair value is determined by reference to market data and the amount of expected future cash flows. We value any asset or liability arising from the market value of the time charters assumed when an acquired vessel is delivered to us.

Where we have assumed an existing charter obligation or enter into a time charter with the existing charterer in connection with the purchase of a vessel at charter rates that are less than market charter rates, we record a liability in Deferred Revenues based on the difference between the assumed charter rate and the market charter rate for an equivalent vessel. Conversely, where we assume an existing charter obligation or enter into a time charter with the existing charterer in connection with the purchase of a vessel at charter rates that are above market charter rates, we record an asset in Prepaid Charter Revenue, based on the difference between the market charter rate and the contracted charter rate for an equivalent vessel. This determination is made at the time the vessel is delivered to us, and such assets and liabilities are amortized to revenue over the remaining period of the charter. The determination of the fair value of acquired assets and assumed liabilities requires us to make significant assumptions and estimates of many variables including market charter rates, expected future charter rates, future vessel operation expenses, the level of utilization of our vessels and our weighted average cost of capital. The use of different assumptions could result in a material change in the fair value of these items, which could have a material impact on our financial position and results of operations. In the event that the market charter rates relating to the acquired vessels are lower than the contracted charter rates at the time of their respective deliveries to us, our net earnings for the remainder of the terms of the charters may be adversely affected although our cash flows will not be so affected.

Results of Operations for the three-month period ended March 31, 2006 and the period from January 26, 2005 (inception) to March 31, 2005

We commenced vessel operations in April 2005. Accordingly, comparison with the previous period is not meaningful.

### Factors Affecting Our Results of Operations

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

Three Months ended  
March 31, 2006

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|                        |       |
|------------------------|-------|
| Ownership Days.....    | 1,170 |
| Available Days.....    | 1,126 |
| Operating Days.....    | 1,116 |
| Fleet Utilization..... | 99.1% |

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

### Voyage and Time Charter Revenue

Shipping revenues are highly sensitive to patterns of supply and demand for vessels of the size and design configurations owned and operated by a Company and the trades in which those vessels operate. In the drybulk sector of the shipping industry, rates for the transportation of drybulk cargoes such as ores, grains, steel, fertilizers, and similar commodities, are determined by market forces such as the supply and demand for such commodities, the distance that cargoes must be transported, and the number of vessels expected to be available at the time such cargoes need to be transported. The demand for shipments then is significantly affected by the state of the economy globally and in discrete geographical areas. The number of vessels is affected by newbuilding deliveries and by the removal of existing vessels from service, principally because of

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scrapping.

Revenues are also affected by the mix of charters between spot (voyage charter) and long-term (time charter). Because shipping revenues and voyage expenses are significantly affected by the mix between voyage charters and time charters, we manage our vessels based on time charter equivalent ("TCE") revenues. TCE revenue comprises revenue from vessels operating on time charters, or TC revenue, and voyage revenue less voyage expenses from vessels operating on voyage charters in the spot market. TCE revenue serves as a measure of analyzing fluctuations between financial periods and as a method of equating revenue generated from a voyage charter to time charter revenue. TCE revenue also serves as an industry standard for measuring revenue and comparing results between geographical regions and among competitors.

Our economic decisions are based on anticipated TCE rates and we evaluate financial performance based on TCE rates achieved. Our revenues are driven primarily by the number of vessels in our fleet, the number of days during which our vessels operate and the amount of the daily charter hire rates that our vessels earn under charters, which, in turn, are affected by a number of factors, including:

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

All our revenues for the three-month period ended March 31, 2006 were earned from time charters hence our TCE revenue is equal to the TC revenue. 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, 2006, of \$23,790,052 includes time charter revenues of \$26,048,116 and deductions for brokerage commissions of \$1,321,064 and \$937,000 in amortization of net prepaid and deferred charter revenue.

### Voyage Expenses

To the extent that we employ our vessels on voyage charters, we will incur expenses that include port and canal charges, bunker (fuel oil) expenses and commissions, as these expenses are borne by the vessel owner on voyage charters. Port and canal charges and bunker expenses primarily increase in periods during which vessels are employed on voyage charters because these expenses are for the account of the vessels. Currently all our vessels are employed under time charters that require the charterer to bear all of those expenses, hence we expect that any port and canal charges and bunker expenses, if incurred, will represent a relatively minor portion of our vessels' overall expenses.

### Vessel Expenses

For the three-month period ended March 31, 2006, total vessel expenses incurred amounted to \$4,704,997. These expenses included \$4,369,997 in vessel operating costs and \$335,000 in technical management fees.

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Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, tonnage taxes, other miscellaneous expenses, and technical management fees.

Insurance expense varies with overall insurance market conditions as well as the insured's loss record, level of insurance and desired coverage. The main vessel insurance expenses include Protection and Indemnity ("P & I") insurance (i.e. liability insurance) costs, and hull and machinery insurance (i.e. asset insurance) costs. Certain other insurances, such as basic war risk premiums based on voyages into designated war risk areas are often for the account of the charterers.

With regard to vessel operating expenses, we have entered into technical management agreements for each of our vessels with V. Ships Management Ltd, our independent technical manager. In conjunction with our management, V. Ships has established an operating expense budget for each vessel and performs the technical management of our vessels. All deviations from the budgeted amounts are for our account.

For the three-month period ended March 31, 2006, we paid our technical manager, V. Ships, a fixed management fee of \$8,638 per month for each vessel in our fleet in respect of which it provides technical management services. These fees are included in Vessel Operating Expenses. Technical management services include managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging the hire of qualified officers and crew, arranging dry-docking and repairs, purchasing stores, supplies, spare parts and new equipment, appointing supervisors and technical consultants and providing technical support.

Our vessel operating expenses, which generally represent costs under the vessel operating budgets, cost of insurance and vessel registry and other regulatory fees, 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 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. For the three-month period ended March 31, 2006, total depreciation and amortization expense was \$4,819,582 of which amount, \$4,697,471 relates to depreciation and \$122,111 relates to the amortization of deferred drydocking costs.

Amortization of deferred financing costs for the three-month period ended March 31, 2006 is included in interest expense. These costs of \$32,950 relate to the amortization of financing costs associated with our revolving credit facility.

### General and Administrative Expenses

General and Administrative Expenses for the three-month period ended March 31, 2006 and the period since inception on January 26, 2005 to March 31, 2005 amounted to \$985,479 and \$757,003 respectively. Our general and administrative

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expenses include recurring administrative costs and non-recurring formation and advisory costs. Recurring costs include our 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. For the three-month period ended March 31, 2006, recurring administrative costs amounted to \$985,479. For the period from inception on January 26, 2005 to March 31, 2005, recurring administrative costs amounted to \$246,443. Non-recurring costs include costs relating to the formation of our company and related advisory costs. For the period from inception on January 26, 2005 to March 31, 2005, non-recurring costs amounted to \$510,560. We expect general and administrative expenses to increase as our fleet is expanded.

### Financial Advisory Fees

We did not incur any related party expenses in the three-month period ended March 31, 2006.

The Company had a financial advisory agreement dated February 1, 2005 with Kelso. Under the terms of the agreement the Company was to pay Kelso annual fees of up to \$500,000. The agreement also provided for Kelso to be paid fees in connection with other services. In 2005, the Company terminated certain of its obligations under this agreement, including its obligation to pay the annual fees of \$500,000, for a one-time payment of \$1,000,000. The Company recorded an expense of \$83,333 for the period ended March 31, 2005 for fees under the agreement.

### Non-Cash Compensation Expense

For the quarter ended March 31, 2006 the Company recorded a non-cash compensation charge of \$752,686. This amount includes \$705,653 in non-cash, non-dilutive charges relating to profits interests awarded to members of the Company's management by the Company's principal shareholder Eagle Ventures LLC. Non-Cash Compensation Expense also includes a non-cash amount of \$47,033 which relates to the fair value of the stock options granted to certain directors of the Company under the 2005 Stock Incentive Plan on the date of grant.

On January 28, 2006, the limited liability company agreement of Eagle Ventures LLC was amended and restated (the "Third LLC Agreement"). This provided for the award of additional profits interests in Eagle Ventures LLC to certain management employees and provided for certain adjustments in the manner distributions are made by Eagle Ventures in connection with such newly awarded profits interests.

On March 8, 2006, the Third LLC Agreement was amended and restated (the "Fourth LLC Agreement") and is included as an Exhibit to our annual report for the period ended December 31, 2005. Pursuant to the Fourth LLC Agreement, an adjustment was made in the schedule governing the management members' retention of service-related profits interests upon their termination of employment with Eagle Ventures LLC or its subsidiaries (including the Company). In addition, under the Fourth LLC Agreement one-fourth of the service-related profits interests granted on January 28, 2006 were immediately vested and the remaining newly granted service-related profits interests were made subject to a three-year retention schedule.

These profits interests will dilute only the interests of owners of Eagle Ventures LLC, and will not dilute the direct holders of the Company's common stock. The non-cash compensation charge is being recorded as an expense over the estimated service period in accordance with SFAS No. 123(R). The non-cash compensation charges will be based on the fair value of the profits interests which will be "marked to market" at the end of each reporting period. The impact of any changes in the estimated fair value of the profits interests will be

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recorded as a change in estimate cumulative to the date of change. The impact on the amortization of the compensation charge of any changes to the estimated vesting periods for the performance related profits interests will be adjusted prospectively as a change in estimate. The Company's Financial Statements for the year ended December 31, 2005 on Form 10-K includes a more detailed description of these profits interests.

### Interest and Finance Costs

Interest expense for the three-month period ended March 31, 2006, of \$2,066,351 includes loan interest of \$1,841,290 incurred on our borrowings from our revolving credit facility, commitment fees of \$192,111 incurred on the unused portion of the revolving credit facility, and costs of \$32,950 relating to the amortization of financing costs associated with our revolving credit facility. We did not incur any interest cost for the previous three-month period ended March 31, 2005. We expect to incur interest expense and additional financing costs under our revolving credit facility in connection with debt incurred to finance future vessel acquisitions.

### Interest Rate Swaps

We have entered into interest rate swaps to effectively convert a portion of our debt from a floating to a fixed-rate basis. The swaps are designated and qualify as cash flow hedges. Interest rate swap contracts for notional amounts of \$100,000,000 and \$30,000,000 were entered into in 2005. These contracts mature in September 2010. Exclusive of a margin of 0.95%, the Company will pay fixed-rate interest of 4.22% and 4.54% respectively, and receive floating-rate interest amounts based on three month LIBOR settings (for a term equal to the swaps' reset periods). We record the fair value of the interest rate swap as an asset or liability in our financial statements. The effective portion of the swap is recorded in accumulated other comprehensive income. Accordingly, at March 31, 2006 and December 31, 2005, the Company recorded an asset of \$4,664,130 and \$2,647,077 respectively, which is included in Other Assets in the accompanying balance sheet.

### 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 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 for the three-month period ended March 31, 2006:



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Three-Month period  
ended March 31, 2006  
-----

|   |               |
|---|---------------|
| Net Income.....                                   | \$10,792,501  |
| Interest Expense.....                             | 2,066,351     |
| Depreciation and Amortization.....                | 4,819,582     |
| Amortization of Prepaid and Deferred Revenue..... | 937,000       |
|   | -----         |
| EBITDA.....                                       | 18,615,434    |
| Adjustments for Exceptional Items:                |               |
| Non-cash Compensation Expense (1) .....           | 752,686       |
|   | -----         |
| Credit Agreement EBITDA .....                     | \$ 19,368,120 |
|   | =====         |

-----  
(1) Management's participation in profits interests in Eagle Ventures LLC and Options Expense (see Notes to our financial statements)

### Effects of Inflation

The Company does 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 period ended March 31, 2006, was approximately \$15,750,000. As of March 31, 2006, our cash balance was \$21,379,146. In addition, \$6,500,000 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, 2006 and December 31, 2005. Also recorded in Restricted Cash is an amount of \$124,616 which is collateralizing a letter of credit relating to our office lease.

We have a \$330,000,000 long-term credit facility, of which \$190,000,000 was unused as of March 31, 2006. Under the terms of the revolving credit agreement, the facility will be available in full for five years, and there are no principal repayment obligations for the first five years. Over the remaining period of five years, the amount available under the facility will reduce in semi-annual amounts of \$20,500,000 with a final reduction of \$125,000,000 occurring simultaneously with the last semi-annual reduction. The revolving credit agreement also provides us with the ability to borrow up to \$10,000,000 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 at least the next 12 months.

It is our intention to fund our future acquisition related capital requirements initially through borrowings under our revolving credit facility and to repay all or a portion of such borrowings from time to time with the net proceeds of equity issuances. We believe that funds will be available to support our growth strategy, which involves the acquisition of additional vessels, and will allow us to pay dividends to our stockholders as contemplated by our dividend policy.

### Dividends

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Our policy is to declare quarterly dividends to stockholders in February, April, July and October in amounts that are substantially equal to our available cash from operations during the previous quarter less any cash reserves for drydocking and working capital.

Our revolving credit facility permits us to pay quarterly dividends in amounts up to 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.

On January 30, 2006 the Company's Board of Directors declared a cash dividend for the fourth quarter of 2005 of \$0.57 per share which was paid on February 24, 2006 to all shareholders of record as of February 15, 2006. The aggregate amount of this cash dividend was \$18,895,500. Since the Company did not own two acquired ships and receive the benefit of their revenues for the full quarter (the Merlin delivered October 26, 2005 and the Heron delivered December 1, 2005), it funded approximately \$1,500,000 of this dividend from excess working capital as disclosed in the Company's prospectus dated October 28, 2005 in order to pay its indicated dividend of \$0.57 per share.

On April 14, 2006 the Company's Board of Directors declared a cash dividend for the first quarter of 2006 of \$0.50 per share, based on 33,150,000 shares of common stock outstanding, payable on May 3, 2006 to all shareholders of record as of April 28, 2006. The aggregate amount of the cash dividend paid to the Company's shareholders on May 3, 2006 was \$16,575,000.

### Revolving Credit Facility

In July 2005, we entered into a 10-year \$330,000,000 revolving credit facility. At March 31, 2006, the outstanding indebtedness under the revolving credit facility was \$140,000,000.

We are permitted to borrow up to the remaining capacity, as of March 31, 2006, of \$190,000,000 including amounts available to borrow for working capital purposes as described below, in connection with future acquisitions of dry bulk carriers between 25,000 dwt and 85,000 dwt that are not older than 10 years. We are permitted to borrow up to \$10,000,000 at any one time for working capital purposes during an initial period of 18 months from the first draw down date, after which time our ability to borrow amounts for working capital purposes is subject to review and reapproval on an annual basis.

Under the terms of the revolving credit agreement, the facility will be available in full for five years and there are no principal repayment obligations for the first five years. Over the remaining period of five years, the facility will reduce in semi-annual amounts of \$20,500,000 with a final reduction of \$125,000,000 occurring simultaneously with the last semi-annual reduction. The facility bears interest at LIBOR plus a margin of 0.95%.

When the facility was entered into in 2005, we had paid an arrangement fee of \$1,200,000 in connection with the credit facility. We also incur a fee of 0.4% per annum on the unused portion of the revolving loan on a quarterly basis.

Our ability to borrow amounts under the revolving credit facility will be subject to the satisfaction of certain customary conditions precedent and

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compliance with terms and conditions included in the loan documents. In connection with vessel acquisitions, amounts borrowed may not exceed 60% of the value of the vessels securing our obligations under the credit facility. Our ability to borrow such amounts, in each case, is subject to our lender's approval of the vessel acquisition. Our lender's approval will be based on the lender's satisfaction of our ability to raise additional capital through equity issuances in amounts acceptable to our lender and the proposed employment of the vessel to be acquired.

Our obligations under the revolving credit facility are secured by a first priority mortgage on each of the vessels in our fleet and such other vessels that we may from time to time include with the approval of our lender, and by a first assignment of all freights, earnings, insurances and requisition compensation relating to our vessels. The facility also limits our ability to create liens on our assets in favor of other parties. We may grant additional securities from time to time in the future.

The revolving credit facility, as amended, contains financial covenants requiring us, among other things, to ensure that:

- o the aggregate market value of the vessels in our fleet that secure our obligations under the revolving credit facility, as determined by an independent shipbroker on a charter free basis, at all times exceeds 130% of the aggregate principal amount of debt outstanding under the new credit facility and the notional or actual cost of terminating any related hedging arrangements;
- o to the extent our debt during any accounting period is less than \$200,000,000, our total assets minus our debt will not be less than \$100,000,000; to the extent our debt during any accounting period is greater than \$200,000,000, our total assets minus our debt will not be less than \$150,000,000;
- o our EBITDA, as defined in the credit agreement, will at all times be not less than 2x the aggregate amount of interest incurred and net amounts payable under interest rate hedging arrangements during the relevant period; and
- o we maintain with the lender \$500,000 per vessel in addition to an amount adequate to meet anticipated capital expenditures for the vessel over a 12 month period.

For the purposes of the revolving credit facility, our "total assets" includes our tangible fixed assets and our current assets, as set forth in our consolidated financial statements, except that the value of any vessels in our fleet that secure our obligations under the facility are measured by their fair market value rather than their carrying value on our consolidated balance sheet.

The revolving credit facility permits us to pay dividends in amounts up to our earnings before extraordinary or exceptional items, interest, taxes, depreciation and amortization (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, 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.

### Contractual Obligations

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

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|                                       | Within<br>One Year             | One to<br>Three Years | Three to<br>Five Years | More than<br>Five years | Total         |
|---------------------------------------|--------------------------------|-----------------------|------------------------|-------------------------|---------------|
|                                       | (in thousands of U.S. dollars) |                       |                        |                         |               |
| Bank Loans .....                      | \$--                           | \$--                  | \$--                   | \$140,000               | \$140,        |
| Interest and borrowing fees (1) ..... | 6,243                          | 16,594                | 16,653                 | 38,733                  | 78,           |
| Office lease .....                    | 143                            | 511                   | 544                    | 69                      | 1,            |
| <b>Total.....</b>                     | <b>\$6,386</b>                 | <b>\$17,105</b>       | <b>\$17,197</b>        | <b>\$178,802</b>        | <b>\$219,</b> |

(1) The Company is a party to floating-to-fixed interest rate swaps covering notional amounts of \$100,000,000 and \$30,000,000 at March 31, 2006 that effectively convert the Company's interest rate exposure from a floating rate based on LIBOR to a fixed rate of 4.22% and 4.54% respectively, plus a margin of 0.95%. The interest obligations for floating rate debt (\$10,000,000 as of March 31, 2006) have been estimated based on the fixed rates stated in related floating-to-fixed interest rate swaps, where applicable, or the LIBOR rate at March 31, 2006.

Capital Expenditures

We make capital expenditures from time to time in connection with our vessel acquisitions. These expenditures relate to purchase of vessels and capital improvements to our vessels, which are expected to enhance the revenue earning capabilities of these vessels. In addition to acquisitions that we may undertake in future periods, 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.

In the three-month period ended March 31, 2006, we spent \$1,464,473 on vessel drydockings and this amount will be amortized to expense on a straight-line basis over the period through the date the next drydocking is scheduled to occur. The following table represents certain information about the estimated costs for anticipated vessel drydockings in the remainder of 2006 and calendar 2007 along with the anticipated off-hire days:

| Quarter Ending          | Off-hire Days(1) | Projected Costs(2) |
|-------------------------|------------------|--------------------|
| June 30, 2006.....      | --               | --                 |
| September 30, 2006..... | 15               | \$0.35 million     |
| December 31, 2006.....  | 15               | \$0.35 million     |
| March 31, 2007.....     | 30               | \$0.70 million     |
| June 30, 2007.....      | --               | --                 |
| September 30, 2007..... | 30               | \$0.70 million     |
| December 31, 2007.....  | 15               | \$0.35 million     |

- (1) Actual length 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

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drydockings are actually performed.

### Contracted Time Charter Revenue

We have time charter contracts currently for all our vessels. The contracted time charter revenue schedule, as shown below, reduces future contracted revenue for any estimated off-hire days relating to dry-docks.

The following table represents certain information about the Company's revenue earning charters:

| Vessel         | Delivered to Charterer | Time Charter Expiration (1)    | Daily Time Charter Hire Rate |
|----------------|------------------------|--------------------------------|------------------------------|
| Cardinal       | April 19, 2005         | March 2007 to June 2007        | \$26,500                     |
| Condor         | April 30, 2005         | November 2006 to March 2007    | \$24,000                     |
| Falcon         | April 22, 2005         | February 2008 to June 2008     | \$20,950                     |
| Griffon(2)     | February 17, 2006      | January 2007 to February 2007  | \$13,550                     |
| Harrier        | April 21, 2005         | March 2007 to June 2007        | \$23,750                     |
| Hawk I         | April 28, 2005         | March 2007 to June 2007        | \$23,750                     |
| Kite(3)        | May 10, 2005           | April 2006                     | \$25,000                     |
| Osprey I ((4)) | September 1, 2005      | May 2008 to September 2008     | \$21,000                     |
| Peregrine      | July 1, 2005           | October 2006 to January 2007   | \$24,000                     |
| Shikra         | April 30, 2005         | July 2006 to November 2006     | \$22,000                     |
| Sparrow        | July 20, 2005          | November 2006 to Feb 2007      | \$22,500                     |
| Merlin         | October 26, 2005       | October 2007 to December 2007  | \$24,000                     |
| Heron          | December 11, 2005      | December 2007 to February 2008 | \$24,000                     |

- (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 initial charter on the GRIFFON at a daily charter rate of \$28,000 ended in February 2006.
- (3) Upon completion of the charter in April 2006, the KITE has commenced a new charter at \$14,750 per day until March 2007 to May 2007.
- (4) The charterer of the OSPREY I has an option to extend the charter period by up to 26 months at a daily time charter rate of \$25,000.

### 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, 2005.

#### Currency and Exchange Rates

The shipping industry's functional currency is the U.S. dollar. The Company generates all of its revenues in U.S. dollars. The majority of the Company's operating expenses and the entirety of its management expenses are in U.S. dollars. The Company does not intend to use financial derivatives to mitigate

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the risk of exchange rate fluctuations.

### Item 4. Controls and Procedures

#### Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of 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 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 our disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits to the SEC under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms.

#### Internal Control Over Financial Reporting

In addition, we evaluated our internal control over financial reporting, (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934), and there have been no changes in our internal control over financial reporting that occurred during the first quarter of 2006 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## 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, 2005.

### Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

On March 17, 2006, the Company granted 56,666 shares of the Company's stock in options to its independent non-employee directors. These options vested and became exercisable on the grant date at an exercise price of \$13.23 per share. All options expire ten years from the date of grant.

### Item 3 - Defaults upon Senior Securities

None

### Item 4 - Submission of Matters to a Vote of Security Holders

None

### Item 5 - Other Information

On January 28, 2006, the limited liability company agreement of Eagle Ventures LLC was amended and restated (the "Third LLC Agreement"). This provided

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for the award of additional profits interests in Eagle Ventures LLC to certain management employees and provided for certain adjustments in the manner distributions are made by Eagle Ventures in connection with such newly awarded profits interests. These profits interests will dilute only the interests of owners of Eagle Ventures LLC, and will not dilute the direct holders of the Company's common stock. On March 8, 2006, the Third LLC Agreement was amended and restated (the "Fourth LLC Agreement") and was included as an Exhibit to our annual report for the year ended December 31, 2005. Pursuant to the Fourth LLC Agreement, an adjustment was made in the schedule governing the management members' retention of service-related profits interests upon their termination of employment with Eagle Ventures LLC or its subsidiaries (including the Company). In addition, under the Fourth LLC Agreement one-fourth of the service-related profits interests granted on January 28, 2006 were immediately vested and the remaining newly granted service-related profits interests were made subject to a three-year retention schedule.

On March 17, 2006, the Company granted 56,666 shares of the Company's stock in options to its independent non-employee directors. These options vested and became exercisable on the grant date at an exercise price of \$13.23 per share. All options expire ten years from the date of grant. As of March 31, 2006, no other grants have been made under the plan. Also on March 17, 2006, the Company granted a Dividend Equivalent Rights award to its independent non-employee directors equivalent to 62,964 shares of the Company's common stock. This award entitles the participant to receive a Dividend Equivalent payment each time the Company pays a dividend to the Company's stockholders. The amount of the Dividend Equivalent payment is equal to the number of Dividend Equivalent Rights multiplied by the amount of the per share dividend paid by the Company on its stock on the date the dividend is paid.

### 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*   |
| ---  |   |
| 4.1  | Form of Share Certificate of the Company*   |
| ---  |   |
| 10.1 | Form of Registration Rights Agreement*  |
| ---- |   |
| 10.2 | Form of Management Agreement*   |
| ---- |   |
| 10.3 | Form of Credit Agreement*   |
| ---- |   |
| 10.4 | Eagle Bulk Shipping Inc. 2005 Stock Incentive Plan*   |
| ---- |   |
| 10.5 | Employment Agreement for Mr. Sophocles N. Zoullas*  |
| ---- |   |
| 10.6 | Form of Fourth Amended and Restated Limited Liability Company Agreement of Eagle Ventures LLC** |
| ---- |   |
| 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 the Registration Statement on Form S-1, Registration No. 333-123817.

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\*\* Incorporated by reference to the Registrant's annual report on Form 10-K for the period ending December 31, 2005 filed on March 14, 2006.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EAGLE BULK SHIPPING INC.

-----  
(REGISTRANT)

Date: May 9, 2006  
By: /s/ Sophocles N. Zoullas  
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Sophocles N. Zoullas  
Chairman of the Board and  
Chief Executive Officer

Date: May 9, 2006  
By: /s/ Alan S. Ginsberg  
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Alan S. Ginsberg  
Chief Financial Officer  
and Treasurer

SK 25083 0001 668643