

Star Bulk Carriers Corp.
Form 20-F
March 22, 2017

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

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR 12 (G) OF THE SECURITIES
EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

OR

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

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT
OF 1934

Date of event requiring this shell company report

Commission file number 001-33869

STAR BULK CARRIERS CORP.

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Republic of the Marshall Islands
(Jurisdiction of incorporation or organization)

c/o Star Bulk Management Inc., 40 Agiou Konstantinou Str., Maroussi 15124, Athens, Greece
(Address of principal executive offices)

Petros Pappas, 011 30 210 617 8400, mgt@starbulk.com,
c/o Star Bulk Management Inc., 40 Agiou Konstantinou Str.
Maroussi 15124, Athens, Greece

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(Name, telephone, email and/or facsimile number and address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of exchange on which registered
Common Shares, par value \$0.01 per share	Nasdaq Global Select Market
8.00% Senior Notes due 2019	Nasdaq Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act: None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None.

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: As of December 31, 2016, there were 56,628,907 common shares of the registrant outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual report or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 or Item 18.

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

FORWARD-LOOKING STATEMENTS

Star Bulk Carriers Corp. and its wholly owned subsidiaries (the “Company”) desire to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and are including this cautionary statement in connection with this safe harbor legislation. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts.

This document includes “forward-looking statements,” as defined by U.S. federal securities laws, with respect to our financial condition, results of operations and business and our expectations or beliefs concerning future events. Words such as, but not limited to, “believe,” “expect,” “anticipate,” “estimate,” “intend,” “plan,” “targets,” “projects,” “likely,” “could” and similar expressions or phrases may identify forward-looking statements.

All forward-looking statements involve risks and uncertainties. The occurrence of the events described, and the achievement of the expected results, depend on many events, some or all of which are not predictable or within our control. Actual results may differ materially from expected results.

In addition, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include:

- general dry bulk shipping market conditions, including fluctuations in charterhire rates and vessel values;
- the strength of world economies;
- the stability of Europe and the Euro;
- fluctuations in interest rates and foreign exchange rates;
- changes in demand in the dry bulk shipping industry, including the market for our vessels;
- changes in our operating expenses, including bunker prices, dry docking and insurance costs;
 - changes in governmental rules and regulations or actions taken by regulatory authorities;
- potential liability from pending or future litigation;
- general domestic and international political conditions;
- potential disruption of shipping routes due to accidents or political events;
- the availability of financing and refinancing;
- our ability to meet requirements for additional capital and financing to complete our newbuilding program and grow our business;
- the impact of our indebtedness and the restrictions in our debt agreements;
- vessel breakdowns and instances of off-hire;

-risks associated with vessel construction;

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- potential exposure or loss from investment in derivative instruments;
- potential conflicts of interest involving our Chief Executive Officer, his family and other members of our senior management; and
- other important factors described in “Risk Factors.”

We have based these statements on assumptions and analyses formed by applying our experience and perception of historical trends, current conditions, expected future developments and other factors we believe are appropriate in the circumstances. All future written and verbal forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We undertake no obligation, and specifically decline any obligation, except as required by law, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

See the sections entitled “Risk Factors” of this Annual Report on Form 20-F for the year ended December 31, 2016 for a more complete discussion of these risks and uncertainties and for other risks and uncertainties. These factors and the other risk factors described in this prospectus are not necessarily all of the important factors that could cause actual results or developments to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors also could harm our results. Consequently, there can be no assurance that actual results or developments anticipated by us will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, us. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements.

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PART I.

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

Throughout this report, the “Company,” “Star Bulk,” “we,” “us” and “our” all refer to Star Bulk Carriers Corp. and its wholly owned subsidiaries. We use the term deadweight ton (“dwt”) in describing the size of vessels. Dwt, expressed in metric tons, each of which is equivalent to 1,000 kilograms, refers to the maximum weight of cargo and supplies that a vessel can carry. We own, operate, have under construction and provide vessel management services to dry bulk vessels of seven sizes:

1. Newcastlemax, which are vessels with carrying capacities of between 200,000 dwt and 210,000 dwt;
2. Capesize, which are vessels with carrying capacities of between 100,000 dwt and 200,000 dwt;
3. Post Panamax, which are vessels with carrying capacities of between 90,000 dwt and 100,000 dwt;
4. Kamsarmax, which are vessels with carrying capacities of between 80,000 dwt and 90,000 dwt;
5. Panamax, which are vessels with carrying capacities of between 65,000 and 80,000 dwt;
6. Ultramax, which are vessels with carrying capacities of between 60,000 and 65,000 dwt; and
7. Supramax, which are vessels with carrying capacities of between 50,000 and 60,000 dwt.

Unless otherwise indicated, all references to “Dollars” and “\$” in this report are to U.S. Dollars and all references to “Euro” and “€” in this report are to Euros.

Following the 15-for-1 reverse stock split effected on October 15, 2012, pursuant to which every fifteen common shares issued and outstanding were converted into one common share, and the 5-for-1 reverse stock split effected on June 20, 2016 (the “June 2016 Reverse Stock Split”), pursuant to which every five common shares issued and outstanding were converted into one common share, all share and per share amounts disclosed throughout this Annual report, have been retroactively updated to reflect these changes in capital structure. Please see “Item 4. Information on the Company—History and Development of the Company.”

On July 11, 2014, pursuant to an Agreement and Plan of Merger (as amended from time to time, the “Merger Agreement”), dated as of June 16, 2014, among Star Bulk, two of our merger subsidiaries, Oaktree OBC Holdings LLC (the “Oaktree Holdco”), Millennia Limited Liability Company (the “Pappas Holdco”), Oaktree Dry Bulk Holdings LLC (the “Oaktree Seller”) and Millennia Holdings LLC (the “Pappas Seller” and, together with the Oaktree Seller, the “Sellers”), the parties thereto completed a transaction that resulted in a merger (the “Merger”) of the Oaktree Holdco and the Pappas Holdco into our two merger subsidiaries.

The Oaktree Holdco and the Pappas Holdco were the equity holders of Oceanbulk Shipping LLC (“Oceanbulk Shipping”) and Oceanbulk Carriers LLC (“Oceanbulk Carriers” and, together with Oceanbulk Shipping, “Oceanbulk”). Oceanbulk owned and operated a fleet of 12 dry bulk carrier vessels and owned contracts for the construction of 25 newbuilding dry bulk fuel-efficient Eco-type vessels at shipyards in Japan and China. The consideration paid by us in the Merger to the Sellers was 9,679,153 common shares, adjusted for the June 2016 Reverse Stock Split.

The Merger Agreement also provided for the acquisition (the “Heron Transaction”) by us of two Kamsarmax vessels (the “Heron Vessels”), from Heron Ventures Ltd. (“Heron”), a limited liability company incorporated in Malta. We issued 423,141 common shares, adjusted for the June 2016 Reverse Stock Split, into escrow as consideration for the Heron Vessels. In January 2015, the common shares were released from escrow to the Sellers under the Merger Agreement, following the transfer of the Heron Vessels to us in December 2014.

In addition, concurrently with the Merger, we completed a transaction (the “Pappas Transaction”), in which we acquired all of the issued and outstanding shares of Dioriga Shipping Co. and Positive Shipping Company (collectively, the “Pappas Companies”), which were entities owned and controlled by affiliates of the family of Mr. Petros Pappas, our Chief Executive Officer. The Pappas Companies owned and operated a dry bulk carrier vessel, Tsu Ebisu and had a contract for the construction of a newbuilding dry bulk carrier vessel, Indomitable (ex-HN 5016), which was delivered to us in January 2015. The consideration paid by us in the Pappas Transaction was 718,546 common shares, adjusted for the June 2016 Reverse Stock Split.

We refer to the Merger, the Heron Transaction and the Pappas Transaction collectively as the “July 2014 Transactions.”

In connection with the July 2014 Transactions, Mr. Petros Pappas became our Chief Executive Officer, Mr. Hamish Norton became our President, Mr. Christos Begleris became our Co-Chief Financial Officer, Mr. Nicos Rescos became our Chief Operating Officer and Ms. Sophia Damigou became our Co-General Counsel. Mr. Spyros Capralos resigned as our Chief Executive Officer but remained with us as our Chairman, and Mr. Zenon Kleopas (our former Chief Operating Officer) continues as our Executive Vice President—Technical Operations. Executive management for the year ended December 31, 2016 consists of our CEO, President, Co-CFOs and COO. For more information, see “Item 6. Directors, Senior Management and Employees.”

In connection with the July 2014 Transactions, we entered into a shareholders agreement with Oaktree and a shareholders agreement with Mr. Petros Pappas and his children, Ms. Milena-Maria Pappas (our former director) and Mr. Alexandros Pappas, and entities affiliated to them (“Pappas Shareholders”) (see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”). We also entered into an Amended and Restated Registration Rights Agreement among us, the Oaktree Seller, the Pappas Shareholders, the Pappas Seller, Monarch and certain affiliates thereof (the “Registration Rights Agreement”). For more information regarding the terms of the Registration Rights Agreement, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

On August 19, 2014, we entered into definitive agreements with Excel Maritime Carriers Ltd. (“Excel”) pursuant to which we acquired 34 operating dry bulk vessels, consisting of six Capesize vessels, 14 Kamsarmax vessels, 12 Panamax vessels and two Handymax vessels (the “Excel Vessels”). In the case of three Excel Vessels (Star Martha, Star Pauline and Star Despoina) which were transferred subject to existing charters, we received the outstanding equity interests of the vessel-owning subsidiaries that own those Excel Vessels (although all other assets and liabilities of such vessel-owning subsidiaries remained with Excel). The transfers of the Excel Vessels were completed on a vessel-by-vessel basis, in general upon reaching port after their voyages and cargoes were discharged. We refer to the foregoing transactions, together, as the “Excel Transactions.” The total consideration for the Excel Transactions was 5,983,462 common shares, adjusted for the June 2016 Reverse Stock Split, (the “Excel Vessel Share Consideration”) and \$288.4 million in cash. On August 28, 2014, the Registration Rights Agreement was amended in conjunction with the Excel Transactions. For more information regarding the terms of this amendment to the Registration Rights Agreement, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

We refer to the July 2014 Transactions and the Excel Transactions collectively, as the “2014 Transactions.”

In connection with the 2014 Transactions, we entered into, amended or assumed a number of credit facilities. See “Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Senior Secured Credit Facilities.”

On November 6, 2014, we issued \$50.0 million aggregate principal amount of 8.00% Senior Notes due 2019 (the “2019 Notes”). The 2019 Notes mature in November 2019 and are senior, unsecured obligations of Star Bulk Carriers Corp. See “Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – 2019 Notes Offering.”

On January 14, 2015, we completed a primary underwritten public offering of 9,800,084 common shares, at a price of \$25.00 per share, both shares and per share amounts adjusted for the June 2016 Reverse Split (the “January 2015 Equity Offering”). The aggregate proceeds to us, net of underwriters’ commissions, were approximately \$242.2 million, raised primarily for our newbuilding program and general corporate purposes. Four of our significant shareholders, Oaktree Capital Management L.P. (“Oaktree”), Angelo, Gordon & Co. (“Angelo, Gordon”), Monarch Alternative Capital LP (“Monarch”), and affiliates of the family of Mr. Petros Pappas, our Chief Executive Officer, purchased a total of 7,450,084 common shares, adjusted for the June 2016 Reverse Stock Split, in the January 2015 Equity Offering. See “Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Recent Equity Offerings and Senior Notes.”

On May 18, 2015, we completed a primary underwritten public offering of 11,250,000 common shares, at a price of \$16.00 per share, both shares and per share amounts adjusted for the June 2016 Reverse Split (the “May 2015 Equity Offering”). The aggregate proceeds to us, net of underwriters’ commissions, were approximately \$175.6 million, raised primarily for our newbuilding program and general corporate purposes. Three of our significant shareholders, Oaktree, Monarch, and affiliates of the family of Mr. Petros Pappas, our Chief Executive Officer, purchased a total of 4,312,500 common shares, adjusted for the June 2016 Reverse Stock Split, in the May 2015 Equity Offering. See “Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Recent Equity Offerings and Senior Notes.”

During the fourth quarter of 2016, we agreed with one of our existing lease providers to defer a portion of the principal repayments included in the hire amounts that were scheduled for payment between 1 October 2016 and 30 June 2018 under all applicable lease agreements (the “Deferred Lease Amounts”). The deferred hire amounts will be amortized on a monthly basis in the remaining charter period, unless otherwise prepaid as part of a cash sweep mechanism which shall be implemented on a consolidated level, as described below. As of August 31, 2016, our lenders agreed to, among other things, (i) defer principal payments owed from June 1, 2016 through June 30, 2018 (the “Deferred Loan Amounts” and, together with the Deferred Lease Amounts and any lease payments deferred in the future, the “Deferred Amounts”) to the due date of the balloon installments of each facility, (ii) waive in full or substantially relax the financial covenants, effective through December 31, 2019, and (iii) implement a cash sweep mechanism pursuant to which excess cash at a consolidated level will be applied towards the payment of Deferred Amounts, payable pro rata based on each loan facility’s and applicable lease agreement’s outstanding Deferred Amounts relative to the total Deferred Amounts at the end of each quarter. In exchange, we agreed to raise additional equity of not less than \$50.0 million by September 30, 2016 and impose restrictions on paying dividends (the “Restructuring”).

On September 20, 2016, we completed a primary underwritten offering of 11,976,745 common shares, at a price of \$4.30 per share (the “September 2016 Equity Offering”), satisfying the equity raise condition described in the preceding paragraph. The aggregate proceeds to us, net of underwriters’ commissions, were approximately \$50.3 million, raised for general corporate purposes. Three of our significant shareholders, Oaktree and its affiliates, Caspian Capital LP and its affiliates and family members or entities owned and controlled by affiliates of the family of Mr. Petros Pappas, our Chief Executive Officer, purchased a total of 7,744,480 of the common shares in the September 2016 Equity Offering. See “Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Recent Equity Offerings and Senior Notes.”

On February 6, 2017, we completed a private placement of 6,310,272 common shares, at a price of \$8.154 per share (the “February 2017 Private Placement”). The aggregate proceeds to us, net of private placement agent’s fees and expenses, were approximately \$50.6 million, raised for general corporate purposes. One of our significant

shareholders, Oaktree and its affiliates, purchased a total of 3,244,292 of the common shares in the February 2017 Private Placement. See “Item 5. Operating and Financial Review and Prospects – B. Liquidity and Capital Resources – Recent Equity Offerings and Senior Notes.”

Oaktree

Oaktree is our largest shareholder. Oaktree Capital Management, L.P., together with its affiliates, is a leader among global investment managers specializing in alternative investments, with \$100.5 billion in assets under management as of December 31, 2016. The firm emphasizes an opportunistic, value-oriented and risk-controlled approach to investments in distressed debt, corporate debt (including high yield debt and senior loans), control investing, convertible securities, real estate and listed equities. Headquartered in Los Angeles, the firm has over 900 employees and offices in 18 cities worldwide. See “Item 7 “Major Shareholders and Related Party Transactions” for a discussion on the various limitations on the transfer and voting of our common shares by Oaktree.

A. Selected Consolidated Financial Data

The table below summarizes our recent financial information. We refer you to the notes to our consolidated financial statements for a discussion of the basis on which our consolidated financial statements are presented. The information provided below should be read in conjunction with “Item 5. Operating and Financial Review and Prospects” and the consolidated financial statements, related notes and other financial information included herein.

The historical results included below and elsewhere in this document are not necessarily indicative of the future performance of Star Bulk.

3.A.(i) CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands of U.S. Dollars, except per share and share data)

	2012	2013	2014	2015	2016
Voyage revenues	85,684	68,296	145,041	234,035	221,987
Management fee income	478	1,598	2,346	251	119
	86,162	69,894	147,387	234,286	222,106
Voyage expenses	19,598	7,549	42,341	72,877	65,821
Charter-in hire expense	—	—	—	1,025	3,550
Vessel operating expenses	27,832	27,087	53,096	112,796	98,830
Dry docking expenses	5,663	3,519	5,363	14,950	6,023
Depreciation	33,045	16,061	37,150	82,070	81,935
Management fees	—	—	158	8,436	7,604
General and administrative expenses	9,320	9,910	32,723	23,621	24,602
Bad debt expense	—	—	215	—	—
(Gain)/ Loss on forward freight agreements	—	—	—	—	(411)
Impairment loss	303,219	—	—	321,978	29,221
(Gain)/Loss on time charter agreement termination	(6,454)	—	—	2,114	—
Other operational loss	1,226	1,125	94	—	503
Other operational gain	(3,507)	(3,787)	(10,003)	(592)	(1,565)
Loss on sale of vessel	3,190	87	—	20,585	15,248
Gain from bargain purchase	—	—	(12,318)	—	—
	393,132	61,551	148,819	659,860	331,361
Operating income / (loss)	(306,970)	8,343	(1,432)	(425,574)	(109,255)
Interest and finance costs	(7,838)	(6,814)	(9,575)	(29,661)	(41,217)
Interest and other income	246	230	629	1,090	876

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(Loss) / gain on derivative instruments, net	41	91	(799) (3,268) (2,116)
Loss on debt extinguishment	—	—	(652) (974) (2,375)
Total other expenses, net	(7,551	) (6,493	) (10,397	) (32,813	) (44,832)
Income/ (Loss) Before Equity in Income of						
Investee	(314,521	) 1,850	(11,829	) (458,387	) (154,087)
Equity in income of investee	—	—	106	210	126	
Income / (Loss) before taxes	(314,521	) 1,850	(11,723	) (458,177	) (153,961)
Income taxes	—	—	—	—	(267)
Net income / (loss)	(314,521	) 1,850	(11,723	) (458,177	) (154,228)
Earnings / (loss) per share, basic	(291.60	) 0.66	(1.00	) (11.71	) (3.24)
Earnings / (loss) per share, diluted	(291.60	) 0.66	(1.00	) (11.71	) (3.24)
Weighted average number of shares outstanding, basic	1,078,626	2,810,269	11,688,239	39,124,673	47,574,454	
Weighted average number of shares outstanding, diluted	1,078,626	2,823,278	11,688,239	39,124,673	47,574,454	

3.A.(ii) CONSOLIDATED BALANCE SHEET AND OTHER FINANCIAL DATA

(In thousands of U.S. Dollars, except per share data)

	2012	2013	2014	2015	2016
Cash and cash equivalents	12,950	53,548	86,000	208,056	181,758
Advances for vessels under construction and vessel acquisition	—	67,932	454,612	127,910	64,570
Vessels and other fixed assets, net	291,207	326,674	1,441,851	1,757,552	1,707,209
Total assets	353,070	466,974	2,054,055	2,148,846	2,011,702
Current liabilities, including current portion of long-term debt, short term lease commitments and Excel Vessel Bridge Facility	42,450	29,734	140,198	131,631	6,235
Total long-term debt including long term lease commitments and Excel Vessel Bridge Facility, excluding current portion, net of unamortized deferred finance fees	193,712	170,934	709,389	795,267	896,332
8% 2019 Notes, net of unamortized deferred finance fees	—	—	47,890	48,323	48,757
Common stock	11	58	218	438	566
Stockholders' equity	116,746	266,106	1,154,302	1,135,358	1,037,230
Total liabilities and stockholders' equity	353,070	466,974	2,054,055	2,148,846	2,011,702

OTHER FINANCIAL DATA

Dividends declared and paid (\$3.4, \$0.0, \$0.0, \$0.0 and \$0.0 per share, respectively)	3,631	—	—	—	—
Net cash provided by/(used in) operating activities	18,999	27,495	12,819	(14,578)	(33,448)
Net cash provided by/(used in) investing activities	17,238	(107,618)	(437,075)	(397,533)	(13,216)
Net cash provided by/(used in) financing activities	(46,609)	111,971	456,708	534,167	20,366

FLEET DATA

Average number of vessels ⁽¹⁾	14.19	13.34	28.88	69.06	69.77
Total ownership days for fleet ⁽²⁾	5,192	4,868	10,541	25,206	25,534
Total available days for fleet ⁽³⁾	4,879	4,763	10,413	24,204	24,989
Fleet utilization ⁽⁴⁾	94	% 98	% 99	% 96	% 97

AVERAGE DAILY RESULTS (In U.S. Dollars)

Time charter equivalent ⁽⁵⁾	14,850	14,088	10,450	7,052	6,260
Vessel operating expenses ⁽⁶⁾	5,361	5,564	5,037	4,475	3,871

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

(2) Ownership days are the total number of calendar days each vessel in the fleet was owned by us for the relevant period.

(3) Available days for the fleet are the ownership and charter-in days (which were nil for the years 2012, 2013 and 2014, 107 days in 2015 and 366 days in 2016) after subtracting off-hire days for major repairs, dry docking or special or intermediate surveys and lay-up days, if any.

(4) Fleet utilization is calculated by dividing available days by ownership days plus charter-in days for the relevant period, (which were nil for the years 2012, 2013 and 2014, 107 days in 2015 and 366 days in 2016). Please see below in footnote 6 regarding the revised method of our calculation of fleet utilization and its application retrospectively for all periods presented herein.

(5) Time charter equivalent rate (the “TCE rate”) represents the weighted average daily TCE rates of our entire fleet. TCE rate is a measure of the average daily revenue performance of a vessel on a per voyage basis. Starting with the fourth quarter of 2016, we now calculate the TCE rate by dividing voyage revenues (net of voyage expenses and amortization of fair value of above/below market acquired time charter agreements) by available days. We believe the revised method will better reflect the chartering mix of our larger fleet and is more comparable to the method used by our peers. A corresponding change was also applied in the calculation of fleet utilization discussed above. Both changes have been applied retrospectively for all periods presented herein. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract, as well as commissions. TCE rate is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company’s performance despite changes in the mix of charter types (i.e., voyage charters, time charters and bareboat charters) under which its vessels may be employed between the periods. We included TCE revenues, a non-GAAP measure, as it provides additional meaningful information in conjunction with voyage revenues, the most directly comparable GAAP measure, and it assists our management in making decisions regarding the deployment and use of our operating vessels and in evaluating our financial performance. Our calculation of TCE rate may not be comparable to that reported by other companies. For further information concerning our calculation of TCE rate and of reconciliation of TCE rate to voyage revenue, please see “Item 5. Operating and Financial Review and Prospects – A. Operating Results.”

(6) Average daily operating expenses per vessel are calculated by dividing vessel operating expenses by ownership days.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk factors

The following risks relate principally to the industry in which we operate and our business in general. Other risks relate principally to the securities market and ownership of our common stock. The occurrence of any of the events described in this section could significantly and negatively affect our business, financial condition operating results or cash available for dividends or the trading price of our common stock.

Risks Related to Our Industry

Charterhire rates for dry bulk vessels are volatile and have declined significantly since their historic highs and may remain at low levels or further decrease in the future, which may adversely affect our earnings, revenue and profitability and our ability to comply with our loan covenants.

The dry bulk shipping industry is cyclical with high volatility in charterhire rates and profitability. The degree of charterhire rate volatility among different types of dry bulk vessels has varied widely; however, the continued downturn in the dry bulk charter market has severely affected the entire dry bulk shipping industry and charterhire rates for dry bulk vessels have declined significantly from historically high levels. In the past, time charter and spot market charter rates for dry bulk carriers have declined below operating costs of vessels. The BDI, a daily average of charter rates for key dry bulk routes published by the Baltic Exchange Limited, which has long been viewed as the main benchmark to monitor the movements of the dry bulk vessel charter market and the performance of the entire dry bulk shipping market, declined 94% in 2008 from a peak of 11,793 in May 2008 to a low of 663 in December 2008 and has remained volatile since then. The BDI fluctuated and fell to 471 in December 2015, while it recorded an all-time low of 290 in February 2016. The drybulk market has since rebounded from its all-time lows, having reached an intra-year peak of 1,257 in November 2016, while as of March 9 2017, it remains at 1,064.

Fluctuations in charter rates result from changes in the supply of and demand for vessel capacity and changes in the supply of and demand for the major commodities carried by water internationally. Because the factors affecting the supply of and demand for vessels are outside of our control and are unpredictable, the nature, timing, direction and degree of changes in industry conditions are also unpredictable. Since we charter our vessels principally in the spot market, we are exposed to the cyclical and volatility of the spot market. Spot market charterhire rates may fluctuate significantly based upon available charters and the supply of and demand for seaborne shipping capacity, and we may be unable to keep our vessels fully employed in these short-term markets. Alternatively, charter rates available in the spot market may be insufficient to enable our vessels to operate profitably. A significant decrease in charter rates would also affect asset values and adversely affect our profitability, cash flows and our ability to pay dividends, if any.

Factors that influence the demand for dry bulk vessel capacity include:

- supply of and demand for energy resources, commodities, consumer and industrial products;
- changes in the exploration or production of energy resources, commodities, consumer and industrial products;
- the location of regional and global exploration, production and manufacturing facilities;
- the location of consuming regions for energy resources, commodities, consumer and industrial products;
- the globalization of production and manufacturing;
- global and regional economic and political conditions, including armed conflicts and terrorist activities, embargoes and strikes;
- natural disasters;
- disruptions and developments in international trade;
- changes in seaborne and other transportation patterns, including the distance cargo is transported by sea;
- environmental and other regulatory developments;

- currency exchange rates; and
- weather.

Factors that influence the supply of dry bulk vessel capacity include:

- the number of newbuilding orders and deliveries including slippage in deliveries;
- number of shipyards and ability of shipyards to deliver vessels;
- port and canal congestion;
- the scrapping rate of vessels;
- speed of vessel operation;
- vessel casualties; and

the number of vessels that are out of service, namely those that are laid-up, dry docked, awaiting repairs or otherwise not available for hire.

In addition to the prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping and laying-up include newbuilding prices, secondhand vessel values in relation to scrap prices, costs of bunkers and other operating costs, costs associated with classification society surveys, normal maintenance costs, insurance coverage costs, the efficiency and age profile of the existing dry bulk fleet in the market, and government and industry regulation of maritime transportation practices, particularly environmental protection laws and regulations. These factors influencing the supply of and demand for shipping capacity are outside of our control, and we may not be able to correctly assess the nature, timing and degree of changes in industry conditions.

We anticipate that the future demand for our dry bulk vessels will be dependent upon economic growth in the world's economies, including China and India, seasonal and regional changes in demand, changes in the capacity of the global dry bulk fleet, including vessel scrapping and ordering rates of newbuildings, and the sources and supply of dry bulk cargo to be transported by sea. Given the number of new dry bulk carriers currently on order with the shipyards, the capacity of global dry bulk carrier fleet seems likely to increase and there can be no assurance as to the timing or extent of future economic growth. Adverse economic, political, social or other developments could have a material adverse effect on our business and operating results.

Global economic conditions may continue to negatively impact the dry bulk shipping industry.

In the current global economy, operating businesses have recently faced tightening credit, weakening demand for goods and services, weak international liquidity conditions, and declining markets. Lower demand for dry bulk cargoes as well as diminished trade credit available for the delivery of such cargoes have led to decreased demand for dry bulk carriers, creating downward pressure on charter rates and vessel values. The relatively weak global economic conditions have and may continue to have a number of adverse consequences for dry bulk and other shipping sectors, including, among other things:

- low charter rates, particularly for vessels employed on short-term time charters or in the spot market;
- decreases in the market value of dry bulk vessels and limited secondhand market for the sale of vessels;
- limited financing for vessels;

·widespread loan covenant defaults; and

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· declaration of bankruptcy by certain vessel operators, vessel owners, shipyards and charterers.

The occurrence of one or more of these events could have a material adverse effect on our business, results of operations, cash flows and financial condition.

The current state of global financial markets and current economic conditions may adversely impact our ability to obtain financing or refinance our existing and future credit facilities on acceptable terms, which may hinder or prevent us from operating or expanding our business.

Global financial markets and economic conditions have been, and continue to be, volatile. These issues, along with significant write-offs in the financial services sector, the re-pricing of credit risk and the current weak economic conditions, have made, and will likely continue to make, it difficult to obtain additional financing. The current state of global financial markets and current economic conditions might adversely impact our ability to issue additional equity at prices that will not be dilutive to our existing shareholders or preclude us from issuing equity at all.

Also, as a result of concerns about the stability of financial markets generally and the solvency of counterparties specifically, the cost of obtaining money from the credit markets has increased as many lenders have increased interest rates, enacted tighter lending standards, refused to refinance existing debt at all or on terms similar to current debt and reduced, and in some cases ceased, to provide funding to borrowers. Due to these factors, we cannot be certain that financing will be available to the extent required, or that we will be able to refinance our existing and future credit facilities, on acceptable terms or at all. If financing or refinancing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due or we may be unable to enhance our existing business, complete the acquisition of our newbuildings and additional vessel acquisitions or otherwise take advantage of business opportunities as they arise.

Our vessels are exposed to the volatilities of the dry bulk charter markets.

Dry bulk charter markets experienced significant continued weakness from 2013 through 2016. As of March 9, 2017, we had 56 vessels employed in the spot market, under short-term time charters or voyage charters and 12 vessels on medium to long-term time charters scheduled to expire from June 2017 until February 2018. The time charter market is highly competitive and spot rates (which affect time charter rates) may fluctuate significantly based upon the supply of, and demand for, seaborne dry bulk shipping capacity. Our ability to re-charter our vessels on the expiration or termination of their current time charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, economic conditions in the dry bulk shipping market. The dry bulk carrier charter market is volatile, and in the past, time charter and spot market charter rates for dry bulk carriers have declined below operating costs of vessels. If we are required to charter these vessels at a time when demand and charter rates are very low, we may not be able to secure employment for our vessels at all or at reduced and potentially unprofitable rates. If we are unable to secure employment for our vessels, we may decide to lay-up some or all unemployed vessels until such time that charter rates become attractive again. During the lay-up period, we will continue to incur some expenditures, such as insurance and maintenance costs, for each such vessel. Additionally, before exiting lay-up, we will have to pay reactivation costs for any such vessel to regain its operational condition. As a result, our business, financial condition, results of operations and cash flows, as well as our ability to pay dividends, if any, in the future, and compliance with covenants in our credit facilities, may be affected.

The instability of the euro or the inability of countries to refinance their debts could have a material adverse effect on our revenue, profitability and financial position.

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility (the "EFSF"), and the European Financial Stability Mechanism (the "EFSM"), to provide funding to Eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability

mechanism, the European Stability Mechanism, which was established on September 27, 2012 to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations and the overall stability of the euro. An extended period of adverse developments in the outlook for European countries could reduce the overall demand for dry bulk cargoes and for our services. These potential developments, or market perceptions concerning these and related issues, could affect our financial position, results of operations and cash flows.

Political uncertainty and the rise of populist political parties could have a material adverse effect on our revenue, profitability and financial position.

As a result of the lingering effects of the recent global financial crisis and the limited global recovery, the rise of populist political parties and economic nationalist sentiments has led to increasing political uncertainty and unpredictability throughout the world. On June 23, 2016, the United Kingdom held a referendum at which the electorate voted to leave the Council of the European Union (the “EU”). However, the government of the United Kingdom has not entered into negotiations with the EU Council or invoked article 50 of the Treaty of Lisbon (the “Treaty”), which would have the effect formally of initiating the withdrawal of the United Kingdom from the EU. The Treaty provides for a period of up to two years for negotiation of withdrawal arrangements, at the end of which (whether or not agreement has been reached) the treaties cease to apply to the withdrawing Member State unless the European Council, in agreement with the Member State concerned, unanimously decides to extend this period. During, and possibly after, this period there is likely to be considerable uncertainty as to the position of the United Kingdom and the arrangements which will apply to its relationships with the EU and other countries following its withdrawal. This uncertainty may affect other countries in the EU, or elsewhere, if they are considered to be impacted by these events. Additionally, political parties in several other EU member states have proposed that a similar referendum be held on their country’s membership in the EU. It is unclear whether any other EU member states will hold such referendums, but such referendums could result in one or more other countries leaving the EU or in major reforms being made to the EU or to the Eurozone. These potential developments, market perceptions concerning these and related issues and the attendant regulatory uncertainty regarding, for example, the posture of governments with respect to taxation and international trade and law enforcement, could have a material adverse effect on our revenue, profitability and financial position.

The rise of populist political parties may lead to increased trade barriers, trade protectionism and restrictions on trade. Our operations expose us to the risk that increased trade protectionism will adversely affect our business. If the continuing global recovery is undermined by downside risks and the recent economic downturn is prolonged, governments, especially populist governments, may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing the demand for shipping. Specifically, increasing trade protectionism in the markets that our charterers serve has caused and may continue to cause an increase in: (1) the cost of goods exported from China, (2) the length of time required to deliver goods from China and (3) the risks associated with exporting goods from China, as well as a decrease in the quantity of goods to be shipped.

Any increased trade barriers or restrictions on trade, especially trade with China, would have an adverse impact on our charterers’ business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations and financial condition.

If economic conditions throughout the world do not improve, it may negatively affect our results of operations, financial condition and cash flows, and may adversely affect the market price of our common shares.

Negative trends in the global economy that emerged in 2008 continue to adversely affect global economic conditions. In addition, the world economy is currently facing a number of new challenges, recent turmoil and hostilities in various regions, including Syria, Iraq, North Korea, North Africa and Ukraine. The weakness in the global economy has caused, and may continue to cause, a decrease in worldwide demand for certain goods and, thus, shipping. Continuing economic instability could have a material adverse effect on our ability to implement our business strategy.

The United States, the European Union and other parts of the world have recently been or are currently in a recession and continue to exhibit weak economic trends. The credit markets in the United States and Europe have experienced significant contraction, deleveraging and reduced liquidity, and the U.S. federal and state governments and European authorities have implemented and are considering a broad variety of governmental action and/or new regulation of the financial markets and may implement additional regulations in the future. Securities and futures markets and the credit markets are subject to comprehensive statutes, regulations and other requirements. The SEC, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect changes in law or interpretations of existing laws. Global financial markets and economic conditions have been, and continue to be volatile. Credit markets and the debt and equity capital markets have been distressed and the uncertainty surrounding the future of the global credit markets has resulted in reduced access to credit worldwide.

We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. Major market disruptions and the current adverse changes in market conditions and regulatory climate in the United States and worldwide may adversely affect our business or impair our ability to borrow amounts under credit facilities or any future financial arrangements. The recent and developing economic and governmental factors, together with possible further declines in charter rates and vessel values, may have a material adverse effect on our results of operations, financial condition or cash flows, or the trading price of our common shares.

Continued economic slowdown in the Asia Pacific region, particularly in China, may exacerbate the effect on us, as we anticipate a significant number of the port calls made by our vessels will continue to involve the loading or discharging of dry bulk commodities in ports in the Asia Pacific region. Before the global economic financial crisis that began in 2008, China had one of the world's fastest growing economies in terms of GDP, which had a significant impact on shipping demand. As published by the Chinese National Bureau of Statistics, based on the country's preliminary accounting results, the growth rate of China's GDP the year ended December 31, 2016, has decreased to 6.7%. This is China's lowest growth rate for the past decade, and continues to remain below pre-2008 levels, albeit within the government's targets. China has imposed measures to restrain lending from time to time, which may further contribute to a slowdown in its economic growth. China has also announced plans to gradually transition from an investment led growth model to a consumption driven economic growth model, which could lead to smaller demand for iron ore and other commodities, and result in a decrease of demand in China for shipping. This transition may take place over the span of a number of years, and there can be no assurance as to the time frame for such a transformation or that any such transformation will occur at all. Overall, though, it is possible that China and other countries in the Asia Pacific region will continue to experience slowed or even negative economic growth in the future. Moreover, the current economic slowdown in the economies of the United States, the European Union and other Asian countries may further adversely affect economic growth in China and elsewhere. Our business, financial condition and results of operations, ability to pay dividends, if any, as well as our future prospects, will likely be materially and adversely affected by a further economic downturn in any of these countries.

Changes in the economic and political environment in China and policies adopted by the government to regulate its economy may have a material adverse effect on our business, financial condition and results of operations.

The Chinese economy differs from the economies of western countries in such respects as structure, government involvement, level of development, growth rate, capital reinvestment, allocation of resources, bank regulation, currency and monetary policy, rate of inflation and balance of payments position. Prior to 1978, the Chinese economy was a "planned economy." Since 1978, increasing emphasis has been placed on the utilization of market forces in the development of the Chinese economy. Annual and five-year State Plans are adopted by the Chinese government in connection with the development of the economy. Although state-owned enterprises still account for a substantial portion of the Chinese industrial output, in general, the Chinese government is reducing the level of direct control that it exercises over the economy through State Plans and other measures. There is an increasing level of freedom and autonomy in areas such as allocation of resources, production, pricing and management and a gradual shift in

emphasis to a “market economy” and enterprise reform. Limited price reforms were undertaken with the result that prices for certain commodities are principally determined by market forces. In addition, economic reforms may include reforms to the banking and credit sector and may produce a shift away from the export-driven growth model that has characterized the Chinese economy over the past few decades. Many of the reforms are unprecedented or experimental and may be subject to revision, change or abolition based upon the outcome of such experiments. The level of imports to and exports from China could be adversely affected by the failure to continue market reforms or changes to existing pro-export economic policies. The level of imports to and exports from China may also be adversely affected by changes in political, economic and social conditions (including a slowing of economic growth) or other relevant policies of the Chinese government, such as changes in laws, regulations or export and import restrictions, internal political instability, changes in currency policies, changes in trade policies and territorial or trade disputes. For instance, the government of China has implemented economic policies aimed at increasing domestic consumption of Chinese-made goods and restricting currency exchanges within China. This may have the effect of reducing the supply of goods available for export and may, in turn, result in a decrease of demand for shipping. A decrease in the level of imports to and exports from China could adversely affect our business, operating results and financial condition.

We conduct a substantial amount of business in China. The legal system in China has inherent uncertainties that could have a material adverse effect on our business, financial condition and results of operations.

The Chinese legal system is based on written statutes and their interpretations by the Standing Committee of the National People's Congress and the Supreme People's Court. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, there is a general lack of authoritative interpretive guidance and because of the limited number of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. We conduct a substantial portion of our business in China or with Chinese counter parties. For example, we enter into charters with Chinese customers, which charters may be subject to the laws and regulations in China. We may, therefore, be required to incur compliance or other administrative costs, and pay new taxes or other fees to the Chinese government. In addition, a number of our newbuilding vessels are being built at Chinese shipyards. Changes in laws and regulations, including with regards to tax matters, and their implementation by local authorities could affect our vessels that are either chartered to Chinese customers or that call to Chinese ports and our vessels being built at Chinese shipyards, and could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends.

The market values of our vessels have declined and may further decline, which could limit the amount of funds that we can borrow, cause us to breach certain financial covenants in our credit facilities or result in impairment charges, and we may incur a loss if we sell vessels following a decline in their market value.

The fair market values of dry bulk vessels have generally experienced high volatility and are at low levels compared to historical average. The fair market value of our vessels may continue to fluctuate depending on a number of factors, including:

- prevailing level of charter rates;
- general economic and market conditions affecting the shipping industry;
- types, sizes and ages of vessels;
- supply of and demand for vessels;
- other modes of transportation;
- cost of newbuildings;
- governmental or other regulations;
- the need to upgrade vessels as a result of charterer requirements, technological advances in vessel design or equipment or otherwise;

- technological advances; and
- competition from other shipping companies and other modes of transportation.

If the fair market value of our vessels declines, we might not be in compliance with various covenants in our ship financing facilities, some of which require the maintenance of a certain percentage of fair market value of the vessels securing the facility to the principal outstanding amount of the loans under the facility or a maximum ratio of total liabilities to market value of adjusted total assets.

Under such circumstances, we may have to prepay the amount outstanding under a loan agreement, pay a certain amount to cover the security shortfall or provide additional security to remedy the security shortfall upon request by the relevant lenders. If we fail to take any such requested measures, such circumstances could result in an event of default under our loan agreements. In such circumstances, we may not be able to refinance our debt or obtain additional financing on terms that are acceptable to us or at all. If we are not able to comply with the covenants in our credit facilities and are unable to remedy the relevant breach, our lenders could accelerate our debt and foreclose on our vessels, or the funds required to pay for a vessel may not be available at the time the payments are due to the shipbuilder or seller.

Furthermore, as described under “Item 5. Operating and Financial Review and Prospects – A. Operating Results – Critical Accounting Policies – Impairment of long-lived assets,” due to the decline during the past years in vessel values, we have recorded an impairment charge in our consolidated financial statements, which has adversely affected our financial results. In addition, because we sold vessels at a time when vessel prices have fallen and before we recorded an impairment adjustment to our consolidated financial statements, the sale proceeds were less than the vessels’ carrying value on our consolidated financial statements, resulting in a loss and a reduction in earnings.

Our financial results may be similarly affected in the future if we record an impairment charge or sell vessels before we record an impairment adjustment. Conversely, if vessel values are elevated at a time when we wish to acquire additional vessels, the cost of such acquisitions may increase and this could adversely affect our business, results of operations, cash flow and financial condition.

Compliance with safety and other vessel requirements imposed by classification societies may be very costly and may adversely affect our business.

The vast majority of commercial vessels are built to safety and other vessel requirements established by private classification, or class, societies such as the American Bureau of Shipping. The class society certifies that a vessel is safe and seaworthy in accordance with its standards and regulations, which is an element of compliance with the International Convention for the Safety of Life at Sea of 1974 (“SOLAS”), and, where so engaged, the applicable conventions, rules and regulations adopted by the country of registry of the vessel. Every classed vessel is subject to a specific program of periodic class surveys consisting of annual surveys, an intermediate survey and a class renewal or special survey normally every five years. Surveys become more intensive as the vessel ages.

In lieu of a special survey, a vessel’s machinery may be on a continuous survey cycle under which the machinery would be surveyed periodically over a five-year period. Every vessel is also required to be taken out of the water in a dry dock every two and a half to five years for inspection of its underwater parts.

Compliance with class society recommendations and requirements may result in significant expense. If any vessel does not maintain its class or fails any annual, intermediate or special survey, the vessel will be unable to trade between ports and will be unemployable and uninsurable until such failures are remedied, which could negatively impact our results of operations and financial condition.

We are subject to complex laws and regulations, including environmental regulations, that can adversely affect the cost, manner or feasibility of doing business.

Our operations are subject to numerous international, national, state and local laws, regulations, treaties and conventions in force in international waters and the jurisdictions in which our vessels operate or are registered, which can significantly affect the ownership and operation of our vessels. These laws and other legal requirements include, but are not limited to, the U.S. Act to Prevent Pollution from Ships, the U.S. Oil Pollution Act of 1990 (the "OPA"), the U.S. Comprehensive Environmental Response, Compensation and Liability Act of 1980, the U.S. Clean Air Act, the U.S. Clean Water Act, the U.S. Ocean Dumping Act, 1972, the U.S. Maritime Transportation Security Act of 2002 and international conventions issued under the auspices of the United Nations International Maritime Organization including the International Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter, 1972 as modified by the 1996 London Protocol, the International Convention for the Prevention of Pollution from Ships, 1973 as modified by the Protocol of 1978, the International Convention for the Safety of Life at Sea, 1974, and the International Convention on Load Lines, 1966. Compliance with such laws and other legal requirements may require vessels to be altered, costly equipment to be installed or operational changes to be implemented and may decrease the resale value or reduce the useful lives of our vessels. Such compliance costs could have a material adverse effect on our business, financial condition and results of operations. A failure to comply with applicable laws and other legal requirements may result in administrative and civil monetary fines and penalties, additional compliance plans or programs or other ongoing increased compliance costs, criminal sanctions or the suspension or termination of our operations. Because such laws and other legal requirements are often revised, we cannot predict the ultimate cost of complying with them or their impact on the resale prices or useful lives of our vessels. Additional conventions, laws and regulations or other legal requirements may be adopted which could limit our ability to do business or increase the cost of our doing business and which may materially adversely affect our business, financial condition and results of operations.

Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. Under OPA, for example, owners, operators and bareboat charterers are jointly and severally strictly liable for the discharge of oil within the 200-mile exclusive economic zone around the United States. Furthermore, environmental, safety, manning and other laws and legal requirements have become more stringent and impose greater costs on vessels after significant vessel related accidents like the grounding of the Exxon Valdez in 1989 and the explosion and oil spill in 2010 with respect to the Deepwater Horizon offshore oil drilling rig. Similar unpredictable events may result in further regulation of the shipping industry as well as modifications to statutory liability schemes, which could have a material adverse effect on our business, financial condition and results of operations. An oil spill caused by one of our vessels or attributed to one of our vessels could result in significant company liability, including fines, penalties and criminal liability and remediation costs for natural resource and other damages under a variety of laws and legal requirements, as well as third-party damages.

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, and certificates with respect to our operations and to satisfy insurance and financial responsibility requirements for potential oil (including marine fuel) spills and other pollution incidents. Any such insurance may not be sufficient to cover all such liabilities and it may be difficult to obtain adequate coverage on acceptable terms in certain market conditions. Claims against our vessels whether covered by insurance or not may result in a material adverse effect on our business, results of operations, cash flows and financial condition and our ability to pay dividends, if any, in the future.

In order to comply with emerging ballast water treatment requirements, we may have to purchase expensive ballast water treatment systems and modify our vessels to accommodate such systems.

Many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive harmful species via such discharges. The United States, for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternative measure, and to comply with certain reporting requirements. The International Convention for the Control and Management of Ships' Ballast Water and Sediments (the "BWM Convention"), adopted by the UN International Maritime Organization in February 2004, calls for the phased introduction of mandatory reducing living organism limits in ballast water over time. Although the BWM Convention is not scheduled to enter into force until September 2017 and has not been ratified by the United States, the United States Coast Guard (the "USCG") has adopted regulations imposing requirements similar to those of the BWM Convention. In December 2016, the USCG first approved technology for ballast water treatment. The USCG previously provided waivers to vessels that could not install the as-yet unapproved technology, and vessels now requiring a waiver will need to show why they cannot install the approved technology. In order to comply with these living organism limits, vessel owners may have to install expensive ballast water treatment systems or make port facility disposal arrangements and modify existing vessels to accommodate those systems. We cannot predict whether other countries will adopt the BWM Convention or similar requirements unilaterally. Adoption of the BWM Convention standards could have an adverse material impact on our business, financial condition and results of operations depending on the available ballast water treatment systems and the extent to which existing vessels must be modified to accommodate such systems.

An over-supply of dry bulk carrier capacity in recent years may prolong or further depress the current low charter rates, which may limit our ability to operate our dry bulk carriers profitably.

The supply of dry bulk vessels has increased significantly since the beginning of 2006. As of the beginning of February 2017, the order book for newbuilding vessels stood at approximately 9.5% of the existing global fleet capacity excluding conversion and cancellations. Vessel supply has increased more than vessel demand in recent years, causing downward pressure on charter rates during that time. However, newbuilding orders are at historical lows currently, which will allow for little fleet growth over the next years and will be key to the sector's recovery. If supply is not fully absorbed by the market, charter rates may continue to be under pressure due to vessel supply. Since our fleet will continue to be mostly employed in voyage charters and short-term time charters, we remain exposed to the spot market.

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

Past terrorist attacks, as well as the threat of future terrorist attacks around the world, continue to cause uncertainty in the world's financial markets and may affect our business, operating results and financial condition. Continuing conflicts, instability and other recent developments in the Ukraine, the Korean Peninsula, the East China Sea, the Middle East, including Iraq, Syria, Egypt, West Africa and North Africa, and the presence of U.S. or other armed forces in the Middle East, may lead to additional acts of terrorism and armed conflict around the world, which may contribute to further economic instability in the global financial markets. Epidemics and other public health incidents may lead to crew member illness, which can disrupt the operations of our vessels, or to public health measures, which may prevent our vessels from calling on ports or discharging cargo in the affected areas or in other locations after having visited the affected areas. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us or at all. In the past, political conflicts have also resulted in attacks on vessels, mining of waterways and other efforts to disrupt international shipping, particularly in the Arabian Gulf region. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea and the Gulf of Aden off the coast of Somalia. In November 2013, the government of the People's Republic of China announced an Air Defense Identification Zone ("ADIZ"), covering much of the East China Sea. When introduced, the Chinese ADIZ was controversial because a number of nations are not honoring the ADIZ, and the ADIZ includes certain maritime areas that have been contested among various nations in the region. Tensions relating to the Chinese ADIZ may escalate as

a result of incidents relating to the ADIZ or other territorial disputes, which may result in additional limitations on navigation or trade. Any of these occurrences could have a material adverse impact on our business, financial condition and results of operations.

Acts of piracy on ocean-going vessels have had and may continue to have an adverse effect on our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea, the Indian Ocean and in the Gulf of Aden off the coast of Somalia. Although the frequency of sea piracy worldwide has decreased to its lowest level since 2009, sea piracy incidents continue to occur, particularly in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea and the West Coast of Africa, with dry bulk vessels particularly vulnerable to such attacks. If these piracy attacks result in regions in which our vessels are deployed being characterized as “war risk” zones by insurers, as the Gulf of Aden temporarily was in May 2008, or Joint War Committee “war and strikes” listed areas, premiums payable for such coverage could increase significantly and such insurance coverage may be more difficult to obtain. In addition, crew costs, including those due to employing onboard security guards, could increase in such circumstances. Furthermore, while we believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charterhire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not “on-hire” for a certain number of days and is therefore entitled to cancel the charter party, a claim that we would dispute. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any detention hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability, of insurance for our vessels, could have a material adverse impact on our business, financial condition, cash flows and results of operations.

We could face penalties under European Union, United States or other economic sanctions which could adversely affect our reputation, our financial results and the market for our common shares.

Our business could be adversely impacted if we are found to have violated economic sanctions under the applicable laws of the European Union (the "E.U."), the United States or another applicable jurisdiction against countries or territories such as Iran, Sudan, Syria North Korea, Cuba and Crimea. U.S. economic sanctions, for example, prohibit a wide scope of conduct, target numerous countries and individuals, are frequently updated or changed and have vague application in many situations.

Many economic sanctions can relate to our business, including prohibitions on doing business with certain countries or governments, as well as prohibitions on dealings of any kind with entities and individuals that appear on sanctioned party lists issued by the United States, the E.U., and other jurisdictions (and, in some cases, entities owned or controlled by such listed entities and individuals). For example, on charterers' instructions, our vessels may from time to time call on ports located in countries subject to sanctions imposed by the United States, the E.U. or other applicable jurisdictions. As another example, certain of our charterers or other parties that we have entered into contracts with regarding our vessels may be affiliated with persons or entities that are the subject of sanctions imposed by the United States, the E.U. or other applicable jurisdictions as a result of the annexation of Crimea by Russia in 2014 or subsequent developments in eastern Ukraine. If we determine that such sanctions require us to terminate existing contracts or if we are found to be in violation of such applicable sanctions, our results of operations may be adversely affected or we may suffer reputational harm.

Additionally, the U.S. Iran Threat Reduction Act (which was signed into law in 2012) amended the Exchange Act to require issuers that file annual or quarterly reports under Section 13(a) of the Exchange Act to include disclosure in their annual and quarterly reports as to whether the issuer or its affiliates have knowingly engaged in dealings with certain types of counterparties in Iran or with certain entities or individuals appearing on U.S. sanctioned party lists. We are not required to make such a disclosure in this report, but have made such a disclosure in the past and may need to do so again in the future.

Although we believe that we are in compliance with applicable sanctions laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the relevant sanctions restrictions are often ambiguous and change regularly. Any such violation could result in fines or other penalties that could severely impact our ability to access U.S. and European capital markets and conduct our business, and could result in some investors deciding, or being required, to divest their interest, or not to invest, in us. Even inadvertent violations of economic sanctions laws and regulations can result in the imposition of material fines and restrictions and could adversely affect our business, financial condition and results of operations, our reputation, and the market price of our common shares. In addition, regardless of any violation of applicable sanctions laws, certain institutional investors may have investment policies or restrictions that prevent them from holding securities of companies that have ties of any kind to countries identified by the United States as state sponsors of terrorism (currently, Iran, Sudan and Syria). The determination by these investors not to invest in, or to divest from, our common stock may adversely affect the price at which our common stock trades. Moreover, our charterers may violate applicable sanctions laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. Our operating results are subject to seasonal fluctuations.

We operate our vessels in markets that have historically exhibited seasonal variations in demand and, as a result, in charterhire rates. This seasonality may result in volatility in our operating results to the extent that we enter into new charter agreements or renew existing agreements during a time when charter rates are weaker or we operate our vessels on the spot market or index based time charters, which may result in quarter-to-quarter volatility in our operating results. The dry bulk sector is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere. In addition, unpredictable weather patterns in these months tend to disrupt vessel scheduling and supplies of certain commodities. Since we charter our vessels principally in the spot market, our revenues from our dry bulk carriers may be weaker during the fiscal quarters ended June 30 and September 30, and stronger during the fiscal quarters ended December 31 and March 31.

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

The operation of our vessels is affected by the requirements set forth in the United Nations' International Maritime Organization's International Management Code (the "ISM Code"). The ISM Code requires shipowners, ship managers and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation of vessels and describing procedures for dealing with emergencies. In addition, vessel classification societies impose significant safety and other requirements on our vessels.

The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject it to increased liability, may invalidate existing insurance or decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. Each of our existing vessels is ISM Code-certified, and each of the vessels that we have agreed to acquire will be ISM Code-certified when delivered to us. However, if we are found not to be in compliance with ISM Code requirements, we may have to incur material direct and indirect costs to resume compliance and our insurance coverage could be adversely impacted as a result of compliance. Our vessels may also be delayed or denied port access if they are found to be in non-compliance, which could result in charter claims and increased inspection and operational costs even after resuming compliance. Any failure to comply with the ISM Code could negatively affect our business, financial condition, cash flows and results of operations.

Increased inspection procedures and tighter import and export controls could increase costs and disrupt our business.

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination and trans-shipment points. Inspection procedures may result in the seizure of contents of our vessels, delays in the loading, offloading, trans-shipment or delivery and the levying of customs duties, fines or other penalties against us.

It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, financial condition, cash flows and results of operations.

The operation of dry bulk carriers entails certain operational risks that could affect our earnings and cash flow.

For a dry bulk carrier, the cargo itself and its interaction with the vessel can be an operational risk. By their nature, dry bulk cargoes are often heavy, dense and easily shifted and react badly to water exposure. In addition, dry bulk carriers are often subjected to battering treatment during unloading operations with grabs, jackhammers (to pry encrusted cargoes out of the hold) and small bulldozers. This treatment may cause damage to the vessel. Vessels damaged due to treatment during unloading procedures may be more susceptible to breach at sea. Hull breaches in

dry bulk carriers may lead to the flooding of the vessels' holds. If a dry bulk carrier suffers flooding in its forward holds, the bulk cargo may become so dense and waterlogged that its pressure may buckle the vessel's bulkheads, leading to the loss of a vessel. If we are unable to adequately maintain our vessels, we may be unable to prevent these events. Any of these circumstances or events may have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends, if any. In addition, the loss of any of our vessels could harm our reputation as a safe and reliable vessel owner and operator.

Fuel, or bunker, prices and marine fuel availability may adversely affect our profits.

Since we expect to primarily employ our vessels in the spot market, we expect that vessel fuel, known as bunkers, will be the largest single expense item in our shipping operations for our vessels. Changes in the price of fuel may adversely affect our profitability. The imposition of stringent vessel air emissions requirements, such as the requirement to reduce the amount of sulfur in fuel to 0.10% in certain coastal areas on January 1, 2015 and potentially in all areas of the world in 2020 or 2025, could lead to marine fuel shortages and substantial increases in marine fuel prices which could have a material adverse effect on our business, financial condition and results of operations. The price and supply of fuel are unpredictable and fluctuate based on events outside our control, including geopolitical developments, supply and demand for oil and gas, actions by the Organization of the Petroleum Exporting Countries and other oil and gas producers, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns. Further, fuel may become much more expensive in the future, which may reduce our profitability and competitiveness of our business versus other forms of transportation, such as truck or rail.

Our business has inherent operational risks, which may not be adequately covered by insurance.

Our vessels and their cargoes are at risk of being damaged or lost because of events or risks such as Acts of God, marine disasters, bad weather, mechanical failures, human error, environmental accidents, war, terrorism, piracy, cyber-attack, radioactive contamination and other circumstances or events. In addition, transporting cargoes across a wide variety of international jurisdictions creates a risk of business interruptions due to political circumstances in foreign countries, hostilities, labor strikes and boycotts, the potential for changes in tax rates or policies, and the potential for government expropriation of our vessels. Any of these events may result in loss of revenues, increased costs and decreased cash flows to our customers, which could impair their ability to make payments to us under our charters.

In the event of a casualty to a vessel or other catastrophic event, we rely on our insurance to pay the insured value of the vessel or the damages incurred. Through our management agreements with our technical managers, we procure insurance for the vessels in our fleet against those risks that we believe the shipping industry commonly insures against. This insurance includes marine hull and machinery insurance, protection insurance and indemnity insurance, which include pollution risks and crew insurances, and war risk insurance. Currently, the amount of coverage for liability for pollution, spillage and leakage available to us on commercially reasonable terms through protection and indemnity associations and providers of excess coverage is \$1.0 billion per vessel per occurrence.

We maintain and expect to maintain hull and machinery insurance, protection insurance and indemnity insurance for all of our existing and newbuilding vessels, which includes environmental damage and pollution insurance coverage and war risk insurance for our fleet. We do not maintain nor expect to maintain, for our vessels, insurance against loss of hire, which covers business interruptions that result from the loss of use of a vessel. Therefore, if the availability of a vessel for hire is interrupted, the loss of earnings due to such interruption could negatively affect our business. We may not be adequately insured against all risks. We may not be able to obtain adequate insurance coverage for our fleet in the future, and we may not be able to obtain certain insurance coverages. The insurers may not pay particular claims. Our insurance policies may contain deductibles for which we will be responsible and limitations and exclusions which may increase our costs or lower our revenue. Moreover, insurers may default on claims they are required to pay.

We cannot assure you that we will be adequately insured against all risks or that we will be able to obtain adequate insurance coverage at reasonable rates for our vessels in the future. For example, in the past more stringent environmental regulations have led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. Additionally, our insurers may refuse to pay particular claims. Any significant loss or liability for which we are not insured could have a material adverse effect on our business and financial condition.

We may be subject to calls because we obtain some of our insurance through protection and indemnity associations.

We may be subject to increased premium payments, or calls, in amounts based on our claim records and the claim records of our fleet managers as well as the claim records of other members of the protection and indemnity associations (P&I Associations) through which we receive insurance coverage for tort liability, including pollution-related liability. In addition, our P&I Associations may not have enough resources to cover claims made against them. Our payment of these calls could result in a significant expense to us, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

Labor interruptions could disrupt our business.

Star Bulk Management Inc., Star Bulk Shipmanagement Company (Cyprus) Limited and Starbulk S.A. instruct third parties to provide the crew for all of our vessels, which are manned by masters, officers and crews that are employed by our shipowning subsidiaries. As a result of such employment, labor disputes, industrial action or other labor unrest could arise and, if not resolved in a timely and cost-effective manner, prevent or hinder our operations from being carried out normally and could have a material adverse effect on our business, results of operations, cash flows and financial condition.

The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.

Our vessels may call in ports where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims or restrictions which could have an adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

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

We operate our vessels worldwide and as a result, our vessels are exposed to international risks which may reduce revenue or increase expenses.

The international shipping industry is an inherently risky business involving global operations. Our vessels and their cargoes are at a risk of being damaged or lost because of events such as mechanical failure, collision, human error, war, terrorism, piracy, marine disasters, and bad weather and other acts of God. In addition, changing economic, regulatory and political conditions in some countries, including political and military conflicts, have from time to time resulted in attacks on vessels, mining of waterways, piracy, terrorism, labor strikes and boycotts. These sorts of events could interfere with shipping routes and result in market disruptions which may reduce our revenue or increase our expenses.

Failure to comply with the U.S. Foreign Corrupt Practices Act (the “FCPA”) could result in fines, criminal penalties, charter terminations and an adverse effect on our business.

We may operate in a number of countries throughout the world, including countries known to have a reputation for corruption. We are committed to doing business in accordance with applicable anti-corruption laws, including the FCPA. We are subject, however, to the risk that we, our affiliated entities or our or their respective officers, directors, employees and agents may take actions determined to be in violation of such anti-corruption laws. Any such violation could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions, and might adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Furthermore, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

Because we generate all of our revenues in U.S. dollars but incur a portion of our expenses in other currencies, exchange rate fluctuations could have an adverse impact on our results of operations.

We generate all of our revenue in U.S. dollars, and the majority of our expenses are denominated in U.S. dollars. However, a portion of our ship operating and administrative expenses are denominated in currencies other than U.S. dollars. For the years ended December 31, 2015 and 2016, we incurred approximately 7% and 8%, respectively, of our operating expenses and 67% and 62%, respectively, of our general and administrative expenses in currencies other than U.S. dollars. This difference could lead to fluctuations in net income due to changes in the value of the dollar relative to the other currencies, in particular the Euro. Expenses incurred in foreign currencies against which the dollar falls in value can increase, decreasing our revenues. Declines in the value of the dollar could lead to higher expenses payable by us. While we historically have not mitigated the risk associated with exchange rate fluctuations through the use of financial derivatives, we may employ such instruments from time to time in the future in order to minimize this risk. Any future use of financial derivatives would involve certain risks, including the risk that losses on a hedged position could exceed the notional amount invested in the instrument and the risk that the counterparty to the derivative transaction may be unable or unwilling to satisfy its contractual obligations, which could have an adverse effect on our results.

The Public Company Accounting Oversight Board inspection of our independent accounting firm, could lead to findings in our auditors’ reports and challenge the accuracy of our published audited consolidated financial statements.

Auditors of U.S. public companies are required by law to undergo periodic Public Company Accounting Oversight Board (“PCAOB”) inspections that assess their compliance with U.S. law and professional standards in connection with performance of audits of financial statements filed with the SEC. For several years certain European Union countries, including Greece, did not permit the PCAOB to conduct inspections of accounting firms established and operating in such European Union countries, even if they were part of major international firms. Accordingly, unlike for most U.S. public companies, the PCAOB was prevented from evaluating our auditor’s performance of audits and its quality control procedures, and, unlike stockholders of most U.S. public companies, we and our stockholders were deprived of the possible benefits of such inspections. During 2015, Greece agreed to allow the PCAOB to conduct inspections of accounting firms operating in Greece. In the future, such PCAOB inspections could result in findings in our auditors’ quality control procedures, question the validity of the auditor’s reports on our published consolidated financial statements and the effectiveness of our internal control over financial reporting, and cast doubt upon the accuracy of our published audited financial statements.

Risks Related to Our Company

We cannot assure you that we will be successful in finding employment for all of our vessels.

As of March 9, 2017, our existing fleet of 68 vessels, had an aggregate capacity of approximately 7.2 million dwt. We have also entered into or acquired construction contracts, either directly with the shipyards or indirectly through the use of bareboat agreements with purchase options, for four newbuilding vessels, with scheduled deliveries to us from March 2017 to January 2018. In addition, in March 2017, we entered into agreements to acquire two modern Kamsarmax vessels, with expected delivery dates between March 2017 and May 2017. We intend to employ our vessels primarily in the spot market, under short term time charters or voyage charters. We will own a large number of vessels that will enter these markets in a relatively short period of time without having previously secured employment. We cannot assure you that we will be successful in finding employment for our newbuilding vessels in the volatile spot market immediately upon their deliveries to us or whether any such employment will be at profitable rates, nor can we assure you continued timely employment of our existing vessels.

We have significant risks relating to the construction of our newbuilding vessels.

As of March 9, 2017, we had contracts for four newbuilding vessels. These vessels are scheduled to be delivered through January 2018. Vessel construction projects are generally subject to risks of delay or cost overruns that are inherent in any large construction project, which may be caused by numerous factors, including shortages of equipment, materials or skilled labor, unscheduled delays in the delivery of ordered materials and equipment or shipyard construction, failure of equipment to meet quality and/or performance standards, financial or operating difficulties experienced by equipment vendors or the shipyard, unanticipated actual or purported change orders, inability to obtain required permits or approvals, unanticipated cost increases between order and delivery, design or engineering changes and work stoppages and other labor disputes, adverse weather conditions, unavailability of financing when needed or any other events of force majeure. Significant cost overruns or delays could adversely affect our financial position, results of operations and cash flows. Additionally, failure to complete a project on time may result in the delay of revenue from that vessel, and we will continue to incur costs and expenses related to any delayed vessels, such as supervision expense and interest expense for the outstanding debt.

We continue to have capital expenditures.

The dry bulk shipping business is highly capital-intensive because of the significant investment in vessels that is required. As of March 9, 2017, the total payments for our four newbuilding vessels were expected to be \$148.0 million, of which we had already paid \$49.9 million. As of March 9, 2017, we had \$258.4 million of cash on hand and we had obtained commitments for \$80.0 million of secured debt for two of our newbuilding vessels in the form of capital leases, and we are also in negotiations and expect to obtain a commitment for up to \$53.0 million of secured financing for the third and the fourth newbuilding vessel based on current market valuations. In addition, in March 2017, we entered into definitive agreements to acquire two modern Kamsarmax vessels for an aggregate consideration of approximately \$30.3 million, and we are in negotiations and expect to obtain financing for up to \$15.2 million of secured debt in connection therewith. We may not be able to obtain sufficient financing to fulfill all of our capital requirements. In addition, to the extent we are not in compliance with financial or other covenants or conditions precedent in our vessel financing facilities, we may be unable to draw on such financings.

If we are not able to borrow additional funds, raise other capital or utilize available cash on hand, we may not be able to acquire our newbuilding vessels, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. We expect to fund our remaining newbuilding commitments through credit facilities, the proceeds of equity and notes issuances, proceeds from asset sales, existing cash and bareboat charters but may not be able to do so. There can be no assurance that we will be able to obtain such financings on a timely basis or on terms we deem reasonable or acceptable. To the degree we raise equity financing to fund our capital expenditures, such equity raises may dilute the ownership of our existing shareholders and may be dilutive to our earnings per

share. If for any reason we fail to make a payment when due, which may result in a default under our newbuilding contracts, or otherwise fail to take delivery of our newbuilding vessels, we would be prevented from realizing potential revenues from these vessels, we could also lose all or a portion of our yard payments that were paid by us, and we could be liable for penalties and damages under such contracts.

We are highly leveraged, which could significantly limit our ability to execute our business strategy and has increased the risk of default under our debt obligations.

As of March 9, 2017, we had \$1,000.7 million of outstanding indebtedness under our outstanding credit facilities and debt securities including \$197.8 million under our capital lease obligations and \$50.0 million under our senior unsecured notes.

Our outstanding debt agreements impose operating and financial restrictions on us. These restrictions limit our ability, or the ability of our subsidiaries party thereto, to:

- pay dividends if there is an event of default under our credit facilities or if the Deferred Amounts have not been repaid in full;
- incur additional indebtedness, including the issuance of guarantees, or refinance or prepay any indebtedness, unless certain conditions exist;
- create liens on our assets, unless otherwise permitted under our credit facilities;
- change the flag, class or management of our vessels or terminate or materially amend the management agreement relating to each vessel;
- acquire new or sell vessels, unless certain conditions exist;
- merge or consolidate with, or transfer all or substantially all our assets to, another person; or
- enter into a new line of business.

In addition, our debt agreements require us or our subsidiaries to maintain various financial ratios, including:

- a minimum percentage of aggregate vessel value to secured loans (the “SCR”);
- a maximum ratio of total liabilities to market value adjusted total assets;
- a minimum EBITDA to interest coverage ratio;
- a minimum liquidity; and
- a minimum market value adjusted net worth.

Although compliance with our covenants temporarily has been substantially relaxed or waived pursuant to a global restructuring plan between us and our lenders, because some of these ratios are dependent on the market value of our vessels, should our charter rates or vessel values materially decline in the future, we may be required to take action to reduce our debt or to act in a manner contrary to our business objectives to meet any such financial ratios and satisfy any such financial covenants. As further described in “—Risks Related to Our Company—The Restructuring Transactions may not be completed as expected, which could have a material and adverse effect on our ability to service our obligations under our Credit Agreements and comply with the financial and other covenants contained therein, on our financial condition and liquidity and on our ability to continue as a going concern,” events beyond our control, including changes in the economic and business conditions in the shipping markets in which we operate, may affect our ability to comply with these covenants. We cannot assure you that we will meet these ratios or satisfy our financial or other covenants, or that our lenders will waive any failure to do so.

These covenants and restrictions may adversely affect our ability to finance future operations or limit our ability to pursue certain business opportunities or take certain corporate actions. The covenants may also restrict our flexibility in planning for changes in our business and the industry and make us more vulnerable to economic downturns and adverse developments. A breach of any of the covenants in, or our inability to maintain the required financial ratios under, our debt agreements could result in a default under our debt agreements. If a default occurs under our credit facilities, the lenders could elect to declare the outstanding debt, together with accrued interest and other fees, to be immediately due and payable and foreclose on the collateral securing that debt, which could constitute all or substantially all of our assets.

Our ability to meet our cash requirements, including our debt service obligations, is dependent upon our operating performance, which is subject to general economic and competitive conditions and to financial, business and other factors affecting our operations, many of which are or may be beyond our control. We cannot provide assurance that our business operations will generate sufficient cash flows from operations to fund these cash requirements and debt service obligations. If our operating results, cash flow or capital resources prove inadequate, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt and other obligations. If we are unable to service our debt, we could be forced to reduce or delay planned expansions and capital expenditures, sell assets, further restructure or refinance our debt or seek additional equity capital, and we may be unable to take any of these actions on satisfactory terms or in a timely manner. Further, any of these actions may not be sufficient to allow us to service our debt obligations or may have an adverse impact on our business. Our debt agreements may limit our ability to take certain of these actions. Our failure to generate sufficient operating cash flow to pay our debts or to successfully undertake any of these actions could have a material adverse effect on us.

Our substantial leverage and the restrictions included in our debt agreements following the Restructuring Transactions, could materially and adversely affect our ability to obtain additional financing for working capital, capital expenditures, acquisitions, debt service requirements or other purposes, could make us more vulnerable to general adverse economic, regulatory and industry conditions, and could limit our flexibility in planning for, or reacting to, changes and opportunities in the markets in which we compete.

The Restructuring Transactions, which are subject to a number of conditions precedent (which may not be within our control), may not be completed as expected, which could have a material and adverse effect on our ability to service our obligations under our Credit Agreements and comply with the financial and other covenants contained therein, on our financial condition and liquidity and on our ability to continue as a going concern.

As further discussed below under “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—The Restructuring Transactions” (in which capitalized terms used in this risk factor are defined), we and all of the Lenders under the Credit Agreements have executed RLAs and Standstill Agreements pending the execution of Supplemental Agreements with all Lenders to effectuate the Restructuring Transactions, including each Lender’s Deferral and Modification with respect to its Credit Agreement. The RLAs, which have been approved by the credit committee of each of our Lenders, set forth the material terms of the eventual Supplemental Agreements. Each RLA provides that, with respect to each Credit Agreement, each Lender’s Deferral and Modification, as contemplated by the RLA, is subject to a number of conditions precedent. As required under the RLAs, we are negotiating in good faith to finalize the Supplemental Agreements. In the event of a failure to satisfy any of the conditions precedent to the each Lender’s Deferral and Modification or the failure to enter into the Supplemental Agreements contemplated by the RLAs may result in our inability to complete the Restructuring Transactions in their entirety.

Even though we are currently in compliance with the applicable financial and other covenants contained in our debt agreements, including our Credit Agreements, as modified by the RLAs and as will be reflected in the Supplemental Agreements, and the Notes, absent the entry into the Supplemental Agreements and the completion of Restructuring Transactions, we may not be able to cover our working capital needs, including the payments of principal and interest under the Credit Agreements and the Notes, or comply with certain of the financial covenants in our Credit Agreements going forward, if the current depressed market conditions continue, unless we address the

above-described issues by other means, which may include refinancing our existing debt, selling our assets or entering into other restructuring transactions (both out-of-court and potentially in-court). Any such actions may not be successful in addressing the issues described above and may materially and adversely affect the holders of our common shares. An Event of Default under one or more of our Credit Agreements could cause cross defaults of other debt and bareboat lease agreements, which could cause substantially all of our outstanding indebtedness to be declared due and payable immediately. Such an event would have a material adverse effect on financial condition, liquidity and results of operations and would likely result in a voluntary or involuntary insolvency proceeding, which would likely have a material and adverse effect on holders of our common shares.

Even with the Restructuring Transactions in place, our profitability will depend upon a number of factors.

Our net losses from continuing operations were \$154.2 million for the year ended December 31, 2016. Our ability to ultimately become profitable will depend upon a number of factors. If demand for our vessels does not recover materially from current levels, we may not be able to generate enough revenues to become profitable or to generate positive cash flows even after completing the Restructuring Transactions. In such a case, we may need to undertake further restructuring activities or deleveraging measures in the future, which could have a material adverse effect on our business and results of operations and have a material and adverse effect on holders of our common shares.

We are subject to certain risks with respect to our counterparties on contracts, and failure of such counterparties to meet their obligations could cause us to suffer losses or otherwise adversely affect our business.

We have entered into, and may enter into in the future, various contracts, including charterparties and contracts of affreightment (“COAs”) with our customers, newbuilding contracts with shipyards, credit facilities with our lenders and operating leases as charterers. These agreements subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the maritime industry, the overall financial condition of the counterparty, charter rates received for specific types of vessels, and various expenses. In addition, in the event any shipyards do not perform under their contracts, and we are unable to enforce certain refund guarantees with third-party lenders for any reason, we may lose all or part of our investment, and we may not be able to operate the vessels we ordered in accordance with our business plan. Should our counterparties fail to honor their obligations under agreements with us, we could sustain significant losses, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are currently prohibited from paying dividends under our debt agreements, and we may be unable to pay dividends in the future.

Under the terms of our outstanding financing arrangements, we are subject to various restrictions on our ability to pay dividends. Our financing arrangements prevent us from paying dividends if an event of default exists under our credit facilities or if the Deferred Amounts have not been repaid in full. See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Senior Secured Credit Facilities” and Note 8, “Long Term Debt” to our audited consolidated financial statements, for more information regarding these restrictions contained in our financing arrangements. In general, when dividends are paid, they are distributed on a quarterly basis from our operating surplus, in amounts that allow us to retain a portion of our cash flows to fund vessel or fleet acquisitions and for debt repayment and other corporate purposes, as determined by our management and board of directors.

In addition, the declaration and payment of dividends will be subject at all times to the discretion of our board of directors. The timing and amount of dividends will depend on our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in our loan agreements, the provisions of Marshall Islands law affecting the payment of dividends and other factors. The laws of the Republic of Marshall Islands generally prohibit the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or while a company is insolvent or would be rendered insolvent by the payment of such a dividend. We may not have sufficient surplus in the future to pay dividends and our subsidiaries may not have sufficient funds or surplus to make distributions to us. We can give no assurance that dividends will be paid at all.

We may be unable to attract and retain qualified, skilled employees or crew necessary to operate our business.

Our success depends in large part on the ability of us to attract and retain highly skilled and qualified personnel, both shoreside personnel and crew. In crewing our vessels, we require technically skilled employees with specialized training who can perform physically demanding work. Competition to attract and retain qualified crew members is intense due to the increase in the size of the global shipping fleet. In addition, if we are not able to obtain higher charter rates to compensate for any crew cost increases, it could have a material adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends. If we cannot hire, train and retain a sufficient number of qualified employees, we may be unable to manage, maintain and grow our business, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

As we expand our fleet, we will need to expand our operations and financial systems and hire new shoreside staff and seafarers to staff our vessels; if we cannot expand these systems or recruit suitable employees, our performance may be adversely affected.

As of March 9, 2017, we have newbuilding contracts for four dry bulk vessels, and we have entered into agreements for the acquisition of two modern Kamsarmax drybulk carriers with expected deliveries between March and May 2017. Our operating and financial systems may not be adequate as we expand our fleet, and our attempts to implement those systems may be ineffective. In addition, we rely on our wholly-owned subsidiaries, Star Bulk Management Inc., Star Bulk Shipmanagement Company (Cyprus) Limited, and Starbulk S.A., to recruit shoreside administrative and management personnel and for crew management. Shoreside personnel are recruited by Star Bulk Management Inc., Star Bulk Shipmanagement Company (Cyprus) Limited, and Starbulk S.A. through referrals from other shipping companies and traditional methods of securing personnel, such as placing classified advertisements in shipping industry periodicals. Star Bulk Management Inc., Star Bulk Shipmanagement Company (Cyprus) Limited, Starbulk S.A. and its crewing agent may not be able to continue to hire suitable employees as we expand our fleet. If we are unable to operate our financial and operations systems effectively, recruit suitable employees or if our unaffiliated crewing agent encounters business or financial difficulties, our performance may be materially and adversely affected and, among other things, the amount of cash available for distribution as dividends to our shareholders may be reduced.

If we acquire and operate older secondhand vessels, we may be exposed to increased operating and other costs, which could adversely affect our earnings and, as our fleet ages, the risks associated with older vessels could adversely affect our ability to obtain profitable charters.

Our current business strategy includes additional growth which may, in addition to the acquisition of newbuilding vessels, include the acquisition of modern secondhand vessels. While we expect that we would typically inspect secondhand vessels prior to acquisition, this does not provide us with the same knowledge about their condition that we would have had if these vessels had been built for and operated exclusively by us. Generally, we, as a purchaser of secondhand vessels will not receive the benefit of warranties from the builders for the secondhand vessels that we acquire. In addition, unforeseen maintenance, repairs, special surveys or dry docking may be necessary for acquired secondhand vessels, which could also increase our costs and reduce our ability to employ the vessel to generate revenue.

Governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment, to our vessels and may restrict the type of activities in which the vessels may engage. As our vessels age, market conditions may not justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives.

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

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. As our vessels age they will typically become less fuel-efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of vessels may also require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which our vessels may engage. As our vessels age, market conditions may not justify those expenditures or may not enable us to operate our vessels profitably during the remainder of their useful lives.

Technological innovation could reduce our charterhire income and the value of our vessels.

The charterhire rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new dry bulk carriers are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically advanced vessels could adversely affect the amount of charterhire payments we receive for our vessels once their initial charters expire and the resale value of our vessels could significantly decrease. In addition, although we view the fuel efficiency of our newbuilding Eco-type vessels as a competitive advantage, this competitive advantage may eventually erode (along with vessel value) as more Eco-type vessels are put into service by our competitors and older, less fuel-efficient vessels are retired. As a result, our business, results of operations, cash flows and financial condition could be adversely affected by technological innovation.

We rely on our information systems to conduct our business, and failure to protect these systems against security breaches could adversely affect our business and results of operations. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.

The efficient operation of our business is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyber terrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business and results of operations.

In the highly competitive international shipping industry, we may not be able to compete for charters with new entrants or established companies with greater resources, and as a result, we may be unable to employ our vessels profitably.

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

We may be subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.

We may be, from time to time, involved in various litigation matters. These matters may include, among other things, contract disputes, shareholder litigation, personal injury claims, environmental claims or proceedings, asbestos and other toxic tort claims, employment matters, governmental claims for taxes or duties, and other litigation that arises in the ordinary course of our business. Although we intend to defend these matters vigorously, we cannot predict with certainty the outcome or effect of any claim or other litigation matter, and the ultimate outcome of any litigation or the potential costs to resolve them may have a material adverse effect on us. Insurance may not be applicable or sufficient in all cases and/or insurers may not remain solvent which may have a material adverse effect on our financial

condition.

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We may have difficulty managing our planned growth properly.

Historically, we have grown through acquisitions, including the July 2014 Transactions and the Excel Transactions, and we have a number of newbuilding vessels to be delivered. In addition, one of our strategies is to continue to grow by expanding our operations and adding to our fleet. Our future growth will primarily depend upon a number of factors, some of which may not be within our control. These factors include our ability to:

- identify suitable dry bulk carriers, including newbuilding slots at shipyards and/or shipping companies for acquisitions at attractive prices;
- obtain required financing for our existing and new operations;
- identify businesses engaged in managing, operating or owning dry bulk carriers for acquisitions or joint ventures;
- integrate any acquired dry bulk carriers or businesses successfully with our existing operations, including obtaining any approvals and qualifications necessary to operate vessels that we acquire;
- hire, train and retain qualified personnel and crew to manage and operate our growing business and fleet;
- identify additional new markets;
- enhance our customer base; and
- improve our operating, financial and accounting systems and controls.

Our failure to effectively identify, acquire, develop and integrate any dry bulk carriers or businesses could adversely affect our business, financial condition and results of operations. The number of employees that perform services for us and our current operating and financial systems may not be adequate as we implement our plan to expand the size of our fleet in the dry bulk sector, and we may not be able to effectively hire more employees or adequately improve those systems. Finally, acquisitions may require additional equity issuances, which may dilute our common shareholders if issued at lower prices than the price they acquired their shares, or debt issuances (with amortization payments), both of which could lower our available cash. If any such events occur, our financial condition may be adversely affected. We cannot give any assurance that we will be successful in executing our growth plans or that we will not incur significant expenses and losses in connection with our future growth.

In the July 2014 Transactions, we acquired a 50% interest in Heron, an entity we do not control.

In the July 2014 Transactions, we acquired a convertible loan to Heron, which has been converted into 50% of the equity of Heron. Heron is a 50-50 joint venture between Oceanbulk Shipping and ABY Group Holding Limited, and we share joint control over Heron with ABY Group Holding Limited. Because of this arrangement, neither party entirely controls Heron, and any operational and other decisions with respect to Heron need to be jointly agreed between Oceanbulk Shipping and ABY Group Holding Limited. During 2015, all vessels previously owned by Heron either were sold to third parties or distributed to Heron's equity holders. As part of these distributions, we acquired the two Heron Vessels. While Oceanbulk Shipping and ABY Group Holding Limited intend that Heron eventually will be dissolved shortly after local authorities permit, until that occurs, contingencies to us may arise. However, the pre-transaction investors in Heron will effectively remain as ultimate beneficial owners of Heron, until Heron is dissolved on the basis that, according to the Merger Agreement, any cash received from the final liquidation of Heron will be transferred to the Sellers. Under the Merger Agreement, we only agreed to issue 423,141 of our common shares, adjusted for the June 2016 Reserve Stock Split, and pay an amount of \$25.0 million in cash, for the acquisition of the two Heron Vessels.

We may experience impairment of the value of long-lived assets.

As described in “Item 5. Operating and Financial Review and Prospects – A. Operating Results – Critical Accounting Policies – Impairment of long-lived assets,” due to the recent downturn in the dry bulk markets, we recognized an impairment loss of \$322.0 and \$29.2 million as of December 31, 2015 and 2016, respectively.

The value of our long-lived assets can become further impaired, as indicated by factors such as changes in our share price, book value or market capitalization, and the past and anticipated operating performance and cash flows of operations. We will continue testing for impairment regularly, whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

We will be exposed to volatility in the LIBOR and intend to selectively enter into derivative contracts, which can result in higher than market interest rates and charges against our income.

The loans under our credit facilities are generally advanced at a floating rate based on LIBOR, which was volatile prior to 2008 and can affect the amount of interest payable on our debt, and which, in turn, could have an adverse effect on our earnings and cash flow. In addition, in recent years, LIBOR has been at relatively low levels, and may rise in the future as the current low interest rate environment comes to an end. Our financial condition could be materially adversely affected at any time that we have not entered into interest rate hedging arrangements to hedge our exposure to the interest rates applicable to our credit facilities and any other financing arrangements we may enter into in the future, including those we enter into to finance a portion of the amounts payable with respect to newbuildings. Moreover, even if we have entered into interest rate swaps or other derivative instruments for purposes of managing our interest rate exposure, our hedging strategies may not be effective and we may incur substantial losses.

We intend to selectively enter into derivative contracts to hedge our overall exposure to interest rate risk exposure. Entering into swaps and derivatives transactions is inherently risky and presents various possibilities for incurring significant expenses. The derivatives strategies that we employ in the future may not be successful or effective, and we could, as a result, incur substantial additional interest costs. See “Item 11. Quantitative and Qualitative Disclosures about Market Risk—Interest Rate” for a description of our expected interest rate swap arrangements.

We have made and in the future may make acquisitions and significant strategic investments and acquisitions, which may involve a number of risks. If we are unable to address these risks successfully, such acquisitions and investments could have a materially adverse impact on our business, financial condition and results of operations.

We have undertaken a number of acquisitions and investments in the past, including the 2014 Transactions, and may do so from time to time in the future. The risks involved with these acquisitions and investments include:

- the possibility that we may not receive a favorable return on our investment or incur losses from our investment, or the original investment may become impaired;
- failure to satisfy or set effective strategic objectives;
- our assumption of known or unknown liabilities or other unanticipated events or circumstances;
 - the diversion of management’s attention from normal daily operations of the business;

- difficulties in integrating the operations, technologies, products and personnel of the acquired company or its assets;
- difficulties in supporting acquired operations;
- difficulties or delays in the transfer of vessels, equipment or personnel;
- failure to retain key personnel;
- unexpected capital equipment outlays and related expenses;
- insufficient revenues to offset increased expenses associated with acquisitions;
- under-performance problems with acquired assets or operations;
- issuance of common shares that could dilute our current shareholders;
- recording of goodwill and non-amortizable intangible assets that will be subject to periodic impairment testing and potential impairment charges against our future earnings;
- the opportunity cost associated with committing capital in such investments;
- undisclosed defects, damage, maintenance requirements or similar matters relating to acquired vessels; and
- becoming subject to litigation.

We may not be able to address these risks successfully without substantial expense, delay or other operational or financial problems. Any delays or other such operations or financial problems could adversely impact our business, financial condition and results of operations.

Our costs of operating as a public company are significant, and our management is required to devote substantial time to complying with public company regulations.

We are a public company, and as such, we have significant legal, accounting and other expenses in addition to our registration and listing expenses. In addition, Sarbanes-Oxley, as well as rules subsequently implemented by the SEC and Nasdaq, has imposed various requirements on public companies, including changes in corporate governance practices, and these requirements may continue to evolve. We and our management personnel, and other personnel, if any, will need to devote a substantial amount of time to comply with these requirements. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly.

Sarbanes-Oxley requires, among other things, that we maintain and periodically evaluate our internal control over financial reporting and disclosure controls and procedures. In particular, we need to perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of Sarbanes-Oxley. Our compliance with Section 404 may require that we incur substantial accounting expenses and expend significant management efforts.

There is a risk that we could be treated as a U.S. domestic corporation for U.S. federal income tax purposes after the merger of Star Maritime with and into Star Bulk, with Star Bulk as the surviving corporation, or the Redomiciliation Merger, which would adversely affect our earnings.

Section 7874(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), provides that, unless certain requirements are satisfied, a corporation organized outside of the United States which acquires substantially all of the assets (through a plan or a series of related transactions) of a corporation organized in the United States will be treated as a U.S. domestic corporation for U.S. federal income tax purposes if shareholders of the U.S. corporation whose assets are being acquired own at least 80% of the non-U.S. acquiring corporation after the acquisition. If Section 7874(b) of the Code were to apply to Star Maritime and the Redomiciliation Merger (as more specifically described in Item 4.A “Information on the Company – History and development of the Company”), then, among other consequences, we, as the surviving entity of the Redomiciliation Merger, would be subject to U.S. federal income tax as a U.S. domestic corporation on our worldwide income after the Redomiciliation Merger. Upon completion of the Redomiciliation Merger and the concurrent issuance of stock to TMT Co. Ltd., or “TMT”, a shipping company headquartered in Taiwan, under the acquisition agreements, the shareholders of Star Maritime owned less than 80% of the Company. Therefore, we believe that the Company should not be subject to Section 7874(b) of the Code after the Redomiciliation Merger. Star Maritime obtained an opinion of its counsel, Seward & Kissel LLP, or “Seward & Kissel”, that Section 7874(b) of the Code should not apply to the Redomiciliation Merger. However, there is no authority directly addressing the application of Section 7874(b) of the Code to a transaction such as the Redomiciliation Merger where shares in a foreign corporation such as the Company are issued concurrently with (or shortly after) a merger. In particular, since there is no authority directly applying the “series of related transactions” or “plan” provisions to the post-acquisition stock ownership requirements of Section 7874(b) of the Code, the U.S. Internal Revenue Service, or the “IRS”, may not agree with Seward & Kissel’s opinion on this matter. Moreover, Star Maritime has not sought a ruling from the IRS on this point. Therefore, the IRS may seek to assert that we are subject to U.S. federal income tax on our worldwide income for taxable years after the Redomiciliation Merger, although Seward & Kissel is of the opinion that such an assertion should not be successful.

We may have to pay U.S. federal income tax on our U.S. source income, which would reduce our earnings.

Under the Code, 50% of the gross shipping income of a non-U.S. corporation, such as ourselves, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States is characterized as “United States source gross shipping income,” and such income is subject to a 4% U.S. federal income tax without allowance for any deductions, unless the corporation qualifies for exemption from U.S. federal income taxation under Section 883 of the Code and the Treasury Regulations promulgated thereunder.

We do not believe that we qualify for the exemption from U.S. federal income taxation under Section 883 of the Code for our 2016 taxable year. Accordingly, we believe that we will be subject to the 4% U.S. federal income tax on our United States source gross shipping income for our 2016 taxable year; however, we may qualify for exemption in future years.

If a significant portion of our income is United States source gross shipping income, the imposition of such tax could have a negative effect on our business and would result in decreased earnings available for distribution to our shareholders.

The Internal Revenue Service could treat us as a “passive foreign investment company,” which could have adverse U.S. federal income tax consequences to U.S. shareholders.

A non-U.S. corporation will be treated as a “passive foreign investment company” (a “PFIC”) for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of “passive income” (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business) or (2) at least 50% of the average value of the corporation’s assets produce or are held for the production of passive income.

For purposes of determining the PFIC status of a non-U.S. corporation, income earned in connection with the performance of services does not constitute passive income, but rental income generally is treated as passive income unless the non-U.S. corporation is treated under specific rules as deriving its rental income in the active conduct of a trade or business. We intend to take the position that income we derive from our voyage and time chartering activities is services income, rather than rental income, and accordingly, that such income is not passive income for purposes of determining our PFIC status. Based on this characterization of income from voyage and time charters and the expected composition of our income and assets, we believe that we currently are not a PFIC, and we do not expect to become a PFIC in the future. Additionally, we believe that our contracts for newbuilding vessels are not assets held for the production of passive income, because we intend to use these vessels for voyage and time chartering activities. However, there is no direct legal authority under the PFIC rules addressing our characterization of income from our voyage and time chartering activities nor our characterization of contracts for newbuilding vessels. Moreover, the determination of PFIC status for any year can only be made on an annual basis after the end of such taxable year and will depend on the composition of our income, assets and operations from time to time. Because of the above described uncertainties, there can be no assurance that the Internal Revenue Service will not challenge the determination made by us concerning our PFIC status or that we will not be a PFIC for any taxable year.

If we were classified as a PFIC for any taxable year during which a U.S. shareholder owns common shares (regardless of whether we continue to be a PFIC), the U.S. shareholder would be subject to special adverse rules, including taxation at maximum ordinary income rates plus an interest charge on both gains on sale and certain dividends, unless the U.S. shareholder makes an election to be taxed under an alternative regime. Certain elections may be available to U.S. shareholders if we were classified as a PFIC.

Risks Related to Our Relationships with Mr. Pappas, Oaktree and Other Parties

Affiliates of Oaktree own a majority of our common shares, subject to certain restrictions on voting, acquisitions and dispositions thereof.

As of March 9, 2017, Oaktree and its affiliates beneficially own 51.25% common shares, which would represent approximately 51.4% of our outstanding common shares. However, pursuant to the Oaktree Shareholders Agreement, Oaktree and certain affiliates thereof have agreed to voting restrictions, ownership limitations and standstill restrictions. For instance, Oaktree and its affiliates will be entitled to nominate a maximum of four out of nine members of our board of directors, subject to certain additional limitations. In addition, Oaktree and its affiliates will be required to vote their voting securities in excess of 33% of the outstanding voting securities (subject to adjustment as set forth in the Oaktree Shareholders Agreement) proportionately with the votes cast by the other shareholders, subject to certain exceptions, which include (i) voting against a change of control transaction with an unaffiliated buyer and (ii) voting in favor of a change of control transaction with an unaffiliated buyer (but only if such transaction is approved by a majority of disinterested directors). In addition, Oaktree and affiliates thereof will be subject to certain standstill restrictions, and may not receive a control premium for their common shares as part of a change of control transaction. Despite the foregoing limitations, Oaktree and its affiliates are able to exert considerable influence over us. Oaktree and its affiliates may be able to prevent or delay a change of control of us and could preclude any unsolicited acquisition of us. The concentration of ownership and voting power in Oaktree may make some transactions more difficult or impossible without the support of Oaktree, even if such events are in the best interests of our other shareholders. The concentration of voting power in Oaktree may have an adverse effect on the price of our common shares. As a result of such influence, we may take actions that our other shareholders do not view as beneficial, which may adversely affect our results of operations and financial condition and cause the value of your investment to decline.

Additionally, Oaktree is in the business of making investments in companies and currently holds, and may from time to time in the future acquire, interests in the shipping industry that directly or indirectly compete with certain portions of our business. Further, if Oaktree pursues acquisitions or makes further investments in the shipping industry, those acquisitions and investment opportunities may not be available to us, and we have agreed to renounce any interest or expectancy in, or in being offered an opportunity to participate in, any corporate opportunities that may be presented to or become known to Oaktree or any of its affiliates.

In addition, the members of the board of directors nominated by Oaktree will have fiduciary duties to us and in addition may have duties to Oaktree. As a result, such circumstances may entail real or apparent conflicts of interest with respect to matters affecting both us and Oaktree, whose interests, in some circumstances, may be adverse to ours.

Our Chief Executive Officer, Mr. Petros Pappas, and certain members of his family have affiliations with Oceanbulk Maritime S.A. (“Oceanbulk Maritime”), Interchart Shipping Inc. (“Interchart”) and other ventures, which could create conflicts of interest. Certain members of our senior management also have affiliations with Oceanbulk Maritime and other ventures that could create conflicts of interest.

While we do not expect that our Chief Executive Officer, Mr. Petros Pappas, will have any material relationships with any companies in the dry bulk shipping industry other than us, he will continue to be involved in other areas of the shipping industry, including as the founder of Oceanbulk Maritime, a dry cargo shipping company, and as a member of the management of Oceanbulk Container Carriers LLC, and PST Tankers LLC, which are other joint ventures between Oaktree and entities controlled by the family of Mr. Petros Pappas involved in the container shipping and product tanker businesses, respectively. Both children of our Chief Executive Officer are equity holders of Oceanbulk Maritime and/or Interchart, and in various other entities, some of which are involved in the dry bulk shipping industry. These other affiliations and ventures could cause distraction to Mr. Pappas as our Chief Executive Officer if he focuses a substantial portion of his time on them, and the involvement of Ms. Pappas with other ventures could cause conflicts of interest with us.

Certain members of our senior management (Messrs. Norton, Begleris, Spyrou and Rescos and Ms. Damigou) are also members of the management of Oceanbulk Maritime, Oceanbulk Container Carriers LLC or PST Tankers LLC. These other affiliations and ventures could cause distraction to such members of senior management if they focus a substantial portion of their time on such affiliations and ventures.

Any of these affiliations and relationships of Mr. Pappas, certain members of his family and certain members of our senior management may create conflicts of interest not in the best interest of us or our shareholders from time to time. This could result in an adverse effect on our business, financial condition, results of operations and cash flows.

As a “foreign private issuer” under the Securities Exchange Act of 1934, we are permitted to, and we may, rely on exemptions from certain corporate governance standards of the Nasdaq, including, among others, the requirement that a majority of our board of directors consist of independent directors. Our reliance upon such exemptions may afford less protection to holders of our common shares.

The corporate governance rules of the Nasdaq require, subject to exceptions, listed companies to have, among other things, a majority of their board members be independent and independent director oversight of executive compensation, nomination of directors and corporate governance matters. Nevertheless, a “foreign private issuer” (as defined in Rule 3b-4 of the Exchange Act) is permitted to follow its home country practice in lieu of the above requirements.

We are a foreign private issuer, and, as such, we may follow the laws of the Republic of the Marshall Islands, our home country, with respect to the foregoing requirements. For example, our board of directors is not required by the laws of the Republic of the Marshall Islands to have a majority of independent directors, so, while our board of directors includes five members that would likely be deemed independent for purposes of the Nasdaq rules, we are not required to comply with the Nasdaq rule that requires us to have a majority of independent directors, and we may in the future have less than a majority of directors who would be deemed independent for purposes of the Nasdaq rules. Consequently, for so long as we remain a foreign private issuer, the approach of our board of directors may be different from that of a board of directors required to have a majority of independent directors, and as a result, our management oversight may be more limited than if we were required to comply with the Nasdaq rules applicable to U.S. domestic listed companies. If in the future we lose our status as a foreign private issuer, we would be required to comply with the rules of the Nasdaq applicable to U.S. domestic listed companies within six months.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

We are a “foreign private issuer,” and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic companies whose securities are registered under the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer’s most recently completed second fiscal quarter, and accordingly the next determination will be made with respect to us on June 30, 2017. We will lose our foreign private issuer status if more than 50% of our outstanding voting securities are directly or indirectly held of record by residents of the U.S., and:

- more than a majority of our executive officers and directors are U.S. citizens or residents;
- more than 50% of our assets are located in the U.S.; or
- our business is administered principally in the U.S.

We may therefore lose our foreign private issuer status in the future.

If we were to lose our foreign private issuer status, we would be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms, which are more detailed and extensive than the forms available to a foreign private issuer. We would also have to comply with U.S. federal proxy requirements, and our officers, directors and 10% shareholders would become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we would lose our ability to rely upon exemptions from certain Nasdaq corporate governance requirements. As a result, the regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer could be significantly higher.

Our directors who have relationships with Oaktree may have conflicts of interest with respect to matters involving us.

Three of our directors are affiliated with Oaktree. These persons will have fiduciary duties to us and in addition will have duties to Oaktree. In addition, under the Oaktree Shareholders Agreements, none of our officers or directors who is also an officer, director, employee or other affiliate of Oaktree or an officer, director or employee of an affiliate of Oaktree will be liable to us or our shareholders for breach of any fiduciary duty by reason of the fact that any such individual directs a corporate opportunity to Oaktree or its affiliates instead of us, or does not communicate information regarding a corporate opportunity to us that such person or affiliate has directed to Oaktree or its affiliates. As a result, such circumstances may entail real or apparent conflicts of interest with respect to matters affecting both us and Oaktree, whose interests, in some circumstances, may be adverse to ours. In addition, as a result of Oaktree's ownership interest, conflicts of interest could arise with respect to transactions involving business dealings between us and Oaktree or their affiliates, including potential business transactions, potential acquisitions of businesses or properties, the issuance of additional securities, the payment of dividends by us and other matters.

Our executive officers will not devote all of their time to our business, which may hinder our ability to operate successfully.

Our executive officers participate in business activities not associated with us, including serving as members of the management teams of Oceanbulk Maritime (which is affiliated with the Pappas family), Oceanbulk Container Carriers LLC and PST Tankers LLC (which are both affiliated with Oaktree and entities controlled by the family of Mr. Petros Pappas), and are not required to work full-time on our affairs. Initially, we expect that each of our executive officers will devote a substantial portion of his/her business time to the completion of our newbuilding program and management of our Company. Our executive officers may devote less time to us than if they were not engaged in other business activities and may owe fiduciary duties to the shareholders of other companies with which they may be affiliated, including those companies listed above. In particular, we expect that the amount of time Mr. Pappas allocates to managing us will vary from time to time depending on the needs of the business and the level of strategic activity at the time. This structure may create conflicts of interest in matters involving or affecting us and our customers and it is not certain that any of these conflicts of interest will be resolved in our favor. This could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are dependent on our managers and their ability to hire and retain key personnel.

Our success depends to a significant extent upon the abilities and efforts of our management team. For example, Mr. Pappas is integral to our business, and our success depends significantly on his abilities, industry knowledge and relationships. We do not maintain “key man” life insurance on any of our officers, and the loss of any of these individuals could adversely affect our business prospects and financial condition.

Our continued success will depend upon our and our managers’ ability to hire and retain key members of our management team. Difficulty in hiring and retaining personnel could adversely affect our results of operations. In crewing our vessels, we require technically skilled employees with specialized training who can perform physically demanding work. Competition to attract and retain qualified crew members is intense due to the increase in the size of the global shipping fleet. If we are not able to obtain higher charter rates to compensate for any crew cost increases, it could have a material adverse effect on our business, results of operations, cash flows and financial condition. If we cannot hire, train and retain a sufficient number of qualified employees, we may be unable to manage, maintain and grow our business, which could have a material adverse effect on our business, financial condition, results of operations and cash flows. As we expand our fleet, we will also need to expand our operational and financial systems and hire new shoreside staff and seafarers to crew our vessels; if we cannot expand these systems or recruit suitable employees, its performance may be adversely affected.

Risks Related to Our Corporate Structure and Our Common Shares

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

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to satisfy our financial obligations and to make dividend payments in the future depends on our subsidiaries and their ability to distribute funds to us. If we are unable to obtain funds from our subsidiaries, our board of directors may exercise its discretion not to declare or pay dividends. We do not intend to obtain funds from other sources to pay dividends. Furthermore, certain of our outstanding financing arrangements restrict the ability of some of our subsidiaries to pay us dividends under certain circumstances, such as if an event of default exists. To the extent we do not receive dividends from our subsidiaries, our ability to pay dividends will be restricted.

Because we are organized under the laws of the Marshall Islands and because substantially all of our assets are located outside of the United States, it may be difficult to serve us with legal process or enforce judgments against us, our directors or our management.

We are organized under the laws of the Marshall Islands and substantially all of our assets are located outside of the United States. In addition, the majority of our directors and officers are or will be non-residents of the United States and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against our directors and officers in the United States if you believe that your rights have been infringed under securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Marshall Islands and of other jurisdictions may prevent or restrict you from enforcing a judgment against our assets or the assets of our directors or officers.

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

Our corporate affairs are governed by our Fourth Amended and Restated Articles of Incorporation (the “Articles of Incorporation”) and our Third Amended and Restated Bylaws (the “Bylaws”) and by the Marshall Islands Business Corporations Act (the “MIBCA”). The provisions of the MIBCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Marshall Islands

interpreting the MIBCA. The rights and fiduciary responsibilities of directors under the laws of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in the United States. The rights of shareholders of companies incorporated in the Marshall Islands may differ from the rights of shareholders of companies incorporated in the United States. While the MIBCA provides that it is to be interpreted according to the laws of the State of Delaware and other states with substantially similar legislative provisions, there have been few, if any, court cases interpreting the MIBCA in the Marshall Islands and we cannot predict whether Marshall Islands courts would reach the same conclusions as United States courts. Thus, you may have more difficulty in protecting your interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction that has developed a relatively more substantial body of case law. Additionally, the Republic of the Marshall Islands does not have a legal provision for bankruptcy or a general statutory mechanism for insolvency proceedings. As such, in the event of a future insolvency or bankruptcy, our shareholders and creditors may experience delays in their ability to recover their claims after any such insolvency or bankruptcy.

The price of our common shares may be highly volatile.

The price of our common shares may fluctuate due to factors such as:

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

The seaborne transportation industry has been highly unpredictable and volatile. The market for our common shares in this industry may be equally volatile. Consequently, you may not be able to sell the common shares at prices equal to or greater than those paid by you.

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

Our Articles of Incorporation authorize us to issue common shares, of which 63,068,779 shares had been issued and were outstanding as of March 9, 2017. Sales of a substantial number of shares of our common shares in the public market, or the perception that these sales could occur, may depress the market price for our common shares. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future. We intend to issue additional shares of our common shares in the future. Our shareholders may incur dilution from any future equity offering and upon the issuance of additional shares of our common shares upon the exercise of options we have granted to certain of our executive officers or upon the issuance of additional common shares pursuant to our equity incentive plans.

We may fail to meet the continued listing requirements of the Nasdaq, which could cause our common shares to be delisted.

Pursuant to the listing requirements of the Nasdaq Global Select Market, if a company's share price is below \$1.00 per share for 30 consecutive trading days, Nasdaq will notify the company that it is no longer in compliance with the Nasdaq listing qualifications, which are set forth in Nasdaq Listing Rule 5450(a). If a company is not in compliance with the minimum bid price rule, the company will have 180 calendar days to regain compliance. The company may regain compliance if the bid price of its common shares closes at \$1.00 per share or more for a minimum of ten consecutive business days at any time during the 180-day cure period.

On January 6, 2016, we received notice from Nasdaq that the minimum bid price for our common shares was below \$1.00 per share for a period of 30 consecutive business days, and that we therefore did not meet the minimum bid price requirement for the Nasdaq Global Select Market. Following the June 2016 Reverse Stock Split, effective June 20, 2016, on July 6, 2016 we received notice from Nasdaq that we had regained compliance with the minimum bid price requirement for the Nasdaq Global Select Market.

There can be no assurance that we will remain in compliance with the other Nasdaq listing qualification rules, or that our common shares will not be delisted. A delisting of our common shares could have an adverse effect on the market price, and the efficiency of the trading market for, our common shares and could cause an event of default under certain of our Senior Secured Credit Facilities.

Certain shareholders hold registration rights, which may have an adverse effect on the market price of our common shares.

On September 20, 2011, we filed a registration statement on Form S-8 (File No. 333-176922) that covers the resale of up to 62,201 of our common shares, adjusted for the June 2016 Reverse Stock Split, that have been issued under our 2007, 2010 and 2011 equity incentive plans. We have included 97,157 common shares, adjusted for the June 2016 Reverse Stock Split, for resale in a universal shelf registration statement (File No. 333-180674), which was declared effective by the Securities and Exchange Commission (the “Commission”) on July 17, 2012. A Form F-3 registration statement for 1,546,355 common shares, adjusted for the June 2016 Reverse Stock Split, was filed with the SEC pursuant to a registration rights agreement and declared effective on November 12, 2013 for shares held by Oaktree and Monarch. On July 11, 2014, we entered into the Registration Rights Agreement. For more information regarding the terms of the Registration Rights Agreement, “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.” Pursuant to the Registration Rights Agreement, we filed a Form F-3 registration statement (Registration No. 333-197886), registering the resale of 13,451,657 common shares, adjusted for the June 2016 Reverse Stock Split, to be sold by certain selling shareholders listed therein, which was declared effective on September 25, 2014. In addition, the Registration Rights Agreement also provides the Oaktree Seller and its affiliates with certain demand registration rights and the Oaktree Seller and Pappas Seller and certain affiliates thereof with certain shelf registration rights in respect of common shares held by them, subject to certain conditions. We have also agreed to grant affiliates of Senator Investment Group LP (“Senator”) registration rights covering an additional 3,065,980 common shares acquired by Senator in connection with the February 2017 Private Placement. As a result of the Excel Transactions and pursuant to the Registration Rights Agreement, we filed another Form F-3 registration statement (Registration No. 333-198832) registering the resale of 5,983,462 common shares, adjusted for the June 2016 Reverse Stock Split, issued to Excel as the Excel Vessel Share Consideration, and the 7,450,084 common shares, adjusted for the June 2016 Reverse Stock Split, purchased by Oaktree, affiliates of the family of Mr. Petros Pappas and certain other selling stockholders named therein in the January 2015 Equity Offering. This registration statement was declared effective on February 25, 2015. In the event that we register additional common shares for sale to the public following the closing of the 2014 Transactions, we will be required to give notice to the Oaktree Seller, the Pappas Seller, Senator, and certain affiliates thereof of our intention to effect such registration and, subject to certain limitations, we will be required to include common shares held by those holders in such registration. The resale of these common shares in addition to the offer and sale of the other securities included in such registration statements may have an adverse effect on the market price of our common shares.

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

Several provisions of our Articles of Incorporation and our Bylaws could make it difficult for our shareholders to change the composition of our board of directors in any one year, preventing them from changing the composition of management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that shareholders may consider favorable. These provisions include:

·authorizing our board of directors to issue “blank check” preferred stock without shareholder approval;

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- providing for a classified board of directors with staggered, three-year terms;
- establishing certain advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by shareholders at shareholder meetings;
- prohibiting cumulative voting in the election of directors;
- limiting the persons who may call special meetings of shareholders;
- authorizing the removal of directors only for cause and only upon the affirmative vote of the holders of a majority of the outstanding shares of our common shares entitled to vote for the directors; and
- establishing supermajority voting provisions with respect to amendments to certain provisions of our Articles of Incorporation and our Bylaws.

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

Item 4. Information on the Company

A. History and Development of the Company

We were incorporated in the Marshall Islands on December 13, 2006. Our executive offices are located at c/o Star Bulk Management Inc., 40 Agiou Konstantinou Str., Maroussi 15124, Athens, Greece and its telephone number is 011-30-210-617-8400.

Star Maritime Acquisition Corp. (“Star Maritime”), was organized under the laws of the State of Delaware on May 13, 2005 as a blank check company formed to acquire, through a merger, capital stock exchange, asset acquisition or similar business combination, one or more assets or target businesses in the shipping industry. Following the formation of Star Maritime, its officers and directors were the holders of 601,795 common shares representing all of its then issued and outstanding capital stock. On December 21, 2005, Star Maritime consummated its initial public offering of 1,257,833 units, at a price of \$150.00 per unit, each unit consisting of one share of Star Maritime common stock and one warrant to purchase one share of Star Maritime common stock at an exercise price of \$120.00 per share. During December 2005, Star Maritime also completed a private placement of an aggregate of 75,500 units, each unit consisting of one share of common stock and one warrant to purchase one share of Star Maritime common stock at an exercise price of \$120.00 per share, to Mr. Petros Pappas, our Chief Executive Officer and one of our directors, Mr. Koert Erhardt, one of our directors, Mr. Prokopios Tsirigakis, our former Chief Executive Officer and former director, and Mr. George Syllantavos, our former Chief Financial Officer and former director. The \$11.3 million gross proceeds of the private placement were used to pay all fees and expenses of the initial public offering and as a result, the \$188.7 million gross proceeds of the initial public offering were deposited in a trust account maintained by American Stock Transfer & Trust Company, LLC. Star Maritime’s common stock and warrants started trading on the American Stock Exchange under the symbols, SEA and SEA.WS, respectively on December 21, 2005.

On January 12, 2007, Star Maritime and Star Bulk entered into definitive agreements to acquire a fleet of eight dry bulk carriers, with a combined cargo-carrying capacity of approximately 692,000 dwt, from certain subsidiaries of TMT Co, Ltd, a global shipping company with management headquarters in Taiwan (“TMT”). These eight dry bulk carriers are referred to as the initial fleet. The aggregate purchase price specified in the Master Agreement by and among Star Bulk, Star Maritime and TMT (the “Master Agreement”), for the initial fleet was \$224.5 million in cash and 167,169 of our common shares, adjusted for the June 2016 Reverse Stock Split, which were issued on November 30, 2007. As additional consideration for the eight vessels, we agreed to issue 21,426 common shares, adjusted for the

June 2016 Reverse Stock Split, to TMT in two installments as follows: (i) 10,713 additional common shares, no more than 10 business days following the filing of the Annual Report on Form 20-F for the fiscal year ended December 31, 2007, and (ii) 10,713 additional common shares, no more than 10 business days following the filing of the Annual Report on Form 20-F for the fiscal year ended December 31, 2008. The shares in respect of the first installment were issued to a nominee of TMT on July 17, 2008 and the shares in respect of the second installment were issued to a nominee of TMT on April 28, 2009.

On November 2, 2007, the Commission declared effective our joint proxy/registration statement filed on Forms F-1/F-4 and on November 27, 2007, we obtained shareholders' approval for the acquisition of the initial fleet and for effecting the Redomiciliation Merger as a result of which Star Maritime merged into Star Bulk with Star Maritime merging out of existence and Star Bulk being the surviving entity. Each share of Star Maritime's common stock was exchanged for one of our common shares (without adjusted for the subsequent reverse stock splits), and each warrant of Star Maritime was assumed by us with the same terms and conditions except that each became exercisable for our common shares. The Redomiciliation Merger became effective on November 30, 2007, and the common shares and warrants of Star Maritime ceased trading on the American Stock Exchange under the symbols SEA and SEA.WS, respectively. Our common shares and warrants started trading on the Nasdaq Global Select Market on December 3, 2007, under the ticker symbols SBLK and SBLKW, respectively. All of our warrants expired worthless and ceased trading on the Nasdaq Global Select Market on March 15, 2010. We began our operations on December 3, 2007, with the delivery of our first vessel Star Epsilon.

On February 25, 2014, we acquired 33% of the total outstanding common stock of Interchart, a Liberian company affiliated with family members of our Chief Executive Officer, which acts as chartering broker to our fleet, for a total consideration of \$0.2 million in cash and 4,520 restricted common shares, adjusted for the June 2016 Reverse Stock Split, issued on April 1, 2014. The ownership interest was purchased from an entity affiliated with family members of our Chief Executive Officer, including our former director Ms. Milena-Maria Pappas. On the same date, we entered into a services agreement, with Interchart for chartering, brokering and commercial services for our vessels for an annual fee of €0.5 million (approximately \$0.53 million, using the exchange rate as of December 31, 2016, eur/usd 1.05). In November 2014, we entered into a new agreement with Interchart for chartering, brokering and commercial services for all of our vessels for a monthly fee of \$0.3 million. The agreement was effective from October 1, 2014 until March 31, 2015, and, following recurring renewals, is currently effective until December 31, 2017. The previous agreement with Interchart, dated February 25, 2014, was terminated when this agreement became effective.

Beginning in July 2014, we entered into the Merger, the Heron Transaction, the Pappas Transaction and the Excel Transactions that greatly expanded our fleet, as described in "Item 3. Key Information."

Vessel Acquisitions, Newbuilding Vessels, Bareboat Charters, Dispositions and Other Significant Transactions

Vessel Acquisitions

On November 5, 2013, we entered into two agreements with two third parties to acquire Star Challenger and Star Fighter. Star Challenger and Star Fighter are Ultramax vessels of 61,462 dwt and 61,455 dwt, built in 2012 and 2013, respectively. The vessels were delivered to us on December 12, 2013 and on December 30, 2013, respectively.

On January 24, 2014, we entered into agreements to acquire Star Vega and Star Sirius from Glocal Maritime Ltd., a third party. Both Star Vega and Star Sirius are Post Panamax vessels of 98,681 dwt each, built in 2011. The vessels were delivered to us on February 13, 2014 and March 7, 2014, respectively. Upon their delivery, the vessels were chartered back to Glocal Maritime Ltd. for a daily rate of \$15,000, and the charters expired in August 2016 and June 2016, respectively.

In March 2017, we entered into definitive agreements to acquire two modern Kamsarmax drybulk carriers from a third party for an aggregate total consideration of approximately \$30.3 million. Each of the vessels has a carrying capacity of 81,713 deadweight tons and was built with high specifications at Jiangsu New Yangzijiang in 2013. The vessels are expected to be delivered to us between March and May 2017.

Newbuilding Contracts

On July 5, 2013, we entered into agreements with Shanghai Waigaoqiao Shipbuilding Co. (“SWS”) for the construction of two 180,000 dwt Capesize vessels, with fuel efficient specifications, Star Aries (ex-Hull 1338) delivered to us on February 29, 2016 and sold on the same date, and Star Taurus (ex-Hull 1339), delivered from shipyard and to its new owners on June 6, 2016 (as discussed below “–Vessel Dispositions”).

On September 23, 2013, we entered into agreements with SWS for the construction of two 208,000 dwt Newcastlemax vessels, with fuel efficient specifications, Hull 1342 (tbn Star Gemini) and Hull 1343 (tbn Star Leo), with expected deliveries in July 2017 and January 2018, respectively.

On September 27, 2013, we entered into agreements with Nantong COSCO KHI Ship Engineering Co. (“NACKS”) for the construction of two 61,000 dwt Ultramax vessels, Star Antares (ex-Hull NE 196) and Star Lutas (ex-Hull NE 197), and one 209,000 dwt Newcastlemax vessel, Star Poseidon (ex-Hull NE 198), each with fuel efficient specifications, delivered to us in October 2015, January 2016 and February 2016, respectively.

On October 22, 2013, we entered into contracts with Japan Marine United Corporation (“JMU”), for the construction of two 60,000 dwt Ultramax vessels, Star Acquarius (ex Hull 5040) and Star Pisces (ex Hull 5043), with fuel efficient specifications, which were delivered to us in July 2015 and August 2015, respectively.

Bareboat Charters

On February 17, 2014, we entered into separate bareboat agreements (the “Bareboat Charters”) with CSSC (Hong Kong) Shipping Company Limited (“CSSC”), an affiliate of SWS, to bareboat charter for ten years two fuel efficient Newcastlemax vessels, each with a cargo carrying capacity of 208,000 deadweight tons. The vessels were constructed pursuant to shipbuilding contracts entered into between two pairings of affiliates of SWS. Each pair had one shipyard party (each, an “SWS Builder”) and one ship-owning entity (each an “SWS Owner”). Delivery to us of each vessel was deemed to occur upon delivery of the vessel to the SWS Owner from the corresponding SWS Builder. Pursuant to the terms of the Bareboat Charters, we are required to pay upfront fees, corresponding to the pre-delivery installments to the shipyard. An amount of \$43.2 million and \$40.0 million, respectively, for the construction cost of each vessel, corresponding to the delivery installment to the shipyard, is financed by the relevant SWS Owner, to whom we will pay a daily bareboat charter hire rate payable monthly plus a variable amount. In addition, we paid an amount of \$0.9 million, representing handling fees for the construction of the two vessels in two installments, in February 2014 and February 2015, respectively. Under the terms of the Bareboat Charters, we have the option to purchase the CSSC Vessels at any time following delivery, such option being exercisable on a monthly basis against a predetermined, amortizing-during-the-charter-period prices and the obligation to purchase the two vessels at the expiration of the bareboat term at a purchase price of \$13.0 million and \$12.0 million, respectively. Upon the earlier of the exercise of the purchase options or the expiration of the Bareboat Charters, we will own the CSSC Vessels. We took delivery of the Star Libra (ex-HN 1372) during the year ended December 31, 2016, while the Star Virgo (ex- HN 1371) was delivered in March 2017.

July 2014 Transactions

In the Merger and Pappas Transactions, we acquired 13 dry bulk vessels and contracts for the construction of 26 newbuilding dry bulk fuel-efficient Eco-type vessels at shipyards in Japan and China, of which nine are subject to bareboat charters, as described below. The total purchase consideration for the July 2014 Transactions was \$616.3 million.

On May 17, 2013, subsidiaries of Oceanbulk entered into separate bareboat charter party contracts with affiliates of New Yangzijiang shipyards for eight-year bareboat charters of four newbuilding 64,000 dwt Ultramax vessels being built at New Yangzijiang. The vessels were constructed pursuant to four shipbuilding contracts entered into between

four pairings of affiliates of New Yangzijiang. Each pair has one shipyard party (each, a “New YJ Builder”) and one ship-owning entity (each a “New YJ Owner”). Delivery of each vessel to us was deemed to occur upon delivery of the vessel to the New YJ Owner from the corresponding New YJ Builder. Pursuant to the terms of the bareboat charters, we were required to pay upfront fees, corresponding to the pre-delivery installments to the shipyard. An amount of \$20.7 million for the construction cost of each vessel, corresponding to the delivery installment to the shipyard, is financed by the relevant New YJ Owner, to whom we pay a pre-agreed daily bareboat charter hire rate on a 30-days advance basis. After each vessel’s delivery, we have monthly purchase options to acquire the vessel at pre-determined, amortizing-during-the-charter-period prices and on the eighth anniversary of the delivery of each vessel, we have the obligation to purchase the vessel at a purchase price of \$6.0 million. Upon the earlier of the exercise of the purchase options or the expiration of the bareboat charters, we will own the four vessels. The four vessels were delivered to us on March 25, 2015, March 31, 2015, April 7, 2015 and June 26, 2015, respectively.

On December 27, 2013, subsidiaries of Oceanbulk entered into separate bareboat charter party contracts with affiliates of SWS for ten-year bareboat charters of five newbuilding 208,000 dwt Newcastlemax vessels being built at SWS. During the year ended December 31, 2015, the Company reassigned two of these bareboat vessels back to their owners, leaving the Company with no future capital expenditure obligations with respect to those two newbuildings. The remaining three vessels are being constructed pursuant to shipbuilding contracts entered into between three pairings of affiliates of SWS. Each pair has one shipyard party (each, an “SWS Builder”) and one ship-owning entity (each an “SWS Owner”). Delivery of each vessel to us is deemed to occur upon delivery of the vessel to the SWS Owner from the corresponding SWS Builder. Pursuant to the terms of the bareboat charter, we are required to pay upfront fees, corresponding to the pre-delivery installments to the shipyard. An amount ranging from \$40.0 to \$43.2 million for the construction cost of each vessel, corresponding to the delivery installment to the shipyard, will be financed by the relevant SWS Owner, to whom we will pay a daily bareboat charter hire rate payable monthly plus a variable amount. After each vessel’s delivery, we have monthly purchase options to acquire the vessel at pre-determined, amortizing-during-the-charter-period prices and at the end of the ten-year charter period for each vessel, we have the obligation to purchase the vessel at a purchase price ranging from \$12.0 million to \$13.0 million. Upon the earlier of the exercise of the purchase options or the expiration of the bareboat charters, we will own the three vessels. We took delivery of the Star Marisa (ex-HN 1359) during the year ended December 31, 2016, while the HN 1360 (tbn Star Ariadne) and the HN 1361 (tbn Star Magnanimus) are expected to be delivered in March 2017 and January 2018.

The Merger Agreement also provided for the acquisition of the Heron Vessels. On November 11, 2014, we entered into two separate agreements with Heron to acquire the vessels Star Gwyneth (ex-ABYO Gwyneth) and Star Angelina (ex-ABYO Angelina), which were delivered to us on December 5, 2014. The cost for the acquisition of these vessels was determined based on the fair value of the 423,141 common shares, adjusted for the June 2016 Reverse Stock Split, issued on July 11, 2014, in connection with the Heron Transaction, of \$25.1 million and \$25.0 million in cash payment which was financed by the Heron Vessels Facility (as defined below see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Senior Secured Credit Facilities”), according to the provisions of the Merger Agreement with respect to these acquisitions.

A total of 10,820,840 of our common shares, adjusted for the June 2016 Reverse Stock Split, were issued to the various selling parties in the July 2014 Transactions.

Excel Transactions

Through the Excel Transactions in August 2014, we acquired the 34 Excel Vessels for an aggregate of 5,983,462 common shares, adjusted for the June 2016 Reverse Stock Split, and \$288.4 million in cash. In the case of three Excel Vessels Star Martha (ex-Christine), Star Pauline (ex-Sandra) and Star Despoina (ex-Lowlands Beilun), which were transferred subject to existing charters, we received the outstanding equity interests of the vessel-owning subsidiaries that own those Excel Vessels (although all other assets and liabilities of such vessel-owning subsidiaries remained with Excel). The Excel Vessels were transferred to us in a series of closings, on a vessel-by-vessel basis, with the last Excel Vessel delivered to us in April, 2015.

Vessel Dispositions

On February 22, 2012, we entered into an agreement to sell Star Ypsilon to a third party, together with a quantity of 667 metric tons of fuel oil. We delivered the vessel to its purchasers on March 9, 2012. In connection with the sale of Star Ypsilon and the terms of the HSH Nordbank \$64.5 million Facility (as defined below see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Senior Secured Credit Facilities”), on March 7, 2012, we repaid \$7.4 million of the outstanding borrowings under the HSH Nordbank \$64.5 million Facility and the mortgage over the vessel was released.

On March 14, 2013, we entered into an agreement to sell Star Sigma to a third party. The vessel was delivered to its purchasers on April 10, 2013. On April 2, 2013, in connection with the sale of Star Sigma, we fully repaid the \$4.7 million balance of Capesize Tranche of the HSH Nordbank \$64.5 million Facility. The remaining \$4.7 million balance from the sale proceeds of Star Sigma was applied as a prepayment to the Supramax Tranche of the HSH Nordbank \$64.5 million Facility. As a result, the next seven scheduled quarterly installments for that facility, commencing in April 2013 were reduced on a pro-rata basis equal to the amount of the prepayment and the mortgage over the vessel was released.

Since late December 2014 and during 2015, we entered into separate agreements with third parties to sell 16 of our vessels (Star Big, Star Mega, Maiden Voyage, Star Natalie, Star Tatianna, Star Christianna, Star Monika, Star Julia, Star Kim, Star Nicole, Rodon, Star Claudia, Indomitable, Magnum Opus, Tsu Ebisu and Deep Blue). These vessels were delivered to their purchasers in 2015, except from the last four, which were delivered in 2016.

On May 28, 2015, we entered into an agreement with a third party to sell the vessel Maiden Voyage, as mentioned above. As part of this transaction, the vessel (currently named Astakos) was leased back to us under a time charter for two years. The vessel was delivered to its new owner on September 15, 2015, and we became the charterer of the vessel on the same date.

In addition, in late 2015, we entered into various separate agreements with third parties to sell five of our newbuilding vessels (Behemoth, Bruno Marks, Jenmark, Star Aries and Star Taurus) upon their delivery from the shipyards

During 2016, we entered into various separate agreements with third parties to sell the operating vessels Obelix, Star Michele, Star Monisha, Star Aline and Star Despoina and the newbuilding vessel Megalodon (ex-HN 5056) upon its delivery from the shipyard. All of these sold vessels were delivered to their purchasers during the year ended December 31, 2016.

On February 9, 2017, we entered into agreement with a third party to sell the vessel Star Eleonora, at market terms. The vessel was delivered in March 2017. For the prepayments made in connection with the above sales see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Senior Secured Credit Facilities.”

During the year ended December 31, 2016, we terminated two shipbuilding contacts, leaving the Company with no future capital expenditure obligations with respect to those two newbuildings.

Negotiations with the shipyards

During 2015 and in early 2016 we reached agreements in principle with certain shipyards to defer the delivery and reduce the purchase price of certain of our newbuilding vessels. The aggregate agreed reduction to the purchase price was \$64.5 million. The estimated delivery dates and remaining payments for our newbuilding vessels stated elsewhere in this report take account of these negotiations.

B. Business overview

General

We are an international shipping company with extensive operational experience that owns and operates a fleet of dry bulk carrier vessels. On a fully delivered basis, we will have a fleet of 73 vessels consisting primarily of Newcastlemax, Capesize as well as Kamsarmax, Ultramax and Supramax vessels with a carrying capacity between 52,055 dwt and 209,537 dwt. Our vessels transport a broad range of major and minor bulk commodities, including ores, coal, grains and fertilizers, along worldwide shipping routes. Our highly experienced executive management team, with over 120 years of combined shipping industry experience, is led by Mr. Petros Pappas, who has more than 39 years of shipping industry experience and has managed approximately 320 vessel acquisitions and dispositions.

As of March 9, 2017, our operating fleet of 68 vessels had an aggregate capacity of approximately 7.2 million dwt. We have also entered into or acquired contracts for the construction of four of the latest generation “Eco-type” vessels at a shipyard in China, which we define as vessels that are designed to be more fuel-efficient than standard vessels of similar size and age. As of March 9, 2017, the total payments for our four newbuilding vessels were expected to be \$148.0 million, of which we had already paid \$49.9 million. As of March 9, 2017, we had \$258.4 million of cash on hand and we had obtained commitments for \$80.0 million of secured debt for two newbuilding vessels in the form of capital leases and we are also in negotiations and expect to obtain a commitment for up to \$53.0 million of secured financing for the remaining two newbuilding vessels, based on current market valuations. In March 2017, we entered into definitive agreements to acquire two modern Kamsarmax vessels, with expected delivery dates between March and May 2017, for an aggregate consideration of approximately \$30.3 million, and we are in negotiations and expect to obtain financing for up to \$15.2 million of secured debt in connection therewith. By the first quarter of 2018, we expect our fleet to consist of 73 wholly owned vessels, with an average age of 7.9 years and an aggregate capacity of 8.0 million dwt. As of March 9, 2017, the average age of our operating fleet was 7.8 years. On a fully delivered basis and based on publicly available information, we believe our fleet will make us one of the largest U.S. publicly traded dry bulk shipping company by deadweight tonnage.

Our fleet is well-positioned to take advantage of economies of scale in commercial, technical and procurement management. For our operating fleet and our newbuildings, we have focused on vessels built at leading Japanese and Chinese shipyards, which, in our experience, are more reliable and less expensive to operate and are accordingly preferred by charterers. Currently, because of prevailing market conditions, we primarily employ our vessels in the spot market, under short term time charters or voyage charters. While employing the vessels under a voyage charter may require more management attention than under time charters, the vessel owner benefits from any fuel savings it can achieve because fuel is paid for by the vessel owner. On a fully-delivered basis, we will have a large, modern, fuel-efficient and high-quality fleet, which emphasizes the largest Eco-type Capesize and Newcastlemax vessels, built at leading shipyards and featuring the latest technology. As a result, we believe we will have an opportunity to capitalize on rising market demand during a period of reduced fleet growth, customer preferences for our ships and economies of scale, while enabling us to capture the benefits of fuel cost savings through spot time charters or voyage charters.

Our Fleet

We have built a fleet through timely and selective acquisitions of secondhand and newbuilding vessels. Because of the industry reputation and extensive relationships of Mr. Pappas and the other members of our senior management, we have been able to contract for our newbuilding vessels with leading shipyards. We believe that owning a modern, well-maintained fleet reduces operating costs, improves the quality of services we deliver and provides us with a competitive advantage in securing favorable spot time charters and voyage charters with high-quality counterparties. Each of our newly delivered and newbuilding vessels will be equipped with a vessel remote monitoring system that will provide data to a central location in order to monitor fuel and lubricant consumption and efficiency on a real-time basis. We expect to retrofit all of our operating vessels and most of the Excel Vessels with a similar monitoring system. While these monitoring systems are generally available in the shipping industry, we believe that they can be cost-effectively employed only by large-scale shipping operators, such as us.

Our fleet, which emphasizes large Capesize vessels, primarily transports minerals from the Americas and Australia to East Asia, particularly China, but also Japan, South Korea, Taiwan, Indonesia and Malaysia. Our Supramax vessels carry minerals, grain products and steel between the Americas, Europe, Africa, Australia and Indonesia and from these areas to China, Japan, South Korea, Taiwan, the Philippines and Malaysia.

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Our newbuilding vessels are being built at a Chinese shipyard. The following tables summarize key information about our operating and newbuilding fleet, as of March 9, 2017:

Operating Fleet

	Vessel Name	Vessel Type	Capacity (dwt.)	Year Built	Date Delivered to Star Bulk
1	Goliath	Newcastlemax	209,537	2015	July-15
2	Gargantua	Newcastlemax	209,529	2015	April-15
3	Star Poseidon	Newcastlemax	209,475	2016	February-16
4	Maharaj	Newcastlemax	209,472	2015	July-15
5	Star Virgo ⁽¹⁾	Newcastlemax	207,812	2017	March 2017
6	Star Libra ⁽¹⁾	Newcastlemax	207,765	2016	June-16
7	Star Marisa ⁽¹⁾	Newcastlemax	207,709	2016	March-16
8	Leviathan	Capesize	182,511	2014	September-14
9	Peloreus	Capesize	182,496	2014	July-14
10	Star Martha	Capesize	180,274	2010	October-14
11	Star Pauline	Capesize	180,274	2008	December-14
12	Pantagruel	Capesize	180,181	2004	July-14
13	Star Borealis	Capesize	179,678	2011	September-11
14	Star Polaris	Capesize	179,600	2011	November-11
15	Star Angie	Capesize	177,931	2007	October-14
16	Big Fish	Capesize	177,643	2004	July-14
17	Kymopolia	Capesize	176,990	2006	July-14
18	Big Bang	Capesize	174,109	2007	July-14
19	Star Aurora	Capesize	171,199	2000	September-10
20	Star Eleonora ⁽²⁾	Capesize	164,218	2001	December-14
21	Amami	Post Panamax	98,681	2011	July-14
22	Madredeus	Post Panamax	98,681	2011	July-14
23	Star Sirius	Post Panamax	98,681	2011	March-14
24	Star Vega	Post Panamax	98,681	2011	February-14
25	Star Angelina	Kamsarmax	82,981	2006	December-14
26	Star Gwyneth	Kamsarmax	82,790	2006	December-14
27	Star Kamila	Kamsarmax	82,769	2005	September-14
28	Pendulum	Kamsarmax	82,619	2006	July-14
29	Star Maria	Kamsarmax	82,598	2007	November-14
30	Star Markella	Kamsarmax	82,594	2007	September-14
31	Star Danai	Kamsarmax	82,574	2006	October-14
32	Star Georgia	Kamsarmax	82,298	2006	October-14
33	Star Sophia	Kamsarmax	82,269	2007	October-14
34	Star Mariella	Kamsarmax	82,266	2006	September-14
35	Star Moira	Kamsarmax	82,257	2006	November-14
36	Star Nina	Kamsarmax	82,224	2006	January-15
37	Star Renee	Kamsarmax	82,221	2006	December-14
38	Star Nasia	Kamsarmax	82,220	2006	August-14
39	Star Laura	Kamsarmax	82,209	2006	December-14
40	Star Jennifer	Kamsarmax	82,209	2006	April-15
41	Star Helena	Kamsarmax	82,187	2006	December-14
42	Mercurial Virgo	Kamsarmax	81,545	2013	July-14
43	Star Iris	Panamax	76,466	2004	September-14
44	Star Emily	Panamax	76,417	2004	September-14

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45	Star Vanessa	Panamax	72,493	1999	November-14
46	Idee Fixe ⁽¹⁾	Ultramax	63,458	2015	March-15
47	Roberta ⁽¹⁾	Ultramax	63,426	2015	March-15
48	Laura ⁽¹⁾	Ultramax	63,399	2015	April-15
49	Kaley ⁽¹⁾	Ultramax	63,283	2015	June-15
50	Kennadi	Ultramax	63,262	2016	January-16
51	Mackenzie	Ultrama	63,226	2016	March-16
52	Star Challenger	Ultramax	61,462	2012	December-13

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53	Star Fighter	Ultramax	61,455	2013	December-13
54	Star Lutas	Ultramax	61,347	2016	December-13
55	Honey Badger	Ultramax	61,320	2015	February-15
56	Wolverine	Ultramax	61,292	2015	February-15
57	Star Antares	Ultramax	61,258	2015	October-15
58	Star Aquarius	Ultramax	60,916	2015	July-15
59	Star Pisces	Ultramax	60,916	2015	August-15
60	Strange Attractor	Supramax	55,742	2006	July-14
61	Star Omicron	Supramax	53,489	2005	April-08
62	Star Gamma	Supramax	53,098	2002	January-08
63	Star Zeta	Supramax	52,994	2003	January-08
64	Star Delta	Supramax	52,434	2000	January-08
65	Star Theta	Supramax	52,425	2003	December-07
66	Star Epsilon	Supramax	52,402	2001	December-07
67	Star Cosmo	Supramax	52,246	2005	July-08
68	Star Kappa	Supramax	52,055	2001	December-07
	Total dwt:		7,218,258		

(1) Subject to a bareboat charter that is accounted for as a capital lease.

(2) Vessel sold and delivered to its new owners on March 15, 2017.

In March 2017, we entered into agreements to acquire two modern Kamsarmax vessels with expected delivery dates between March 2017 and May 2017.

Newbuilding Vessels

Vessel Name	Vessel Type	Capacity (dwt.)	Shipyard	Expected Delivery Date
1 HN 1360 (tbn Star Ariadne) ⁽¹⁾	Newcastlemax	208,000	China SWS,	Mar-17
2 HN 1342 (tbn Star Gemini)	Newcastlemax	208,000	China SWS,	Jul-17
3 HN 1361 (tbn Star Magnanimus) ⁽¹⁾	Newcastlemax	208,000	China SWS,	Jan-18
4 HN 1343 (tbn Star Leo)	Newcastlemax	208,000	China	Jan-18
	Total dwt:	832,000		

(1) Subject to a bareboat charter that will be accounted for as a capital lease.

Vessels Chartered In

Vessel Name	Type	Capacity (dwt.)	Year Built
Astakos (ex - Maiden Voyage)	Supramax	58,722	2012
	Total dwt:	58,722	

Our Competitive Strengths

We believe that we possess a number of competitive strengths in our industry, including:

Track record of fleet growth with an extensive pipeline of attractive newbuilding vessels

Our operating fleet of dry bulk carrier vessels was built at leading Japanese, Chinese and Korean shipyards between 1999 and 2017, all of which are serving existing customers. Our management team's newbuilding philosophy has been to focus on building vessels exclusively at what we believe to be among the leading shipyards in Japan and China rather than simply purchasing available slots at any shipyard. Based on our experience, we believe that charterers will prefer newer, high-quality vessels and that such vessels will help to reduce operating and maintenance expenses and increase utilization rates. Mr. Pappas has leveraged his relationships with the shipyards to carefully plan our four-vessel newbuilding program. Our newbuilding program is designed to take advantage of economies of scale as quickly as practicable, adding a total capacity of approximately 0.8 million dwt, with two of the four vessels to be delivered in 2017 and the remaining two in 2018. In addition, in March 2017, we entered into agreements to acquire two modern Kamsarmax vessels with expected delivery dates between March 2017 and May 2017. As of March 9, 2017, the average age of our operating fleet was 7.8 years. When our newbuilding program is completed (which we expect in the first quarter of 2018), on a fully delivered basis, our fleet is expected to consist of 73 wholly owned vessels, with an average age of 7.9 years and an aggregate capacity of 8.0 million dwt. We believe that our operating fleet and our expected newbuilding vessels delivery schedule give us a competitive advantage.

Focus on fuel efficiency and improving vessel operations

All of our newbuilding vessels and 22 of our operating vessels are Eco-type vessels, which enable us to take advantage of available fuel cost savings and operational efficiencies and give us the opportunity to generate advantageous daily time charter equivalent ("TCE") rates, particularly in an environment in which charterhire rates are relatively low. In addition, over 30% of our operating fleet has been equipped with a sophisticated vessel remote monitoring system that allows us to collect real-time information on the performance of critical on-board equipment, with a particular focus on fuel consumption and engine performance. Using this information, we are able to be proactive in identifying potential problems and evaluating optimum operating parameters during various sea passage conditions. We also are able to compare actual vessel performance to reported vessel performance and provide feedback to crews in real time, thereby reducing the likelihood of errors or omissions by our crews. The vessel remote monitoring system is designed to enhance our ability to manage the operations of our vessels, thereby increasing operational efficiency and reducing maintenance costs and off-hire time. In addition, because of the similarities between certain of our vessels, we can take advantage of efficiencies in crewing, training and spare parts inventory management and can apply technical and operational knowledge of one ship to its sisterships. In addition to our Eco-type vessels, 29 of our operating vessels are being equipped with sliding engine valves and alpha lubricators, making them semi-Eco vessels with increased fuel efficiency and decreased lubricant consumption.

Experienced management team with a strong track record in the shipping industry

Our company's leadership has considerable shipping industry expertise. Our founder and Chief Executive Officer, Mr. Pappas, has an established track record in the dry bulk industry, with more than 36 years of experience and more than 320 vessel acquisitions and dispositions. Mr. Pappas has extensive experience in operating and investing in shipping, including through his principal shipping operations and investment vehicle, Oceanbulk Maritime. Mr. Pappas also has extensive relationships in the shipping industry, and he has leveraged his deep relationships with shipbuilders to formulate our newbuilding program.

Mr. Hamish Norton, our President, is also the Head of Corporate Development and Chief Financial Officer of Oceanbulk Maritime with more than 24 years of experience in the shipping industry. Prior to joining Oceanbulk Maritime, from 2007 through 2012, Mr. Norton was a Managing Director and the Global Head of the Maritime Group

at Jefferies LLC, and from 2003 to 2007, he was head of the shipping practice at Bear Stearns. Mr. Norton has advised in numerous capital markets and mergers and acquisitions transactions by shipping companies.

Mr. Christos Begleris, our Co-Chief Financial Officer, has served as Deputy Chief Financial Officer of Oceanbulk Maritime since 2013 and was the Chief Financial Officer of Oceanbulk from January 2014. He has been involved in the shipping industry since 2008 and has considerable banking and capital markets experience, having executed more than \$9.0 billion of acquisitions and financings.

Mr. Simos Spyrou, our Co-Chief Financial Officer, has served as Chief Financial Officer of Star Bulk since September 2011. Mr. Spyrou has more than 16 years of experience in the Greek equity and derivative markets at the Hellenic Exchanges Group.

Mr. Nicos Rescos, our Chief Operating Officer, has served as the Chief Operating Officer of Oceanbulk Maritime since April 2010 and the Commercial Director of Goldenport Holdings Inc. since 2000. He has been involved in the shipping industry in key commercial positions since 1993 and has strong expertise in the dry bulk, container and product tanker markets, having been responsible for more than 150 vessel acquisitions and dispositions.

For more information on our management team, see “Item 6. Directors, Senior Management and Employees – Directors, Senior Management and Employees.”

Extensive relationships with customers, lenders, shipyards and other shipping industry participants

Through Mr. Pappas and our senior management team, we have strong global relationships with shipping companies, charterers, shipyards, brokers and commercial shipping lenders. Our senior management team has a long track record in the voyage chartering of dry bulk ships, which we expect will be of great benefit to us in increasing the profitability of our fleet. The chartering team has long experience in the business of arranging voyage and short-term time charters and can leverage its extensive industry relationships to arrange for favorable and profitable charters. We believe that these relationships with these counterparties and our strong sale and purchase track record and reputation as a creditworthy counterparty should provide us with access to attractive asset acquisitions, chartering and ship financing opportunities. Mr. Pappas has also leveraged his deep relationships with various shipyards to enable us to implement our newbuilding program with vessels of high specification.

Our Business Strategies

Our primary objectives are to grow our business profitably and to continue to grow as a successful owner and operator of dry bulk vessels. The key elements of our strategy are:

Preserve liquidity during the current dry bulk market downturn through efficient operations and vessel sales

The BDI declined 35% during 2015 and reached its all-time low of 290 in February 2016. The dry bulk market has since rebounded from its all-time lows, reaching an intra-year peak of 1,257 in November 2016. In this environment, we are taking all necessary actions to preserve our liquidity through vessel sales, renegotiation of price and delivery dates with the shipyards for our newbuilding fleet, completion of the Restructuring Transactions, as well as optimization of vessel operations to reduce voyage and operating costs. Our management is focused on making us a leading operator in terms of cost without sacrificing the quality of our operations. Reflecting the continued quality of our vessels, as of December 2016, we are considered as a top quality service provider and were assigned the third position among 70 shipowners by Rightship, a ratings agency that evaluates the condition of dry bulk vessels.

Capitalize on potential increases in charterhire rates for dry bulk shipping

The dry bulk shipping industry is cyclical in nature. The recent historically low dry bulk charterhire rates act as a catalyst for ship owners, who scrap a significant number of vessels, until equilibrium between demand and supply of vessels is achieved. Based on our analysis of industry dynamics, we believe that dry bulk charterhire rates will rise for the medium term due to drastic supply cuts that we expect will result from owners' actions in the short term. The

supply of dry bulk carriers is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss. As of the beginning of February, 2017, the global dry bulk carrier order book amounted to approximately 9.5% of the existing fleet at that time. The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. Generally, dry bulk carriers at or over 25 years old are likely candidates to be scrapped; however due to the deteriorating freight environment we have seen younger vessels sent to the scrapyards. During 2016, a total of 29.1 million dwt was scrapped, representing the third highest level in the history of the dry bulk industry. Up until mid February 2017, we observed a slow-down in the annualized demolition rate, with 2.8 million dwt being scrapped. Historically, from 2006 to 2016, vessel annual demolition rates ranged from 0.5 million dwt to 33.4 million dwt. We have also observed the conversion of a number of newbuilding dry bulk vessels to tanker and container vessels, which we consider has the positive consequence of reducing dry bulk vessel deliveries and hence supply. We expect that the relatively weak freight rate environment will continue to dissuade ship owners from ordering further dry bulk vessels. By reducing vessel supply, we believe that the above three factors will have a positive effect on freight rates in the future. While the charter market remains at current levels, we intend to operate our vessels in the spot market under short-term time charter market or voyage charters in order to benefit from any future increases in charter rates.

Charter our vessels in an active and sophisticated manner

Our business strategy is centered on arranging voyage and short-term time charters for our vessels given the current relatively low market levels. This approach is also tailored specifically to the fuel efficiency of our newbuilding and newly delivered vessels. While this process is more difficult and labor intensive than placing our vessels on longer-term time charters, it can lead to greater profitability, particularly for vessels that have lower fuel consumption than typical vessels. When operating a vessel on a voyage charter, we (as owner of the vessel) will incur fuel costs, and therefore, we are in a position to benefit from fuel savings (particularly for our Eco-type vessels). If charter market levels rise, we may employ part of our fleet in the long-term time charter market, while we may be able to more advantageously employ our newbuilding and newly delivered vessels in the voyage charter market in order to capture the benefit of available fuel cost savings. Our large, diverse and high quality fleet provides scale to major charterers, such as iron ore miners, utility companies and commodity trading houses. On December 17, 2014, we announced the formation of a long-term strategic partnership with a significant iron ore mining company for the chartering of three Newcastlemax vessels, under an index-linked voyage charter for a five-year period. This arrangement will allow us to take the full benefit of the vessels' increased cargo carrying capacity as well as potential savings arising from their fuel efficiency, as we will be compensated on a \$/ton basis, while being responsible for the voyage expenses of the vessels. We seek similar arrangements with other charterers, providing the scale required for the transportation of large commodity volumes over a multitude of trading routes around the world.

On January 25, 2016, we entered into a Capesize vessel pooling agreement ("CCL") with BOCIMAR INTERNATIONAL NV, GOLDEN OCEAN GROUP LIMITED and C TRANSPORT HOLDING LTD. During 2016, we operated seven of our Capesize dry bulk vessels, which had previously been operating in the spot market, as part of one combined CCL fleet. Together with our vessels, the CCL fleet consists of approximately 65 modern Capesize vessels and will be managed out of Singapore and Antwerp. Each vessel owner will continue to be responsible for the operating, accounting and technical management of its respective vessels. We expect to achieve improved scheduling ability through the joint marketing opportunity that CCL represents for our Capesize vessels, with the overall aim of enhancing economic efficiencies.

Expand our fleet through opportunistic acquisitions of high-quality vessels at attractive prices

As of March 9, 2017, we had contracts for four additional newbuilding vessels with an aggregate capacity of approximately 0.8 million dwt. In addition, in March 2017, we entered into definitive agreements to acquire two Kamsarmax vessels with expected delivery dates between March 2017 and May 2017. If market conditions improve, we may opportunistically acquire high-quality vessels at attractive prices that are accretive to our cash flow. When evaluating acquisitions, we will consider and analyze, among other things, our expectations of fundamental developments in the dry bulk shipping industry sector, the level of liquidity in the resale and charter market, the cash flow earned by the vessel in relation to its value, its condition and technical specifications with particular regard to fuel consumption, expected remaining useful life, the credit quality of the charterer and duration and terms of charter contracts for vessels acquired with charters attached, as well as the overall diversification of our fleet and customers. We believe that these circumstances combined with our management's knowledge of the shipping industry may present an opportunity for us to grow our fleet at favorable prices.

Maintain a strong balance sheet through moderate use of leverage

We plan to finance our fleet, including future vessel acquisitions, with a mix of debt (subject to certain restrictions following the Restructuring Agreements) and equity, and we intend to maintain moderate levels of leverage over time, even though we may have the capacity to obtain additional financing. As of December 31, 2016, our debt to total capitalization ratio was approximately 47%. Charterers have increasingly favored financially solid vessel owners, and we believe that our balance sheet strength will enable us to access more favorable chartering opportunities, as well as give us a competitive advantage in pursuing vessel acquisitions from commercial banks and shipyards, which in our experience have recently displayed a preference for contracting with well-capitalized counterparties.

Competition

Demand for dry bulk carriers fluctuates in line with the main patterns of trade of the major dry bulk cargoes and varies according to changes in the supply and demand for these items. We compete with other owners of dry bulk carriers in the Newcastlemax, Capesize, Post Panamax (including the Kamsarmax subcategory), Ultramax and Supramax size sectors. Ownership of dry bulk carriers is highly fragmented. 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.

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

We own a modern, diverse, high quality fleet of dry bulk carrier vessels. Our fleet consists of 68 vessels currently in the water, while we have four high-specification, fuel-efficient, Eco-type vessels, on order at a quality shipyard in China and we have agreed to acquire two modern Kamsarmax vessels with expected delivery dates from March 2017 to May 2017. We believe that owning a modern, high quality fleet reduces operating costs, improves safety and provides us with a competitive advantage in securing favorable time charters. We maintain the quality of our vessels by carrying out regular inspections, both while in port and at sea, and adopting a comprehensive maintenance program for each vessel. Furthermore we take a proactive approach to safety and environmental protection through comprehensively planned maintenance systems, preventive maintenance programs and by retaining and training qualified crews.

We benefit from strong relationships with members of the shipping and financial industries. Our Chief Executive Officer, directors and management team have established relationships with leading charterers as well as chartering, sales and purchase brokerage houses around the world. Our Chief Executive Officer, directors and management team have maintained relationships with, and have achieved acceptance by, major governmental and private industrial users, commodity producers and traders.

We have an experienced management team and board of directors. Our management team and our board of directors, collectively, have more than 120 years shipping experience during which they have developed strong industry relationships with leading charterers, financial institutions, shipyards, insurance underwriters, protection and indemnity associations.

We conduct a significant portion of the commercial and technical management of our vessels in-house through our wholly owned subsidiaries, Star Bulk Management Inc., Star Bulk Shipmanagement Company (Cyprus) Limited and Starbulk S.A. We believe having control over the commercial and technical management provides us with a competitive advantage over many of our competitors by allowing us to more closely monitor our operations and to offer higher quality performance, reliability and efficiency in arranging charters and the maintenance of our vessels. We also believe that these management capabilities contribute significantly in maintaining a lower level of vessel operating and maintenance costs.

We obtain chartering and brokering services from Interchart, an entity affiliated with our Chief Executive Officer, of which we own 33%. We believe having an influence over the chartering and brokering services provides us with a competitive advantage over many of our competitors by allowing us to obtain profitable rates and retain flexibility in the employment of our vessels.

Customers

We have well-established relationships with major dry bulk charterers, which we serve by carrying a variety of cargoes over a multitude of routes around the globe. We charter out our vessels to major iron ore miners, utilities companies, commodity trading houses and diversified shipping companies. The following is an indicative list of such companies with which we chartered our vessels in the year ended December 31, 2016: BHP Billiton, ADMI, Brampton, Cargill, Glocal Maritime Ltd, Louis Dreyfus, Arcelormittal, Noble, Norden, Vale, Oldendorff, Raffles, Rio Tinto, Topsheen, Kline, Klaveness and Classic Maritime.

For the year ended December 31, 2016, we derived 18% of our voyage revenues from three of our customers.

Seasonality

Demand for vessel capacity has historically exhibited seasonal variations and, as a result, fluctuations in charter rates. This seasonality may result in quarter-to-quarter volatility in our operating results for vessels trading in the spot market. The dry bulk sector is typically stronger in the fall and winter months in anticipation of increased consumption of coal and other raw materials in the northern hemisphere. Seasonality in the sector in which we operate could materially affect our operating results and cash available for dividends.

Operations

Management of the Fleet

Star Bulk Management, Star Bulk Shipmanagement Company (Cyprus) Limited and Starbulk S.A., three of our wholly-owned subsidiaries, perform the operational and technical management services for the vessels in our fleet, including chartering, marketing, capital expenditures, personnel, accounting, paying vessel taxes and maintaining insurance.

As of December 31, 2016, we had 145 employees, engaged in the day to day management of the vessels in our fleet, including our executive officers, through Star Bulk Management, Star Bulk Shipmanagement Company (Cyprus) Limited and Starbulk S.A. Star Bulk Management, Star Bulk Shipmanagement Company (Cyprus) Limited and Starbulk S.A. employ a number of additional shore-based executives and employees designed to ensure the efficient performance of our activities. We reimburse and/or advance funds as necessary to Star Bulk Management, Star Bulk Shipmanagement Company (Cyprus) Limited and Starbulk S.A. in order for them to conduct their activities and discharge their obligations, at cost.

Star Bulk Management is responsible for the management of the vessels. Star Bulk Management's responsibilities include, inter alia, locating, purchasing, financing and selling vessels, deciding on capital expenditures for the vessels, paying vessels' taxes, negotiating charters for the vessels, managing the mix of various types of charters, developing and managing the relationships with charterers and the operational and technical managers of the vessels. Star Bulk Management subcontracts certain vessel management services to Starbulk S.A.

Starbulk S.A. provides the technical and crew management of the majority of our vessels. Technical management includes maintenance, dry docking, repairs, insurance, regulatory and classification society compliance, arranging for and managing crews, appointing technical consultants and providing technical support.

Star Bulk Shipmanagement Company (Cyprus) Limited provides technical and operation management services in respect of 16 of our vessels. The management services include arrangement and supervision of dry docking, repairs, insurance, regulatory and classification society compliance, provision of crew, appointment of surveyors and technical consultants.

Crewing

Starbulk S.A. and Star Bulk Shipmanagement Company (Cyprus) Limited are responsible for recruiting, either directly or through a technical manager or a crew manager, the senior officers and all other crew members for the vessels in our fleet. Both companies have the responsibility to ensure that all seamen have the qualifications and licenses required to comply with international regulations and shipping conventions, and that the vessels are manned by experienced and competent and trained personnel. Starbulk S.A. and Star Bulk Shipmanagement Company (Cyprus) Limited are also responsible for insuring that seafarers' wages and terms of employment conform to international standards or to general collective bargaining agreements to allow unrestricted worldwide trading of the vessels and provides the crewing management for all the vessels in our fleet.

Procurement

As of January 1, 2015, we engaged Ship Procurement Services S.A. ("SPS"), a third party company, to provide to our fleet certain procurement services at a daily fee of \$295 per vessel.

Basis for Statements

The International Dry Bulk Shipping Industry

Dry bulk cargo is cargo that is shipped in large quantities and can be easily stowed in a single hold with little risk of cargo damage. In 2016, based on preliminary figures, it is estimated that approximately 4.9 billion tons of dry bulk cargo was transported by sea.

The demand for dry bulk carrier capacity is derived from the underlying demand for commodities transported in dry bulk carriers, which is influenced by various factors such as broader macroeconomic dynamics, globalization trends, industry specific factors, geological structure of ores, political factors, and weather. The demand for dry bulk carriers is determined by the volume and geographical distribution of seaborne dry bulk trade, which in turn is influenced by general trends in the global economy and factors affecting demand for commodities. During the 1980s and 1990s seaborne dry bulk trade increased by 1-2% per annum. However, over the last decade, between 2006 and 2016, seaborne dry bulk trade increased at a compound annual growth rate of 4.1%, substantially influenced by the entrance of China in the World Trade Organization. The global dry bulk carrier fleet may be divided into seven categories based on a vessel's carrying capacity. These main categories consist of:

- Newcastlemax vessels, which are vessels with carrying capacities of between 200,000 and 210,000 dwt. These vessels carry both iron ore and coal and they represent the largest vessels able to enter the port of Newcastle in Australia. There are relatively few ports around the world with the infrastructure to accommodate vessels of this size.

- Capesize vessels, which are vessels with carrying capacities of between 100,000 and 200,000 dwt. These vessels generally operate along long-haul iron ore and coal trade routes. There are relatively few ports around the world with the infrastructure to accommodate vessels of this size.

- Post-Panamax vessels, which are vessels with carrying capacities of between 90,000 and 100,000 dwt. These vessels tend to have a shallower draft and larger beam than a standard Panamax vessel, and a higher cargo capacity. These vessels have been designed specifically for loading high cubic cargoes from draft restricted ports, although they

cannot transit the Panama Canal at its current dimensions. They are able to transit the Panama Canal following the completion of its expansion.

Panamax vessels, which are vessels with carrying capacities of between 65,000 and 90,000 dwt. These vessels carry coal, grains, and, to a lesser extent, minor bulks, including steel products, forest products and fertilizers. Panamax vessels can pass through the Panama Canal.

Ultramax vessels, which are vessels with carrying capacities of between 60,000 and 65,000 dwt. These vessels carry grains and minor bulks and operate along many global trade routes. They represent the largest and most modern version of Supramax bulk carrier vessels (see below).

Handymax vessels, which are vessels with carrying capacities of between 35,000 and 60,000 dwt. The subcategory of vessels that have a carrying capacity of between 45,000 and 60,000 dwt are called Supramax. Handymax vessels operate along a large number of geographically dispersed global trade routes mainly carrying grains and minor bulks. Vessels below 60,000 dwt are sometimes built with on-board cranes enabling them to load and discharge cargo in countries and ports with limited infrastructure.

Handysize vessels, which are vessels with carrying capacities of up to 35,000 dwt. These vessels carry exclusively minor bulk cargo. Increasingly, these vessels have been operating along regional trading routes. Handysize vessels are well suited for small ports with length and draft restrictions that lack the infrastructure for cargo loading and unloading.

The supply of dry bulk carriers is dependent on the delivery of new vessels and the removal of vessels from the global fleet, either through scrapping or loss. As of the beginning of February 2017, the global dry bulk carrier order book amounted to approximately 9.5% of the existing fleet at that time. The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. Generally, dry bulk carriers at or over 25 years old are likely to be scrapped. During 2016, a total of 29.1 million dwt was scrapped, representing the third highest level in the history of the dry bulk industry. Up until mid February of 2017, we observed a slow-down in the annualized demolition rate with 2.8 million dwt being scrapped. Historically, from 2006 to 2016, annual vessel demolition rates ranged from 0.5 million dwt to 33.4 million dwt. We have also observed the conversion of a number of newbuilding dry bulk vessels to tanker and container vessels, which we consider has the positive consequence of reducing dry bulk vessel deliveries and hence supply. We expect that the relatively weak freight rate environment will continue to dissuade ship owners from ordering further dry bulk vessels. By reducing vessel supply, we believe that the above three factors will have a positive effect on freight rates in the future.

Charterhire Rates

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

In the time charter market, rates vary depending on the length of the charter period and vessel specific factors such as age, speed and fuel consumption. In the voyage charter market, rates are also influenced by cargo size, commodity, port dues and canal transit fees, as well as delivery and redelivery regions. In general, a larger cargo size is quoted at a lower rate per ton than a smaller cargo size. Routes with costly ports or canals generally command higher rates than routes with low port dues and no canals to transit.

Voyages with a load port within a region that includes ports where vessels usually discharge cargo or a discharge port within a region with ports where vessels load cargo are generally quoted at lower rates, because such voyages generally increase vessel utilization by reducing the unloaded portion (or ballast leg) that is included in the calculation

of the return charter to a loading area.

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Within the dry bulk shipping industry, the charterhire rate references most likely to be monitored are the freight rate indices issued by the Baltic Exchange, such as the Baltic Dry Index (“BDI”). These references are based on actual charterhire rates under charter entered into by market participants, as well as daily assessments provided to the Baltic Exchange by a panel of major shipbrokers.

The BDI declined 94% in 2008, from a peak of 11,793 in May 2008 to a low of 663 in December 2008, and has remained volatile since then. The BDI recorded an all-time low of 290 on February 10, 2016, and even though freight levels have increased since then to 1,064 on March 9, 2017, there can be no assurance that they will increase further, and the market could decline again.

Vessel Prices

As of the end of 2016, dry bulk vessel values increased as compared to 2015. Consistent with these trends, the market value of our dry bulk carriers had also increased. As charter rates and vessel values remain at relatively low levels, there can be no assurance as to how long charter rates and vessel values will remain at their current levels or whether they will decrease or improve to any significant degree in the near future.

Environmental and Other Regulations in the Dry bulk Shipping Industry

Government regulation and laws significantly affect the ownership and operation of our fleet. We are subject to international conventions and treaties, national, state and local laws and regulations in force in the countries in which our vessels may operate or are registered relating to safety and health and environmental protection including the storage, handling, emission, transportation and discharge of hazardous and non-hazardous materials, and the remediation of contamination and liability for damage to natural resources. Compliance with such laws, regulations and other requirements may entail significant expenses, including vessel modifications and implementation of certain operating procedures.

A variety of government and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (applicable national authorities such as the USCG, harbor master or equivalent), classification societies, flag state administrations (countries of registry) and charterers, particularly terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and other authorizations for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or temporarily suspend the operation of one or more of our vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with United States and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations and that our vessels have all material permits licenses, certificates or other authorizations necessary for the conduct of our operations. However, because such laws and regulations change frequently and may impose increasingly stricter requirements, we cannot predict the ultimate cost of complying with these requirements, or the impact of these requirements on the resale value or useful lives of our vessels. In addition, a future serious marine incident that causes significant adverse environmental impact, such as the grounding of the Exxon Valdez in 1989 or the explosion and oil spill in 2010 with respect to the Deepwater Horizon offshore oil rig in the Gulf of Mexico, could result in additional legislation or regulations that could negatively affect our profitability.

International Maritime Organization

The International Maritime Organization (the “IMO”) is the United Nations agency for maritime safety and the prevention of pollution by ships.

Pollution

The IMO adopted, in 1973, the International Convention for the Prevention of Marine Pollution from Ships, which has been modified by the related Protocol of 1978 and various amendments (collectively, “MARPOL”). MARPOL entered into force on October 2, 1983. It has been signed and ratified by over 150 nations, including many of the jurisdictions in which our vessels operate.

MARPOL is separated into six Annexes, each of which regulates a different source of pollution. Annex I relates to oil leakage or spilling; Annexes II and III relate to harmful substances carried, in bulk, liquid or packaged form; Annexes IV and V relate to sewage and garbage management, respectively; and Annex VI, relates to air emissions. Annex VI was separately adopted by the IMO in September of 1997.

In 2012, the IMO’s Marine Environmental Protection Committee, or “MEPC,” adopted a resolution amending the International Code for the Construction and Equipment of Ships Carrying Dangerous Chemicals in Bulk, or the IBC Code. The provisions of the IBC Code are mandatory under MARPOL and “SOLAS.” These amendments, which entered into force in June 2014, pertain to revised international certificates of fitness for the carriage of dangerous chemicals in bulk and identifying new products that fall under the IBC Code. We may need to make certain financial expenditures to comply with these amendments.

In 2013, the MEPC adopted a resolution amending MARPOL Annex I Condition Assessment Scheme, or CAS. These amendments became effective on October 1, 2014, and require compliance with the 2011 International Code on the Enhanced Programme of Inspections during Surveys of Bulk Carriers and Oil Tankers, or ESP Code, which provides for enhanced inspection programs.

We believe that all our vessels are currently compliant in all material respects with these regulations.

Air Emissions

In September of 1997, the IMO adopted Annex VI to MARPOL to address air pollution. Effective May 2005, Annex VI sets limits on nitrogen oxide emissions from ships whose diesel engines were constructed (or underwent major conversions) on or after January 1, 2000. It also prohibits “deliberate emissions” of “ozone depleting substances,” defined to include certain halons and chlorofluorocarbons. “Deliberate emissions” are not limited to times when the ship is at sea; they can for example include discharges occurring in the course of the ship’s repair and maintenance. Emissions of “volatile organic compounds” from certain tankers and the shipboard incineration (from incinerators installed after January 1, 2000) of certain substances (such as polychlorinated biphenyls (“PCBs”)) are also prohibited. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls of sulfur emissions known as Emission Control Areas (“ECAs”) (see below).

MEPC further amended Annex VI, with these amendments entering into force on July 1, 2010 (the “Amended Annex VI”). The Amended Annex VI establishes new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The U.S. Environmental Protection Agency (the “EPA”) promulgated equivalent (and in some senses stricter) emissions standards in late 2009.

The Amended Annex VI also seeks to further reduce air pollution by, among other things, implementing a progressive reduction of the amount of sulfur contained in any fuel oil used on board ships. As of January 1, 2012, the Amended Annex VI requires that fuel oil contain no more than 3.50% sulfur. On October 27, 2016, at its 70th session, MEPC

70, MEPC announced its decision concerning the implementation of regulations mandating a reduction in sulfur emissions from the current 3.5% to 0.5% as of the beginning of 2020 rather than pushing the deadline back to 2025. By 2020, ships will have to either remove sulfur from emissions through the use of emission scrubbers or buy fuel with low sulfur content.

Sulfur content standards are even stricter within certain ECAs. By January 1, 2015, ships operating within an ECA were not permitted to use fuel with sulfur content in excess of 10%. The Amended Annex VI establishes procedures for designating new ECAs. Currently, the Baltic Sea, the North Sea, and certain coastal areas of North America have been designated ECAs. Furthermore, as of January 1, 2014 the United States Caribbean Sea was designated an ECA. Ocean-going vessels in these areas will be subject to stringent emission controls and may cause us to incur additional costs. If other ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the EPA or the countries where we operate, compliance with these regulations could entail significant capital expenditures, operational changes, or otherwise increase the costs of our operations.

Amended Annex VI also establishes new tiers of stringent nitrogen oxide emissions standards for new tier III marine engines, depending on their date of installation. At MEPC 70, MEPC approved the North Sea and Baltic Sea as ECAs for nitrogen oxides, effective January 1, 2021. It is expected that these areas will be formally designated after draft amendments are presented at MEPC's next session. The EPA promulgated equivalent (and in some senses stricter) emissions standards in late 2009.

We believe that all our vessels are currently compliant in all material respects with these regulations. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and could adversely affect our business, results of operations, cash flows and financial condition.

Pollution Control and Liability Requirements

The IMO has negotiated international conventions that impose liability for oil pollution in international waters and the territorial waters of the signatories to such conventions. For example, in February 2004, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments (the "BWM Convention"). The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. All ships will also have to carry a ballast water record book and an International Ballast Water Management Certificate. The BWM Convention will not become effective until September 2017. Many of the implementation dates in the BWM Convention have already passed, so that once the BWM Convention enters into force, the period for installation of mandatory ballast water exchange requirements would be extremely short, with several thousand ships a year needing to install ballast water management systems (the "BWMS"). For this reason, on December 4, 2013, the IMO Assembly passed a resolution revising the application dates of BWM Convention so that they are triggered by the entry into force date and not the dates originally in the BWM Convention. This, in effect, makes all vessels constructed before the entry into force date "existing" vessels, and allows for the installation of a BWMS on such vessels at the first renewal survey following entry into force of the Convention. At MEPC 70, MEPC updated "guidelines for approval of ballast water management systems (G8)." G8 updates previous guidelines concerning the procedures to approve BWMS. Once mid-ocean ballast exchange or ballast water treatment requirements become mandatory, the cost of compliance could increase for ocean carriers, and the cost of ballast water treatments may be material. However, many countries already regulate the discharge of ballast water carried by vessels from country to country to prevent the introduction of invasive and harmful species via such discharges. The United States, for example, requires vessels entering its waters from another country to conduct mid-ocean ballast exchange, or undertake some alternate measure, and to comply with certain reporting requirements. Although we do not believe that the costs of such compliance would be material, it is difficult to predict the overall impact of such a requirement on our operations.

Many countries have ratified and follow the liability plan adopted by the IMO and set out in the International Convention on Civil Liability for Oil Pollution Damage of 1969, as amended by different Protocols in 1976, 1984, and 1992, and amended in 2000 (the "CLC"). Under the CLC and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel's registered owner is strictly liable for pollution damage caused in the territorial waters of that country by discharge of persistent oil, subject to certain exceptions. Under the CLC, the right to limit liability is forfeited where the spill is caused by the ship owner's personal fault. Under the 1992

Protocol, the right to limit liability is forfeited where the spill is caused by the ship owner's personal act or omission and by the ship owner's intentional or reckless act or omission where the ship owner knew pollution damage would probably result from such act or omission. The CLC requires ships covered by it to maintain insurance covering the liability of the owner in a sum equivalent to an owner's liability for a single incident. We believe that our protection and indemnity insurance covers such liability.

The IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the “Bunker Convention”) to impose strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention requires registered owners of ships over 1,000 gross tons to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976 as amended (the “LLMC”). With respect to non-ratifying states, liability for spills or releases of bunker fuel is determined by the national or other domestic laws in the jurisdiction where the events or the damages occur.

IMO regulations also require owners and operators of vessels to adopt shipboard oil pollution emergency plans and/or shipboard marine pollution emergency plans for noxious liquid substances in accordance with the guidelines developed by the IMO.

Safety Management System Requirements

The IMO has also adopted SOLAS and the International Convention on Load Lines (the “LL Convention”), which impose a variety of standards that regulate the design and operational features of ships. The IMO has also adopted the LLMC, which specifies the limits of liability for claims relating to loss of life or personal injury and property claims (such as damage to other ships, property or harbor works). The IMO periodically revises the SOLAS, the LL Convention and the LLMC standards. The amendments made to the SOLAS in May 2012 entered in force on January 1, 2014. The LLMC was also recently amended, and the amendments went into effect on June 8, 2015. The amendments alter the limits of liability for loss of life or personal injury claims and property claims against ship owners. We believe that all our vessels are in substantial compliance with SOLAS and LL Convention standards, and that our insurance policies are in compliance with the LLMC standards.

Pursuant to Chapter IX of SOLAS, the International Safety Management Code for the Safe Operation of Ships and Pollution Prevention (the “ISM Code”), our operations are also subject to environmental standards and requirements. The ISM Code requires the owner of a vessel, or any person responsible for the operation of a vessel, to develop an extensive safety management system that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for safely operating the vessel and describing procedures for responding to emergencies. The failure of a ship owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels and may result in a denial of access to, or detention in, certain ports. We rely upon the safety management system that we and our technical manager have developed for compliance with the ISM Code.

The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. This certificate evidences compliance by a vessel’s management with the ISM Code requirements for a safety management system. No vessel can obtain a safety management certificate unless its manager has been awarded a document of compliance, issued by classification societies under the authority of each flag state, under the ISM Code. We have confirmed that Starbulk S.A. has obtained documents of compliance for its offices and safety management certificates for all of our vessels for which the certificates are required by the IMO. The document of compliance (the “DOC”) and the safety management certificate (the “SMC”) are renewed every five years, but the DOC is subject to audit verification annually and the SMC at least every 2.5 years. As of the date of this filing, each of our vessels is ISM code-certified.

Several SOLAS regulations came into effect in 2016. Regulation II-1/3-10 of SOLAS regulates that ships over 150 meters in length must have adequate strength, integrity and stability to minimize risk of loss or pollution. Goal-based standards amendments in SOLAS regulation II-1/3-10 were adopted in 2010 and entered into force in 2012, with a date of July 1, 2016 set for application to new oil tankers and bulk carriers. SOLAS regulation II-1/3-10 on goal-based ship construction standards for bulk carriers and oil tankers, which entered into force on Jan 1, 2012, requires that all oil tankers and bulk carriers of 150 meters in length and above, for which the building contract is placed on or after July 1, 2016, satisfy applicable structural requirements conforming to the functional requirements of

the International Goal-based Ship Construction Standards for Bulk Carriers and Oil Tankers (GBS Standards). Finally, SOLAS Regulation VI/2 was amended to require mandatory verification of gross mass of packed containers, effective July 1, 2016.

Furthermore, the amendments to SOLAS chapter II-1 Construction – Structure, subdivision and stability, machinery and electrical installations , include amendments to Part F Alternative design and arrangements, to provide a methodology for alternative design and arrangements for machinery, electrical installations and low-flashpoint fuel storage and distribution systems; and a new Part G Ships using low-flashpoint fuels, to add new regulations to require ships constructed after the expected date of entry into force of 1 January 2017 to comply with the requirements of the IGF Code, together with related amendments to chapter II-2 and Appendix Certificates .

Compliance Enforcement

The flag state, as defined by the United Nations Convention on Law of the Sea, has overall responsibility for implementing and enforcing a broad range of international maritime regulations with respect to all ships granted the right to fly its flag. The “Shipping Industry Flag State Performance Table” published annually by the International Chamber of Shipping evaluates and reports on flag states based on factors such as ratification, implementation, and enforcement of principal international maritime treaties and regulations, supervision of statutory ship surveys and participation at IMO and International Labour Organization (the “ILO”) meetings. The majority of our vessels are flagged in the Marshall Islands. Marshall Islands flagged vessels have historically received a good assessment in the shipping industry. We recognize the importance of a credible flag state and do not intend to use flags of convenience or flag states with poor performance indicators.

Additionally, noncompliance with the ISM Code or other IMO regulations may subject the ship owner or bareboat charterer to increased liability, may lead to decreases in available insurance coverage for affected vessels and may result in the denial of access to, or detention in, some ports. The USCG and the EU authorities have indicated that vessels not in compliance with the ISM Code by the applicable deadlines will be prohibited from trading in U.S. and E.U. ports, respectively. As of the date of this report, each of our vessels is ISM Code certified. However, there can be no assurance that such certificate will be maintained.

The IMO continues to review and introduce new regulations. It is impossible to predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on our operations.

Greenhouse Gas Regulation

Currently, the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, which entered into force in 2005 and pursuant to which adopting countries have been required to implement national programs to reduce greenhouse gas emissions. The 2015 United Nations Convention on Climate Change Conference in Paris resulted in the Paris Agreement, which entered into force on November 4, 2016. The Paris Agreement does not directly limit greenhouse gas emissions from shipping. As of January 1, 2013, however, all new ships must comply with two new sets of mandatory requirements, which were adopted by MEPC in July 2011 to address greenhouse gas emission from ships. Under these measures, by 2025, all new ships built will be 30% more energy efficient than those built in 2014. Currently, operating ships are required to develop and follow Ship Energy Efficiency Management Plans (“SEEMPs”), while minimum energy efficiency levels per capacity mile apply to new ships, as defined by the Energy Efficiency Design Index (“EEDI”). These requirements could cause us to incur additional compliance costs. The IMO is planning to implement market-based mechanisms to reduce greenhouse gas emissions from ships at an upcoming MEPC session. The European Parliament and Council of Ministers are expected to endorse regulations that would require monitoring and reporting of greenhouse gas emissions from marine vessels in the near future. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations to limit greenhouse gas emissions from certain mobile sources and large stationary sources. The EPA enforces both the CAA and the international standards found in Annex VI of MARPOL concerning marine diesel emissions, and the sulfur content found in marine fuel. The EPA may decide in the future to regulate greenhouse gas emissions from ships and has already been petitioned by the California Attorney General to regulate greenhouse gas emissions from ocean-going vessels. Other federal and state regulations relating to the control of greenhouse gas emissions may

follow, including climate change initiatives that have recently been considered in the U.S. Congress. Furthermore, in the United States, individual states can also enact environmental regulations. For example, California has introduced caps for greenhouse gas emission and, in the end of 2016, signaled it might take additional actions regarding climate change. Any passage of climate control legislation or other regulatory initiatives by the IMO, EU, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol or Paris Agreement that restrict emissions of greenhouse gases could require us to make significant financial expenditures, including capital expenditures to upgrade our vessels, which we cannot predict with certainty at this time.

The U.S. Oil Pollution Act of 1990 and the Comprehensive Environmental Response, Compensation and Liability Act

The U.S. Oil Pollution Act of 1990 (the “OPA”), established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all “owners and operators” whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States’ territorial sea and its 200 nautical mile exclusive economic zone around the United States. The United States has also enacted the Comprehensive Environmental Response, Compensation and Liability Act (the “CERCLA”), which applies to the discharge of hazardous substances other than oil, except in limited circumstances, whether on land or at sea. In the case of a vessel, OPA and CERCLA both define “owner and operator” as “any person owning, operating or chartering by demise the vessel.” Although OPA is primarily directed at oil tankers (which we do not operate), it also applies to non-tanker ships with respect to the fuel oil (i.e. bunkers) used to power such ships. CERCLA also applies to our operations.

Under OPA, vessel owners and operators are “responsible parties” and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. OPA defines these other damages broadly to include:

- injury to, destruction or loss of, or loss of use of, natural resources and the costs of assessment thereof;
- injury to, or economic losses resulting from, the destruction of real and personal property;
- net loss of taxes, royalties, rents, fees or net profit revenues resulting from injury, destruction or loss of real or personal property, or natural resources;
- loss of subsistence use of natural resources that are injured, destroyed or lost;
- lost profits or impairment of earning capacity due to injury, destruction or loss of real or personal property or natural resources; and
- net cost of increased or additional public services necessitated by removal activities following a discharge of oil, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA contains statutory caps on liability and damages, but such caps do not apply to direct cleanup costs. Effective December 21, 2015, the USCG adjusted the limits of OPA liability for non-tank vessels, edible oil tank vessels and any other spill response vessels to the greater of \$1,100 per gross ton or \$939,800 (subject to periodic adjustment for inflation). These limits of liability do not apply if an incident was proximately caused by the violation of an applicable U.S. federal safety, construction or operating regulation by a responsible party (or its agent, employee or a person acting pursuant to a contractual relationship), or a responsible party’s gross negligence or willful misconduct. These limits similarly do not apply if the responsible party fails or refuses to (i) report the incident where the responsible party knows or has reason to know of the incident; (ii) reasonably cooperate and assist as requested in connection with oil removal activities; or (iii) without sufficient cause, comply with an order issued under the Federal Water Pollution Act (Section 311 (c), (e)) or the Intervention on the High Seas Act.

The explosion and oil spill in 2010 with respect to the Deepwater Horizon offshore oil rig in the Gulf of Mexico may also result in additional regulatory initiatives or statutes, including the raising of liability caps under OPA. For example, on August 15, 2012, the U.S. Bureau of Safety and Economic Enforcement issued a final drilling safety rule for offshore oil and gas operations that strengthens the requirements for safety equipment, well control systems, and blowout prevention practices (the “Final Rule”). The Final Rule took effect on October 22, 2012. On December 20, 2016, the United States President invoked a law that banned offshore drilling in large areas of the Arctic and the Atlantic Seaboard. It is presently unclear how long this ban will remain in effect. A ban on new drilling in Canadian Arctic waters was announced simultaneously.

CERCLA contains a similar liability regime whereby owners and operators of vessels are liable for cleanup, removal and remedial costs, as well as damage for injury to, or destruction or loss of, natural resources, including the reasonable costs associated with assessing the damage, health assessments and health effects studies. There is no liability if the discharge of a hazardous substance results solely from the act or omission of a third party, an act of God or an act of war. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$5 million for vessels carrying a hazardous substance as cargo and the greater of \$300 per gross ton or \$500,000 for any other vessel. These limits do not apply (rendering the responsible person liable for the total cost of response and damages) if the release or threat of release of a hazardous substance resulted from willful misconduct or negligence, or the primary cause of the release was a violation of applicable safety, construction or operating standards or regulations. The limitation on liability also does not apply if the responsible person fails or refused to provide all reasonable cooperation and assistance as requested in connection with response activities where the vessel is subject to OPA.

OPA and CERCLA both require owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet the maximum amount of liability to which the particular responsible person may be subject. Vessel owners and operators may satisfy their financial responsibility obligations by providing a proof of insurance, a surety bond, qualification as a self-insurer or a guarantee. We comply with the USCG’s financial responsibility regulations by providing a certificate of responsibility evidencing sufficient self-insurance.

We currently maintain pollution liability coverage insurance in the amount of \$1.0 billion per incident for each of our vessels. If the damages from a catastrophic spill were to exceed our insurance coverage it could have an adverse effect on our business and results of operation.

OPA specifically permits individual U.S. states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, provided they accept, at a minimum, the levels of liability established under OPA. Some states have enacted legislation providing for unlimited liability for oil spills. In some cases, states that have enacted such legislation have not yet issued implementing regulations defining vessels owners’ responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call. We believe that we are in substantial compliance with all applicable existing state requirements. In addition, we intend to comply with all future applicable state regulations in the ports where our vessels call.

Other Environmental Initiatives

The U.S. Clean Water Act (the “CWA”) prohibits the discharge of oil or hazardous substances in U.S. navigable waters unless authorized by a duly-issued permit or exemption, and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under OPA and CERCLA. In addition, many U.S. states that border a navigable waterway have enacted environmental pollution laws that impose strict liability on a person for removal costs and damages resulting from a discharge of oil or a release of a hazardous substance. These laws may be more stringent than U.S. federal law.

The EPA and USCG, have enacted rules relating to ballast water discharge, compliance with which requires the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering U.S. waters.

The EPA has enacted rules requiring a permit regulating ballast water discharges and other discharges incidental to the normal operation of certain vessels within United States waters under the Vessel General Permit for Discharges Incidental to the Normal Operation of Vessels (“the VGP”). For a new vessel delivered to an owner or operator after September 19, 2009 to be covered by the VGP, the owner must submit a Notice of Intent (“NOI”) at least 30 days before the vessel operates in United States waters. On March 28, 2013, EPA re-issued the VGP for another five years; this 2013 VGP took effect December 19, 2013. The 2013 VGP contains numeric ballast water discharge limits for most vessels to reduce the risk of invasive species in US waters, more stringent requirements for exhaust gas scrubbers and the use of environmentally acceptable lubricants. We have submitted NOIs for our vessels where required and do not believe that the costs associated with obtaining and complying with the VGP will have a material impact on our operations.

In October 2015, the Second Circuit Court of Appeals issued a ruling that directed the EPA to redraft the sections of the 2013 VGP that address ballast water. However, the Second Circuit stated that 2013 VGP will remain in effect until the EPA issues a new VGP.

The USCG regulations adopted under the U.S. National Invasive Species Act (the “NISA”) also impose mandatory ballast water management practices for all vessels equipped with ballast water tanks entering or operating in U.S. waters which require the installation of equipment to treat ballast water before it is discharged in U.S. waters or, in the alternative, the implementation of other port facility disposal arrangements or procedures. Vessels not complying with these regulations are restricted from entering U.S. waters. The USCG must approve any technology before it is placed on a vessel.

Notwithstanding the foregoing, as of January 1, 2014, vessels are technically subject to the phasing-in of these standards. As a result, the USCG has provided waivers to vessels which cannot install the as-yet unapproved technology. The EPA, on the other hand, has taken a different approach to enforcing ballast discharge standards under the VGP. On December 27, 2013, the EPA issued an enforcement response policy in connection with the new VGP in which the EPA indicated that it would take into account the reasons why vessels do not have the requisite technology installed, but will not grant any waivers.

The U.S. Clean Air Act of 1970, as amended by the Clean Air Act Amendments of 1977 and 1990 (the “CAA”), requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to vapor control and recovery requirements for certain cargoes when loading, unloading, ballasting, cleaning and conducting other operations in regulated port areas. Our vessels that operate in such port areas with restricted cargoes are equipped with vapor recovery systems that satisfy these requirements. The CAA also requires states to draft State Implementation Plans (the “SIPs”), designed to attain national health-based air quality standards in primarily major metropolitan and/or industrial areas. Several SIPs regulate emissions resulting from vessel loading and unloading operations by requiring the installation of vapor control equipment. As indicated above, our vessels operating in covered port areas are already equipped with vapor recovery systems that satisfy these existing requirements.

However, compliance with future EPA and USCG regulations could require the installation of certain engineering equipment and water treatment systems to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, or may otherwise restrict our vessels from entering U.S. waters.

European Union Regulations

In October 2009, the EU amended a directive to impose criminal sanctions for illicit ship-source discharges of polluting substances, including minor discharges, if committed with intent, recklessly or with serious negligence and the discharges individually or in the aggregate result in deterioration of the quality of water. Aiding and abetting the discharge of a polluting substance may also lead to criminal penalties. Member States were required to enact laws or regulations to comply with the directive by the end of 2010. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. The directive applies to all types of vessels, irrespective of their flag, but certain exceptions apply to warships or where human safety or that of the ship is in danger.

International Labour Organization

The ILO is a specialized agency of the UN with headquarters in Geneva, Switzerland. The ILO has adopted the Maritime Labor Convention 2006 (the “MLC 2006”). A Maritime Labor Certificate and a Declaration of Maritime Labor Compliance will be required to ensure compliance with the MLC 2006 for all ships above 500 gross tons in international trade. The MLC 2006 entered into force on August 20, 2013. Amendments to the MLC 2006 were adopted in 2014 and 2016. We have developed new procedures to ensure full compliance with the requirements of the MLC 2006.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the U.S. Maritime Transportation Security Act of 2002 (the “MTSA”) came into effect. To implement certain portions of the MTSA, in July 2003, the USCG issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. The regulations also impose requirements on certain ports and facilities, some of which are regulated by the EPA.

Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new Chapter XI-2 became effective in July 2004 and imposes various detailed security obligations on vessels and port authorities, and mandates compliance with the International Ship and Port Facility Security Code (the “ISPS Code”). The ISPS Code is designed to enhance the security of ports and ships against terrorism. After July 1, 2004, to trade internationally, a vessel must attain an International Ship Security Certificate (the “ISSC”) from a recognized security organization approved by the vessel’s flag state. The following are among the various requirements, some of which are found in SOLAS:

- on-board installation of automatic identification systems to provide a means for the automatic transmission of safety-related information from among similarly equipped ships and shore stations, including information on a ship’s identity, position, course, speed and navigational status;
- on-board installation of ship security alert systems, which do not sound on the vessel but only alert the authorities on shore;
- the development of a ship security plan;
- ship identification number to be permanently marked on a vessel’s hull;
- a continuous synopsis record kept onboard showing a vessel’s history including the name of the ship, the state whose flag the ship is entitled to fly, the date on which the ship was registered with that state, the ship’s identification number, the port at which the ship is registered and the name of the registered owner(s) and their registered address; and
- compliance with flag state security certification requirements.

A vessel operating without a valid certificate may be detained at port until it obtains an ISSC, or it may be expelled from port, or refused entry at port.

The USCG regulations, intended to align its requirements with international maritime security standards, exempts from MTSA vessel security measures non-U.S. vessels provided such vessels have on board a valid ISSC that attests to the vessel’s compliance with SOLAS security requirements and the ISPS Code. Our managers intend to implement the various security measures addressed by MTSA, SOLAS and the ISPS Code, and we intend that our fleet complies

with applicable security requirements. We have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code.

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Recent action by the IMO's Maritime Safety Committee and U.S. agencies indicates that cybersecurity regulations for the maritime industry are likely to be further developed in the near future in an attempt to combat cybersecurity threats. This might cause companies to cultivate additional procedures for monitoring cybersecurity, which could require additional expenses and/or capital expenditures. The impact of such regulations is hard to predict at this time.

Inspection by Classification Societies

Oceangoing vessels must be "classed" by a classification society. The classification society certifies that the vessel is "in class", signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class certification, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

Annual Surveys. For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant and where applicable for special equipment classed, within three months before or after each anniversary date of the date of commencement of the class period indicated in the certificate.

Intermediate Surveys. Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey.

Class Renewal Surveys. Class renewal surveys, also known as special surveys, are carried out for the ship's hull, machinery, including the electrical plant, and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. If the vessel experiences excessive wear and tear, substantial amounts of money may be spent for steel renewals to pass a special survey. In lieu of the special survey every four or five years, depending on whether a grace period was granted, a ship owner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. Upon a ship owner's request, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. The period between two subsequent surveys of each area must not exceed five years. Vessels under five years of age can waive dry docking in order to increase available days and decrease capital expenditures, provided the vessel is inspected underwater.

Most vessels are also dry docked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the ship owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as “in class” by a classification society which is a member of the International Association of Classification Societies (the “IACS”). All our vessels are certified as being “in class” by RINA, ABS and NKK, major classification societies which are member of IACS. All new and secondhand vessels that we purchase must be certified prior to their delivery under our standard purchase contracts and memorandum of agreements. If the vessel is not certified on the date of closing, we have no obligation to take delivery of the vessel.

Risk of Loss and Liability Insurance

The operation of any dry bulk vessel includes risks such as mechanical and structural failure, hull damage, collision, property loss, cargo, loss or damage and business interruption due to political circumstances in foreign countries, piracy, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental incidents, and the liabilities arising from owning and operating vessels in international trade. OPA, which imposes virtually unlimited liability upon owners, operators and demise charterers of vessels trading in the United States exclusive economic zone for certain oil pollution accidents therein, has made liability insurance more expensive for ship owners and operators trading in the United States market.

We maintain hull and machinery insurance, war risks insurance, protection and indemnity cover, and freight, demurrage and defense cover for our fleet in amounts that we believe to be prudent to cover normal risks in our operations. Furthermore, while we believe that the insurance coverage that we will obtain is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

Hull & Machinery and War Risks Insurance

We maintain marine, hull and machinery and war risks insurance, which include the risk of actual or constructive total loss, for all of our vessels. Our vessels are each covered up to at least their fair market value with deductibles of \$100,000—\$150,000 per vessel per incident. We also maintain increased value coverage for most of our vessels. Under this increased value coverage, in the event of total loss of a vessel, we will be able to recover the sum insured under the increased value policy in addition to the sum insured under the hull and machinery policy. Increased value insurance also covers excess liabilities which are not recoverable under our hull and machinery policy.

Protection and indemnity insurance is provided by mutual protection and indemnity associations (“P&I Associations”), which insure liabilities to third parties in connection with our shipping activities. This includes third-party liability and other related expenses, including but not limited to, those resulting from the injury or death of crew, passengers and other third parties, the loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreck removal. Our P&I coverage is subject to and in accordance with the rules of the P&I Association in which the vessel is entered. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or “clubs.” Our coverage is limited to approximately \$6.5 billion, except for pollution which is limited \$1 billion and passenger and crew which is limited to \$3 billion.

Our current protection and indemnity insurance coverage for pollution is \$1 billion per vessel per incident. The thirteen P&I Associations that comprise the International Group insure approximately 90% of the world’s commercial tonnage and have entered into a pooling agreement to reinsure each association’s liabilities. Each P&I Association has capped its exposure to this pooling agreement at \$6.5 billion. As a member of a P&I Association which is a member of the International Group, we are subject to calls payable to the associations based on the group’s claim records as well as the claim records of all other members of the individual associations and members of the pool of P&I Associations comprising the International Group.

Permits and Authorizations

We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our vessels. The kinds of permits, licenses and certificates required depend upon several factors, including the commodity transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of a vessel. We have been able to obtain all permits, licenses and certificates currently required to permit our vessels to operate. Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of us doing business.

C. Organizational structure

As of December 31, 2016, we are the sole owner of all of the outstanding shares of the subsidiaries listed in Note 1 of our consolidated financial statements under Item 18. "Financial Statements." We also own 33% of the total outstanding common stock of Interchart.

D. Property, plant and equipment

We do not own any real property. Our interests in the vessels in our fleet are our only material properties. See Item 4. "Business overview—Our Fleet."

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

Overview

The following management's discussion and analysis of financial condition and results of operations should be read in conjunction with "Item 3. Key Information – Selected Financial Data", "Item 4. Business Overview" and our historical consolidated financial statements and accompanying notes included elsewhere in this report. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in "Item 3. Key Information – D. Risk Factors" and elsewhere in this report.

We are an international shipping company with extensive operational experience that owns and operates a fleet of dry bulk carrier vessels. Our vessels transport a broad range of major and minor bulk commodities, including ores, coal, grains and fertilizers, along worldwide shipping routes.

A. Operating Results

As of March 9, 2017, we employ 12 of our vessels on medium to long-term time charters with an average remaining term of approximately 0.57 years and 56 of our vessels in the spot market under short-term time charters or voyage charters. Under time charters, the charterer typically pays us a fixed daily charterhire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and port and canal charges. Under voyage charters, we pay voyage expenses such as port, canal and fuel costs. Under all charters, we pay vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses, and we also pay commissions to unaffiliated ship brokers associated with the charterer for the arrangement of the relevant charter and an annual fee to in-house brokers. In addition, we are also responsible for the dry docking costs related to our vessels.

Twelve of our vessels in our fleet are employed on medium to long-term time charters, scheduled to expire from June 2017 until February 2018. In the future, we may employ these and our other vessels in the spot market under short term time charters or voyage charters, under bareboat charters, under contracts of affreightment, or in dry bulk carrier pools.

Key Performance Indicators

Our business is comprised of the following main elements:

- employment and operation of dry bulk vessels constituted our operating fleet; and
- management of the financial, general and administrative elements involved in the conduct of our business and ownership of dry bulk vessels constituted our operating fleet.

The employment and operation of our vessels require the following main components:

- vessel maintenance and repair;
- crew selection and training;
- vessel spares and stores supply;
- contingency response planning;
- onboard safety procedures auditing;
- accounting;
- vessel insurance arrangement;
- vessel chartering;
- vessel security training and security response plans pursuant to the requirements of the ISPS Code;
- obtaining ISM Code certification and audits for each vessel within the six months of taking over a vessel;
- vessel hire management;
- vessel surveying; and
- vessel performance monitoring.

The management of financial, general and administrative elements involved in the conduct of our business and ownership of our vessels requires the following main components:

- management of our financial resources, including banking relationships (i.e., administration of bank loans and bank accounts);
- management of our accounting system and records and financial reporting;
- administration of the legal and regulatory requirements affecting our business and assets; and
- management of the relationships with our service providers and customers.

The principal factors that affect our profitability, cash flows and shareholders' return on investment include:

- charter rates and periods of charterhire;
- levels of vessel operating expenses;
- depreciation and amortization expenses;
- financing costs; and
- fluctuations in foreign exchange rates.

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

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

Ownership days are the total number of calendar days each vessel in the fleet was owned by us for the relevant period.

Available days for the fleet are the ownership and charter-in days (which were nil for the year 2014, 107 days in 2015 and 366 days in 2016) after subtracting off-hire days for major repairs, dry docking or special or intermediate surveys and lay-up days, if any.

Fleet utilization is calculated by dividing available days by ownership days plus charter-in days for the relevant period.

Time charter equivalent rate. Starting with the fourth quarter of 2016, we calculate the time charter equivalent rate ("TCE rate") by dividing net voyage revenues by available days. We believe the revised method will better reflect the chartering mix of our larger fleet and is more comparable to the method used by our peers. A corresponding change was also applied in the calculation of the fleet utilization, described above. Both changes have been applied retrospectively for all periods presented herein. The following table reflects our, ownership days, fleet utilization and TCE rates for the periods indicated:

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016		
(TCE rates expressed in U.S. dollars)					
Average number of vessels	28.88	69.06	69.77		
Number of vessels in operation (as of the last day of the periods reported)	62	70	67		
Average age of operational fleet (in years)	9.4	7.4	7.7		
Ownership days	10,541	25,206	25,534		
Available days	10,413	24,204	24,989		
Fleet Utilization	99	% 96	% 97	%	%
Time charter equivalent rate	\$ 10,450	\$ 7,052	\$ 6,260		
Voyage Revenues	\$ 145,041	\$ 234,035	\$ 221,987		

Time Charter Equivalent (TCE)

TCE rate is a measure of the average daily revenue performance of a vessel on a per voyage basis. Starting with the fourth quarter of 2016, we calculate the TCE rate by dividing voyage revenues (net of voyage expenses and amortization of fair value of above/below market acquired time charter agreements) by available days for the relevant period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would otherwise be paid by the charterer under a time charter contract, as well as commissions. TCE rate is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., voyage charters, time charters and bareboat charters) under which its vessels may be employed between the periods. We report TCE rate, a non-GAAP measure, as it provides additional meaningful and useful information to investors in conjunction with voyage revenues, the most directly comparable GAAP measure, and it assists our management in making decisions regarding the deployment and use of our operating vessels and in evaluating our financial performance. Our calculation of TCE, however, may not be comparable to that reported by other companies.

The following table reflects the calculation of our TCE rates and the reconciliation of TCE revenue to voyage revenue as reflected in the consolidated statement of operations:

	Year Ended December 31, 2014	Year Ended December 31, 2015	Year Ended December 31, 2016
(In thousands of U.S. Dollars, except as otherwise stated)			
Voyage revenues	\$ 145,041	\$ 234,035	\$ 221,987
Less:			
Voyage expenses	(42,341)	(72,877)	(65,821)
Amortization of fair value of above market acquired time charter agreements	\$ 6,113	\$ 9,540	\$ 254
Time Charter equivalent revenues	\$ 108,813	\$ 170,698	\$ 156,420
Available days for fleet	10,413	24,204	24,989
Time charter equivalent (TCE) rate (in U.S. Dollars)	\$ 10,450	\$ 7,052	\$ 6,260

Voyage Revenues

Voyage revenues are driven primarily by the number of vessels in our fleet, the duration of our charters and the amount of daily charter hire and the level of freight rates that our vessels earn under time and voyage charters, respectively, which, in turn, are affected by a number of factors, including our decisions relating to vessel acquisitions and disposals, the amount of time that we spend positioning our vessels, the amount of time that our vessels spend in dry dock undergoing repairs, maintenance and upgrade work, the age, condition and specifications of our vessels, levels of supply and demand in the seaborne transportation market.

Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time, but can yield lower profit margins than vessels operating in the spot charter market during periods characterized by favorable market conditions. Vessels operating in the spot charter market generate revenues that are less predictable, but may enable us to capture increased profit margins during periods of improvements in charter rates, although we would be exposed to the risk of declining vessel rates, which may have a materially adverse impact on our financial performance. If we employ vessels on period time charters, future spot market rates may be higher or lower than the rates at which we have employed our vessels on period time charters.

Vessel Voyage Expenses

Voyage expenses include port and canal charges, agency fees, fuel (bunker) expenses and brokerage commissions payable to related and third parties. Our voyage expenses primarily consist of bunkers cost and commissions paid in connection with the chartering of our vessels.

Charter-in Hire Expenses

Expenses related to the chartering-in of vessels owned by third parties are recognized on a pro-rata basis over the duration of the voyage, except for the hire expense for chartering-in the respective vessels, which is included within "Charter - in hire expense" in the consolidated statement of operations.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance and vessel registry, expenses relating to repairs and maintenance, the cost of spares and consumable stores, tonnage taxes, regulatory fees, technical management fees, lubricants and other miscellaneous expenses. Other factors beyond our control, some of which may affect the shipping industry in general, including for instance developments relating to market prices for crew wages, lubricants and insurance, may also cause these expenses to increase.

Dry Docking expenses

Dry docking expenses relate to regularly scheduled intermediate survey or special survey dry docking necessary to preserve the quality of our vessels as well as to comply with international shipping standards and environmental laws and regulations. Dry docking expenses can vary according to the age of the vessel, the location where the dry docking takes place, shipyard availability and the number of days the vessel is under dry dock. We utilize the direct expense method, under which we expense all dry docking costs as incurred.

Depreciation

We depreciate our vessels on a straight-line basis over their estimated useful lives, determined to be 25 years from the date of their initial delivery from the shipyard. Depreciation is calculated based on a vessel's cost less the estimated residual value.

General and Administrative Expenses

We incur general and administrative expenses, including our onshore personnel related expenses, directors and executives' compensation, legal, consulting and accounting expenses.

Interest and Finance Costs

We incur interest expense and financing costs in connection with vessel-specific debt (including capital leases) and the Notes issued in 2014. We present financing fees and expenses incurred upon in connection with our credit facilities as a direct deduction from the carrying amount of that debt liability and amortize them to interest and financing costs over the term of the underlying obligation using the effective interest method.

Gain / (Loss) on Derivative Financial Instruments

We may enter into interest rate swap transactions to manage interest costs and risk associated with changing interest rates with respect to our variable interest loans and credit facilities. Interest rate swaps are recorded in the balance sheet as either assets or liabilities, measured at their fair value, with changes in such fair value recognized in earnings

under (gain)/loss on derivative financial instruments, unless specific hedge accounting criteria are met.

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In addition, from time to time, we may take positions in freight derivatives, including freight forward agreements (the “FFAs”) and freight options with an objective to utilize those instruments as economic hedges that are highly effective in reducing the risk on specific vessels trading in the spot market and to take advantage of short term fluctuations in the market prices. Upon the settlement, if the contracted charter rate is less than the average of the rates, as reported by an identified index, for the specified route and time period, the seller of the FFA is required to pay the buyer an amount equal to the difference between the contracted rate and the settlement rate, multiplied by the number of days in the specified period. Conversely, if the contracted rate is greater than the settlement rate, the buyer is required to pay the seller the settlement sum. All of our FFAs are settled on a daily basis through reputable exchanges such as London Clearing House (LCH) or Singapore Exchange (SGX). Customary requirements for trading in FFAs include the maintenance of initial and variation margins based on expected volatility, open position and mark to market of the contracts. Freight options are treated as assets/liabilities until they are settled. Any such settlements by us or settlements to us under FFAs are recorded under (gain)/loss on forward freight agreements.

Interest income

We earn interest income on our cash deposits with our lenders.

Inflation

Inflation does not have a material effect on our expenses given current economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase our operating, voyage, administrative and financing costs.

Foreign Exchange Fluctuations

Please see Item 11. “Quantitative and Qualitative Disclosures about Market Risk.”

Lack of Historical Operating Data for Vessels before Their Acquisition by Us

Consistent with shipping industry practice, other than inspection of the physical condition of the vessels and examinations of classification society records, there is no historical financial due diligence process when we acquire vessels. Accordingly, we do not obtain the historical operating data for the vessels from the sellers because that information is not material to our decision to make vessel acquisitions, nor do we believe it would be helpful to potential investors in our shares in assessing our business or profitability. Most vessels are sold under a standardized agreement, which among other things provides the buyer with the right to inspect the vessel and the vessel’s classification society records. The standard agreement does not give the buyer the right to inspect, or receive copies of, the historical operating data of the vessel. Prior to the delivery of a purchased vessel, the seller typically removes from the vessel all records, including past financial records and accounts related to the vessel. In addition, the technical management agreement between the seller’s technical manager and the seller is automatically terminated and the vessel’s trading certificates are revoked by its flag state following a change in ownership.

Consistent with shipping industry practice, we treat the acquisition of a vessel (whether acquired with or without charter) as the acquisition of an asset rather than a business, which we believe to be in accordance with applicable U.S. GAAP and rules of the Commission. Where a vessel has been under a voyage charter, the vessel is delivered to the buyer free of charter. In the shipping industry, the last charterer of the vessel in the hands of the seller rarely continues as the first charterer of the vessel in the hands of the buyer. In most cases, when a vessel is under time charter and the buyer wishes to assume that charter, the vessel can be acquired only if the charterer consents to the acquisition and the buyer enters into a separate direct agreement (called a novation agreement) with the charterer to assume the charter. The purchase of a vessel itself does not transfer the charter because the latter is a separate services agreement between the vessel owner and the charterer.

Where we identify any intangible assets or liabilities associated with the acquisition of a vessel, we allocate the purchase price of acquired tangible and intangible assets based on their relative fair values. Where we have either assumed an existing charter obligation or entered 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 based on the difference between the assumed charter agreement rate and the market charter rate for an equivalent charter agreement. Conversely, where we either 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 prevailing market charter rates, we record an asset based on the difference between the market charter rate and the assumed 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.

When we purchase a vessel and assume or renegotiate a related time charter, depending on the charter party terms, we may need to take the following steps before the vessel is ready to commence operations:

- obtain the charterer's consent to us as the new owner;
- obtain the charterer's consent to a new technical manager;
- arrange for a new crew for the vessel, and where the vessel is on charter, in some cases, the crew must be approved by the charterer;
- replace all hired equipment on board, such as gas cylinders and communication equipment;
- negotiate and enter into new insurance contracts for the vessel through our own insurance brokers;
- in some cases, register the vessel under a flag state and obtain the charterer's consent to a new flag for the vessel;
- perform the related inspections in order to obtain new trading certificates from the flag state;
- implement a new planned maintenance program for the vessel; and
- ensure that the new technical manager obtains new certificates for compliance with the safety and vessel security regulations of the flag state.

The above discussion is intended to help you understand how acquisitions of vessels may affect our business and results of operations.

Critical Accounting Policies

We make certain estimates and judgments in connection with the preparation of our consolidated financial statements, which are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"), that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are the most critical accounting policies that involve a high degree of judgment and the methods of their application. For a description of all of our significant accounting policies, see Note 2 (Significant Accounting Policies) to our consolidated financial statements included herein for more information.

Impairment of long-lived assets: We follow guidance related to the impairment or disposal of long-lived assets, which addresses financial accounting and reporting for such impairment or disposal. The standard requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The guidance calls for an impairment loss when the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use and eventual disposition of the asset is less than its carrying amount to the extent that their carrying amount is higher than their fair market value. The impairment loss is determined by the difference between the carrying amount of the asset and the fair value of the asset. The Company determines the fair value of its assets based on management estimates and assumptions and by making use of available market data and taking into consideration agreed sale prices and third-party valuations. In this respect, management regularly reviews the carrying amount of each vessel, including newbuilding contracts, when events and circumstances indicate that the

carrying amount of a vessel or a new building contract might not be recoverable (as determined by comparison to vessel sales and purchases, business plans, obsolescence or damage to the asset and overall market conditions).

When impairment indicators are present, we determine if the carrying value of each asset is recoverable by comparing (A) the undiscounted cash flows for each asset, using the Value-In-Use (“VIU”) method, to (B) the carrying values for such asset. Our management’s subjective judgment is required in making assumptions and estimates used in forecasting future operating results for this calculation. Such judgment is based on current market conditions, historical industry’s and Company’s specific trends, as well as expectations regarding future charter rates, vessel operating expenses, vessels’ residual value and fleet utilization over the remaining useful life of the vessel, which is assumed to be 25 years from its delivery from the shipyard. These estimates are also consistent with the plans and forecasts used by the management to conduct our business.

The undiscounted projected net operating cash flows are determined by considering the charter revenues from existing time charters for the fixed vessel days and an estimated daily time charter equivalent rate for the unfixed days over the estimated remaining economic life of each vessel, net of brokerage and address commissions. Estimates of the daily time charter equivalent for the unfixed days are based on the current Forward Freight Agreement (“FFA”) rates, for the first three-year period, and historical average rate levels of similar size vessels for the period thereafter. The expected cash inflows from charter revenues are based on an assumed fleet utilization rate of approximately 98% (also taking into account expected technical off-hire days) for the unfixed days. In assessing expected future cash outflows, management forecasts vessel operating expenses, which are based on our internal budget for the first annual period, and thereafter assume an annual inflation rate of up to 3% (escalating to such level during the first three-year period and capped at the tenth year), as well as vessel expected maintenance costs (for dry docking and special surveys). The estimated salvage value of each vessel is \$300 per light weight ton, in accordance with our vessel depreciation policy. We use a probability weighted approach for developing estimates of future cash flows used to test our vessels for recoverability when alternative courses of action are under consideration (i.e. sale or continuing operation of a vessel). If our estimate of undiscounted future cash flows for any vessel is lower than the vessel’s carrying value, the carrying value is written down to the vessel’s fair market value with a charge recorded in earnings.

Due to the continued global economic downturn and the prevailing conditions in the shipping industry, as of December 31, 2014, we performed an impairment analysis for 51 of our 62 vessels whose carrying values were above their respective fair market values. Based on our analysis conducted under the framework for estimating undiscounted projected cash flows described above, the future undiscounted projected cash flows expected to be earned by each of these vessels over its operating life were in excess of each vessel’s carrying value. No asset impairment was, therefore, necessary for the year ended December 31, 2014.

As further discussed elsewhere in this report, during the year ended December 31, 2015 and in early 2016, we entered into separate agreements with third parties to sell certain of our vessels. As part of these sales and the reassignment of the leases of two newbuilding vessels back to the vessels’ owner we recognized an impairment loss of \$219.4 million. In addition, in view of the continued economic downturn and the prevailing conditions in the shipping industry, as of December 31, 2015 we performed an impairment analysis for all of our vessels whose carrying values were above their respective fair market values. Based on our impairment analysis conducted under the framework described above, the estimating undiscounted projected net operating cash flows expected to be earned for certain of our vessels were below their carrying value and accordingly, we recognized an additional impairment loss of \$102.6 million, which took into consideration the possibility of a sale of certain additional vessels if attractive sale prices are attainable. The total impairment loss of \$322.0 million, for the year ended December 31, 2015 is separately reflected in the accompanying consolidated statement of operations.

During the year ended December 31, 2016, we recorded an impairment loss of \$18.5 million in connection with the termination of two shipbuilding contracts and the sale of two operating vessels, as discussed elsewhere in this report. In addition, based on our impairment analysis, using the same framework described above, we recognized an additional impairment loss of \$10.7 million, which also took into consideration the possibility of a sale of certain additional operating and newbuilding vessels if attractive sale prices are attainable. The total impairment loss of \$29.2 million for the year ended December 31, 2016 is separately reflected in the accompanying consolidated statement of operations.

Although we believe that the assumptions used to evaluate potential asset impairment are based on historical trends and are reasonable and appropriate, such assumptions are highly subjective. To minimize such subjectivity, our analysis for the year ended December 31, 2016, also involved sensitivity analysis to the model inputs we believe are more important and likely to change. In particular, we modified the utilization ratio of each vessel, in order to account for the effect of increased idle time of vessels under a weak market environment. In addition, in terms of our estimates for the charter rates for the unfixed period, we consider that the FFA as of December 31, 2016, which is applied in our model for the first three years period, approximates historical low levels and fully reflects the conceivable downside scenario. We, however, sensitized our model with regards to freight rate assumptions for the unfixed period beyond the first three years. Our sensitivity analysis revealed that, to the extent the historical rates would not decline by more than a range of 17% to 60%, depending on the vessel, or the utilization rate would not be reduced by more than a range of 14% to 56%, we would not require to recognize additional impairment.

Vessel Acquisitions and Depreciation: We record the value of our vessels at their cost (which includes acquisition costs directly attributable to the vessel and delivery expenditures, including pre-delivery expenses and expenditures made to prepare the vessel for its initial voyage) less accumulated depreciation. We depreciate our vessels on a straight-line basis over their estimated useful lives, after considering the estimated salvage value. We estimate the useful life of our vessels to be 25 years from the date of initial delivery from the shipyard, with secondhand vessels depreciated from the date of their acquisition through their remaining estimated useful life. Effective January 1, 2015, and following management's reassessment of the residual value of our vessels, the estimated scrap value per light weight tonnage was increased from \$200 to \$300. The current value of \$300 is based on the historical average demolition prices prevailing in the market. The effect of this change in accounting estimate, which pursuant to Accounting Standards Codification ("ASC") 250, "Accounting Changes and Error Corrections" was applied in our financial statements prospectively and did not require retrospective application, was to decrease the depreciation expense and the net loss for the year ended December 31, 2015, by \$6.3 million, or \$0.03 loss per basic and diluted share.

An increase in the useful life of a vessel or in its residual value would have the effect of decreasing the annual depreciation and extending it into later periods. A decrease in the useful life of a vessel or in its residual value would have the effect of increasing the annual depreciation and accelerating it into earlier periods.

A decrease in the useful life of the vessel may occur as a result of poor vessel maintenance, harsh ocean going and weather conditions, or poor quality of shipbuilding. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its remaining useful life is adjusted to end at the date such regulations preclude such vessel's further commercial use. Weak freight market rates result in owners scrapping more vessels, and scrapping them earlier in their lives due to the unattractive returns.

An increase in the useful life of the vessel may occur as a result of superior vessel maintenance performed, favorable ocean going and weather conditions, superior quality of shipbuilding, or high freight market rates, which result in owners scrapping the vessels later in their lives due to the attractive cash flows.

Fair value of above/below market acquired time charter: If time charters are assumed when vessels are acquired, we value any asset or liability arising from the market value of the time charters. The value of above- or below-market acquired time charters is determined by comparing existing charter rates in the acquired time charter agreements with the market rates for equivalent time charter agreements prevailing at the time the foregoing vessels are delivered. Such intangible assets or liabilities are recognized ratably as adjustments to revenues over the remaining term of the assumed time charter.

Due to early time charter terminations, the remaining unamortized balances of the intangible assets or liabilities associated with such below or above market acquired time charters were recognized as "Gain/(Loss) on time charter agreement termination" in the accompanying consolidated statements of operations. See note 7 of our consolidated financial statements.

Stock Incentive plan awards: Stock-based compensation represents the cost of shares and share options granted to employees and to directors, for their services, and is included in “General and administrative expenses” in the consolidated statements of operations. These shares are measured at their fair value equal to the market value of our common stock on the grant date. The shares that do not contain any future service vesting conditions are considered vested shares and the total fair value of such shares is expensed on the grant date. Applicable guidance related to stock compensation describes two generally accepted methods of recognizing an expense for non-vested share awards with a graded vesting schedule for financial reporting purposes: (1) the “accelerated method”, which treats an award with multiple vesting dates as multiple awards and results in a front-loading of the costs of the award; and (2) the “straight-line method”, which treats such awards as a single award and results in recognition of the cost ratably over the entire vesting period. The shares that contain a time-based service vesting condition are considered non-vested shares on the grant date and a total fair value of such shares is recognized using the accelerated method. The fair value of share option grants is determined with reference to option pricing models, and depends on the terms of the granted options. The fair value is recognized (generally as compensation expense) over the requisite service period for all awards that vest.

We currently assume that all non-vested shares and share options will vest. We do not include estimated forfeitures in determining the total stock-based compensation expense because we estimate the forfeitures of non-vested shares to be immaterial. We, however, re-evaluate the reasonableness of our assumption at each reporting period. We pay dividends on all issued shares regardless of whether they have vested and there is an obligation of the employee to return the dividend if the employment ceases prior to the date that shares vest. The dividends declared and paid on issued and non-vested shares that are expected to vest are charged to retained earnings.

Trade accounts receivable, net: The amount shown as trade accounts receivable, at each balance sheet date, includes estimated recoveries from each voyage or time charter net of any provision for doubtful debts. At each balance sheet date, we provide for doubtful accounts on the basis of identified doubtful receivables.

Derivatives: We designate our derivatives based upon guidance on accounting for derivative instruments and hedging activities, which establishes accounting and reporting standards for derivative instruments. The guidance on accounting for certain derivative instruments and certain hedging activities requires all derivative instruments to be recorded on the balance sheet as either an asset or liability measured at its fair value, with changes in fair value recognized in earnings, unless specific hedge accounting criteria are met.

Hedge Accounting: If the instruments are eligible for hedge accounting, at the inception of a hedge relationship, we formally designate and document the hedge relationship to which we wish to apply hedge accounting and the risk management objective and strategy undertaken for the hedge. The documentation includes identification of the hedging instrument, hedged item or transaction, the nature of the risk being hedged and how we will assess the hedging instrument’s effectiveness in offsetting exposure to changes in the hedged item’s cash flows attributable to the hedged risk. Hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine whether they actually have been highly effective throughout the financial reporting periods for which they were designated. Currently, we are party to interest swap agreements under which we receive a floating interest rate and pay a fixed interest rate for a certain period in exchange.

Contracts that meet the strict criteria for hedge accounting are accounted for as cash flow hedges. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecasted transaction that could affect profit or loss. For derivatives designated as cash flow hedges, the effective portion of the changes in their fair value is recorded in Accumulated other comprehensive income/(loss) in equity and is subsequently recognized in earnings, under “Interest and finance costs” when the hedged items impact earnings, while any ineffective portion, if any, is recognized immediately in current period earnings under “Gain / (Loss) on derivative financial instruments, net.” The changes in the fair value of derivatives not qualifying for hedge accounting are recognized in earnings. We discontinue cash flow hedge accounting if the hedging instrument expires, is sold, terminated or exercised and/or it no longer meets all the criteria

for hedge accounting, or if we will discontinue cash flow hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognized in equity remains in equity until the forecasted transaction occurs or until it becomes probable of not occurring. When the forecasted transaction occurs, any cumulative gain or loss on the hedging instrument is recognized in earnings. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is reclassified to earnings.

Year ended December 31, 2016 compared to the year ended December 31, 2015.

Voyage revenue net of Voyage expenses: For the year ended December 31, 2016, total voyage revenues net of voyage expenses were \$156.2 million, compared to \$161.2 million for the year ended December 31, 2015. This decrease was primarily driven by the lower charterhire rates prevailing in the dry bulk market during the year ended December 31, 2016, compared to the corresponding period in 2015. The TCE rates for the year ended December 31, 2016 and 2015 was \$6,260 and \$7,052, respectively.

Management fee income: Management fee income during the year ended December 31, 2016, was \$0.1 million, compared to \$0.3 million for the same period in 2015. This decrease was mainly due to the fact that during the year ended December 31, 2016, one vessel was under management only until August 2016 while during the year ended December 31, 2015 the same vessel was under management for the whole year.

Charter-in hire expense: For the year ended December 31, 2016, charter hire expense was \$3.6 million, representing the expense for leasing back the vessel Astakos (ex-Maiden Voyage), which we sold in September 2015. The corresponding expense for the year ended December 31, 2015 was \$1.0 million.

Vessel operating expenses: For the year ended December 31, 2016 and 2015, vessel operating expenses were \$98.8 million and \$112.8 million, respectively. Our average daily operating expenses per vessel for the year ended December 31, 2016 were \$3,871, compared to \$4,475 during the same period in 2015, representing a 13.5% reduction. The decrease in vessel operating expenses was a result of our management's continued focus on cost efficiencies, the addition to our fleet of newly built vessels with lower maintenance requirements and further realization of synergies and economies of scale from operating a large fleet. In addition, vessel operating expenses for the year ended December 31, 2016 and 2015 included \$1.8 million and \$6.1 million of pre-delivery expenses, respectively, which related to the initial crew manning and the initial supply of stores for our vessels upon delivery.

Dry docking expenses: Dry docking expenses for the year ended December 31, 2016 and 2015 were \$6.0 million and \$15.0 million, respectively. During the year ended December 31, 2016, nine of our vessels underwent their periodic dry docking surveys, compared to 23 vessels in the same period in 2015.

Depreciation: Depreciation expense for the year ended December 31, 2016 and 2015 was \$81.9 million and \$82.1 million, respectively. The increase was due to slightly higher average number of vessels in our fleet in the year ended December 31, 2016 of 69.8 compared to 69.1 during the same period in 2015 and the increase in the average size of our fleet in 2016 during the corresponding periods.

Management fees: Management fees for year ended December 31, 2016 and 2015 were \$7.6 million and \$8.4 million, respectively, representing a daily fee of \$295 per vessel to SPS, a third party, paid for providing us with certain procurement and remote vessel performance monitoring services. In addition, management fees for the year ended December 31, 2015, included a monthly fee of \$17,500 we paid to Maryville Maritime Inc. ("Maryville") for the management of the vessels Star Martha, Star Pauline and Star Despoina from their delivery to us until the expiration of their existing time charter agreements (the last expired in November 2015).

General and administrative expenses: During the year ended December 31, 2016, we had \$24.6 million of general and administrative expenses, compared to \$23.6 million during the year ended December 31, 2015. Excluding the stock-based compensation of \$4.2 million and \$2.7 million for the years ended December 31, 2016, and 2015, respectively, general and administrative expenses slightly decreased.

Impairment loss: During the year ended December 31, 2016, we recorded an impairment loss of \$29.2 million in connection with the sale of two operating vessels, the termination of two newbuilding contracts and the results of our impairment analysis performed for the year ended December 31, 2016. During the year ended December 31, 2015, we recorded an impairment loss of an aggregate of \$322.0 million relating to: (i) the agreements signed to sell certain

operating vessels and newbuilding vessels upon their delivery from the shipyards, (ii) two agreements to reassign the corresponding leases for two newbuilding vessels back to the vessels' owners for a one-time refund to us of \$5.8 million each, and (iii) our impairment analysis performed for the year ended December 31, 2015. The impairment loss for the year ended December 31, 2015 includes an amount of \$126.8 million representing write-off of the fair value adjustment recognized upon our merger with Oceanbulk in July 2014.

Loss on time charter agreement termination: During the year ended December 31, 2015, we recognized a \$2.1 million write-off of the unamortized fair value of the above market acquired time charter of the vessel Star Big due to its redelivery prior to the end of its time charter in connection with its sale and delivery to its new owners in June 2015.

Other operational gain: For the year ended December 31, 2016, we recognized other operational gain of \$1.6 million, mainly from gains on insurance claims. For the year ended December 31, 2015, other operational gain of \$0.6 million, mainly consisting of cash received from the sale of KLC shares acquired in past years in connection with the rehabilitation plan.

Loss on sale of vessel: During the year ended December 31, 2016, we recognized an aggregate loss on sale of vessels of \$15.2 million in connection with the sale of 15 vessels. Total proceeds from these sales were \$380.2 million. During the year ended December 31, 2015 we recognized an aggregate loss on sale of vessels of \$20.6 million relating to the sale of 12 vessels. Total proceeds from these sales were \$71.4 million, of which \$1.1 million was received in 2014 as an advance for the sale of the Star Kim.

Interest and finance costs: Interest and finance costs for the years ended December 31, 2016 and 2015 were \$41.2 million and \$29.7 million, respectively. The increase is attributable to: (i) the higher average balance of our outstanding indebtedness of \$978.8 million for the year ended December 31, 2016, compared to \$957.1 million for the year ended December 31, 2015, and (ii) the increase in LIBOR for the corresponding periods, (iii) offset partially by the lower amount of interest capitalized from general debt of \$3.9 million and \$12.1 million, respectively, which is recognized in connection with the payments made for our newbuilding vessels. In addition, for the years ended December 31, 2016 and 2015, interest and finance costs included realized loss on hedging interest rate swaps of \$1.3 million and \$2.4 million respectively, this decrease is mainly due to the increase in LIBOR as mentioned above.

Loss on debt extinguishment: During the year ended December 31, 2016, we recorded \$2.4 million of loss on debt extinguishment in connection with the non-cash write-off of unamortized deferred finance charges resulting from the mandatory prepayment in full of outstanding loan balances following the sale of certain vessels, as well as from the cancellation of certain committed loan amounts resulting from (i) the sale of certain newbuilding vessels upon their delivery from the shipyards and (ii) the termination of two newbuilding contracts agreed in February 2016. During the year ended December 31, 2015, we recorded \$1.0 million of loss on debt extinguishment, in connection with the non-cash write-off of unamortized deferred finance charges due to mandatory prepayments in full of certain of our loan facilities.

Gain/(Loss) on derivative financial instrument, net: During the years ended December 31, 2016 and 2015, we recorded a loss on derivative financial instruments of \$2.1 million and \$3.3 million, respectively. As of January 1, 2015, all of our interest rate swaps had been designated as cash flow hedges. Our hedge effectiveness test for the second quarter of 2015 indicated that the hedging relationship of certain of our interest rate swaps no longer qualified for special hedge accounting. We therefore de-designated these swaps as accounting cash flow hedges as of April 1, 2015 and, accordingly, realized and unrealized gain/(loss) from these swaps from April 1, 2015 onwards has been recorded in our statement of operations under Gain/(Loss) on derivative financial instruments. During the period that these swaps qualified for hedge accounting, their realized and unrealized gain/(loss) was recorded under interest and finance cost and equity, to the extent effective, respectively.

Year ended December 31, 2015 compared to the year ended December 31, 2014.

Voyage revenues: For the year ended December 31, 2015, total voyage revenues were \$234.0 million, compared to \$145.0 million for the same period in 2014. This increase was mainly due to the increase in the average number of our vessels to 69.4 in the year ended December 31, 2015, from 28.9 vessels in the same period in 2014. The increase in voyage revenues from the additional vessels was partially offset by significantly lower charterhire rates prevailing in the dry bulk market during the year ended December 31, 2015, compared to the same period in 2014.

Management fee income: Management fee income during the year ended December 31, 2015 was \$0.3 million, compared to \$2.3 million for the same period in 2014. This decrease was mainly due to the decrease in the average number of third-party vessels under management to 1.0 vessel for the year ended December 31, 2015, from 8.6 vessels in the same period in 2014. As a result of the acquisition of Oceanbulk, 11 Oceanbulk vessels that had been under our management became part of our fleet as of July 11, 2014. We, therefore, stopped receiving fees for the management of these vessels.

Voyage expenses: For the year ended December 31, 2015, voyage expenses were \$72.9 million, compared to \$42.3 million for the year ended December 31, 2014. The increase in voyage expenses was due to the increase in the average number of vessels for the year ended December 31, 2015, as well as the increased level of spot market activity, which is associated with higher voyage expenses than time charters, partially offset by the decrease in the price of oil.

Charter-in hire expense: For the year ended December 31, 2015, charter hire expense was \$1.0 million, representing the expense for leasing back the vessel Astakos (ex-Maiden Voyage), which we sold in September 2015.

Vessel operating expenses: For the year ended December 31, 2015 and 2014, vessel operating expenses were \$112.8 million and \$53.1 million, respectively. The increase in operating expenses was mainly due to higher average number of vessels during the year ended December 31, 2015 as compared to the same period in 2014. Our average daily operating expenses per vessel for the year ended December 31, 2015 were \$4,475, compared to \$5,037 during the same period in 2014, representing a 11% reduction as a result of synergies and economies of scale from operating a larger fleet. In addition, vessel operating expenses for the year ended December 31, 2015 and 2014 included \$6.1 million and \$3.0 million of pre-delivery expenses, respectively, which related to the initial crew manning and the initial supply of stores for our vessels upon delivery.

Dry docking expenses: Dry docking expenses for the year ended December 31, 2015 and 2014 were \$15.0 million and \$5.4 million, respectively. During the year ended December 31, 2015, 23 of our vessels underwent their periodic dry docking surveys, compared to four vessels in the same period in 2014.

Depreciation: Depreciation expense increased to \$82.1 million for the year ended December 31, 2015, compared to \$37.2 million for the same period in 2014. The increase was due to the higher average number of vessels in our fleet in the year ended December 31, 2015 compared to the same period in 2014, partially offset by an increase in the estimated scrap rate per light weight ton from \$200 to \$300, which became effective as of January 1, 2015 following our management's reassessment based on the historical average demolition prices prevailing in the market.

Management fees: Management fees for year ended December 31, 2015 and 2014 were \$8.4 million and \$0.2 million, respectively. During the year ended December 31, 2015, management fees included a daily fee of \$295 per vessel to SPS, a third party, which we engaged on January 1, 2015 to provide our fleet with certain procurement and remote vessel performance monitoring services. In addition, management fees for the year ended December 31, 2015 included a monthly fee of \$17,500 we paid to Maryville Maritime Inc. ("Maryville") for the management of one of three of the Excel Vessels (Star Martha, Star Pauline and Star Despoina) until the expiration of their existing time charter agreements (the last expired in November 2015).

General and administrative expenses: During the year ended December 31, 2015, we had \$23.6 million of general and administrative expenses, compared to \$32.7 million during the year ended December 31, 2014. The decrease was mainly due to non-recurring transaction costs of \$9.4 million, which we incurred during the year ended December 31, 2014 in connection with the acquisition of Oceanbulk, and stock-based compensation expenses of \$1.8 million, also incurred during the year ended December 31, 2014, relating to a severance payment to our former Chief Executive Officer. Excluding the above mentioned non-recurring transaction costs and stock based compensation expense for both years 2015 and 2014 of \$2.7 million and \$4.0 million, respectively, general and administrative expenses increased by 19% because of the increase in average number of employees by 30% during the year 2015 compared to

the same period in 2014.

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Impairment loss: During the year ended December 31, 2015, we recorded an impairment loss of an aggregate of \$322.0 million relating to: (i) the agreements signed to sell certain operating vessels and newbuilding vessels upon their delivery from the shipyards, (ii) two agreements to reassign the corresponding leases for two newbuilding vessels back to the vessels' owners for a one-time refund to us of \$5.8 million each, and (iii) our impairment analysis performed for the year ended December 31, 2015. The impairment loss includes an amount of \$126.8 million representing write-off of the fair value adjustment recognized upon our merger with Oceanbulk in July 2014.

Loss on time charter agreement termination: During the year ended December 31, 2015, we recognized a \$2.1 million write-off of the unamortized fair value of the above market acquired time charter of the vessel Star Big due to its redelivery prior to the end of its time charter in connection with its sale and delivery to its new owners in June 2015.

Other operational gain: For the year ended December 31, 2015, other operational gain of \$0.6 million mainly consisting of cash received from the sale of KLC shares acquired in past years in connection with the rehabilitation plan.

Loss on sale of vessel: During the year ended December 31, 2015 we recognized an aggregate loss on sale of vessels of \$20.6 million relating to the sale of certain operating and newbuilding vessels. Total proceeds from these sales were \$71.4 million, of which \$1.1 million was received in 2014 as an advance for the sale of the Star Kim.

Interest and finance costs: Interest and finance costs for the year ended December 31, 2015 and 2014 were \$29.7 million and \$9.6 million, respectively. The increase is attributable to the higher average balance of our outstanding indebtedness of \$957.1 million for the year ended December 31, 2015, including \$50.0 million under the 8.00% Senior Notes and our capital lease obligations, compared to \$412.3 million for the same period in 2014. In addition, for the year ended December 31, 2015, interest and finance costs included \$2.4 million relating to interest rate swaps compared to \$1.1 million for the year ended December 31, 2014. Interest and finance costs incurred in the year ended December 31, 2015 and 2014 were set-off with interest capitalized from general debt of \$12.1 million and \$7.8 million, respectively, in connection with the payments made for our newbuilding vessels.

Loss on debt extinguishment: During the year ended December 31, 2015 and 2014, we recorded \$1.0 million and \$0.7 million, respectively, of loss on debt extinguishment in connection with the non-cash write off of unamortized deferred finance charges due to prepayments of certain of our loan facilities.

Gain/(Loss) on derivative financial instrument, net: We recorded a loss on derivative financial instruments for the year ended December 31, 2015 of \$3.3 million, which included realized and unrealized gains/losses from swaps that were de-designated as accounting cash flow hedges from April 1, 2015 onwards (date of de-designation). Loss on derivative financial instruments of \$0.8 million during the year ended December 31, 2014, represented the non-cash loss from the mark to market valuation of four of our interest rate swaps up to August 31, 2014, the date we designated the respective interest rate swaps as cash flow hedges.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements.

B. Liquidity and Capital Resources

Our principal source of funds has been equity provided by our shareholders, additional debt under secured credit facilities or unsecured bond notes, capital leases and operating cash flow. Our principal use of funds has been capital expenditures to grow our fleet, maintain the quality of our dry bulk carriers, comply with international shipping standards and environmental laws and regulations, fund working capital requirements, make interest and principal repayments on outstanding loan facilities, and pay dividends when permissible.

Our short-term liquidity requirements relate to servicing our debt, paying of operating costs, funding working capital requirements and maintaining cash reserves against fluctuations in operating cash flows and paying cash dividends when permissible. Our primary source of short-term liquidity is our operating revenues.

Our medium- and long-term liquidity requirements relate to funding the equity portion of any possible investments in additional secondhand vessels, newbuilding vessels and the repayment of long-term debt balances. Sources of funding for our medium- and long-term liquidity requirements include new loans, capital leases, equity issuance or vessel sales.

Recent Equity Offerings and Senior Notes

On November 6, 2014, we issued \$50.0 million aggregate principal amount of 8.00% Senior Notes due 2019 (the “2019 Notes”). The 2019 Notes mature in November 2019 and are senior, unsecured obligations of Star Bulk Carriers Corp. The 2019 Notes are not guaranteed by any of our subsidiaries.

On January 14, 2015, we issued and sold 9,800,084 common shares (in an underwritten public offering, at a price of \$25.00 per share (both shares and per share amounts were adjusted for the June 2016 Reverse Split). The aggregate proceeds net of underwriting commissions were \$242.2 million, which we used for the financing of our newbuilding program and general corporate purposes.

On May 18, 2015, we issued and sold 11,250,000 common shares in an underwritten public offering, at a price of \$16.00 per share (both shares and per share amounts were adjusted for the June 2016 Reverse Split). The aggregate proceeds net of underwriting commissions were \$175.6 million, which we used for the financing of our newbuilding program and general corporate purposes.

On September 20, 2016, we issued and sold 11,976,745 common shares in an underwritten public offering, at a price of \$4.30 per share. The aggregate proceeds net of underwriting commissions were \$50.3 million, raised for general corporate purposes.

On January 26, 2017 and February 6, 2017, we issued and sold an aggregate 6,310,272 common shares pursuant to a private placement, at a price of \$8.15 per share. The aggregate proceeds to us, net of private placement agent’s fees and expenses were approximately \$50.6, raised for general corporate purposes.

Significant Changes in our Fleet

On July 11, 2014, we completed the July 2014 Transactions. A total of 10,820,840 of our common shares (adjusted for the June 2016 Reverse Split) were issued to the various selling parties in the July 2014 Transactions, of which 9,092,065 shares were issued to Oaktree, and 1,728,775 shares (adjusted for the June 2016 Reverse Split) were issued to the owners of the Pappas Companies. In the July 2014 Transactions we acquired 12 then-existing vessels, 25 contracts for newbuilding vessels and an equity interest in Heron, which eventually resulted in the distribution to us of two additional vessels.

In August 2014, we entered into definitive agreements relating to the Excel Transactions with Excel, pursuant to which we acquired the 34 Excel Vessels for an aggregate of 5,983,462 common shares (adjusted for the June 2016 Reverse Split) and \$288.4 million of cash. At the transfer of each Excel Vessel, we paid the cash and share consideration for such Excel Vessel to Excel. We used cash on hand, together with borrowings under various of our credit facilities (described below), to pay the cash consideration for the Excel Vessels.

In December 2014 and during 2015, we entered into separate agreements with third parties to sell 16 of our vessels (Star Big, Star Mega, Maiden Voyage, Star Natalie, Star Tatianna, Star Christianna, Star Monika, Star Julia, Star Kim, Star Nicole, Rodon, Star Claudia, Indomitable, Magnum Opus, Tsu Ebisu and Deep Blue). Of these vessels, 12 were delivered to their purchasers in 2015, while the remaining four (Indomitable, Magnum Opus, Tsu Ebisu and Deep Blue) were delivered to their purchasers in early 2016.

During 2016 and early 2017, we entered into separate agreements with third parties to sell six of our vessels (Obelix, Star Michele, Star Monisha, Star Aline, Star Despoina and Star Eleonora).

During 2016 we took delivery of 12 newbuilding vessels (Star Lutas, Behemoth, Kennadi, Bruno Marks, Megalodon, Star Poseidon, Star Aries, Mackenzie, Star Marisa, Jenmark, Star Libra and Star Taurus). In 2015 and early 2016, we entered into separate agreements with third parties to sell six of the above-mentioned newbuilding vessels (Behemoth, Bruno Marks, Megalodon, Star Aries, Jenmark, and Star Taurus) upon their delivery to us from the shipyard. All of these vessels were delivered from the shipyards, and consequently to their purchasers, in 2016.

As of March 9, 2017, the total payments for our four newbuilding vessels were expected to be \$148.0 million, of which we had already paid \$49.9 million. As of March 9, 2017, we had \$258.4 million of cash on hand and we had obtained commitments for \$80.0 million of secured debt for two newbuilding vessels in the form of capital leases and we are also in negotiations and expect to obtain commitments for up to \$53.0 million of secured financing for the third and the fourth newbuilding vessels based on current market valuations. In addition, in March 2017, we entered into definitive agreements to acquire two modern Kamsarmax vessels, for an aggregate consideration of approximately \$30.3 million and we are in negotiations and expect to obtain financing for up to \$15.2 million of secured debt in connection therewith. A portion of the net proceeds from our sale of the \$50.0 million 2019 Notes, from the January 2015 Equity Offering, from the May 2015 Equity Offering, from the September 2016 Equity Offering and from the February 2017 Private Placement has been used or will be used for the financing of our current capital expenditures. Furthermore following the Restructuring Transactions, we are required to prepay on a pro rata basis part of the outstanding Deferred Amounts with an amount equal to 20% of the equity amount that will be used for the acquisition of new vessels.

As of December 31, 2015, we had outstanding borrowings of \$975.2 million (net of unamortized deferred finance fees of \$16.0 million), including the \$50.0 million under the issued 2019 Notes and recognized capital lease obligations of \$79.5 million, of which \$117.4 million was scheduled to be repaid in the next twelve months (without including the shortfall in the SCR as of December 31, 2015). As of December 31, 2016, we had outstanding borrowings of \$951.3 million (net of unamortized deferred finance fees of \$10.5 million), including the \$50.0 million under the issued 2019 Notes and recognized capital lease obligations of \$158.8 million (net of unamortized deferred finance fees of \$0.04 million), of which \$6.2 million is scheduled to be repaid in the next twelve months, representing only lease commitments after the Restructuring Transactions, as described below. As of March 9, 2017 we had \$258.4 million in cash and outstanding borrowings of \$1,000.7 million under our outstanding credit facilities and debt securities, including \$197.8 million under our capital lease obligations and \$50.0 million under our senior unsecured notes.

We believe that our current cash balance and our operating cash flows will be sufficient to meet our 2017 liquidity needs, even though the dry bulk charter market has remained at relatively depressed levels throughout the last three years, taking into account the fact that we are not required to pay any regular installments of principal (including all scheduled amortization and balloon payments at stated maturity) under our Senior Secured Credit Facilities following the Restructuring Transactions, as described below. Since the last quarter of 2014, the dry bulk shipping industry has experienced very low charter rates, and if such rates continue at such levels, our operating cash flows may be adversely affected. As a result, we may be required to sell additional vessels or obtain additional financing (either equity or debt financing) in order to meet our liquidity needs.

We may fund possible growth through our cash balances, operating cash flows, additional long-term borrowing, capital leases and the issuance of new equity. Our practice has been to acquire dry bulk carriers using a combination

of funds from operations and bank debt secured by mortgages on our dry bulk carriers. Our business is capital-intensive and its future success will depend on our ability to maintain a high-quality fleet through the acquisition of newer dry bulk carriers and the selective sale of older dry bulk carriers. These acquisitions will be principally subject to management's expectation of future market conditions as well as our ability to acquire dry bulk carriers on favorable terms.

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Cash Flows

Cash and cash equivalents as of December 31, 2016 amounted to \$181.8 million, compared to \$208.1 million as of December 31, 2015. We define working capital as current assets minus current liabilities, including the current portion of long-term debt. Our working capital surplus was \$200.3 million as of December 31, 2016, compared to \$85.1 million as of December 31, 2015, mainly due to the fact that we are not required to make any regular payments under our Senior Secured Credit Facilities for the next twelve months, after the Restructuring Transactions, as described below.

As of December 31, 2015 and 2016, we were required to maintain minimum liquidity, not legally restricted, of \$150.0 million and \$47.6 million, respectively, which is included within "Cash and cash equivalents" in 2015 and 2016 balance sheets, respectively. In addition, as of December 31, 2015 and 2016, we were required to maintain minimum liquidity, legally restricted, of \$14.0 million, respectively, which is included within "Restricted cash" in the 2015 and 2016 balance sheets, respectively.

We believe that our current cash balance and our operating cash flow will be sufficient to meet our liquidity needs over the next twelve months.

Year ended December 31, 2016 compared to the year ended December 31, 2015

Net Cash Provided By Operating Activities

Net cash used in operating activities for the year ended December 31, 2016 and 2015, was \$33.4 million and \$14.6 million, respectively. The increase is due to: (i) a working capital outflow of \$10.0 million mainly attributable to payments to our suppliers, for the year ended December 31, 2016, compared to a working capital inflow of \$1.2 million for the corresponding period of 2015, (ii) higher net interest expense and (iii) higher EBITDA adjusted for non-cash items.

Net Cash Used In/ Provided By Investing Activities

Net cash used in investing activities for the years ended December 31, 2016 and 2015, was \$13.2 million and \$397.5 million, respectively. For the year ended December 31, 2016, net cash used in investing activities consisted of: (i) \$396.2 million paid for advances and other capitalized expenses for our newbuilding and newly delivered vessels; offset by (ii) \$159.9 million of proceeds from the sale of operating vessels; (iii) \$220.3 million of proceeds from the sale of certain newbuilding vessels, which were sold upon their delivery from the shipyard; (iv) \$2.5 million of hull and machinery insurance proceeds; and (v) a net increase of \$0.2 million in restricted cash required under our loan facilities.

For the year ended December 31, 2015, net cash used in investing activities consisted of: (i) \$434.3 million paid for advances and other capitalized expenses for our newbuilding vessels; (ii) \$39.5 million paid for the acquisition of secondhand vessels; (iii) \$0.1 million for the acquisition of other fixed assets; offset partially by (iv) \$70.3 million of proceeds from the sale of vessels; (v) a one-time refund of \$5.8 million received in connection with our agreement to reassign a lease for a newbuilding vessel back to the vessel's owner; and (vi) \$0.3 million of hull and machinery insurance proceeds.

Net Cash Provided By/ Used In Financing Activities

Net cash provided by financing activities for the years ended December 31, 2016 and 2015 was \$20.4 million and \$534.2 million, respectively. For the year ended December 31, 2016, net cash provided by financing activities consisted of: (i) \$65.4 million of proceeds from bank loans for the financing of delivery installments for four delivered newbuilding vessels; (ii) an increase in capital lease obligations of \$86.4 million, relating to two delivered

newbuilding vessels, under bareboat charters; (iii) \$50.3 million of proceeds from the September 2016 Equity Offering, net of underwriting discounts and commissions of \$0.9 million and offering expenses of \$0.3 million; offset partially by (iv) an aggregate of \$181.2 million paid in connection with the regular amortization of outstanding vessel financings, capital lease installments and the mandatory prepayment of several loan facilities due to the sale of corresponding mortgaged vessels mentioned above; and (v) financing fees of \$0.5 million paid in connection with the Restructuring Transactions (as described below).

For the year ended December 31, 2015, net cash provided by financing activities consisted of: (i) proceeds from loan facilities of \$291.3 million for: (a) the financing of delivery installments for nine of our newbuilding vessels that were delivered during the period; (b) cash consideration for the acquisition of the last six Excel Vessels; and (c) the repayment in full of the Excel Vessel Bridge Facility; (ii) an increase in capital lease obligations of \$82.7 million, relating to four newbuilding vessels delivered during the period under bareboat charters; and (iii) \$417.8 million of proceeds from the January 2015 Equity Offering and the May 2015 Equity Offering, which is net of underwriting discounts and commissions of \$6.2 million and offering expenses of \$1.0 million; offset by (iv) financing fees paid of \$13.1 million; and (v) an aggregate of \$244.5 million paid in connection with the regular amortization of outstanding vessel financings, capital lease installments and prepayments of certain of our loan facilities.

Year ended December 31, 2015 compared to the year ended December 31, 2014

Net Cash Provided By Operating Activities

Net cash used in operating activities for the year ended December 31, 2015, were \$14.6 million while net cash provided by operating activities for the year ended December 31, 2014 were \$12.8 million. The TCE rate for the year ended December 31, 2015 and 2014 was \$7,052 and \$10,450, respectively.

Net Cash Used In/ Provided By Investing Activities

Net cash used in investing activities for the year ended December 31, 2015 and 2014, was \$397.5 million and \$437.1 million, respectively.

For the year ended December 31, 2014, net cash used in investing activities consisted of: (i) \$117.9 million paid for advances and other capitalized expenses for our newbuilding vessels; (ii) \$400.0 million paid for the acquisition of secondhand vessels (including the Heron Vessels and most of the Excel Vessels); (iii) \$0.6 million paid for the acquisition of other fixed assets; (iv) \$0.2 million paid for the acquisition of 33% of the total outstanding common stock of Interchart Shipping Inc., a Liberian company that acts as a chartering broker to our fleet; (v) \$4.9 million cash consideration paid for the acquisition of above fair market charters attached to three of the Excel Vessels; and (vi) a net increase of \$11.5 million in restricted cash, offset by: (i) hull and machinery insurance proceeds amounting to \$0.6 million; (ii) \$96.3 million cash assumed as part of the acquisition of Oceanbulk and the Pappas Companies; and (iii) \$1.1 million cash received in December 2014, representing a 20% advance in connection with the sale of Star Kim.

Net Cash Provided By/ Used In Financing Activities

Net cash provided by financing activities for the year ended December 31, 2015 and 2014 was \$534.2 million and \$456.7 million, respectively.

For the year ended December 31, 2014, net cash provided by financing activities consisted of: (i) proceeds from bank loans and the Excel Vessel Bridge Facility of \$489.7 million for the financing of the acquisition of the Excel Vessels, Heron Vessels and other secondhand vessels; (ii) proceeds from bank loans of \$97.5 million for delivery installments for three of our newbuilding vessels (two of them delivered in 2014 and one delivered in early January 2015); (iii) \$50.0 million proceeds from the issuance of our senior unsecured notes due 2019; offset by (iv) financing fees paid amounting to \$6.5 million; and (v) regular loan repayment installments as well as partial prepayment of the Excel Vessel Bridge Facility amounting to \$174.0 million.

The Restructuring Transactions

The prolonged market downturn in the dry bulk market, depressed freight rates and low prevailing vessel market values have led to net losses over an extended period of time. As a result of these operating conditions, we have taken significant steps in fiscal years 2015 and 2016 to improve our liquidity through a reduction in the operating costs of our vessels, opportunistic vessel sales, cancellation of newbuilding contracts and the negotiated deferral of delivery or reduction of the purchase price of all of our existing newbuilding vessels.

Although we implemented a number of measures to address the adverse market conditions, we face the possibility that such market conditions may continue, that our potential future liquidity situation may deteriorate, and that we may be unable to comply (as described in more detail below) with certain financial and other covenants in the existing credit agreements described below (the “Senior Secured Credit Facilities”) with our banks and export credit agencies (the “Lenders”). As a result, we and all 15 Lenders completed a global restructuring of our Senior Secured Credit Facilities that effectively deferred at that time \$224.0 million, equal to 100%, of our principal payments (including all scheduled amortization and balloon payments at stated maturity) due between June 1, 2016 and June 30, 2018 (the “Deferral Period”), and waived in full or substantially relaxed the financial and other covenants in our Senior Secured Credit Facilities until December 31, 2019. We have entered into separate standstill agreements (“Standstill Agreements”) and restructuring letter agreements (“RLAs”) with each of the Lenders. Each Standstill Agreement is designed to provide for a waiver and/or relaxation of covenants and suspension of principal payments until a supplemental agreement (each, a “Supplemental Agreement”) is entered into for the permanent restructuring of each Senior Secured Credit Facility. Each RLA sets forth the material terms of the eventual Supplemental Agreement.

During the Standstill Period (as defined below), each Standstill Agreement provides:

- a waiver by the relevant Lenders of compliance with, or the substantial relaxation of, the security cover ratios (“SCR”) and all financial covenants under the corresponding Senior Secured Credit Facility, and

- a waiver by the relevant Lenders of any failure by us to pay regular installments of principal (including all scheduled amortization and balloon payments at stated maturity) under the corresponding Senior Secured Credit Facility.

For each Senior Secured Credit Facility, the Standstill Agreement is effective for a period (the “Standstill Period”) from June 1, 2016 until the earliest to occur of (a) the date a Supplemental Agreement is signed with respect to such Senior Secured Credit Facility, (b) the date on which, in the reasonable opinion of the relevant Lender, it becomes apparent that the Supplemental Agreement will not become effective, and (c) the date on which any other Lender terminates its Standstill Agreement. An earlier expiration condition would have been triggered on September 30, 2016 had we not successfully raised \$50.0 million of equity by such date (which we accomplished through the September 2016 Equity Raise). A number of the Standstill Agreements also contain other customary provisions that would result in the termination of the Standstill Period if an event of default (other than with respect to a waived or suspended covenant) occurs, any bankruptcy or insolvency proceeding against us is initiated or we make any principal payments on Senior Secured Credit Facilities during the Standstill Period.

Each RLA has been approved by the credit committee of each Lender party thereto and provides that we and the Lenders under each Senior Secured Credit Facility will enter into a Supplemental Agreement to the Senior Secured Credit Facility, providing, among other things:

- a deferral of all scheduled principal payments due between June 1, 2016 and June 30, 2018 to the due date of the balloon installments of each facility, and

- a waiver of compliance with, or a substantial relaxation of, the SCRs and financial covenants effective as of March 31, 2016 through a date not earlier than December 31, 2019.

In exchange, under the RLAs, we have agreed to:

a cash sweep mechanism until all Deferred Amounts are repaid in full under which, beginning September 30, 2016, any excess free cash on a consolidated level, above a certain threshold will be applied towards the payment of Deferred Amounts, payable pro rata based on each Senior Secured Credit Facility's and applicable lease agreement's outstanding Deferred Amounts (as discussed below) relative to the total Deferred Amounts at the end of each quarter,

an additional margin of 25 basis points payable on the Deferred Amounts outstanding at the end of each interest period, to be paid in cash, for as long as Deferred Amounts are outstanding,

the payment of a one-time restructuring fee of 25 basis points to each Lender, based on each Lender's total Deferred Loan Amounts,

additional restrictions on our ability to incur additional indebtedness until June 30, 2018 unless the proceeds are used to repay amounts outstanding under the Senior Secured Credit Facilities (other than indebtedness with respect to newbuilding vessels under existing shipbuilding contracts or, indebtedness incurred to finance the acquisition of new vessels, subject to a cap of 50% loan to value of the new vessels), and

certain additional restrictions on our ability to refinance indebtedness, apply proceeds in case of sale or total loss of vessels, repurchase bonds, reduce our share capital and pay dividends until the Deferred Amounts have been repaid in full.

The agreement of each Lender to defer the Deferred Loan Amounts owed to it and make modifications to its Senior Secured Credit Facility under the RLAs (each, a "Deferral and Modification") is subject to certain conditions precedent, including:

There shall have not been any defaults or events of default with respect to any of the financial or other covenants under such Lender's Senior Secured Credit Facility (except as explicitly waived or suspended);

There shall have not been any bankruptcy or insolvency proceeding or similar proceeding with respect to the obligors under such Lender's Senior Secured Credit Facility; and

No action or proceeding shall have been commenced against us or any obligor which, in the opinion of such Lender, constitutes or may result in a material adverse change in the finance or operations of any obligor or the rights of such Lender in the collateral securing such Lender's Senior Secured Credit Facility.

Additionally, the agreement of each Lender was subject to a further requirement that we raise and receive at least \$50.0 million of net proceeds from an equity offering by September 30, 2016 (which we accomplished through the September 2016 Equity Offering).

The Standstill Agreements, the RLAs and the Supplemental Agreements and the transactions contemplated thereby are referred to in this annual report as the "Restructuring Transactions." The Restructuring Transactions are designed to address potential liquidity and covenant compliance issues that may result if adverse conditions in the dry bulk market continue.

We have entered into several Supplemental Agreements and expect to enter into the remaining Supplemental Agreements over the course of the next several months.

Following the execution of the RLAs, we entered into a Restructuring Letter Agreement with one of our lease providers to defer a portion of the principal repayments included in the hire amounts that were scheduled for payment between 1 October 2016 and 30 June 2018 under all the lease agreements (the "Deferred Lease Amounts"). The deferred

hire amounts will be amortized on a monthly basis in the remaining charter period, unless otherwise prepaid as part of a cash sweep mechanism which shall be implemented on a consolidated level as discussed above.

Senior Secured Credit Facilities

(A) Existing Facilities

1. Commerzbank \$120.0 million Facility

On December 27, 2007, we entered into a loan agreement (the “Commerzbank \$120.0 million Facility”) with Commerzbank AG (“Commerzbank”) to provide financing in an amount of up to \$120.0 million to partially finance the acquisition cost of the vessels Star Gamma, Star Delta, Star Epsilon, Star Zeta and Star Theta. The Commerzbank \$120.0 million Facility is secured by a first priority mortgage over the financed vessels. The Commerzbank \$120,000 Facility was amended in June and December, 2009. As amended, the Commerzbank \$120.0 million Facility had two tranches. One tranche of \$50.0 million was repayable in 28 consecutive quarterly installments, which commenced in January 2010, and consisted of (i) the first four installments of \$2.3 million each, (ii) the next 13 installments of \$1.0 million each, (iii) the remaining 11 installments of \$1.3 million each and (iv) a final balloon payment of \$13.7 million payable together with the last installment. The second tranche of \$70.0 million was repayable in 28 consecutive quarterly installments which commenced in January 2010, and consisted of (i) the first four installments of \$4.0 million each, (ii) the remaining 24 installments of \$1.8 million each and (iii) a final balloon payment of \$12.0 million payable together with the last installment.

2. Commerzbank \$26.0 million Facility

On September 3, 2010, we entered into a loan agreement with Commerzbank (the “Commerzbank \$26.0 million Facility”) to provide financing in an amount of up to \$26.0 million to partially finance the acquisition cost of the vessel Star Aurora. The Commerzbank \$26.0 million Facility was secured by a first priority mortgage over the financed vessel.

Supplemental Agreement - Commerzbank \$120.0 million and \$26.0 million Facilities

On December 17, 2012, we executed a commitment letter with Commerzbank to amend the Commerzbank \$120.0 million Facility and the Commerzbank \$26.0 million Facility. The definitive documentation for the supplemental agreement (the “Commerzbank Supplemental”) was signed on July 1, 2013. Pursuant to the Commerzbank Supplemental, we paid Commerzbank a flat fee of 0.40% of the combined outstanding loans under the two facilities and agreed, subject to certain conditions, to (i) amend some of the covenants governing the two facilities, (ii) require us to prepay \$2.0 million pro rata against the balloon payments of each facility and (iii) require us to raise \$30.0 million in equity (which condition was satisfied with the completion of our rights offering in July 2013), and (iv) increase the loan margins. In addition, Commerzbank agreed to defer 60% and 50% of the quarterly installments for the years ended December 31, 2013 and 2014 (the “2013 Deferred Amounts”) to the balloon payments or to a payment in accordance with a semi-annual cash sweep mechanism, under which all earnings of the mortgaged vessels after operating expenses, dry docking provision, general and administrative expenses and debt service, if any, will be used as repayment of the 2013 Deferred Amounts. We were not permitted to pay any dividends as long as 2013 Deferred Amounts are outstanding and/or until original terms are complied with.

On March 30, 2015, we and Commerzbank AG signed a second supplemental agreement (the “Commerzbank Second Supplemental”). Under the supplemental agreement, we agreed to (i) prepay Commerzbank AG \$3.0 million, (ii) amend some of the covenants governing the facilities and (iii) change the repayment date relative to Commerzbank \$26.0 million tranche from September 7, 2016 to July 31, 2015.

We fully repaid the Commerzbank \$26.0 million Facility in June 2015, and the vessels Star Aurora and Star Zeta were released from the vessel mortgage.

On June 29, 2015, we and Commerzbank AG signed a third supplemental agreement (the “Commerzbank Third Supplemental”). Under the Commerzbank Third Supplemental, we agreed to (i) defer the installment payments under the Commerzbank \$120.0 million Facility, until the full repayment in late October 2016, (ii) add as additional collateral the vessel Star Iris, and (iii) amend some of the covenants governing this facility.

On April 19, 2016, we agreed in principle with Commerzbank to a refinancing amendment of the Commerzbank Supplemental. Pursuant to this refinancing amendment, we agreed to (a) amend certain covenants governing this facility, (b) change the amortization schedule for this facility, and extend the repayment date for the facility from October 2016 to October 2018.

Please see above for information regarding the RLAs.

3. Credit Agricole \$70.0 million Facility

On January 20, 2011, we entered into a loan agreement with Credit Agricole Corporate and Investment Bank (“Credit Agricole”) for a term loan up to \$70.0 million (the “Credit Agricole \$70.0 million Facility”) to partially finance the construction cost of two newbuilding vessels, Star Borealis and Star Polaris, which were delivered to us in 2011. The Credit Agricole \$70.0 million Facility is secured by a first priority mortgage over the financed vessels and is divided into two tranches. We drew down \$67.3 million under this facility. The Credit Agricole \$70.0 million Facility is repayable in 28 consecutive quarterly installments, commencing three months after the delivery of each vessel, of \$0.5 million for each tranche, and a final balloon payment payable at maturity, of \$19.6 million (due August 2018) and \$20.1 million (due November 2018) for the Star Borealis and Star Polaris tranches, respectively.

On June 29, 2015, we signed a waiver letter with Credit Agricole in order to revise some of the covenants contained in the loan agreement for a period up to December 31, 2016.

Please see above for information regarding the RLAs.

4. HSH Nordbank \$64.5 million Facility

On October 3, 2011, we entered into a \$64.5 million secured term loan agreement (the “HSH Nordbank \$64.5 million Facility”) with HSH Nordbank AG (“HSH Nordbank”) to repay, together with cash on hand, certain existing debt. The borrowers under the HSH Nordbank \$64.5 million Facility are the vessel-owning subsidiaries that own the vessels Star Cosmo, Star Kappa, Star Sigma, Star Omicron and Star Ypsilon, and Star Bulk Carriers Corp. is the guarantor. This facility consists of two tranches. The first tranche of \$48.5 million (the “Supramax Tranche”) is repayable in 20 quarterly consecutive installments of \$1.3 million commencing in January 2012 and a final balloon payment of \$23.5 million payable at the maturity in September 2016. The second tranche of \$16.0 million (the “Capesize Tranche”) was repayable in 12 consecutive, quarterly installments of \$1.3 million, commencing in January 2012 and matured in September 2014.

On July 17, 2013, we and HSH Nordbank signed a supplemental agreement (the “HSH Nordbank \$64.5 Supplemental”). Under the HSH Nordbank \$64.5 million Supplemental, we agreed, subject to certain conditions, to (i) amend some of the covenants governing this facility, until December 31, 2014, (ii) defer a minimum of approximately \$3.5 million payments from January 1, 2013 until December 31, 2014, (iii) prepay \$6.6 million with pledged cash already held by HSH Nordbank, (iv) require us to raise \$20.0 million in equity (which condition was satisfied after the completion of our rights offering in July 2013), (v) increase the loan margins from January 1, 2013 until December 31, 2014, (vi) include a semi-annual cash sweep mechanism, under which all earnings of the mortgaged vessels after operating expenses, dry docking provision, general and administrative expenses and debt service, if any, will be used as prepayment to the balloon payment of the Supramax Tranche, and (vii) require us not to pay any dividends until December 31, 2014 or later in case of a covenant breach. When we sold the vessel Star Sigma in April 2013, the HSH Nordbank \$64.5 million Supplemental also required us to use the proceeds from the sale to fully prepay the balance of the Capesize Tranche and use the remaining vessel sale proceeds to prepay a portion of the Supramax Tranche. As a result the next seven scheduled quarterly installments commencing in April 2013 were reduced pro rata from \$0.8 million to \$0.2 million.

On June 29, 2015, we and HSH Nordbank signed a supplemental agreement to amend certain covenants governing this facility until December 31, 2016.

Please see above for information regarding the RLAs.

5. HSH Nordbank \$35.0 million Facility

On February 6, 2014, we entered into a secured term loan agreement (the “HSH Nordbank \$35.0 million Facility”) with HSH Nordbank. The borrowings under this new loan agreement were used to partially finance the acquisition cost of the vessels Star Challenger and Star Fighter. The HSH Nordbank \$35.0 million Facility is secured by a first priority mortgage over the financed vessels. The borrowers under the HSH Nordbank \$35.0 million Facility are the two vessel-owning subsidiaries that own the two vessels and Star Bulk Carriers Corp. is the guarantor. This facility matures in February 2021 and is repayable in 28 equal, consecutive, quarterly installments, commencing in May 2014, of \$0.3 million for each of the Star Challenger and Star Fighter, and a final balloon payment of \$8.8 million and \$9.3 million, payable together with the last installments for Star Challenger and Star Fighter, respectively.

On June 29, 2015, we and HSH Nordbank signed a supplemental agreement to amend certain covenants governing this facility until December 31, 2016.

Please see above for information regarding the RLAs.

6. Deutsche Bank \$39.0 million Facility

On March 14, 2014, we entered into a \$39.0 million secured term loan agreement with Deutsche Bank AG (the “Deutsche Bank \$39.0 million Facility”). The borrowings under this loan agreement were used to partially finance the acquisition cost of the vessels Star Sirius and Star Vega. The Deutsche Bank \$39.0 million Facility is secured by a first priority mortgage over the financed vessels. The borrowers under the Deutsche Bank \$39.0 million Facility are the two vessel-owning subsidiaries that own the two vessels and Star Bulk Carriers Corp. is the guarantor. This facility consists of two tranches of \$19.5 million each and matures in March 2021. Each tranche is repayable in 28 equal, consecutive, quarterly installments of \$0.4 million each, commencing in June 2014 and a final balloon payment of \$8.6 million payable at maturity.

On June 29, 2015, we entered into a supplemental letter with Deutsche Bank AG to amend certain covenants governing this facility until December 31, 2016.

On June 2, 2016, we and Deutsche Bank AG signed a supplemental agreement to add the vessel Star Vanessa as additional collateral.

Please see above for information regarding the RLAs.

7. DNB-SEB-CEXIM \$227.5 million Facility

On March 31, 2015, we entered into an agreement with DNB Bank ASA as facility agent, security agent account bank and bookrunner, DNB Bank ASA and the Export-Import Bank of China (CEXIM) as mandated lead arrangers and DNB Bank ASA, Skandinaviska Enskilda Banken AB (SEB) and CEXIM as original lenders (the “DNB-SEB-CEXIM \$227.5 million Facility”) for up to \$227.5 million to partially finance the construction cost of six newbuilding vessels, Gargantua (ex-HN166), Goliath (ex-HN167), Maharaj (ex-HN184), Star Poseidon (ex-HN198), Star Aries (ex-HN1338) and Star Taurus (ex-HN1339)). The financing is available in six separate tranches, one for each newbuilding vessel. As a result of the sale of the Star Aries and the Star Taurus, we will not draw down on two tranches under this facility. The first tranche of \$32.4 million and the second and third tranches of \$30.3 million each were drawn, upon the delivery of the vessels Gargantua, Goliath and Maharaj, in 2015. The fourth tranche of \$23.4

million was drawn, upon the delivery of the vessel Star Poseidon in February 2016. The tranches are repayable in 24 quarterly consecutive installments ranging between \$0.4 million and \$0.5 million, with the first becoming due and payable three months from the drawdown date of each tranche and a final balloon installment for each tranche, ranging between \$14.6 million and \$20.2 million payable simultaneously with the 24th instalment . The DNB–SEB–CEXIM \$227.5 million Facility is secured by a first priority cross-collateralized mortgage over the financed vessels and general and specific assignments and is guaranteed by Star Bulk Carriers Corp.

On June 29, 2015, we signed a supplemental letter with the lenders under this facility to amend certain covenants governing this facility until December 31, 2016.

Please see above for information regarding the RLAs.

8. ABN AMRO \$87.5 million Facility

On August 1, 2013, Oceanbulk Shipping entered into a \$34.5 million credit facility with ABN AMRO, N.V. (the "ABN AMRO \$87.5 million Facility") in order to partially finance the acquisition cost of the vessels Obelix and Maiden Voyage. The loans under the ABN AMRO \$87.5 million Facility were available in two tranches of \$20.4 million and \$14.1 million. On August 6, 2013, Oceanbulk Shipping drew down the available tranches. On December 18, 2013, the ABN AMRO \$87.5 million Facility was amended to add an additional loan of \$53.0 million to partially finance the acquisition cost of the vessels Big Bang, Strange Attractor, Big Fish and Pantagruel. On December 20, 2013, Oceanbulk Shipping drew down the available tranches. The tranche under the ABN AMRO \$87.5 million Facility relating to vessel Obelix was to have matured in September 2017, the one relating to vessel Maiden Voyage was to have matured in August 2018 and those relating to vessels Big Bang, Strange Attractor, Big Fish and Pantagruel mature in December 2018. The tranches are repayable in quarterly consecutive installments ranging between \$0.2 million to \$0.6 million and a final balloon payment for each tranche at maturity, ranging between \$2.5 million and \$12.8 million. The ABN AMRO \$87.5 million Facility is secured by a first-priority ship mortgage on the financed vessels and general and specific assignments and was guaranteed by Oceanbulk Shipping LLC. Following the completion of the Merger, Star Bulk Carriers Corp. replaced Oceanbulk Shipping as guarantor of the ABN AMRO \$87.5 million Facility.

On June 29, 2015, we signed a supplemental letter with ABN AMRO to amend certain covenants governing this facility until December 31, 2016.

In August 2015 and March 2016, the tranches relating to the vessels Maiden Voyage and Obelix were fully repaid, following the sale of the respective vessels.

Please see above for information regarding the RLAs.

9. Deutsche Bank \$85.0 million Facility

On May 20, 2014, Oceanbulk Shipping entered into a loan agreement with Deutsche Bank AG Filiale Deutschlandgesellschaft for the financing of an aggregate amount of \$85.0 million (the "Deutsche Bank \$85.0 million Facility"), in order to partially finance the construction cost of the newbuilding vessels Magnum Opus, Peloreus and Leviathan. Each tranche matures five years after the drawdown date. The applicable tranches were drawn down concurrently with the deliveries of the financed vessels, in May, July and September 2014, respectively. Each tranche is subject to 19 quarterly amortization payments equal to 1/60th of the tranche amount, with the 20th payment equal to the remaining amount outstanding on the tranche. The Deutsche Bank \$85.0 million Facility is secured by first priority cross-collateralized ship mortgages on the financed vessels and general and specific assignments and was originally guaranteed by Oceanbulk Shipping. On July 4, 2014, an amendment to the Deutsche Bank \$85.0 million Facility was executed in order to add ITF International Transport Finance Suisse AG as a lender. On November 4, 2014, a supplemental letter was signed to replace Oceanbulk Shipping with Star Bulk Carriers Corp. as guarantor of this facility.

On June 29, 2015, we signed a supplemental letter with Deutsche Bank AG Filiale Deutschlandgesellschaft to amend certain covenants governing this facility until December 31, 2016.

In March 2016, we fully repaid the tranche relating to the vessel *Magnum Opus*, following the sale of the respective vessel.

Please see above for information regarding the RLAs.

10. HSBC \$86.6 million Facility

On June 16, 2014, Oceanbulk Shipping entered into a loan agreement with HSBC Bank plc. (the “HSBC \$86.6 million Facility”) for the financing of an aggregate amount of \$86.6 million, to partially finance the acquisition cost of the second hand vessels *Kymopolia*, *Mercurial Virgo*, *Pendulum*, *Amami* and *Madredeus*. The loan, which was drawn in June 2014, matures in May 2019 and is repayable in 20 quarterly installments, commencing three months after the drawdown, of \$1.6 million plus a balloon payment of \$55.5 million due together with the last installment. The HSBC \$86.6 million Facility is secured by a first priority mortgage over the financed vessels and general and specific assignments and was originally guaranteed by Oceanbulk Shipping. On September 11, 2014, a supplemental agreement to the HSBC Facility was executed in order to replace Oceanbulk Shipping with Star Bulk Carriers Corp. as guarantor of the HSBC \$86.6 million Facility.

On January 29, 2016, we and HSBC Bank plc signed a supplemental agreement to add the vessel *Star Emily* as additional collateral.

Please see above for information regarding the RLAs.

11. NIBC \$32.0 million Facility

On November 7, 2014, we and NIBC Bank N.V. entered into an agreement with respect to a credit facility (the “NIBC \$32.0 million Facility”) for the financing of an aggregate amount of up to \$32.0 million, which is available in two tranches of \$16.0 million, to partially finance the construction cost of two new building vessels, *Star Acquarius* (ex-HN 5040) and *Star Pisces* (ex-HN 5043). We drew \$15.2 million for each vessel in July and August 2015, respectively concurrently with the delivery of the relevant vessels to us. Each tranche is repayable in consecutive quarterly installments of \$0.3 million, commencing three months after the drawdown of each tranche, plus a balloon payment of \$9.6 million and \$9.9 million, respectively, both due in November 2020. The NIBC \$32.0 million Facility is secured by a first priority cross collateralized mortgage over the financed vessels and general and specific assignments and is guaranteed by Star Bulk Carriers Corp.

On June 29, 2015, we signed a supplemental letter with NIBC Bank N.V to amend certain financial covenants governing this facility until December 31, 2016.

Please see above for information regarding the RLAs.

12. DVB \$24.8 million Facility

On October 30, 2014, we entered into a credit facility with DVB Bank SE, Frankfurt (the “DVB \$24.8 million Facility”) to partially finance the acquisition of 100% of the equity interests of Christine Shipco LLC, which is the owner of the vessel *Star Martha* (ex-Christine), one of the Excel Vessels. On October 31, 2014, we drew \$24.8 million to pay Excel the related cash consideration. The DVB \$24.8 million Facility is repayable in 24 consecutive, quarterly principal payments of \$0.9 million for each of the first four quarters and of \$0.5 million for each of the remaining 20 quarters, with the first becoming due and payable three months from the drawdown date, and a balloon payment of \$12.2 million payable simultaneously with the last quarterly installment, which is due in October 2020. The DVB \$24.8 million Facility is secured by a first priority pledge of the membership interests of the Christine Shipco LLC and general and specific assignments and is guaranteed by Star Bulk Carriers Corp.

On June 29, 2015, we signed a supplemental letter with DVB Bank SE, Frankfurt to amend certain covenants governing this facility until December 31, 2016.

Please see above for information regarding the RLAs.

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13. Sinosure Facility

On December 22, 2014, we executed a binding term sheet with Deutsche Bank (China) Co., Ltd. Beijing Branch and HSBC Bank plc (the “Sinosure Facility”) for the financing of an aggregate amount of up to \$156.5 million to partially finance the construction cost of eight newbuilding vessels, Honey Badger (ex-HN NE 164), Wolverine (ex-HN NE 165), Star Antares (ex-HN NE 196), Star Lutas (ex-HN NE 197), Kennadi (ex-HN 1080), Mackenzie (ex-HN 1081), and two other newbuilding vessels for which the construction contracts were subsequently terminated and the corresponding available tranches were cancelled (the “Sinosure Financed Vessels”). The financing under the Sinosure Facility was available in eight separate tranches, one for each Sinosure Financed Vessel, and is credit insured (95%) by China Export & Credit Insurance Corporation. Each tranche, which is documented by a separate credit agreement, which were all signed on February 11, 2015, matures 12 years after each drawdown, which took place at or around the time each vessel was delivered to us, and is repayable in 48 equal and consecutive quarterly installments. The Sinosure Facility is secured by a first priority cross collateralized mortgage over the Sinosure Financed Vessels and general and specific assignments and is guaranteed by Star Bulk Carriers Corp. The vessels Honey Badger and Wolverine were delivered to us in February 2015. The vessel Star Antares was delivered to us in October 2015. The vessels Star Lutas and Kennadi were delivered to us in early January 2016 and the vessel Mackenzie was delivered to us in March 2016.

On September 2, 2015, we signed a supplemental letter agreement with Deutsche Bank (China) Co., Ltd. Beijing Branch and HSBC Bank plc to amend certain covenants governing the existing credit agreements from June 26, 2015 until December 31, 2016.

Please see above for information regarding the RLAs.

14. Citi Facility

On December 22, 2014, we entered into a credit facility with Citibank, N.A., London Branch (the “Citi Facility”) to provide financing for an amount of up to \$100.0 million, in lieu of the Excel Vessel Bridge Facility, in connection with the acquisition of vessels Star Pauline, Star Despoina, Star Angie, Star Sophia, Star Georgia, Star Kamila and Star Nina, which are seven of the Excel Vessels we have acquired (the “Citi Financed Excel Vessels”). The first tranche of \$51.5 million was drawn on December 23, 2014, and the second tranche of \$42.6 million was drawn on January 21, 2015. We used amounts drawn under the Citi Facility to repay portion of the Excel Vessel Bridge Facility in respect of those Citi Financed Excel Vessels. The Citi Facility matures on December 30, 2019. The Citi Facility is repayable in 20 equal, consecutive, quarterly principal payments of \$3.4 million, with the first installment due on March 30, 2015, and a balloon installment of \$26.3 million payable simultaneously with the last quarterly installment. The Citi Facility is secured by a first priority mortgage over the Citi Financed Excel Vessels and general and specific assignments and is guaranteed by Star Bulk Carriers Corp.

On June 30, 2015, we signed a supplemental Agreement with Citibank, N.A., London Branch to amend certain covenants governing this agreement until December 31, 2016.

In December 2016, the tranche relating to the vessel Star Despoina was fully repaid, following the sale of such vessel.

Please see above for information regarding the RLAs.

15. Heron Vessels Facility

In November, 2014, we entered into a secured term loan agreement with CiT Finance LLC (the “Heron Vessels Facility”), in the amount of \$25.3 million, in order to partially finance the acquisition cost of the two Heron Vessels, Star Gwyneth and Star Angelina. The drawdown of the financed amount incurred in December 2014, when we took delivery of the Heron Vessels. The Heron Vessels Facility matures on June 30, 2019 and is repayable in 19 equal

consecutive, quarterly principal payments of \$0.7 million (with the first becoming due and payable on December 31, 2014), and a balloon installment payable at maturity equal to the then outstanding amount of the loan. The Heron Vessels Facility is secured by a first priority mortgage over the financed vessels and general and specific assignments and is guaranteed by Star Bulk Carriers Corp.

On July 1, 2015, we signed a supplemental letter with CiT Finance LLC to amend certain financial covenants governing this agreement from June 30, 2015 until December 31, 2016 and to add the vessel Star Aline as collateral under this agreement. In connection with the sale of the Star Aline in August 2016, we repaid the amount attributable to this vessel, in accordance with the provisions of the Heron Vessels Facility

Please see above for information regarding the RLAs.

16. DNB \$120.0 million Facility

On December 29, 2014, we entered into an agreement with DNB Bank ASA as facility agent, security agent account bank and bookrunner, DNB Bank ASA, NIBC Bank N.V and Skandinaviska Enskilda Banken AB as original lenders, mandated lead arrangers and hedge counterparties (the “DNB \$120.0 million Facility”), to provide financing for up to \$120.0 million, in lieu of the Excel Vessel Bridge Facility, in connection with the acquisition of vessels Star Nasia, Star Monisha, Star Eleonora, Star Danai, Star Renee, Star Markella, Star Laura, Star Moira, Star Jennifer, Star Mariella, Star Helena and Star Maria, which are 12 of the Excel Vessels we have acquired (the “DNB Financed Excel Vessels”). We drew \$88.3 million in December 2014, \$9.5 million in January 2015, \$9.5 million in February 2015 and \$7.8 million in April 2015.

We used amounts drawn under the DNB \$120.0 million Facility to repay portion of the amounts drawn under the Excel Vessel Bridge Facility relating to the DNB Financed Excel Vessels. The DNB \$120.0 million Facility matures in December 2019 and is repayable in 20 equal, consecutive, quarterly principal payments of \$4.4 million, with the first installment due in March 2015, and a balloon installment of \$29.2 million payable simultaneously with the 20th installment. The DNB \$120.0 million Facility is secured by a first priority mortgage over the DNB Financed Excel Vessels and general and specific assignments and is guaranteed by Star Bulk Carriers Corp.

On June 29, 2015, we signed a supplemental letter with the lenders under this facility to amend certain covenants governing this agreement until December 31, 2016.

In August 2016, the total proceeds from the sale of the Star Monisha were applied towards the prepayment of the loan.

Please see above for information regarding the RLAs.

(B) Terminated Facilities

1. ABN AMRO \$31.0 million Facility

On July 21, 2011, we entered into a senior secured credit facility with ABN AMRO Bank N.V. (“ABN AMRO”) for \$31.0 million (the “ABN AMRO \$31.0 million Facility”), to partially finance the acquisition cost of the vessels Star Big and Star Mega. The ABN AMRO \$31.0 million Facility was secured by a first priority mortgage over the financed vessels. The borrowers under the ABN AMRO \$31.0 million Facility were the two vessel-owning subsidiaries that own the two vessels and Star Bulk Carriers Corp. was the guarantor.

On March 16, 2012, we and ABN AMRO amended the ABN AMRO \$31.0 million Facility under a first supplemental agreement (the “ABN \$31.0 million First Supplemental”). On April 2, 2013, we and ABN AMRO signed a second supplemental agreement (the “ABN \$31.0 million Second Supplemental” and, together with the ABN First Supplemental, the “ABN \$31.0 million Supplementals”). Under the ABN \$31.0 million Supplementals, we agreed, subject to certain conditions to (i) revise certain covenants governing this facility, until December 31, 2014, (ii) require us not to pay dividends until December 31, 2014, and (iii) increase the margin by 50 bps, beginning on March 31, 2013, until the time we were able to raise at least \$30.0 million of additional equity (which condition was satisfied after the completion of our rights offering in July 2013).

On March 31, 2015, we and ABN AMRO signed a third supplemental agreement and agreed to revise certain covenants governing this facility.

In June 2015, we fully repaid this facility following the sale of the vessels Star Big and Star Mega.

2. DVB \$31.0 million Facility

On May 21, 2015, we entered into an agreement with DVB Bank SE (the “DVB \$31.0 million Facility”) for up to \$31.0 million to partially finance the construction cost of the newbuilding vessel Deep Blue (ex-HN 5017). We drew \$28.7 million in May 2015, upon the vessel’s delivery to us. The facility was repayable in 24 equal, consecutive, quarterly principal installments of \$0.5 million each, with the first become due and payable three months from the drawdown date, and a balloon installment of \$17.2 million payable simultaneously with the 24th instalment in May 2021. The DVB \$31.0 million Facility is secured by a first priority mortgage over the financed vessel and general and specific assignments and is guaranteed by Star Bulk Carriers Corp. In March 2016, this facility was fully repaid following the sale of the vessel Deep Blue.

3. BNP \$39.5 million Facility

On March 13, 2015, we entered into a committed term sheet with BNP Paribas for up to \$39.5 million to partially finance the construction cost of the newbuilding vessel Megalodon (ex-HN5056) and to refinance the purchase cost of the 2004 built Panamax vessel Star Emily. The loan agreement was executed on September 14, 2015 (the “BNP \$39.5 million Facility”). In early 2016, we entered into an agreement to sell the newbuilding vessel Megalodon (ex-HN5056) upon its delivery to us, and the loan agreement was terminated without having been drawn.

4. HSBC \$20.0 million Dioriga Facility

On April 14, 2014, Dioriga Shipping Co. entered into a loan agreement with HSBC Bank plc (the “HSBC \$20.0 million Dioriga Facility”) for \$20.0 million to partially finance the construction cost of the newbuilding vessel Tsu Ebisu, which was delivered in April 2014. The HSBC \$20.0 million Dioriga Facility matures in March 2019 and is repayable in 20 equal, consecutive, quarterly installments of \$0.4 million each, commencing three months after the drawdown, plus a balloon payment of \$13.0 million due together with the last installment. The HSBC \$20.0 million Dioriga Facility was secured by a first priority mortgage over the financed vessel and general and specific assignments. On October 3, 2014, a supplemental agreement to the Dioriga \$20.0 million Facility was executed in order for Star Bulk Carriers Corp. to become the guarantor of the Dioriga \$20.0 million Facility and to include covenants similar to those of our other vessel financing facilities.

On June 30, 2015, we entered into second supplemental agreements with HSBC Bank plc to amend certain covenants included in each of the HSBC \$86.6 million Facility and the HSBC \$20.0 million Dioriga Facility until December 31, 2016. In addition, we agreed to cross-collateralize the HSBC \$86.6 million Facility and the HSBC \$20.0 million Dioriga Facility, an arrangement that ended in January 2016 when the Dioriga \$20.0 million Facility was fully repaid in connection with the sale of the vessel Tsu Ebisu.

5. CEXIM \$57.4 million Facility

On June 26, 2014, Oceanbulk Shipping entered into a loan agreement with the Export-Import Bank of China (the “CEXIM \$57.4 million Facility”) for the financing of an aggregate amount of up to \$57.4 million, which was available in two tranches of \$28.7 million each, to partially finance the construction cost of the two new building vessels Bruno Marks (ex-HN 1312), which was delivered to us in January 2016, and Jenmark (ex-HN 1313), which was delivered to us in March 2016. In December 2015, we entered into separate agreements with third parties to sell the newbuilding vessels Bruno Marks and Jenmark upon their delivery to us and, therefore, the CEXIM \$57.4 million Facility was terminated without being drawn.

6. BNP \$32.5 million Facility

On December 3, 2014, Positive Shipping Company, one of our subsidiaries following the completion of the Pappas Transaction, and BNP Paribas entered into an agreement with respect to a credit facility (the “BNP \$32.5 million Facility”) for the financing of up to \$32.5 million to partially finance the construction cost of its newbuilding vessel Indomitable (ex-HN 5016). An amount of \$32.5 million was drawn in December 2014, in anticipation of the delivery of the Indomitable to us on January 8, 2015. The facility was repayable in 20 equal, consecutive, quarterly principal payments of \$0.5 million each, with the first becoming due and payable three months from the drawdown date and a balloon installment of \$21.7 million payable simultaneously with the last installment, which was due in December 2019. The BNP \$32.5 million Facility was secured by a first priority mortgage over the financed vessel and general and specific assignments and is guaranteed by Star Bulk Carriers Corp.

On July 3, 2015, we signed a supplemental letter with BNP Paribas to amend certain covenants governing this facility from June 30, 2015 until December 31, 2016.

In December 2015, we entered into an agreement with a third party to sell the vessel Indomitable. In connection with this sale, we repaid the BNP \$32.5 million Facility in April 2016, when we delivered the vessel to its new owners.

7. Excel Vessel Bridge Facility

On August 19, 2014, we, through Unity Holding LLC (“Unity”), a fully owned subsidiary of Star Bulk, entered into a \$231.0 million Senior Secured Credit Agreement, among Unity, as Borrower, the initial lenders named therein, as Initial Lenders, affiliates of Oaktree and Angelo, Gordon as Lenders, and Wilmington Trust, National Association, as Administrative Agent (the “Excel Vessel Bridge Facility”). We used borrowings under the Excel Vessel Bridge Facility to fund portion of the cash consideration for the Excel Vessels.

The Excel Vessel Bridge Facility was to mature in February 2016, with mandatory repayments of \$6.0 million, each due in March, June and September 2015. Unity, Star Bulk, and each individual vessel-owning subsidiary of Unity were guarantors under the Excel Vessel Bridge Facility. As of December 31, 2014, \$195.9 million had been drawn under the Excel Vessel Bridge Facility, of which \$139.8 million was prepaid from proceeds from the Citi Facility and the DNB \$120.0 million Facility, with such prepayment being applied in direct order of maturity according to the provisions of the Excel Vessel Bridge Facility.

On January 29, 2015, we repaid all of the amounts drawn under the Excel Vessel Bridge Facility and terminated the facility.

8. Excel Vessel CiT Facility

On December 9, 2014, we entered into a credit facility with CiT Finance LLC (the “Excel Vessel CiT Facility”) for an amount up to \$30.0 million to partially finance the acquisition of 11 of the older Excel Vessels. The Excel Vessel CiT Facility was secured on a first-priority basis by these 11 vessels we have acquired, consisting of nine Panamax and two Handymax vessels (the “Excel Collateral Vessels”). Pursuant to an intercreditor agreement executed among the lenders under the Excel Vessel Bridge Facility and Excel Vessel CiT Facility, the Excel Collateral Vessels also secured the Excel Vessel Bridge Facility on a second-priority basis. On December 10, 2014 we drew \$30.0 million under the Excel Vessel CiT Facility. The borrowers under the Excel Vessel CiT Facility were the various vessel-owning subsidiaries that own the Excel Collateral Vessels and Star Bulk Carriers Corp. was the guarantor. The Excel Vessel CiT Facility would mature in December 2016 and was subject to quarterly amortization payments of \$0.5 million, commencing on March 31, 2015, with a balloon payment equal to the outstanding amount under the Excel Vessel CiT Facility payable simultaneously with the last quarterly installment.

On June 10, 2015, we fully repaid all of the amounts drawn under the Excel Vessel CiT Facility.

All of our bank loans bear interest at LIBOR plus a margin.

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Credit Facility Covenants

Our outstanding credit facilities generally contain customary affirmative and negative covenants, on a subsidiary level, including limitations to:

- pay dividends if there is an event of default under our credit facilities or the Deferred Amounts have not been repaid in full;
- incur additional indebtedness, including the issuance of guarantees, or refinance or prepay any indebtedness, unless certain conditions exist;
- create liens on our assets;
- change the flag, class or management of our vessels or terminate or materially amend the management agreement relating to each vessel;
- acquire new or sell vessels, unless certain conditions exist;
- merge or consolidate with, or transfer all or substantially all our assets to, another person; or
- enter into a new line of business.

Pursuant to the Restructuring Transactions, until all Deferred Amounts have been fully repaid, we will be prohibited from paying dividends to the holders of our common shares.

Furthermore, our credit facilities contain financial covenants requiring us to maintain various financial ratios, including:

- a minimum percentage of aggregate vessel value to loans secured (security cover ratio or “SCR”);
- a maximum ratio of total liabilities to market value adjusted total assets;
- a minimum EBITDA to interest coverage ratio;
- a minimum liquidity; and
- a minimum market value adjusted net worth.

As of December 31, 2015 and 2016, we were required to maintain minimum liquidity, not legally restricted, of \$150.0 million and \$47.6 million, respectively. In addition, as of December 31, 2015 and 2016, we were required to maintain minimum liquidity, legally restricted, of \$14.0, respectively.

As of December 31, 2015, as a result of market conditions, the market value of certain of our vessels was below the minimum SCR required under certain loan agreements. Under the respective loan agreements, the required SCR at the relevant time ranged from 110% to 140%. Based on the appraisal received, the calculated SCR ranged from 91% to 133%. An SCR shortfall does not automatically trigger the acceleration of the corresponding loans or constitute a default under the relevant loan agreements, and we may remedy an SCR shortfall within a period of 10 to 30 days after we receive notice from the lenders by providing additional security or repaying the amount to cover the security shortfall. With respect to such SCR shortfall as of December 31, 2015, we did not received any notices from the relevant lenders that would indicate their intention to exercise their rights under the SCR provisions of the relevant loan agreements and cause acceleration of their respective outstanding loan amounts. As of December 31, 2015, the

amount of \$14.3 million, which was the amount that could be made repayable under the SCR provisions by the lenders, was reclassified as current portion of long term debt within current liabilities. As of December 31, 2016 we were in compliance with SCR provisions, as such provisions have been amended by the RLAs.

Apart from this, as of December 31, 2015 and 2016, we were in compliance with the applicable financial and other covenants contained in our debt agreements. Even though we are currently in compliance with the applicable financial and other covenants contained in our debt agreements, including our Senior Secured Credit Facilities and the 2019 Notes (as defined below), absent the Restructuring Transactions, we may not be able to comply with certain of the financial and other covenants in our Senior Secured Credit Facilities going forward if the depressed market conditions continue. See “Item 3. Key Information – D. Risk Factors – Risks Related to Our Company – The Restructuring Transactions, which are subject to a number of conditions precedent (which may not be within our control), may not be completed as expected, which could have a material and adverse effect on our ability to service our obligations under our Credit Agreements and comply with the financial and other covenants contained therein, on our financial condition and liquidity and on our ability to continue as a going concern.”

2019 Notes

On November 6, 2014, we issued \$50.0 million aggregate principal amount of 8.00% Senior Notes due 2019 (the “2019 Notes”). The net proceeds were \$48.4 million. The 2019 Notes mature in November 2019 and are senior, unsecured obligations of Star Bulk Carriers Corp. The 2019 Notes are not guaranteed by any of our subsidiaries.

The 2019 Notes bear interest at a rate of 8.00% per annum, payable quarterly in arrears on the 15th of February, May, August and November of each year, commencing on February 15, 2015.

We may redeem the 2019 Notes, in whole or in part, at any time on or after November 15, 2016 at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. Prior to November 15, 2016, we may redeem the 2019 Notes, in whole or in part, at a price equal to 100% of their principal amount plus a make-whole premium and accrued interest to the date of redemption. In addition, we may redeem the 2019 Notes in whole, but not in part, at any time, at a redemption price equal to 100% of their principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date, if certain events occur involving changes in taxation.

The indenture governing the 2019 Notes requires us to maintain a maximum ratio of net debt to consolidated total assets and a minimum consolidated tangible net worth. The indenture governing the 2019 Notes also contains various negative covenants, including a limitation on asset sales and a limitation on restricted payments. The indenture governing the 2019 Notes prevents us from paying dividends if the two above financial ratios are not met. The indenture governing the 2019 Notes also contains other customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of not less than 25% in aggregate principal amount of the 2019 Notes then outstanding may declare the entire principal amount of all the 2019 Notes plus accrued interest, if any, to be immediately due and payable. Upon certain change of control events, we are required to offer to repurchase the 2019 Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of redemption. If we receive net cash proceeds from certain asset sales and do not apply them within a specified deadline, we will be required to apply those proceeds to offer to repurchase the 2019 Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of redemption.

As of December 31, 2016, we were in compliance with the applicable financial and other covenants contained in the 2019 Notes.

Dividend Payments

Currently, pursuant to the Restructuring Transactions, as mentioned above, we are restricted from paying dividends until all Deferred Amounts have been fully repaid. In addition, we did not pay any dividends for the year ended 2015 and 2016. Please see the section of this annual report entitled “The Restructuring Transactions”

C. Research and Development, Patents and Licenses

Not Applicable.

D. Trend Information

Please see Item 5.A, “Operating Results.”

E. Off-balance Sheet Arrangements

As of the date of this annual report, we do not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations and their maturity dates as of December 31, 2016:

In thousands of Dollars	Payments due by period				
	Total	Less than 1 year -2017	1-3 years (2018 -2019)	3-5 years (2020-2021)	More than 5 years (After January 1, 2022)
Obligations					
Principal Loan Payments (1)	752,933	-	476,027	195,122	81,784
8.00% 2019 Notes	50,000	-	50,000	-	-
Interest payments (2)	163,044	42,939	72,493	27,150	20,462
Shipbuilding contracts (3)	64,762	29,153	35,609	-	-
Bareboat capital leases - upfront hire & handling fees (4)	5,800	5,800	-	-	-
Bareboat commitments charter hire - Newbuilding vessels (4)	168,854	4,964	25,824	28,112	109,954
Bareboat commitments charter hire - Operating vessels (5)	209,189	14,980	39,605	46,588	108,016
Future, minimum, non-cancellable lease payment under vessel operating leases (6)	2,334	2,334	-	-	-
Office rent	1,397	249	493	442	213
Total	1,418,313	100,419	700,051	297,414	320,429

(1) Principal loan payments reflect the Restructuring, which is further analyzed in Note 8 to our consolidated financial statements included in this report.

(2) Amounts shown reflect interest payments we expect to make with respect to our long-term debt obligations. The interest payments reflect an assumed LIBOR based applicable rate of 0.99789% (the three-month LIBOR as of December 31, 2016) plus the relevant margin of the applicable credit facility.

(3) The amounts represent our remaining obligations as of December 31, 2016 with respect to two of our newbuilding vessels, taking into effect the negotiations with the shipyards and the agreed purchase price reductions and deferral of deliveries (please see "Item 4. Information on the Company- A. History and Development of the Company - Negotiations with the shipyards"). Our obligations for the remaining three newbuilding vessels (including Star Virgo, which was delivered to us on March 1, 2017), which are under bareboat lease agreements and classified as capital leases, are discussed under footnote (4) below.

The amounts represent our commitments under the bareboat lease arrangements for our three newbuilding vessels (including Star Virgo which delivered to us on March 1, 2017), representing the upfront hire fee and the charter hire. The bareboat charter hire is comprised of fixed and variable portion, the variable portion is calculated based on the 6-month LIBOR of 1.31767%, as of December 31, 2016.

The amounts represent our commitments under the bareboat lease arrangements for six of our operating vessels, representing the fixed charter hire, which is further analyzed in Note 5 to our consolidated financial statements included in this report.

The amounts represent our commitments under the operating lease arrangement for Astakos (ex-Maiden Voyage) disclosed in Note 5 of our consolidated financial statements included in this report.

Our Fleet – Illustrative Comparison of Possible Excess of Carrying Value Over Estimated Charter-Free Market Value of Certain Vessels

In Item 5.A, “Critical Accounting Policies – Impairment of long-lived assets”, we discuss our policy for impairing the carrying values of our vessels. During the past few years, the market values of vessels have experienced particular volatility, with substantial declines in many vessel classes. As a result, the charter-free market value, or basic market value, of certain of our vessels may have declined below those vessels’ carrying value. We would, however, not impair those vessels’ carrying value under our accounting impairment policy, due to our belief that future undiscounted cash flows expected to be earned by such vessels over their operating lives would exceed such vessels’ carrying amounts.

The table set forth below indicates: (i) the carrying value of each of our vessels as of December 31, 2016, and (ii) which of our vessels we believe have a market value below their carrying value. As of December 31, 2016, we have 62 operating vessels and five newbuilding vessels that we believe have a market value below their carrying value. The aggregate difference between the carrying value of these vessels and their market value of \$657.2 million represents the amount by which we believe we would have to reduce our net income if we sold these vessels in the current environment, on industry standard terms, in cash transactions, and to a willing buyer where we are not under any compulsion to sell, and where the buyer is not under any compulsion to buy. For purposes of this calculation, we have assumed that the vessels would be sold at a price that reflects our estimate of their charter-free market values as of December 31, 2016. However, we are not holding our vessels for sale.

Our estimates of charter-free market value assume that our vessels are all in good and seaworthy condition without need for repair and if inspected would be certified in class without notations of any kind. Our estimates are based on information available from various industry sources, including:

· reports by industry analysts and data providers that focus on our industry and related dynamics affecting vessel values;

· news and industry reports of similar vessel sales;

· news and industry reports of sales of vessels that are not similar to our vessels, where we have made certain adjustments in an attempt to derive information that can be used as part of our estimates;

· approximate market values for our vessels or similar vessels that we have received from shipbrokers, whether solicited or unsolicited, or that shipbrokers have generally disseminated;

· offers that we may have received from potential purchasers of our vessels; and

vessel sale prices and values of which we are aware through both formal and informal communications with ship owners, shipbrokers, industry analysts and various other shipping industry participants and observers.

As we obtain information from various industry and other sources, our estimates of charter-free market value are inherently uncertain. In addition, vessel values are highly volatile; as such, our estimates may not be indicative of the current or future charter-free market value of our vessels or prices that we could achieve if we were to sell them.

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Vessel Name	Size (DWT)	Year Built	Value as of December 31, 2016 (in millions of U.S dollars)	
1 Goliath	209,537	2015	59.7	*
2 Gargantua	209,529	2015	58.7	*
3 Star Poseidon	209,475	2016	38.4	*
4 Maharaj	209,472	2015	59.6	*
5 Star Libra(1)	207,765	2016	55.0	*
6 Star Marisa(1)	207,709	2016	57.0	*
7 Leviathan	182,511	2014	35.5	*
8 Peloreus	182,496	2014	35.5	*
9 Star Martha	180,274	2010	40.9	*
10 Star Pauline	180,274	2008	27.6	*
11 Pantagruel	180,181	2004	30.1	*
12 Star Borealis	179,678	2011	44.9	*
13 Star Polaris	179,600	2011	45.4	*
14 Star Angie	177,931	2007	33.8	*
15 Big Fish	177,662	2004	30.3	*
16 Kymopolia	176,990	2006	34.7	*
17 Big Bang	174,109	2007	35.6	*
18 Star Aurora	171,199	2000	27.5	*
19 Star Eleonora	164,218	2001	8.0	*
20 Amami	98,681	2011	25.7	*
21 Madredeus	98,681	2011	25.8	*
22 Star Sirius	98,681	2011	26.8	*
23 Star Vega	98,681	2011	26.7	*
24 Star Angelina	82,981	2006	22.2	*
25 Star Gwyneth	82,790	2006	22.3	*
26 Star Kamila	82,769	2005	19.9	*
27 Pendulum	82,619	2006	19.3	*
28 Star Maria	82,598	2007	16.5	*
29 Star Markella	82,594	2007	18.7	*
30 Star Danai	82,574	2006	18.1	*
31 Star Georgia	82,298	2006	15.9	*
32 Star Sophia	82,269	2007	18.4	*
33 Star Mariella	82,266	2006	19.4	*
34 Star Moira	82,257	2006	15.9	*
35 Star Nina	82,224	2006	13.6	*
36 Star Renee	82,221	2006	14.1	*
37 Star Nasia	82,220	2006	20.6	*
38 Star Jennifer	82,209	2006	12.0	*
39 Star Laura	82,209	2006	14.3	*
40 Star Helena	82,187	2006	13.8	*
41 Mercurial Virgo	81,545	2013	23.9	*
42 Star Iris	76,466	2004	18.1	*
43 Star Emily	76,417	2004	16.8	*

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44	Star Vanessa	72,493	1999	4.7	
45	Idee Fixe (1)	63,458	2015	29.1	*
46	Roberta(1)	63,426	2015	29.0	*
47	Laura(1)	63,399	2015	29.1	*
48	Kaley(1)	63,283	2015	29.4	*
49	Kennadi	63,262	2016	30.4	*

Vessel Name	Size (DWT)	Year Built	Value as of December 31, 2016 (in millions of U.S. dollars)	
50 Mackenzie	63,226	2016	18.2	
51 Star Challenger	61,462	2012	25.7	*
52 Star Fighter	61,455	2013	25.9	*
53 Star Lutas	61,347	2016	28.5	*
54 Honey Badger	61,320	2015	29.9	*
55 Wolverine	61,292	2015	29.9	*
56 Star Antares	61,258	2015	28.1	*
57 Star Aquarius	60,916	2015	22.0	
58 Star Pisces	60,916	2015	22.0	
59 Strange Attractor	55,742	2006	19.1	*
60 Star Omicron	53,489	2005	14.0	*
61 Star Gamma	53,098	2002	10.7	*
62 Star Zeta	52,994	2003	11.9	*
63 Star Delta	52,434	2000	9.0	*
64 Star Theta	52,425	2003	11.7	*
65 Star Epsilon	52,402	2001	9.9	*
66 Star Cosmo	52,247	2005	11.4	*
67 Star Kappa	52,055	2001	10.1	*
Total			1,706.9	

* Indicates dry bulk carrier vessels for which we believe, as of December 31, 2016, the basic charter-free market value is lower than the vessel's carrying value.

We refer you to the risk factor entitled "The market values of our vessels have declined and may further decline, which could limit the amount of funds that we can borrow, cause us to breach certain financial covenants in our credit facilities (including ship financing facilities) or result in an impairment charge, and we may incur a loss if we sell vessels following a decline in their market value" and the discussion herein under the headings "Critical Accounting Policies – Impairment of long-lived assets" and "Results of Our Operations – Year ended December 31, 2016 compared to the year ended December 31, 2015 – Impairment Loss."

G. Safe Harbor

See section "forward looking statements" at the beginning of this annual report.

Item 6. Directors, Senior Management and Employees

A. Directors, Senior Management and Employees

Set forth below are the names, ages and positions of our directors, executive officers and key employees. The board of directors is elected annually on a staggered basis, and each director elected holds office until his successor shall

have been duly elected and qualified, except in the event of his death, resignation, removal or the earlier termination of his term of office. Officers are elected from time to time by vote of our board of directors and hold office until a successor is elected.

In July 2013, the board of directors increased the number of directors constituting the board of directors to six and appointed Mr. Roger Schmitz as a Class B director. At the 2013 annual general meeting in September 2013, Petros Pappas, previously a Class A director, was elected as a Class C director and Mr. Spyros Capralos was re-elected as a Class C director.

In July 2014 and in connection with the 2014 Transactions, the board of directors increased the number of directors constituting the board of directors to nine and, following the resignation of Ms. Milena-Maria Pappas, appointed Mr. Rajath Shourie as a Class A director, Ms. Emily Stephens as a Class B director, Ms. Renée Kemp as a Class C director and Mr. Stelios Zavvos as a Class A director. Under the Oaktree Shareholders Agreement, (described in “Item 4. Information on the Company—A. History and Development of the Company”), Oaktree currently has the right to nominate four of our nine directors.

On February 17, 2015, Mr. Shourie and Ms. Stephens were replaced by Mr. Mahesh Balakrishnan and Ms. Jennifer Box, respectively. On March 14, 2016 and May 9, 2016, respectively, Ms. Kemp and Mr. Zavvos stepped down from our board of directors. Following the resignation of Ms. Kemp and Mr. Zavvos, we appointed Mr. Nikolaos Karellis to fill the vacated Class A directorship and reduced the number of directors constituting our board of directors to eight, and our board of directors now has two Class C directors. The three directors currently designated by Oaktree are Messrs. Pappas and Balakrishnan and Ms. Box, while Oaktree retains the right to name an additional director.

At the 2016 annual general meeting in November 2016, Messrs. Petros Pappas and Spyros Capralos were re-elected as Class C directors.

Our directors and executive officers are as follows:

Name	Age	Position
Petros Pappas	64	Chief Executive Officer and Class C Director
Spyros Capralos	62	Non-Executive Chairman and Class C Director
Hamish Norton	58	President
Simos Spyrou	42	Co-Chief Financial Officer
Christos Begleris	35	Co-Chief Financial Officer
Nicos Rescos	45	Chief Operating Officer
Tom Søfteland	56	Class A Director
Koert Erhardt	61	Class B Director
Roger Schmitz	35	Class B Director
Mahesh Balakrishnan	34	Class A Director
Jennifer Box	35	Class B Director
Nikolaos Karellis	66	Class A Director

Petros Pappas, Chief Executive Officer and Director

Petros Pappas serves as our CEO and as a director on our board of directors. Mr. Pappas served from our inception up to July 2014 as our non-executive Chairman of the board of directors. He served as a member of Star Maritime’s board of directors since its inception. Throughout his career as a principal and manager in the shipping industry, Mr. Pappas has been involved in over 320 vessel acquisitions and disposals. In 1989, he founded Oceanbulk Maritime S.A., a dry cargo shipping company that has operated managed vessels aggregating as much as 1.6 million deadweight tons of cargo capacity. He also founded the Oceanbulk Group of affiliated companies, which are involved in the service sectors of the shipping industry. Mr. Pappas has been a Director of the UK Defense Club, a leading insurance provider of legal defense services in the shipping industry worldwide, since January 2002, and is a member of the Union of Greek Ship owners (UGS). Mr. Pappas received his B.A. in Economics and his MBA from The University of Michigan, Ann Arbor. Mr. Pappas was recently awarded the 2014 Lloyd’s List Greek Awards “Shipping Personality of the Year.”

Spyros Capralos, Non-Executive Chairman and Director

Spyros Capralos serves as our Non-Executive Chairman and director. Mr. Capralos served from February 7, 2011 up to July 2014 as our Chief Executive Officer, President and director. From October 2004 to October 2010, Mr.

Capralos served as Chairman of the Athens Exchange and Chief Executive Officer of the Hellenic Exchanges Group and was the President of the Federation of European Securities Exchanges. He was formerly Vice Chairman of the National Bank of Greece, Vice Chairman of Bulgarian Post Bank, Managing Director of the Bank of Athens and has ten years of banking experience with Bankers Trust Company (now Deutsche Bank) in Paris, New York, Athens, Milan and London. He is the current President of the Hellenic Olympic Committee and served as Secretary General of the Athens 2004 Olympics Games and Executive Director and Deputy Chief Operating Officer of the Organizing Committee for the Athens 2004 Olympic Games. He studied Economics at the University of Athens and earned his Master Degree in Business Administration from INSEAD University in France. Effective as of January 1, 2015, Mr. Capralos also serves as Chief Executive Officer of Oceanbulk Container Carriers LLC.

Hamish Norton, President

Hamish Norton serves as our President. He was previously the Head of Corporate Development and Chief Financial Officer of Oceanbulk Maritime S.A. Prior to joining Oceanbulk Maritime, from 2007 through 2012, Mr. Norton was a Managing Director and the Global Head of the Maritime Group at Jefferies LLC, and from 2003 to 2007, he was head of the shipping practice at Bear, Stearns. Mr. Norton is notable for creating Nordic American Tankers Ltd. and Knightsbridge Tankers Ltd., the first two high dividend yield shipping companies, and has advised on numerous capital markets and mergers and acquisitions transactions by shipping companies. From 1984-1999 he worked at Lazard Frères & Co.; from 1995 onward as general partner and head of shipping. Mr. Norton received an A.B. in Physics from Harvard and a Ph.D. in Physics from University of Chicago.

Simos Spyrou, Co-Chief Financial Officer

Simos Spyrou serves as our Co-Chief Financial Officer. Mr. Spyrou joined us as Deputy Chief Financial Officer in 2011, and was appointed Chief Financial Officer in September 2011. From 1997 to 2011, Mr. Spyrou worked at the Hellenic Exchanges (HELEX) Group, the public company which operates the Greek equities and derivatives exchange, the clearing house and the central securities depository. From 2005 to 2011, Mr. Spyrou held the position of Director of Strategic Planning, Communication and Investor Relations at the Hellenic Exchanges Group and he also served as a member of the Strategic Planning Committee of its board of directors. From 1997 to 2002, Mr. Spyrou was responsible for financial analysis at the research and technology arm of the Hellenic Exchanges Group. Mr. Spyrou attended the University of Oxford, receiving a degree in Mechanical Engineering and an MSc in Engineering, Economics & Management, specializing in finance. Following the completion of his studies at Oxford, he obtained a post graduate degree in Banking and Finance, from Athens University of Economics & Business.

Christos Begleris, Co-Chief Financial Officer

Christos Begleris serves as our Co-Chief Financial Officer. He served as Deputy Chief Financial Officer of Oceanbulk Maritime since March 2013. He has been involved in the shipping industry since 2008, as deputy to the Chief Financial Officer of Thenamaris (Ships Management) Inc. Mr. Begleris has considerable banking and capital markets experience, having executed more than \$9.0 billion of acquisitions and financings in the corporate finance and fixed income groups of Lehman Brothers and the principal investments group of London & Regional Properties. Mr. Begleris received an M.Eng. in Mechanical Engineering from Imperial College, London, and an MBA from Harvard Business School.

Nicos Rescos, Chief Operating Officer

Nicos Rescos serves as our Chief Operating Officer. He was the Chief Operating Officer of Oceanbulk Maritime S.A. since April 2010. Mr. Rescos has been involved in the shipping industry since 1993 and has strong expertise in the dry bulk, container and product tanker markets. From 2007 to 2009, Mr. Rescos worked with a family fund in Greece investing in dry bulk vessels and product tankers. From 2000 to 2007, Mr. Rescos served as the Commercial Manager of Goldenport Holdings Inc. where he was responsible for the acquisition of 35 dry bulk and container vessels and initiated the company's entry in the product tankers arena through an innovative joint venture with a major commodity trading company. He received a BSc in Management Sciences from The University of Manchester Institute of Science and Technology (UMIST) and an MSc in Shipping Trade and Finance from the City University Business School.

Tom Sjøfteland, Director

Tom Sjøfteland serves and has served since our inception as a member of our board of directors and as chairman of the audit committee. He served as a member of Star Maritime's board of directors since its inception. During 1982 – 1990 he served in different positions within Odfjell Chemical Tankers, including operations, chartering and project activities. In August 1990 he joined the shipping department of IS Bank ASA and in 1992 he became the general manager of the shipping, oil & offshore department. In 1994 he was promoted to Deputy CEO of the bank. During the fourth quarter of 1996, Mr. Sjøfteland founded Capital Partners A.S. of Bergen, Norway, a financial services firm which specialized in shipping, oil & off-shore finance, investment bank and asset management services. He held the position as CEO until he resigned in June of 2007. As from second half of 2007 and until today, Mr. Sjøfteland runs his own investment company, styled Spinnaker AS, based in Norway. He has also joined several private and public companies both shipping and non-shipping, based in London, New York, Bergen, Athens and Singapore, as an investor, chairman or director such as EGD Holding AS, SeaSeaShipping Ltd, Tailwind Group and Stream Tankers AS. Mr. Sjøfteland received his B.Sc. in Economics from the Norwegian School of Business and Administration (NHH).

Koert Erhardt, Director

Koert Erhardt serves and has served since our inception as a member of our board of directors. He is currently the Managing Director of Augustea Bunge Maritime Ltd. of Malta. From September 2004 to December 2004, he served as the Chief Executive Officer and a member of the board of CC Maritime S.A.M., an affiliate of the Coeclerici Group, an international conglomerate whose businesses include shipping and transoceanic transportation of dry bulk materials. From 1998 to September 2004, he served as General Manager of Coeclerici Armatori S.p.A. and Coeclerici Logistics S.p.A., affiliates of the Coeclerici Group, where he created a shipping pool that commercially managed over 130 vessels with a carrying volume of 72 million tons and developed the use of the Freight Forward Agreement trading, which acts as a financial hedging mechanism for the pool. From 1994 to 1998, he served as the General Manager of Bulk Italia, a prominent shipping company which at the time owned and operated over 40 vessels. From 1990 to 1994, Mr. Erhardt served in various positions with Bulk Italia. From 1988 to 1990, he was the Managing Director and Chief Operating Officer of Nedlloyd Drybulk, the dry bulk arm of the Nedlloyd Group, an international conglomerate whose interests include container ship liner services, tankers, oil drilling rigs and ship brokering. Mr. Erhardt received his Diploma in Maritime Economics and Logistics from Hogere Havenen Vervoersschool (now Erasmus University), Rotterdam, and successfully completed the International Executive Program at INSEAD, Fontainebleau, France. Mr. Erhardt has also studied at the London School of Foreign Trade.

Roger Schmitz, Director

Roger Schmitz serves and has served since July 25, 2013 as a member of our board of directors. Mr. Schmitz is a Partner at Smith Cove Capital Management LP, where he focuses on investment opportunities across credit and equity markets. Mr. Schmitz currently serves on the board of Gener8 Maritime Inc. (NYSE: GNRT). From 2006 to 2016, Mr. Schmitz worked for Monarch Alternative Capital LP, where he was most recently a Managing Principal responsible for evaluating investment opportunities in a wide variety of corporate and sovereign situations, both domestically and internationally. Prior to joining Monarch in 2006, Mr. Schmitz was an Analyst in the Financial Sponsors Group at Credit Suisse, where he focused on leverage finance. Mr. Schmitz received an A.B., cum laude, in economics from Bowdoin College.

Mahesh Balakrishnan, Director

Mahesh Balakrishnan serves as a member of our board of directors. Ms. Balakrishnan is a Senior Vice President in Oaktree's Opportunities Funds. He joined Oaktree in 2007 and has been focused on investing in the Chemicals, Energy, Financial Institutions, Real Estate and Shipping sectors. Mr. Balakrishnan has worked with a number of Oaktree's portfolio companies and currently serves on the boards of STORE Capital Corp. (NYSE:STOR) and

Momentive Performance Materials. He has been active on a number of creditors' committees during restructuring of investments, including Eagle Bulk Shipping, Excel, Lehman Brothers and LyondellBasell. Prior to Oaktree, Mr. Balakrishnan spent two years in the Financial Sponsors & Leveraged Finance group at UBS Investment Bank. Mr. Balakrishnan graduated cum laude with a B.A. degree in Economics (Honors) from Yale University.

Jennifer Box, Director

Jennifer Box serves as a member of our board of directors. Ms. Box is a Senior Vice President in Oaktree's Opportunities Funds. Since she joined Oaktree in 2009, Ms. Box has made investments in the Shipping, Power, Energy, Media and Technology sectors. Prior to Oaktree, Ms. Box spent three and a half years as an Investment Associate at The Blackstone Group in the Distressed Debt Fund. Prior to Blackstone, she was an Associate Consultant at The Boston Consulting Group. Ms. Box graduated summa cum laude with a B.S. degree in Economics and a minor in Mathematics from Duke University, where she was elected to Phi Beta Kappa. She is a CFA charterholder.

Nikolaos Karellis, Director

Nikolaos Karellis serves as a member of our board of directors and a member of the audit committee. Mr. Karellis is currently a Director of the advisory firm MARININVEST ADVISERS LTD and has more than 35 years of experience in the shipping sector in financial institutions. Until 2013, he served as the Head of Shipping of HSBC BANK PLC in Athens, Greece for 28 years, where he built a business unit providing a comprehensive range of services to Greek shipping companies. Prior to HSBC, he worked at Bank of America. Mr. Karellis received his Msc in Mechanical Engineering from the National Technical University of Athens and received an MBA in Finance from the Wharton School, University of Pennsylvania.

B. Compensation of Directors and Senior Management

For the year ended December 31, 2016, aggregate compensation to our senior management was \$1,781,366. Non-employee directors of Star Bulk receive an annual cash retainer of \$15,000, each. The chairman of the audit committee receives a fee of \$15,000 per year and each of the audit committee members receives a fee of \$7,500. Each chairman of our other standing committees receives an additional \$5,000 per year. In addition, each director is reimbursed for out-of-pocket expenses in connection with attending meetings of the board of directors or committees. We do not have a retirement plan for our officers or directors. The aggregate compensation of the board of directors for the year ended December 31, 2016 was \$148,176.

Equity Incentive Plan

On February 20, 2014, April 13, 2015 and May 9, 2016, respectively, our board of directors approved the 2014 Equity Incentive Plan (the "2014 Equity Incentive Plan"), the 2015 Equity Incentive Plan (the "2015 Equity Incentive Plan") and the 2016 Equity Incentive Plan (the "2016 Equity Incentive Plan") (collectively, the "Equity Incentive Plans), under which officers, key employees, directors, and consultants of the Company and its subsidiaries will be eligible to receive options to acquire shares of common stock, stock appreciation rights, restricted stock and other stock-based or stock-denominated awards. We reserved an adjusted total of 86,000 shares of common stock, 280,000 shares of common stock and 940,000 shares of common stock for issuance (all adjusted for the June 2016 Reverse Stock Split) under the Equity Incentive Plans, subject to further adjustment for changes in capitalization as provided in the plans. The purpose of the Equity Incentive Plans is to encourage ownership of shares by, and to assist us in attracting, retaining and providing incentives to, our officers, key employees, directors and consultants, whose contributions to us are or may be important to our success and to align the interests of such persons with our shareholders. The various types of incentive awards that may be issued under the Equity Incentive Plans, enable us to respond to changes in compensation practices, tax laws, accounting regulations and the size and diversity of our business. The Equity Incentive Plans are administered by our compensation committee, or such other committee of our board of directors as may be designated by the board. The Equity Incentive Plans permit issuance of restricted shares, grants of options to purchase common stock, stock appreciation rights, restricted stock, restricted stock units and unrestricted stock.

Under the terms of the Equity Incentive Plans, stock options and stock appreciation rights granted under the Equity Incentive Plans will have an exercise price per common share equal to the fair market value of a common share on the date of grant, unless otherwise determined by the administrator of the Equity Incentive Plans, but in no event will the exercise price be less than the fair market value of a common share on the date of grant. Options and stock appreciation rights are exercisable at times and under conditions as determined by the administrator of the Equity Incentive Plans, but in no event will they be exercisable later than ten years from the date of grant.

The administrator of the Equity Incentive Plans may grant common shares of restricted stock and awards of restricted stock units subject to vesting and forfeiture provisions and other terms and conditions as determined by the administrator of the Equity Incentive Plans. Upon the vesting of a restricted stock unit, the award recipient will be paid an amount equal to the number of restricted stock units that then vest multiplied by the fair market value of a common share on the date of vesting, which payment may be paid in the form of cash or common shares or a combination of both, as determined by the administrator of the Equity Incentive Plans. The administrator of the Equity Incentive Plans may grant dividend equivalents with respect to grants of restricted stock units.

Adjustments may be made to outstanding awards in the event of a corporate transaction or change in capitalization or other extraordinary event. In the event of a “change in control” (as defined in the Equity Incentive Plans), unless otherwise provided by the administrator of the Equity Incentive Plans in an award agreement, awards then outstanding shall become fully vested and exercisable in full.

The board of directors may amend or terminate the Equity Incentive Plans and may amend outstanding awards, provided that no such amendment or termination may be made that would materially impair any rights, or materially increase any obligations, of a grantee under an outstanding award. Shareholders’ approval of Equity Incentive Plans amendments may be required in certain definitive, pre-determined circumstances if required by applicable rules of a national securities exchange or the Commission. Unless terminated earlier by the board of directors, the Equity Incentive Plans will expire ten years from the date on which the Equity Incentive Plans was adopted by the board of directors.

The terms and conditions of the Equity Incentive Plans are substantially similar to those of the previous plans. All of the common shares that were reserved for issuance under the 2014 Equity Incentive Plan were issued and vested in full, whereas there are 385,000 common shares (adjusted for the June 2016 Reverse Stock Split) unvested from the 2015 Equity Incentive Plan and the 2016 Equity Incentive Plan.

During the years 2014, 2015 and 2016 and as of March 9, 2017, pursuant to the Equity Incentive Plans, we have granted the following securities:

On February 20, 2014, 78,833 restricted common shares (adjusted for the June 2016 Reverse Stock Split) were granted to certain of our directors, officers and employees. The respective shares were issued on May 27, 2014 and vested on March 20, 2015.

On February 20, 2014, 1,600 restricted common shares (adjusted for the June 2016 Reverse Stock Split) were granted to two of our directors, Mr. Softeland and Mr. Erhardt. The respective shares were issued on May 27, 2014 and vested on the same date that they were granted.

On July 11, 2014, 3,000 restricted common shares (adjusted for the June 2016 Reverse Stock Split) were granted to two of our directors, Mr. Softeland and Mr. Schmitz and vested immediately. We issued the respective shares on April 26, 2016.

On July 31, 2014, 33,768 restricted common shares (adjusted for the June 2016 Reverse Stock Split) were granted to our former Chief Executive Officer and current Non-Executive Chairman, Spyros Capralos, in connection with a termination agreement. We issued the respective shares on August 4, 2014.

On April 13, 2015, 135,230 restricted common shares (adjusted for the June 2016 Reverse Stock Split) were granted to certain of our directors, officers and employees. The respective shares have been issued and vested in April 2016.

On April 13, 2015, share purchase options of up to 104,250 common shares (adjusted for the June 2016 Reverse Stock Split) were granted to certain of our directors and officers. The respective are exercisable between the third and the fifth anniversary of the grant date.

On May 9, 2016, 690,000 restricted common shares (adjusted for the June 2016 Reverse Stock Split) were granted to certain of our directors, officers and employees. In July 2016, 650,000 of respective shares were vested, while the remaining 40,000 will vest on March 1, 2018. Out of these shares, 558,050 common shares were issued during the fourth quarter 2016, and we plan to issue the remaining shares in the first quarter of 2017.

On September 12, 2016, 345,000 restricted common shares were granted to certain of our directors and officers for their participation in the negotiations with our lenders related to the Restructuring. The respective shares have not yet been issued, as of the date of this report, and 305,000 of such restricted common shares will vest on March 31, 2017, with the remaining 40,000 to vest on March 1, 2018.

As of the date of this annual report, 52,574 common shares are available under the 2016 Equity Incentive Plan.

C. Board Practices

Our board of directors is divided into three classes with only one class of directors being elected in each year and following the initial term for each such class, each class will serve a three-year term. The initial term of our board of directors is as follows:

- The term of the Class A directors expires in 2017;
- The term of Class B directors expires in 2018; and
- The term of Class C director expires in 2019.

Employment and Consultancy Agreements

We are a party to employment and consultancy agreements with certain members of our senior management team. For a description of these agreements, see “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions – Employment and Consultancy Agreements.”

Committees of the Board of Directors

Our audit committee which is comprised of three independent directors, is responsible for, among other things, (i) reviewing our accounting controls, (ii) making recommendations to the board of directors with respect to the engagement of our outside auditors and (iii) reviewing all related party transactions for potential conflicts of interest and all those related party transactions and subject to approval by our audit committee.

Our compensation committee, which is comprised of three directors (two of which are independent directors), is responsible for, among other things, recommending to the board of directors our senior executive officers’ compensation and benefits.

Our nominating and corporate governance committee, which is comprised of three directors (two of which are independent), is responsible for, among other things, (i) recommending to the board of directors nominees for director and directors for appointment to committees of the board of directors, and (ii) advising the board of directors with

regard to corporate governance practices.

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Shareholders may also nominate directors in accordance with procedures set forth in Bylaws.

Our Audit Committee consists of Mr. Koert Erhardt, Mr. Nikolaos Karellis and Mr. Tom Softeland, who is the chairman of the committee. Our Compensation Committee consists of Mr. Tom Softeland, Mr. Mahesh Balakrishnan and Mr. Spyros Capralos, who is the chairman of the committee. Our Nominating Committee consists of Mr. Spyros Capralos, Ms. Jennifer Box and Mr. Koert Erhardt, who is the chairman of the committee.

D. Employees

As of December 31, 2014, 2015 and 2016, and March 9, 2017 we had 119, 149, 145 and 144 employees, respectively, including our executive officers. The increase in the number employees during the last three years, resulted from the Merger, the acquisition of the Excel Vessels and the anticipated deliveries of our newbuilding vessels.

E. Share Ownership

With respect to the total amount of common stock owned by all of our officers and directors, individually and as a group, see Item 7 “Major Shareholders and Related Party Transactions.”

Item 7. Major Shareholders and Related Party Transactions

A. Major Shareholders

The following table presents certain information as of March 9, 2017 regarding the ownership of our common shares with respect to each shareholder, who we know to beneficially own more than five percent of our outstanding common shares, and our executive officers and directors.

<u>Beneficial Owner</u>	Shares of common stock		
	Amount	Percentage	
Oaktree Capital Group Holdings GP, LLC and certain of its advisory clients ⁽²⁾	32,323,069	51.3	%
Caspian Capital Management LLC ⁽³⁾	3,533,104	5.6	%
Senator Investment Group LP and affiliates thereof ⁽⁴⁾	4,078,940	6.5	%
Entities affiliated with Petros Pappas ⁽⁵⁾	3,262,954	5.2	%
Directors and executive officers of the Company, in the aggregate	334,440	*	

(1) Percentage amounts based on 63,068,779 common shares outstanding as of March 9, 2017.

(2) Consists of (i) 1,316,498 shares held by Oaktree Value Opportunities Fund, L.P. (“VOF”), (ii) 2,397,106 shares held by Oaktree Opportunities Fund IX Delaware, L.P. (“Fund IX”), (iii) 22,016 shares held by Oaktree Opportunities Fund IX (Parallel 2), L.P. (“Parallel 2”), (iv) 16,445,307 shares held by Oaktree Dry Bulk Holdings LLC (“Dry Bulk Holdings”), (v) 12,133,562 shares held by OCM XL Holdings L.P., a Cayman Islands exempted limited partnership (“OCM XL”) and (vi) 8,580 shares held by OCM FIE, LLC (“FIE”). Each of the foregoing funds and entities is affiliated with Oaktree Capital Group Holdings GP, LLC (“OCGH”). The members of OCGH are Howard S. Marks, Bruce A. Karsh, Jay S. Wintrob, John B. Frank, Sheldon M. Stone, Larry W. Keele, Stephen A. Kaplan and David M. Kirchheimer. Each of the direct and indirect general partners, managing members, directors, unit holders, shareholders, and members of VOF, Fund IX, Parallel 2, Dry Bulk Holdings, OCM XL and FIE, may be deemed to share voting and dispositive power over the shares owned by such entities, but disclaims beneficial ownership in such shares except to the extent of any pecuniary interest therein. The address for these entities is c/o Oaktree Capital Management, L.P., 333 South Grand Avenue, 28th Floor, Los Angeles, California 90071. OCM Investments, LLC (a subsidiary of Oaktree Capital Management, L.P., which is the investment manager of the Oaktree Funds) is registered as a broker-dealer with the Commission and in all 50 states, the District of Columbia

and Puerto Rico, and is a member of the U.S. Financial Industry Regulatory Authority. Oaktree Funds purchased common shares in the ordinary course of business and at the time of the purchase of the Company's common shares, had no agreements or understandings, directly or indirectly, with any person to distribute the common shares.

Consists of (1) 2,869,757 Shares held for the account of Caspian Select, (2) 122,869 Shares held for the account of (3) Caspian Solitude, and (3) 540,478 Shares held for the accounts of certain other funds for which Caspian Capital provides investment management or investment advice.

(4) Consists of shares held by Senator Global Opportunity Master Fund, L.P.

(5) Family members and companies related to family members of our Chief Executive Officer, Mr. Petros Pappas.

Our major shareholders have the same voting rights as our other shareholders. No foreign government owns more than 50% of our outstanding common shares. We are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of Star Bulk.

While Oaktree owns more than 50% of our outstanding common shares, under the Oaktree Shareholders Agreement (described in “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”), with certain limited exceptions, Oaktree effectively cannot vote more than 33% of our outstanding common shares (subject to adjustment under certain circumstances). Furthermore, pursuant to the Oaktree Shareholders Agreement, so long as Oaktree and its affiliates beneficially own at least 10% of our outstanding voting securities, Oaktree and its affiliates have agreed not to directly or indirectly acquire beneficial ownership of any additional voting securities of ours or other equity-linked or other derivative securities with respect to our voting securities if such acquisition would result in Oaktree’s beneficial ownership exceeding 63.6%, subject to certain specified exceptions. In addition, pursuant to the Oaktree Shareholders Agreement, subject to various exclusions, so long as Oaktree and its affiliates beneficially own at least 10% of our voting securities, unless specifically invited in writing by our board of directors, they may not (i) enter into any tender or exchange offer or various types of merger, business combination, restructuring or extraordinary transactions, (ii) solicit proxies or consents in respect of such transactions, (iii) otherwise act to seek to control or influence our management, board of directors or other policies (except with respect to the nomination of Oaktree designees pursuant to the Oaktree Shareholders Agreement and other nominees proposed by the Nominating and Corporate Governance Committee) or (iv) enter into any negotiations, arrangements or understandings with any third party with respect to any of the above. Pursuant to the Oaktree Shareholders Agreement, Oaktree also agreed to various limitations on the transfer of its common shares.

As of March 9, 2017, 63,068,779 of our outstanding common shares were held in the United States by 210 holders of record, including Cede & Co., the nominee for the Depository Trust Company, which held 39,070,370 of those shares.

B. Related Party Transactions

Transactions with Oceanbulk Maritime, S.A.

Oceanbulk Maritime, S.A., a related party, is a ship management company and is controlled by our former director Ms. Milena-Maria Pappas. During the years 2012 and 2013, we paid to Oceanbulk Maritime, S.A. a brokerage commission of \$91,264 and \$90,436, respectively, relating to the sale of certain of our vessels.

On November 25, 2013, our board of directors approved a commission payable to Oceanbulk Maritime, S.A. related to the negotiations with shipyards for the construction of nine of our newbuilding vessels. We have agreed to pay a commission of 0.5% of the shipbuilding contract price for two newbuilding Capesize vessels Star Aries (ex-HN 1338) and Star Taurus (ex-HN 1339) and three newbuilding Newcastlemax vessels (HN 1342 (tbn Star Gemini), HN1343 (tbn Star Leo) and Star Poseidon (ex-HN NE 198) and a flat fee of \$0.2 million per vessel for four newbuilding Ultramax vessels (Star Aquarius (ex HN 5040), Star Pisces (ex HN 5043), Star Antares (ex-HN NE 196) and Star Lutas (ex-HN NE 197). For all of the nine newbuilding vessels, the total commission will amount to \$2.1 million. We have agreed to pay the commission in four equal installments, the first two installments were paid in cash, while the remaining two installments were paid in the form of common shares, the amount of which depended on the price of our common shares on the date of the two remaining installments. The first and the second installment of \$0.5

million each were paid in cash in December 2013 and in April 2014, respectively. On October 28, 2015 and on September 9, 2016, we issued 34,234 shares, adjusted for the June 2016 Reverse Split, and 138,473 shares representing the third and fourth installment, respectively. We determined the fair value per share by reference to the closing price of our common shares on the issuance date. During the years ended December 31, 2015 and 2016, \$0.3 and \$0.5 million was capitalized to “Advances for vessels under construction and acquisitions of vessels” and “Vessels and other fixed assets, net” in our consolidated balance sheets.

On March 22, 2014, Starbulk S.A. entered into an agreement with Oceanbulk Maritime S.A., under which certain management services, including crewing, purchasing, arranging insurance, vessel telecommunications and master general accounts supervision, are provided to four dry bulk vessels under the management of Oceanbulk Maritime S.A. up to December 31, 2014. Pursuant to the terms of this agreement, Starbulk S.A. received a fixed management fee of \$170 per day, per vessel, which as of June 1, 2014, was changed to \$110 per day, per vessel, based on an addendum signed on May 22, 2014. The related income for the year ended December 31, 2014, was \$0.2 million, and is included under “Management fee income” in our consolidated statement of operations.

Further, following the completion of the Merger and the Pappas Transaction, we owned the vessels *Magnum Opus* and *Tsu Ebisu*, which were managed by Oceanbulk Maritime S.A. prior to the Merger and continued to be managed by that entity after the Merger, until September and August 2014, respectively. The related expense for the year ended December 31, 2014, was \$0.2 million, and is included under “Management fee expense” in our consolidated statement of operations.

Oceanbulk Maritime S.A. has provided performance guarantees under the bareboat charter agreements relating to the shipbuilding contracts for the vessels *Roberta* (ex-HN 1061), *Laura* (ex-HN 1062), *Idee Fixe* (ex-HN 1063) and *Kaley* (ex-HN 1064), which are four vessels that were built in the New Yangzijiang shipyard. All of the performance guarantees described above have been counter-guaranteed by Oceanbulk Carriers. Following the completion of the Merger in July 2014, in September 2014, Star Bulk provided counter-guarantees to Oceanbulk Maritime S.A. in exchange for the counter-guarantees provided by Oceanbulk Carriers. The vessels were delivered to us in 2015.

In addition, Oceanbulk Maritime S.A. has also provided performance guarantees under the shipbuilding contracts for the newbuilding vessels with hull numbers, *Deep Blue* (ex-HN 5017), *Behemoth* (ex-HN 5055), *Megalodon* (ex-HN 5056), *Honey Badger* (ex-HN NE164), *Wolverine* (ex-HN NE165), *Gargantua* (ex-HN NE166), *Goliath* (ex-HN NE167) and *Maharaj* (ex-HN NE184). Prior to the Merger, all of the performance guarantees were counter-guaranteed by Oceanbulk Shipping. Following the completion of the Merger, in September 2014 Star Bulk provided counter-guarantees to Oceanbulk Maritime S.A. in exchange for the counter-guarantees provided by Oceanbulk Shipping. These vessels were delivered to us in early 2016, at which time the guarantees were terminated.

As of December 31, 2015 and 2016, we had an outstanding receivable balance of \$1.2 million and \$0.9 million, respectively from Oceanbulk Maritime S.A. The outstanding balance as of December 31, 2015 and 2016 includes \$0.9 million and \$0.4 million, respectively, which represents supervision cost for certain newbuilding vessels managed by Oceanbulk Maritime and paid by us.

Managed vessels of Oceanbulk Shipping

Prior to the Merger, Starbulk S.A. had entered into vessel management agreements with certain entities owned and controlled by Oceanbulk Shipping. Pursuant to the terms of these agreements, Starbulk S.A. received a fixed management fee of \$750 per day, per vessel. These management agreements were terminated on July 11, 2014, the date the Merger closed. The related income for the years ended December 31, 2013 and 2014 was \$0.8 million and \$1.4 million, respectively, and is included under “Management fee income” in our consolidated statements of operations. As of December 31, 2015 and 2016, we had an outstanding payable of \$0.01 million to Maiden Voyage LLC, previous owner of the *Maiden Voyage*, one of the vessels of Oceanbulk Shipping.

Product Shipping and Trading S.A.

On June 7, 2013, Starbulk S.A. entered into an agreement with Product Shipping & Trading S.A., a Marshall Islands company, under which, we provided certain management services including crewing, purchasing and arranging insurance to the vessels which are under the management of Product Shipping & Trading S.A. Product Shipping & Trading S.A. is controlled by family members of our Chief Executive Officer, Mr. Petros Pappas. Pursuant to the terms of this agreement, we received a fixed management fee of \$130 per day, per vessel. In October 2013, we decided to gradually cease providing the above mentioned services to the vessels which are under the management of Product Shipping & Trading S.A., except for arranging insurance services, and as a result, the management fee decreased to \$20 per day per vessel and effective July 1, 2014, the agreement was terminated. The related income for the year ended December 31, 2014, was \$0.01 million and is included in "Management fee income" in the consolidated statements of operations. As of December 31, 2015 and 2016 we had no outstanding balance with Product Shipping & Trading S.A.

Employment and Consultancy Agreements

Effective February 7, 2011, we entered into an employment agreement with our former Chief Executive Officer and current Chairman, Mr. Spyros Capralos to employ him as our Chief Executive Officer and President. On May 3, 2013, this agreement was renewed for a term of three years and automatic renewal for a successive year unless terminated earlier in accordance with its terms. This agreement was terminated in July 2014. Under the employment agreement, Mr. Capralos was entitled to receive an annual salary and additional incentive compensation as determined annually by the compensation committee of our board of directors.

Effective February 7, 2011, we also entered into a separate consulting agreement with a company owned and controlled by, our former Chief Executive Officer and current Chairman, Mr. Spyros Capralos, for work performed by him outside of Greece. On May 3, 2013, this agreement was renewed for a term of three years and automatic renewal for a successive year unless terminated earlier in accordance with its terms. Under the consulting agreement, the company controlled by Mr. Capralos was entitled to receive an annual consulting fee. Mr. Capralos was also entitled to receive additional incentive compensation as determined by the compensation committee of our board of directors. Pursuant to a termination agreement between us and Mr. Spyros Capralos, dated July 31, 2014, we agreed to terminate the employment and consultancy agreements with Mr. Capralos and agreed to a severance payment of 33,768 common shares, adjusted for the June 2016 Reverse Split, and an amount of €664,000 in cash (approximately \$0.9 million, using the exchange rate as of July 31, 2014, which was \$1.34 per euro).

On May 2, 2011, we entered into an employment agreement with Mr. Simos Spyrou, our Co-Chief Financial Officer. On the same date, we also entered into a separate consulting agreement with a company owned and controlled by Mr. Spyrou for work performed by him outside of Greece. On May 3, 2013, each of these agreements was renewed for a term of three years and automatic renewal for a successive year unless terminated earlier in accordance with their terms. Under the employment agreement, Mr. Spyrou received an annual base salary that may increase based on annual review by the compensation committee of our board of directors. Under the consulting agreement, the company controlled by Mr. Spyrou received an annual consulting fee and additional incentive compensation as determined annually by the compensation committee of our board of directors.

Following the completion of the Merger, on December 17, 2014, we entered into consulting agreements with companies owned and controlled by each of the new Chief Operating Officer, Mr. Nicos Rescos, and our new co-Chief Financial Officer, Mr. Christos Begleris. In addition, we entered into employment agreements with the new Chief Executive Officer, the President, the new Chief Operating Officer and the new Co-Chief Financial Officer, Messrs. Petros Pappas, Hamish Norton, Nicos Rescos and Christos Begleris, respectively. All these agreements have a term of three years, unless terminated earlier in accordance with their terms, except for the employment agreement of the new Chief Executive Officer, Mr. Petros Pappas, which has a term of one year, unless terminated earlier in accordance with its terms. Pursuant to the consulting agreements, the entities controlled by the new Chief Operating

Officer and the new co-Chief Financial Officer are entitled to receive an annual discretionary bonus, as determined by our board of directors in its sole discretion. On May 19, 2015, we entered into an addendum to the consultancy agreements with companies owned and controlled by each of the new Chief Operating Officer and the co-Chief Financial Officers, amending the annual consultancy fee paid by us, effective January 1, 2015.

Pursuant to all aforementioned consultancy agreements, effective as of December 31, 2016, we are required to pay an aggregate base fee at an annual rate of not less than \$0.5 million (this amount includes the annual Euro amount, under the relevant consultancy agreements, using the exchange rate as of December 31, 2016, which was \$1.05 per euro).

In aggregate, the related expenses under the employment agreements for 2016, 2015 and 2014 were \$1.8, \$1.9 and \$0.9 million, respectively, and are included in General and administrative expenses in the consolidated statement of operations.

In aggregate, the related expenses under the consultancy agreements for 2016, 2015 and 2014 were \$0.5, \$0.6 million and \$1.5 million, respectively, and are included in General and administrative expenses in the consolidated statement of operations.

Lease Agreement with Combine Marine Ltd.

On January 1, 2012, Starbulk S.A. entered into a one year lease agreement for office space with Combine Marine Ltd., or Combine Ltd., a company controlled by our former director Ms. Milena-Maria Pappas and by Mr. Alexandros Pappas, both children of our Chief Executive Officer, Mr. Petros Pappas. The lease agreement provided for a monthly rental of €2,500 (approximately \$2,625, using the exchange rate as of December 31, 2016, which was \$1.05 per euro). On January 1, 2013, the agreement was renewed and unless terminated by either party, it will expire in January 2024. The related rent expense for the years ended December 31, 2016, 2015 and 2014, was \$34,482, \$34,545 and \$41,834, respectively, and is included in General and administrative expenses in the consolidated statements of operations. As of December 31, 2016 and 2015, we had an outstanding receivable balance of \$0 and \$0.01 million, respectively, from Combine Ltd.

Interchart Shipping Inc.

Interchart, a Liberian company affiliated with family members of our Chief Executive Officer, acts as a chartering broker for all of our vessels. On February 25, 2014, we acquired 33% of the total outstanding common stock of Interchart, for a total consideration of \$0.4 million consisting of \$0.2 million in cash and 4,520 common shares, adjusted for the June 2016 Reverse Split. The common shares were issued on April 1, 2014, and the fair value per share of \$72.55 (adjusted for the June 2016 Reverse Split) was determined by reference to the per share closing price of our common shares on the issuance date. The ownership interest was purchased from an entity affiliated with family members of our Chief Executive Officer, including our former director, Ms. Milena-Maria Pappas. On February 25, 2014, we entered into a services agreement with Interchart, for chartering, brokering and commercial services for our vessels for an annual fee of €500,000 (approximately \$0.5 million, using the exchange rate as of December 31, 2016, which was \$1.05 per euro). This fee is adjustable for changes in our fleet pursuant to the terms of the services agreement. Before the services agreement, Interchart acted as chartering broker of all our vessels on an agreed upon basis. Under the services agreement, all previously agreed upon brokerage commissions due to Interchart were cancelled retroactively from January 1, 2014. In November 2014, we entered into a new services agreement with Interchart for chartering, brokering and commercial services for all of our vessels for a monthly fee of \$0.3 million. The new agreement was effective from October 1, 2014 until March 31, 2015, and, following recurring renewals, is currently effective until December 31, 2017. The previous agreement with Interchart, dated February 25, 2014, was terminated when the new agreement became effective. During the years ended December 31, 2016, 2015 and 2014, the brokerage commission on charter revenue charged by Interchart amounted to \$3.3 million, \$3.4 million and \$2.0 million, respectively, and is included in "Voyage expenses" in the consolidated statements of operations. As of December 31, 2016 and 2015, we had an outstanding liability of \$0 and \$0.01 million, respectively, to Interchart.

Acquisition of Heron Vessels

Heron is a 50-50 joint venture between us and ABY Group Holding Limited, and we share joint control over Heron with ABY Group Holding Limited. More specifically, following the completion of the Merger and the provision

agreed as part of the Merger Agreement, with respect to the Heron Vessels, we acquired a convertible loan of Heron, which on November 5, 2014 was converted into 50% of the equity of Heron. In addition, pursuant to an agreement, dated September 5, 2014, among Oceanbulk Shipping, ABY Group and Heron with regards to the conversion of the Heron convertible loan, the governance of Heron and the distribution of some of its vessels to Heron investors, on November 11, 2014, we entered into two separate agreements to acquire from Heron the vessels Star Gwyneth (ex-ABYO Gwyneth) and Star Angelina (ex-ABYO Angelina), which were delivered to us on December 5, 2014.

Sydelle Marine Ltd.

Sydelle Marine Limited ("Sydelle"), a company controlled by members of Mr. Pappas family, is a party to a Contract of Affreightment (the "Contract") with a third party charterer for a vessel currently under construction (the "Sydelle Vessel"). Pursuant to an assignment agreement, dated as of May 7, 2016, between Sydelle and one of our subsidiaries (the "Assignment Agreement"), Sydelle has assigned its rights and obligations under the Contract to us until the completion of the construction and the delivery of the Sydelle Vessel to the third party charterer, expected in April 2017. During the assignment period, the Contract is being performed by the vessel Star Libra and the respective revenue is earned by us.

Oaktree Shareholders Agreement

The following is a summary of the material terms of the Oaktree Shareholders Agreement. Capitalized terms that are used in this description of the Oaktree Shareholders Agreement but not otherwise defined below have the meanings ascribed to them under the caption, "8. Certain Definitions."

General

The Oaktree Shareholders Agreement was entered into on the date the Merger was completed (July 11, 2014) and governs the ownership interest of Oaktree and its affiliated investment funds that own Common Shares (and any Affiliates (as defined below) of the foregoing persons that become Oaktree Shareholders pursuant to a transfer or other acquisition of our Equity Securities (as defined below) in accordance with the terms of the Oaktree Shareholders Agreement, collectively, the "Oaktree Shareholders") following the Merger. Based on the number of our outstanding common shares at January 24, 2017, the Oaktree Shareholders beneficially own approximately 51.4% of the common shares of the Company.

Representation on the Board of Directors

After the closing of the Merger, we and the board of directors increased the size of the board of directors from six directors ("Directors") to nine Directors.

The Oaktree Shareholders are entitled to nominate four (but in no event more than four) Directors (each such nominee, including the persons designated at the closing of the Merger as described in the preceding paragraph the "Oaktree Designees") to the board of directors for so long as the Oaktree Shareholders and their Affiliates in the aggregate beneficially own (for purposes of the Oaktree Shareholders Agreement and this summary, as such term is defined in Rule 13d-3 under the Securities Exchange Act of 1934) 40% or more of our outstanding Voting Securities. During any period the Oaktree Shareholders are entitled to nominate four Directors pursuant to the Oaktree Shareholders Agreement: (i) if Mr. Petros Pappas is then serving as our Chief Executive Officer and as a Director, then the Oaktree Shareholders are entitled to nominate only three Directors and (ii) at least one of the Oaktree Designees will not be a citizen or resident of the United States solely to the extent that (x) at least one of the nominees to the board of directors (other than the Oaktree Designees) is a United States citizen or resident and (y) as a result, we would not qualify as a "foreign private issuer" under Rule 405 under the Securities Act of 1933 and Rule 3b-4(c) under the Exchange Act if such Oaktree Designee is a citizen or resident of the United States.

The Oaktree Shareholders are entitled to nominate three Directors, two Directors and one Director to the board of directors for so long as the Oaktree Shareholders and their Affiliates beneficially own 25% or more, but less than 40% of the outstanding Voting Securities, own 15% or more, but less than 25% of the outstanding Voting Securities and own 5% or more, but less than 15% of our outstanding Voting Securities, respectively.

After the closing of the Merger, pursuant to the Oaktree Shareholders Agreement, we appointed each of Mr. Rajath Shourie and Mses. Emily Stephens and Renée Kemp (each of which was an Oaktree Designee) as a Director whose term expires at the first, second and third annual meeting of the Stockholders following the date of completion of the Merger, respectively. Mr. Shourie was re-elected as a Director at our 2014 Annual General Meeting. On February 17, 2015, Mr. Shourie and Ms. Stephens resigned as Directors and were replaced by Mr. Mahesh Balakrishnan and Ms. Jennifer Box, both of whom are Oaktree Designees. On May 9, 2016 and March 14, 2016, respectively, Mr. Stelios Zavvos and Ms. Renée Kemp stepped down from our board of directors. On May 9, 2016, we appointed Mr. Nikolaos Karellis as an additional director and reduced the number of directors constituting our board of directors to eight. Under the Oaktree Shareholders Agreement, Oaktree retains the right to designate an additional director, if and when it so decides.

We have also agreed to establish and maintain an audit committee (the “Audit Committee”), a compensation committee (the “Compensation Committee”) and a nominating and corporate governance committee (the “Nominating and Corporate Governance Committee”), as well as such other board of directors committees as the board of directors deems appropriate from time to time or as may be required by applicable law or the rules of Nasdaq (or other stock exchange or securities market on which the Common Shares are at any time listed or quoted). The committees will have such duties and responsibilities as are customary for such committees, subject to the provisions of the Oaktree Shareholders Agreement.

The Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee will consist of at least three Directors, with the number of members determined by the board of directors; provided, however, that for so long as the Oaktree Shareholders and their Affiliates in the aggregate beneficially own 15% or more of our outstanding Voting Securities, the Compensation Committee and the Nominating and Corporate Governance Committee will consist of three members each, and the Oaktree Shareholders are entitled to include one Oaktree Designee on each such Committee.

The board of directors will appoint individuals selected by the Nominating and Corporate Governance Committee to fill the positions on the committees of the board of directors that are not required to be filled by Oaktree Designees. As of March 9, 2017, our Audit Committee consists of Mr. Koert Erhardt, Mr. Nikolaos Karellis and Mr. Tom Softeland, who is the chairman of the committee. As of March 9, 2017, our Compensation Committee consists of Mr. Tom Softeland, Mr. Mahesh Balakrishnan and Mr. Spyros Capralos, who is the chairman of the committee. As of March 9, 2017, our Nominating Committee consists of Mr. Spyros Capralos, Ms. Jennifer Box and Mr. Koert Erhardt, who is the chairman of the committee.

Directors serve on the board until their resignation or removal or until their successors are nominated and appointed or elected; provided, that if the number of Directors that the Oaktree Shareholders are entitled to nominate pursuant to the Oaktree Shareholder Agreement is reduced by one or more Directors, then the Oaktree Shareholders shall, within 5 business days, cause such number of Oaktree Designees then serving on the board of directors to resign from the board of directors as is necessary so that the remaining number of Oaktree Designees then serving on the board of directors is less than or equal to the number of Directors that the Oaktree Shareholders are then entitled to nominate. However, no such resignation will be required if a majority of the Directors then in office (other than the Oaktree Designees) provides written notification to the Oaktree Shareholders within such 5 business day period that such resignation will not be required.

If any Oaktree Designee serving as a Director dies or is unwilling or unable to serve as such or is otherwise removed or resigns from office, then the Oaktree Shareholders can promptly nominate a successor to such Director (to the extent they are still entitled to pursuant to the Oaktree Shareholder Agreement). We have agreed to take all actions necessary in order to ensure that such successor is appointed or elected to the board of directors as promptly as practicable. If the Oaktree Shareholders are not entitled to nominate any vacant Director position(s), we and the board of directors will fill such vacant Director position(s) with an individual(s) selected by the Nominating and Corporate Governance Committee.

Voting

Except with respect to any Excluded Matter (as defined below), at any meeting of our stockholders, Oaktree Shareholders have agreed to (and have agreed to cause their Affiliates to) vote, or cause to be voted, or exercise their rights to consent (or cause their rights to consent to be exercised) with respect to, all our Voting Securities beneficially owned by them (and which are entitled to vote on such matter) in excess of the Voting Cap as of the record date for the determination of our stockholders entitled to vote or consent to such matter, with respect to each matter on which our stockholders are entitled to vote or consent, in the same proportion (for or against) as our Voting Securities that are owned by stockholders (other than an Oaktree Shareholder, any of their Affiliates or any Group (for purposes of the Oaktree Shareholders Agreement and this summary, as such term is defined in Section 13(d)(3) of the Exchange Act), which includes any of the foregoing) are voted or consents are given with respect to each such matter.

In any election of directors to the board of directors, except with respect to an election of Directors to the board of directors where one or more members of the slate of nominees put forward by the Nominating and Corporate Governance Committee is being opposed by one or more competing nominees (a "Contested Election"), the Oaktree Shareholders have agreed to (and have agreed to cause their Affiliates to) vote, or cause to be voted, or exercise their rights to consent (or cause their rights to consent to be exercised) with respect to, all our shares beneficially owned by them (and which are entitled to vote on such matter) in favor of the slate of nominees approved by the Nominating and Corporate Governance Committee.

In the case of a Contested Election, Oaktree Shareholders have agreed to (and have agreed to cause their Affiliates to) vote, or cause to be voted, or exercise their rights to consent (or cause their rights to consent to be exercised) with respect to, all shares beneficially owned by them in excess of the Voting Cap in the same proportion (for or against) as all of our shares that are owned by our other stockholders (other than the Oaktree Shareholders, any of their Affiliates or any Group which includes any of the foregoing) are voted or consents are given with respect to such Contested Election.

For so long as the Oaktree Shareholders and their affiliates in the aggregate beneficially own at least 33% of the outstanding Voting Securities of the Company, without the prior written consent of Oaktree, we and the board of directors have agreed not to, directly or indirectly (whether by merger, consolidation or otherwise), (i) issue Preferred Stock or any other class or series of our Equity Interests that ranks senior to the shares as to dividend distributions and/or distributions upon the liquidation, winding up or dissolution of the Company or any other circumstances, (ii) issue Equity Securities to a person or Group, if, after giving effect to such transaction, such issuance would result in such Person or Group beneficially owning more than 20% of our outstanding Equity Securities (except that we and the board of directors retain the right to issue Equity Securities in connection with a merger or other business combination transaction with the consent of the Oaktree Shareholders), or (iii) issue any Equity Securities of any of our subsidiaries (other than to the Company or a wholly-owned subsidiary of the Company). During the 18 months following the closing date, which period has now expired, we and the board also agreed not to terminate the Chief Executive Officer or any other of our officers set forth in the Oaktree Shareholders Agreement, except if such termination were to have been for Cause (as defined in our 2014 Equity Incentive Plan).

During the 18 months after the closing of the Merger, for so long as the Oaktree Shareholders and their affiliates in the aggregate beneficially owned at least 33% of our outstanding Voting Securities, the affirmative approval of at least seven Directors was required to appoint any replacement Chief Executive Officer of the Company.

Standstill Restrictions

For so long as the Oaktree Shareholders and their Affiliates in the aggregate beneficially own at least 10% of our outstanding Voting Securities, the Oaktree Shareholders and their Affiliates have agreed not to, directly or indirectly, acquire (i) the beneficial ownership of any additional of our Voting Securities, (ii) the beneficial ownership of any other of our Equity Securities that derive their value from any of our Voting Securities or (iii) any rights, options or

other derivative securities or contracts or instruments to acquire such beneficial ownership that derive their value from such Voting Securities or other Equity Securities, in each case of clauses (i), (ii) and (iii), if, immediately after giving effect to any such acquisition, Oaktree Shareholders and their Affiliates would beneficially own in the aggregate more than a percentage of our outstanding Voting Securities equal to (A) the Oaktree Shareholders' ownership percentage of our Voting Securities immediately after the closing of the Merger (i.e., approximately 61.3%) plus (B) 2.5%.

The foregoing restrictions do not apply to participation by the Oaktree Shareholders or their Affiliates in: (i) pro rata primary offerings of our Equity Securities based on number of outstanding Voting Securities held or (ii) acquisitions of our Equity Securities that have received Disinterested Director Approval (as defined below).

For so long as the Oaktree Shareholders and their Affiliates in the aggregate beneficially own at least 10% of our Voting Securities, unless specifically invited in writing by the board of directors (with Disinterested Director Approval), neither Oaktree nor any of their Affiliates will in any manner, directly or indirectly, (i) enter into any tender or exchange offer, merger, acquisition transaction or other business combination or any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction involving the Company, (ii) make, or in any way participate in, directly or indirectly, any "solicitation" of "proxies," "consents" or "authorizations" (as such terms are used in the proxy rules of the SEC promulgated under the Exchange Act) to vote, or seek to influence any person other than the Oaktree Shareholders with respect to the voting of, any of our Voting Securities (other than with respect to the nomination of the Oaktree Designees and any other nominees proposed by the Nominating and Corporate Governance Committee), (iii) otherwise act, alone or in concert with third parties, to seek to control or influence the management, board of directors or policies of the Company or any of its Subsidiaries (other than with respect to the nomination of the Oaktree Designees and any other nominees proposed by the Nominating and Corporate Governance Committee), or (iv) enter into any negotiations, arrangements or understandings with any third party with respect to any of the foregoing activities.

However, if (i) we publicly announce our intent to pursue a tender offer, merger, sale of all or substantially all of our assets or any similar transaction, which in each such case would result in a Change of Control Transaction, or any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction involving the Company and its subsidiaries, taken as a whole, then the Oaktree Shareholders are permitted to privately make an offer or proposal to the board of directors and (ii) if the board of directors approves, recommends or accepts a buyout transaction with an Unaffiliated Buyer, the restrictions of the Oaktree Shareholders' participation in such transaction will cease to apply, except that any such actions must be discontinued upon the termination or abandonment of the applicable buyout transaction (unless the board of directors determines otherwise with Disinterested Director Approval).

Limitations on Transfer; No Control Premium

For so long as Oaktree and their Affiliates in the aggregate beneficially own at least 10% of our Voting Securities, the Oaktree Shareholders and their Affiliates have agreed not to sell any of their Common Shares to a person or group that, after giving effect to such transaction, would hold more than 20% of our outstanding Equity Securities. Notwithstanding the foregoing, the Oaktree and their Affiliates may sell their shares in the Company to any person or Group pursuant to:

- sales that have received Disinterested Director Approval;

- a tender offer or exchange offer, by an Unaffiliated Buyer, that is made to all of our stockholders, so long as such offer would not result in a Change of Control Transaction, unless the consummation of such Change of Control Transaction has received Disinterested Director Approval;

- transfers to an Affiliate of the Oaktree Shareholders that is an investment fund or managed account in accordance with the Oaktree Shareholders Agreement; and

- sales in the open market (including sales conducted by a third-party underwriter, initial purchaser or broker-dealer) in which the Oaktree Shareholder or their Affiliates do not know (and would not in the exercise of reasonable commercial efforts be able to determine) the identity of the purchaser.

For so long as the Oaktree Shareholders and their Affiliates in the aggregate beneficially own at least 10% of our Voting Securities, neither the Oaktree Shareholders nor any of their Affiliates will sell or otherwise dispose of any of

their Common Shares in any Change of Control Transaction unless our other stockholders of the Company are entitled to receive the same consideration per Common Share (with respect to the form of consideration and price), and at substantially the same time, as the Oaktree Shareholders or their Affiliates with respect to their Common Shares in such transaction.

Other Agreements

For so long as the Oaktree Shareholders are entitled to nominate at least one Director, all transactions involving the Oaktree Shareholders or their Affiliates, on the one hand, and the Company or its subsidiaries, on the other hand, will require Disinterested Director Approval; provided, that Disinterested Director Approval will not be required for (a) pro rata participation in primary offerings of our Equity Securities based on number of outstanding Voting Securities held, (b) arms-length ordinary course business transactions of not more than \$5 million in the aggregate per year with portfolio companies of the Oaktree Shareholders or investment funds or accounts Affiliated with the Oaktree Shareholders or (c) the transactions expressly required or expressly permitted under the Merger Agreement relating to Heron, the Registration Rights Agreement and the Oaktree Shareholders Agreement.

We have also agreed to waive (on behalf of itself and its subsidiaries) the application of the doctrine of corporate opportunity, or any other analogous doctrine, with respect to the Company and its subsidiaries, to the Oaktree Designees, to any of the Oaktree Shareholders or to any of the respective Affiliates of the Oaktree Designees or any of the Oaktree Shareholders. None of the Oaktree Designees, any Oaktree Shareholder or any of their respective Affiliates has any obligation to refrain from (i) engaging in the same or similar activities or lines of business as the Company or any of its subsidiaries or developing or marketing any products or services that compete, directly or indirectly, with those of the Company or any of its subsidiaries, (ii) investing or owning any interest publicly or privately in, or developing a business relationship with, any Person engaged in the same or similar activities or lines of business as, or otherwise in competition with, the Company or any of its subsidiaries or (iii) doing business with any client or customer of the Company or any of its subsidiaries (each of the activities referred to in clauses (i), (ii) and (iii), a “Specified Activity”). We (on behalf of the Company and its subsidiaries) have agreed to renounce any interest or expectancy in, or in being offered an opportunity to participate in, any Specified Activity that may be presented to or become known to any Oaktree Shareholder or any of its Affiliates. However, if and to the extent that from time to time after the closing of the Merger Mr. Petros Pappas may be considered an Affiliate of any Oaktree Shareholder, the foregoing waivers do not apply to Mr. Petros Pappas, and any provisions governing corporate opportunities set forth in the Pappas Shareholders Agreement with respect to Mr. Petros Pappas and/or any employment or services agreement between the Company and Mr. Petros Pappas control.

Certain Exclusions

The restrictions described in “Voting,” “Standstill Restrictions” and “Limitations on Transfer; No Control Premium” of this summary do not apply to portfolio companies of the Oaktree Shareholders or their Affiliates unless Oaktree (or its successor) possesses at least 50% of the voting power of such portfolio companies or an action of such portfolio company is taken at the express request or direction of, or in coordination with, an Oaktree Shareholder or its affiliate investment funds.

We have agreed to acknowledge that the Oaktree Shareholders have made investments and entered into business arrangements with Mr. Petros Pappas, his immediate family, the members of the Pappas Seller (immediately prior to the Merger) or their respective Affiliates (collectively, the “Pappas Investors”) outside of the Oceanbulk Companies, and may from time to time enter into certain agreements with respect to the holding and/or disposition of Equity Securities of the Company. For purposes of the Oaktree Shareholders Agreement, these arrangements and potential future agreements between the Oaktree Shareholders or their Affiliates, on the one hand, and the Pappas Investors, on the other hand, will not cause (i) any Oaktree Shareholder to be deemed to be an Affiliate of, or constitute a group or beneficially own any Equity Securities of the Company beneficially owned by, the Pappas Investors, or (ii) the Equity Securities of the Company held by the Pappas Investors to be deemed to be subject to the provisions of the Oaktree Shareholders Agreement.

Certain Definitions

For purposes of this description of the Oaktree Shareholders Agreement, the following definitions apply:

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person, where “control” for purposes of this definition means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract, as trustee or executor or otherwise.

“Change of Control Transaction” means (a) any acquisition, in one or more related transactions, by any Person or Group, whether by transfer of Equity Securities, merger, consolidation, amalgamation, recapitalization or equity sale (including a sale of securities by the Company) or otherwise, which has the effect of the direct or indirect acquisition by such Person or Group of the Majority Voting Power in the Company; or (b) any acquisition by any Person or Group directly or indirectly, in one or more related transactions, of all or substantially all of the consolidated assets of the Company and its subsidiaries (which may include, for the avoidance of doubt, the sale or issuance of Equity Securities of one or more subsidiaries of the Company).

“Common Shares” means the shares of common stock, par value \$0.01 per share, of the Company, or any other capital stock of the Company or any other Person into which such stock is reclassified or reconstituted (whether by merger, consolidation or otherwise) (as adjusted for any stock splits, stock dividends, subdivisions, recapitalizations and the like).

“Company” means Star Bulk Carriers Corp.

“Disinterested Director Approval” means, with respect to any transaction or conduct requiring such approval pursuant to this Agreement, the approval of a majority of the Disinterested Directors with respect to such transaction or conduct (and the quorum requirements set forth in the charter or bylaws of the Company shall be reduced to exclude any Directors that are not Disinterested Directors for purposes of such approval).

“Disinterested Directors” means any Directors who (a) are not Oaktree Designees and (b) do not have any material business, financial or familial relationship with a party (other than the Company or its subsidiaries) to the transaction or conduct that is the subject of the approval being sought. Notwithstanding the foregoing, Petros Pappas shall not constitute an Oaktree Designee (other than for purposes of the election of directors, the standstill obligations and the transfer limitations applicable to the Oaktree Shareholders and their Affiliates), and the existing agreements and potential future arrangements with respect to the holding and/or disposition of Equity Securities between the Pappas Investors and the Oaktree Shareholders shall not disqualify Petros Pappas or other Pappas Investors from constituting a Disinterested Director for purposes of this Agreement (with certain exceptions).

“Equity Securities” means, with respect to any entity, all forms of equity securities in such entity or any successor of such entity (however designated, whether voting or non-voting), all securities convertible into or exchangeable or exercisable for such equity securities, and all warrants, options or other rights to purchase or acquire from such entity or any successor of such entity, such equity securities, or securities convertible into or exchangeable or exercisable for such equity securities, including, with respect to the Company, the Common Shares and Preferred Shares.

“Excluded Matter” includes each of the following:

(a) any vote of the Stockholders in connection with a Change of Control Transaction with an Unaffiliated Buyer; provided, however, that if the Oaktree Shareholders or their Affiliates are voting in support of such Change of Control Transaction, then such vote shall constitute an Excluded Matter only if such Change of Control Transaction has received the Disinterested Director Approval; and

(b) any vote of the Stockholders in connection with (i) an amendment to the charter or bylaws of the Company or (ii) the dissolution of the Company; provided, however, that if the Oaktree Shareholders or their Affiliates are voting in support of such matter in either case, then such vote shall constitute an Excluded Matter only if such matter has received the Disinterested Director Approval.

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“Majority Voting Power” means, with respect to any Person, either (a) the power to elect or direct the election of a majority of the board of directors or other similar body of such Person or (b) direct or indirect beneficial ownership of Equity Securities representing more than 39% of the Voting Securities of such Person.

“Other Large Holder” means, with respect to any matter in which the Stockholders are entitled to vote or consent, any Person or Group that is not an Oaktree Shareholder, an Affiliate of an Oaktree Shareholder or a Group that includes any of the foregoing; provided, however, that if the Oaktree Shareholders, on the one hand, and the Pappas Investors, on the other hand, are entitled to vote on or consent to such matter and a majority of the Voting Securities held by the Pappas Investors are voting on or consenting to such matter in the same manner as a majority of the Voting Securities held by the Oaktree Shareholders (i.e., both positions of Voting Securities are “for” or both positions of Voting Securities are “against”), then an “Other Large Holder” shall mean any Person or Group that is not an Oaktree Shareholder, a Pappas Investor, an Affiliate of either of the foregoing or a Group that includes any of the foregoing.

“Other Large Holder Effective Voting Percentage” means, with respect to an Other Large Holder as of the record date for the determination of Stockholders entitled to vote or consent to any matter, the ratio (expressed as a percentage) of (a) the sum of (i) the number of Voting Securities of the Company beneficially owned by such Other Large Holder as of such record date, plus (ii) the product of (x) the excess (if any) of the number of Voting Securities of the Company beneficially owned in the aggregate by the Oaktree Shareholders and their Affiliates as of such record date, over the number of Voting Securities of the Company that is equal to the product of the total number of Voting Securities of the Company outstanding as of such record date, multiplied by the Voting Cap Percentage applicable with respect to such matter, multiplied by (y) a percentage equal to (I) the number of Voting Securities of the Company beneficially owned by such Other Large Holder as of such record date, divided by (II) the number of Voting Securities of the Company beneficially owned by all Stockholders (other than the Oaktree Shareholders and their Affiliates) as of such record date and with respect to which a vote was cast or consent given (for or against) in respect of such matter, divided by (b) the total number of Voting Securities of the Company outstanding as of such record date.

“Person” means an association, a corporation, an individual, a partnership, a limited liability company, a trust or any other entity or organization, including a Governmental Authority.

“Preferred Shares” means the shares of preferred stock, par value \$0.01 per share, of the Company, or any other capital stock of the Company or any other Person into which such stock is reclassified or reconstituted (whether by merger, consolidation or otherwise) (as adjusted for any stock splits, stock dividends, subdivisions, recapitalizations and the like).

“Unaffiliated Buyer” means any Person other than (a) an Oaktree Shareholder, (b) an Affiliate of an Oaktree Shareholder, (c) any Person or Group in which an Oaktree Shareholder and/or any of its Affiliates has, at the applicable time of determination, Equity Securities of at least \$100 million (whether or not such Person or Group is deemed to be an Affiliate of an Oaktree Shareholder) (provided that this clause (c) shall not be applicable for purposes of Section 4.2 hereof) and (d) a Group that includes any of the foregoing.

“Voting Cap” means, as of any date of determination, the number of Voting Securities of the Company equal to the product of (a) the total number of outstanding Voting Securities of the Company as of such date multiplied by (b) the Voting Cap Percentage as of such date.

“Voting Cap Maximum” means, as of any date of determination, a percentage equal to the Other Large Holder Effective Voting Percentage as of such date multiplied by 110%; provided, that if the Voting Cap Percentage obtained by applying such Voting Cap Maximum would exceed 39%, then the Voting Cap Maximum shall equal the greater of (a) the sum of the Other Large Holder Effective Voting Percentage as of such date plus 1% and (b) 39%.

“Voting Cap Percentage” means 33%; provided, however, that if as of the record date for the determination of Stockholders entitled to vote or consent to any matter, an Other Large Holder beneficially owns greater than 15% of the outstanding Voting Securities of the Company (the “Voting Cap Threshold”), then, subject to the next proviso, for every 1% of outstanding Voting Securities of the Company beneficially owned by such Other Large Holder in excess of the Voting Cap Threshold, the Voting Cap Percentage shall be increased by 2%; provided further, however, that the Voting Cap Percentage shall not exceed a percentage equal to the Voting Cap Maximum as of such record date. For the avoidance of doubt, if multiple Other Large Holders beneficially own more than 15% of the outstanding Voting Securities of the Company, the Voting Cap Percentage shall be adjusted in relation to that Other Large Holder having the greatest beneficial ownership of Voting Securities of the Company.

“Voting Securities” means, with respect to any entity as of any date, all forms of Equity Securities in such entity or any successor of such entity with voting rights as of such date, other than any such Equity Securities held in treasury by such entity or any successor or subsidiary thereof, including, with respect to the Company, Common Shares and Preferred Shares (in each case to the extent (a) entitled to voting rights and (b) issued and outstanding and not held in treasury by the Company or owned by subsidiaries of the Company).

Pappas Shareholders Agreement

The following is a summary of the material terms of the Pappas Shareholders Agreement. Capitalized terms that are used in this description of the Pappas Shareholders Agreement but not otherwise defined below have the meanings ascribed to them under the caption, “8. Certain Definitions.”

General

The Pappas Shareholders Agreement, which entered into effect on July 11, 2014, upon the closing of the Merger, governs the ownership interest of Mr. Petros Pappas and his children, Ms. Milena-Maria Pappas (one of our former directors) and Mr. Alexandros Pappas, and entities affiliated to them (“Pappas Shareholders”) in the Company following consummation of the Merger. Based upon the number of our shares outstanding as of April 6, 2015, the Pappas Shareholders beneficially own approximately 6.80% of our total issued and outstanding common shares of the Company.

Voting

At any meeting of our stockholders, the Pappas Shareholders have agreed to (and have agreed to cause their Affiliates to) vote, or cause to be voted, or exercise their rights to consent (or cause their rights to consent to be exercised) with respect to, all of our shares beneficially owned by them (and which are entitled to vote on such matter) in excess of the Voting Cap as of the record date for the determination of our stockholders entitled to vote or consent to such matter, with respect to each matter on which our stockholders are entitled to vote or consent, in the same proportion (for or against) as all shares owned by other of our stockholders.

Except as described below, in any election of directors to the board of directors, the Pappas Shareholders have agreed to (and have agreed to cause their Affiliates to) vote, or cause to be voted, or exercise their rights to consent (or cause their rights to consent to be exercised) with respect to, all of our shares beneficially owned by them (and which are entitled to vote on such matter) in favor of the slate of nominees approved by the Nominating and Corporate Governance Committee.

At any Contested Election following the later of (i) the date on which Mr. Petros Pappas ceases to be our Chief Executive Officer or (ii) the date on which Mr. Petros Pappas ceases to be a Director, the Pappas Shareholders have agreed to (and have agreed to cause their Affiliates to) vote, or cause to be voted, or exercise their rights to consent (or cause their rights to consent to be exercised) with respect to, all shares beneficially owned by them in excess of the Voting Cap in the same proportion (for or against) as all shares owned by other of our stockholders.

Standstill Restrictions

Under the terms of the Pappas Shareholders Agreement, until the Pappas Shareholders Agreement is terminated, neither the Pappas Shareholders nor any of their Affiliates will in any manner, directly or indirectly, (i) enter into any tender or exchange offer, merger, acquisition transaction or other business combination or any recapitalization, restructuring, liquidation, dissolution or other extraordinary transaction involving the Company, (ii) make, or in any way participate, directly or indirectly, in any solicitations of proxies, consents or authorizations to vote, or seek to influence any Person other than the Pappas Shareholders with respect to the voting of, any Voting Securities of the Company or any of its Subsidiaries (other than with respect to the nomination of any nominees proposed by the Nominating and Corporate Governance Committee), (iii) otherwise act, alone or in concert with third parties, to seek to control or influence the management, board of directors or policies of the Company or any of its Subsidiaries (other than with respect to the nomination of any nominees proposed by the Nominating and Corporate Governance Committee), (iii) otherwise act, alone or in concert with third parties, to seek to control or influence the management, board of directors or policies of the Company or any of its Subsidiaries (other than with respect to the nomination of any nominees proposed by the Nominating and Corporate Governance Committee), or (iv) enter into any negotiations, arrangements or understandings with any third party with respect to any of the foregoing activities. However, if (i) we publicly announce our intent to pursue a tender offer, merger, sale of all or substantially all of our assets, then the Pappas Shareholders will be permitted to privately make an offer or proposal to the board of directors and (ii) if the board of directors approves, recommends or accepts a buyout transaction the standstill restrictions of the Pappas Shareholders' participation in such transaction will cease to apply until such buyout transaction is terminated or abandoned and will become applicable again upon any such termination or abandonment (unless the board of directors determines otherwise with Disinterested Director Approval).

No Aggregation with Oaktree

We have agreed to acknowledge that the Pappas Shareholders have made investments and entered into business arrangements with the Oaktree Shareholders outside of Oceanbulk, and may from time to time enter into certain agreements with respect to the holding and/or disposition of Equity Securities of the Company. For purposes of the Pappas Shareholders Agreement, these arrangements and potential future agreements between the Pappas Shareholders and the Oaktree Shareholders will not cause (i) any Pappas Shareholder to be deemed to be an Affiliate of, or constitute a group or beneficially own of our Equity Securities beneficially owned by, the Oaktree Shareholders, or (ii) our Equity Securities held by the Oaktree Shareholders to be deemed to be subject to the provisions of the Pappas Shareholders Agreement.

Other Agreements

All transactions involving the Pappas Shareholders or their Affiliates, on the one hand, and the Company or its Subsidiaries, on the other hand, will require Disinterested Director Approval; provided, that Disinterested Director Approval will not be required for pro rata participation in primary offerings of our Equity Securities based on number of outstanding Voting Securities held.

Corporate Opportunity

From and after the date of the Pappas Shareholders Agreement and through and including the earliest of (x) the date of termination of the Pappas Shareholders Agreement, (y) the 36-month anniversary of the date of the Pappas Shareholders Agreement and (z) the date that Petros Pappas ceases to be our Chief Executive Officer, if a Pappas Shareholder (or any Affiliate thereof) acquires knowledge of a potential dry bulk transaction or dry bulk matter which may, in such Pappas Shareholder's good faith judgment, be a business opportunity for both such Pappas Shareholder and the Company (subject to certain exceptions), such Pappas Shareholder (and its Affiliate) has the duty to promptly communicate or offer such opportunity to the Company. If we do not notify the applicable Pappas Shareholder within five business days following receipt of such communication or offer that it is interested in pursuing or acquiring such

opportunity for itself, then such Pappas Shareholder (or its Affiliate) will be entitled to pursue or acquire such opportunity for itself.

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Termination

The Pappas Shareholders Agreement will terminate upon the earlier of (a) a liquidation, winding-up or dissolution of the Company and (b) the later of (x) such time as the Pappas Shareholders and their Affiliates in the aggregate beneficially own less than 5% of the outstanding our Voting Securities and (y) the date that is six months following the later of (i) the date Petros Pappas ceases to be the Chief Executive Officer or (ii) the date Mr. Petros Pappas ceases to be a Director.

Certain Definitions

For purposes of this description of the Pappas Shareholders Agreement, the following definitions apply:

“Affiliate” means, with respect to any Person, another Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such first Person, where “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract, as trustee or executor or otherwise.

“beneficial owner” means a “beneficial owner”, as such term is defined in Rule 13d-3 under the Exchange Act; “beneficially own”, “beneficial ownership” and related terms shall have the correlative meanings.

“Company” means Star Bulk Carriers Corp.

“Contested Election” means an election of Directors to the board of directors where one or more members of the slate of nominees put forward by the Nominating and Corporate Governance Committee is being opposed by one or more competing nominees.

“Disinterested Director Approval” means the approval of a majority of the Disinterested Directors (and the quorum requirements set forth in the Charter or bylaws of the Company shall be reduced to exclude any Directors that are not Disinterested Directors for purposes of such approval).

“Disinterested Directors” means any Directors who (a) are not Petros Pappas, any other Pappas Shareholder or any Affiliate of any Pappas Shareholder and (b) do not have any material business, financial or familial relationship with a party (other than the Company or its Subsidiaries) to the transaction or conduct that is the subject of the approval being sought. Notwithstanding the foregoing, the agreements and relationships between the Pappas Shareholders and the Oaktree Shareholders shall not disqualify any Director designated by Oaktree from constituting a Disinterested Director (except if any such Oaktree designee is Mr. Petros Pappas, any Pappas Shareholder or any Affiliate thereof). Notwithstanding anything to the contrary in the foregoing, any Oaktree designee shall be disqualified from constituting a Disinterested Director for purposes of the standstill provision.

“Equity Securities” means, with respect to any entity, all forms of equity securities in such entity or any successor of such entity (however designated, whether voting or non-voting), all securities convertible into or exchangeable or exercisable for such equity securities, and all warrants, options or other rights to purchase or acquire from such entity or any successor of such entity, such equity securities, or securities convertible into or exchangeable or exercisable for such equity securities, including, with respect to the Company, the Common Shares and Preferred Shares.

“Voting Cap” means, as of any date of determination, the number of Voting Securities of the Company equal to the product of (a) the total number of outstanding Voting Securities of the Company as of such date multiplied by (b) 14.9%.

Registration Rights Agreement

On July 11, 2014, the Oaktree Seller, the Pappas Seller, certain of our stockholders affiliated with Monarch and certain affiliates thereof entered into the Registration Rights Agreement. Monarch has since been removed from the Registration Rights Agreement, and there is a possibility that the Registration Rights Agreement will be amended to add Senator as a party. Pursuant to the terms of the Registration Rights Agreement, we have, among other things, filed Form F-3 registration statement (Registration No. 333-197886), covering the resale of shares owned by such stockholders, which was declared effective on September 25, 2014.

In addition, the Registration Rights Agreement also provides the Oaktree Seller and its affiliates with certain demand registration rights and provides the Oaktree Seller, Pappas Seller, Senator (should Senator be made a party) and certain affiliates thereof with certain shelf registration rights in respect of any of our common shares held by them, subject to certain conditions, including those shares acquired pursuant to the July 2014 Transactions.

In addition, in the event that we register additional common shares for sale to the public following the closing of the July 2014 Transactions, we are required to give notice to the Oaktree Seller, the Pappas Seller, Senator (should Senator be made a party) and certain affiliates thereof of our intention to effect such registration and, subject to certain limitations, we are required to include our common shares held by those holders in such registration. We obtained the consent of the above shareholders before filing Form F-3 registration statement (Registration No. 333-198832) covering the resale of our common shares issued under the Purchase Agreement for the Excel Vessels, which was declared effective on February 25, 2015.

We are required to bear the registration expenses, other than underwriting discounts and commissions and transfer taxes, if any, attributable to the sale of any holder's securities pursuant to the Registration Rights Agreement. The Registration Rights Agreement includes customary indemnification provisions in favor of the stockholders party thereto, any person who is or might be deemed a control person (within the meaning of the Securities Act, and the Exchange Act and related parties against certain losses and liabilities (including reasonable costs of investigation and legal expenses) arising out of or relating to any filing or other disclosure made by us under the securities laws relating to any such registration.

On August 28, 2014, the Registration Rights Agreement was amended in conjunction with the Excel Transactions. Pursuant to the terms of this Amendment No. 1 to the Registration Rights Agreement, we have, among other things, filed Form F-3 registration statement (Registration No. 333-198832) covering the resale of our common shares issued under the Purchase Agreement for the Excel Vessels, which was declared effective on February 25, 2015.

Excel Transactions

On August 19, 2014, we entered into the Excel Transactions.

Entities affiliated with Oaktree and entities affiliated with Angelo, Gordon are holders of 46.7% and 23.6%, respectively, of the outstanding equity of Excel. The Excel Transactions were approved by the disinterested members of our board of directors, based upon the recommendation of a transaction committee of disinterested directors, which considered the Excel Transactions on our behalf in coordination with its management team. The total consideration was determined based on the average of three vessel appraisals by independent vessel appraisers.

At the transfer of each Excel Vessel, we have paid the cash and share consideration for such Excel Vessel to Excel. Excel uses the cash consideration, to cause an amount of outstanding indebtedness under its senior secured credit agreement to be repaid, such that all liens and obligations with respect to the transferred Excel Vessel (or vessel-owning subsidiary) are released upon the transfer to us.

The Vessel Purchase Agreement contains various customary representations, warranties and covenants. The transfers of the individual Excel Vessels were made pursuant to customary memoranda of agreement (“MOAs”) for vessel transfers.

In addition, subject to certain limitations, we have agreed to indemnify Excel and various related parties for breaches of certain fundamental representations, warranties and covenants in the Vessel Purchase Agreement and the MOAs for up to October 2015. Similarly, subject to certain limitations, Excel has agreed to indemnify us and various related parties for breaches of certain fundamental representations, warranties and covenants in the Vessel Purchase Agreement and the MOAs up to October 2015.

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Excel has agreed that it will not transfer or otherwise monetize through derivative transactions the “Subject Shares” (as defined below) until six months after the final vessel sale (subject to a requirement to continue to retain the Subject Shares if there is a pending indemnification claim against Excel), except that Excel may transfer Subject Shares if it makes appropriate arrangements to escrow a certain minimum amount of proceeds. The six-month period has expired, and the Subject Shares have been distributed to the owners of Excel. “Subject Shares” is defined in the Vessel Purchase Agreement to mean a number of our common shares (based on the volume-weighted average price for the five consecutive trading days ending on and including the date of the Vessel Purchase Agreement) that would equal to (x) \$2.5 million times (y) the amount of consideration received for all Excel Vessels delivered to date divided by (z) the total amount of consideration for all Excel Vessels.

As outlined above, in connection with the foregoing Excel Transactions, we entered into an amendment to the Registration Rights Agreement to provide holders of the Excel Vessel Share Consideration with certain customary demand, shelf and piggyback registration rights.

The Excel Vessel Bridge Facility

We used cash on hand, borrowings under other debt facilities and borrowings under the \$231.0 million Excel Vessel Bridge Facility extended to us by entities affiliated with Oaktree and entities affiliated with Angelo, Gordon to fund the cash consideration for the Excel Vessels.

Unity Holding LLC, a direct subsidiary of ours, was the borrower under the Excel Vessel Bridge Facility, and each individual vessel-owning subsidiary was a guarantor. The Excel Vessel Bridge Facility was secured by 33 of the Excel Vessels acquired by us as well as related bank accounts, earnings and insurance proceeds and the equity of each vessel-owning subsidiary of Unity.

The Excel Vessel Bridge Facility contained customary affirmative and negative covenants applicable to Unity and its subsidiaries, including limitations on the incurrence of additional indebtedness and guarantee obligations, the incurrence of liens, fundamental changes, asset sales, transactions with affiliates and investments. The Excel Vessel Bridge Facility contains customary events of default.

As of December 31, 2014, \$56.2 million of borrowings were outstanding under the Excel Vessel Bridge Facility. We prepaid, and terminated, the Excel Vessel Bridge Facility on January 29, 2015.

Management agreement with Maryville Maritime Inc.

Three of the Excel Vessels (Star Martha, Star Pauline and Star Despoina), which we acquired with attached time charters, were managed by Maryville Maritime Inc. (“Maryville”), a subsidiary of Excel. Maryville managed these three vessels until the expiration of their then existing time charter agreements (two of which expired in August 2015 and one which expired in November 2015) at a monthly fee of \$17,500 per vessel. Total management fee expense to Maryville for the years ended December 31, 2014 and 2015 was \$0.04 million and \$0.5 million, respectively.

Purchase of Shares in the January 2015 Equity Offering

As part of the January 2015 Equity Offering, the Significant Shareholders purchased 7,450,084 firm common shares at the public offering price of \$25.0 per common share (both adjusted for our June 2016 Reverse Stock Split), out of the total 9,800,084 common shares offered as part of this offering. The aggregate proceeds to us of the January 2015 Equity Offering, net of underwriters’ commissions, were approximately \$242.2 million.

Purchase of Shares in the May 2015 Equity Offering

As part of the May 2015 Equity Offering, the Significant Shareholders purchased 4,312,500 firm common shares at the public offering price of \$16.00 per common share (both adjusted for our June 2016 Reverse Stock Split), out of the total 11,250,000 common shares offered as part of this offering. The aggregate proceeds to us of the May 2015 Equity Offering, net of underwriters' commissions, were approximately \$175.6 million.

Purchase of Shares in the September 2016 Equity Offering

As part of the September 2016 Equity Offering, certain Significant Shareholders purchased 7,744,480 common shares, out of the total 11,976,745 common shares offered as part of this offering at the public offering price of \$4.30 per common share. The aggregate proceeds to us of the September 2016 Equity Offering, net of underwriters' commissions, were approximately \$50.3 million.

Purchase of Shares in the February 2017 Private Placement

As part of the February 2017 Private Placement, certain Significant Shareholders purchased 3,244,292 common shares at the public offering price of \$8.154 per common share. The aggregate gross proceeds to us of the February 2017 Private Placement were approximately \$51.5 million.

After the February 2017 Private Placement, Oaktree and Senator, beneficially owned approximately 51.4% and 6.5%, respectively, of our outstanding common shares. Prior to the February 2017 Private Placement, Oaktree and Senator, beneficially owned approximately 51.4% and 1.8%, respectively, of our outstanding common shares.

All ongoing and future transactions between us and any of our officers and directors or their respective affiliates, including loans by our officers and directors, if any, will be on terms believed by us to be no less favorable than are available from unaffiliated third parties, and such transactions or loans, including any forgiveness of loans, will require prior approval, in each instance by a majority of our uninterested "independent" directors or the members of our board of directors who do not have an interest in the transaction, in either case who had access, at our expense, to our attorneys or independent legal counsel.

C. Interests of Experts and Counsel

Not Applicable.

Item 8. Financial Information

A. Consolidated statements and other financial information.

See Item 18. "Financial Statements."

Legal Proceedings

On July 13, 2011, Star Cosmo was retained by the port authority in the Spanish port of Almeria and was released on July 16, 2011. According to the port authority, the vessel allegedly discharged oily water while sailing in Spanish waters in May 2011, more than two months before being retained, and related records were allegedly deficient. Administrative investigation commenced locally. The fines were finally set by the Spanish administrative to €260,000 (or \$0.3 million using the exchange rate as of December 31, 2016, eur/usd 1.05) and, following their irrevocable adjudication, the fines have been fully settled and the case is considered closed. Up to \$1.0 billion of the liabilities associated with the vessel's actions, mainly for sea pollution, are covered by our P&I Club Insurance.

In March 2013, we commenced arbitration proceedings against Hanjin HHIC-Phil Inc., the shipyard that constructed the Star Polaris, relating to engine failure the vessel experienced in South Korea. This resulted in 142 off-hire days and the loss of \$2.3 million in revenues. We pursued the compensation for the cost of the repairs and the loss of revenues and following the arbitration hearing in July 2015, the arbitral tribunal issued its partial final award (the “Award”), which found the yard liable for certain aspects of the claim but did not quantify the Award. Following the dismissal of the loss of revenues claim before the High Court of the United Kingdom in the appeal proceedings, a hearing before the arbitral tribunal to quantify the cost of repairs for which the yard is liable is pending.

On June 28, 2013, we received a letter from the receivers of STX Pan Ocean Co. Ltd. (“STX”), terminating the charter agreement for the vessel Star Borealis. Star Borealis was on time charter at an average gross daily charter rate of \$24,750 for the period from September 11, 2011 until July 11, 2021. On September 11, 2014, we agreed the settlement of a claim for damages and due hire brought by our subsidiary, Star Borealis LLC, arising from the repudiation of the Star Borealis charter agreement by the charterer STX (the “Settled Claim”). Star Borealis LLC negotiated, sold and assigned the rights to the Settled Claim to an unrelated third party for \$8.0 million, which was received on October 3, 2014. We recorded in 2014 a gain of approximately \$9.4 million including the extinguishment of a \$1.4 million liability related to the amount of fuel and lubricants remaining on board of the vessel Star Borealis at the time of the charter repudiation.

On October 23, 2014, a purported shareholder (the “Plaintiff”) of Star Bulk Carriers Corp. filed a derivative and putative class action lawsuit in New York state court against our Chief Executive Officer, members of our board of directors and several of our shareholders and related entities. We have been named as a nominal defendant in the lawsuit. The lawsuit alleges that our acquisition of Oceanbulk and purchase of several Excel Vessels were the result of self-dealing by various defendants and that we entered into the respective transactions on unfair terms. The lawsuit further alleges that, as a result of these transactions, several defendants’ interests in Star Bulk Carriers Corp. have increased and that the Plaintiff’s interest in Star Bulk Carriers Corp. has been diluted. The lawsuit also alleges that our management has engaged in other conduct that has resulted in corporate waste. The lawsuit seeks cancellation of all shares issued to the defendants in connection with our acquisition of Oceanbulk, unspecified monetary damages, the replacement of some or all members of our board of directors and of our Chief Executive Officer, and other relief. We believe the claims are completely without merit, deny them, and intend to vigorously defend against them in court. On November 24, 2014, we and the other defendants removed the action to the United States District Court for the Southern District of New York. On March 4, 2015, we and the other defendants moved to dismiss the complaint. On February 18, 2016, the court granted our motion to dismiss in full and dismissed the matter. On February 24, 2016, Plaintiff filed a notice of appeal. The appeal was heard before the Court of Appeals for the Second Circuit on December 6, 2016 and judgment is pending.

We have not been involved in any legal proceedings which we believe may have, or have had, a significant effect on our business, financial position, results of operations or liquidity, nor are we aware of any proceedings that are pending or threatened which we believe may have a significant effect on our business, financial position, and results of operations or liquidity. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. We expect that these claims would be covered by insurance, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

Dividend Policy

We pay dividends, if any, on a quarterly basis from our operating surplus, in amounts that allowed us to retain a portion of our cash flows to fund vessel or fleet acquisitions, and for debt repayment and other corporate purposes, as determined by our management and board of directors. The declaration and payment of dividends will be subject at all times to the discretion of our board of directors. The timing and amount of dividends will depend on our earnings, financial condition, cash requirements and availability, fleet renewal and expansion, restrictions in our loan agreements, the provisions of Marshall Islands law affecting the payment of dividends and other factors. Marshall

Islands law generally prohibits the payment of dividends other than from surplus or while a company is insolvent, or would be rendered insolvent upon the payment of such dividends, or if there is no surplus, dividends may be declared or paid out of net profits for the fiscal year in which the dividend is declared, and for the preceding fiscal year.

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We believe that, under current law, our dividend payments from earnings and profits would constitute “qualified dividend income” and as such will generally be subject to a preferential United States federal income tax rate (subject to certain conditions) with respect to non-corporate individual shareholders. Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of a United States shareholder’s tax basis in its common stock on a Dollar-for-Dollar basis and thereafter as capital gain. Please see Item 10 “Additional Information—E. Taxation” for additional information relating to the tax treatment of our dividend payments.

Currently, we are prohibited from paying dividends under our facilities and did not pay any dividends in 2016. Please see the section of this annual report entitled “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.”

B. Significant Changes.

There have been no significant changes since the date of the annual consolidated financial statements included in this annual report, other than those described in Note 20 “Subsequent events” of our annual consolidated financial statements.

Item 9. The Offer and Listing

A. Offer and Listing Details

Our common stock is traded on the Nasdaq Global Select Market under the symbol “SBLK.”

The following table sets forth, for the five most recent fiscal years, the high and low prices for the common shares on the Nasdaq Global Select Market, adjusted for our June 2016 Reverse Stock Split.

COMMON STOCK

Fiscal year ended December 31, 2016	High	Low
2016	\$6.1	\$1.57
2015	\$33.30	\$2.70
2014	\$79.40	\$27.05
2013	\$69.15	\$21.95
2012	\$73.50	\$22.85

The following table sets forth, for each full financial quarter for the two most recent fiscal years, the high and low prices of the common shares on the Nasdaq Global Select Market.

Fiscal year ended December 31, 2016	High	Low
1st Quarter ended March 31, 2016	\$5.10	\$1.57
2nd Quarter ended June 30, 2016	\$6.10	\$2.61
3rd Quarter ended September 30, 2016	\$5.54	\$2.92
4th Quarter ended December 31, 2016	\$6.10	\$4.04

Fiscal year ended December 31, 2015	High	Low
1st Quarter ended March 31, 2015	\$33.30	\$15.25
2nd Quarter ended June 30, 2015	\$20.65	\$14.20
3rd Quarter ended September 30, 2015	\$17.10	\$10.00
4th Quarter ended December 31, 2015	\$12.00	\$2.70

The following table sets forth, for the most recent six months, the high and low prices for the common shares on the Nasdaq Global Select Market.

	High	Low
March 2017 (through and including March 9, 2017)	\$11.14	\$8.82
February 2017	\$9.82	\$7.80
January 2017	\$9.50	\$5.21
December 2016	\$6.10	\$4.63
November 2016	\$5.93	\$4.04
October 2016	\$5.05	\$4.42
September 2016	\$5.54	\$4.03

Item 10. Additional Information

A. Share Capital

Not Applicable.

B. Memorandum and Articles of Association

Our Articles of Incorporation were filed as Exhibit 3.1 to our Report on Form 6-K filed with the Commission on June 23, 2016 and are incorporated by reference into Exhibit 1.1 to this Annual Report. Pursuant to the Articles of Incorporation, we effected a 5-for-1 reverse stock split of our issued and outstanding common shares, par value \$0.01 per share, effective as of June 20, 2016. The reverse stock split was approved by shareholders at a special meeting of shareholders held on December 21, 2015. The reverse stock split reduced the number of our issued and outstanding common shares from 219,778,437 common shares to 43,955,659 common shares and affected all issued and outstanding common shares. The number of our authorized common shares was not affected by the reverse split. No fractional shares were issued in connection with the reverse stock split.

Under our Articles of Incorporation, our authorized capital stock consists of 325,000,000 registered shares of stock:

.300,000,000 common shares, par value \$0.01 per share; and

25,000,000 preferred shares, par value \$0.01 per share. Our board of directors shall have the authority to issue all or any of the preferred shares in one or more classes or series with such voting powers, designations, preferences and relative, participating, optional or special rights and qualifications, limitations or restrictions as shall be stated in the resolutions providing for the issue of such class or series of preferred shares.

As of March 9, 2017, we had issued and outstanding 63,068,779 common shares. No preferred shares are issued or outstanding.

In addition, our Articles of Incorporation grant the Chairman of our board of directors a tie-breaking vote in the event the directors' vote is evenly split or deadlocked on a matter presented for vote.

Our Articles of Incorporation and Bylaws

Our purpose, as stated in Section B of our Articles of Incorporation, is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Business Corporations Act (the "MIBCA").

Directors

Our directors are elected by a majority of the votes cast by shareholders entitled to vote in an election. Our Articles of Incorporation provide that cumulative voting shall not be used to elect directors. Our board of directors must consist of at least three members. The exact number of directors is fixed by a vote of at least 66 % of the entire board of directors. Our Articles of Incorporation provide for a staggered board of directors whereby directors shall be divided into three classes: Class A, Class B and Class C, which shall be as nearly equal in number as possible. Shareholders, acting as at a duly constituted meeting, or by unanimous written consent of all shareholders, initially designated directors as Class A, Class B or Class C with only one class of directors being elected in each year and following the initial term for each such class, each class will serve a three-year term. The initial terms of our board of directors are as follows: (i) the term of our Class A directors expires in 2017; (ii) the term of our Class B directors expires in 2018; and (iii) the term of our Class C directors expired at our annual shareholder meeting held on November 21, 2016. At the 2016 annual shareholder meeting, our Class C directors were re-elected to serve until the 2019 annual shareholder meeting. Each director serves his respective term of office until his successor has been elected and qualified, except in the event of his death, resignation, removal or the earlier termination of his term of office. Our board of directors has the authority to fix the amounts which shall be payable to the members of the board of directors for attendance at any meeting or for services rendered to us.

Shareholder Meetings

Under our Bylaws, annual shareholder meetings will be held at a time and place selected by our board of directors. The meetings may be held in or outside of the Marshall Islands. Special meetings may be called by the board of directors, chairman of the board of directors or by the president. Under the MIBCA, our board of directors may set a record date between 15 and 60 days before the date of any meeting to determine the shareholders that will be eligible to receive notice and vote at the meeting.

Dissenters' Rights of Appraisal and Payment

Under the MIBCA, our shareholders have the right to dissent from various corporate actions, including any merger or consolidation, sale of all or substantially all of our assets not made in the usual course of our business, and receive payment of the fair value of their shares. In the event of any further amendment of our Articles of Incorporation, a shareholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting shareholder must follow the procedures set forth in the MIBCA to receive payment. In the event that we and any dissenting shareholder fail to agree on a price for the shares, the MIBCA procedures involve, among other things, the institution of proceedings in the high court of the Republic of the Marshall Islands or in any appropriate court in any jurisdiction in which our shares are primarily traded on a local or national securities exchange.

Shareholders' Derivative Actions

Under the MIBCA, any of our shareholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the shareholder bringing the action is a holder of common stock both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

Indemnification of Officers and Directors

Our Bylaws include a provision that entitles any our directors or officers to be indemnified by us upon the same terms, under the same conditions and to the same extent as authorized by the MIBCA if the director or officer acted in good faith and in a manner reasonably believed to be in and not opposed to our best interests, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

We are also authorized to carry directors' and officers' insurance as a protection against any liability asserted against our directors and officers acting in their capacity as directors and officers regardless of whether we would have the power to indemnify such director or officer against such liability bylaw or under the provisions of our Bylaws. We believe that these indemnification provisions and insurance are useful to attract and retain qualified directors and executive officers.

The indemnification provisions in our Bylaws may discourage shareholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our shareholders.

Anti-takeover Provisions of our Charter Documents

Several provisions of our Articles of Incorporation and our Bylaws may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize shareholder value in connection with any unsolicited offer to acquire us. However, these anti-takeover provisions, which are summarized below, could also discourage, delay or prevent (1) the merger or acquisition of our company by means of a tender offer, a proxy contest or otherwise, that a shareholder may consider in its best interest, and (2) the removal of incumbent officers and directors.

Blank Check Preferred Stock

Under the terms of our Articles of Incorporation, our board of directors has authority, without any further vote or action by our shareholders, to issue up to 25,000,000 shares of blank check preferred stock. Our board of directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

Classified Board of Directors

Our Articles of Incorporation provide for a board of directors serving staggered, three-year terms. Approximately one-third of our board of directors will be elected each year. The classified provision for the board of directors could discourage a third party from making a tender offer for our shares or attempting to obtain control of our company. It could also delay shareholders who do not agree with the policies of the board of directors from removing a majority of the board of directors for two years.

Election and Removal of Directors

Our Articles of Incorporation prohibit cumulative voting in the election of directors. Our Articles of Incorporation also require shareholders to give advance written notice of nominations for the election of directors. Our Articles of Incorporation further provide that our directors may be removed only for cause and only upon affirmative vote of the holders of at least 70% of our outstanding voting shares. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

Limited Actions by Shareholders

Our Bylaws provide that if a quorum is present, and except as otherwise expressly provided by law, the affirmative vote of a majority of the shares of stock represented at the meeting shall be the act of the shareholders. Shareholders may act by way of written consent in accordance with the provisions of Section 67 of the MIBCA.

Advance Notice Requirements for Shareholder Proposals and Director Nominations

Our Articles of Incorporation provide that shareholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of shareholders must provide timely notice of their proposal in writing to the corporate secretary. Generally, to be timely, a shareholder's notice must be received at our principal executive offices not less than 120 days nor more than 180 days prior to the one-year anniversary of the preceding year's annual meeting. Our Articles of Incorporation also specify requirements as to the form and content of a shareholder's notice. These provisions may impede shareholders' ability to bring matters before an annual meeting of shareholders or make nominations for directors at an annual meeting of shareholders.

C. Material Contracts

As of December 31, 2016, we had a number of credit facilities with commercial banks. For a discussion of our facilities, please see the section of this annual report entitled “Item 5. Operating and Financial Review—B. Liquidity and Capital Resources—Senior Secured Credit Facilities.”

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As of December 31, 2016, we were also a party to a senior indenture with U.S. Bank National Association, as trustee. For a discussion of the indenture, please see the section of this annual report entitled “Item 5. Operating and Financial Review—B. Liquidity and Capital Resources—2019 Senior Notes Offering.”

As of December 31, 2016, we were a party to a services agreement with Interchart, the Oaktree Shareholders Agreement, the Pappas Shareholders Agreement and the Registration Rights Agreement. For a discussion of these agreements, please see the section of this annual report entitled “Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions.”

We have no other material contracts, other than contracts entered into in the ordinary course of business, to which we are a party.

D. Exchange Controls

Under the laws of the Marshall Islands, Liberia, Cyprus and Malta, which are the countries of incorporation of the Company and its subsidiaries, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common shares.

E. Taxation

The following is a discussion of the material Marshall Islands and U.S. federal income tax regimes relevant to an investment decision with respect to our common stock.

In addition to the tax consequences discussed below, we may be subject to tax in one or more other jurisdictions, including Malta, where we conduct activities. We expect that the amount of any such tax imposed upon our operations for year 2016 in these jurisdictions, including Malta, will be immaterial.

Marshall Islands Tax Consequences

We are incorporated in the Marshall Islands. Under current Marshall Islands law, we are not subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments of dividends by us to our shareholders.

Material United States Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax consequences to us of our activities and to our shareholders of the ownership and disposition of our common shares. This discussion is not a complete analysis or listing of all of the possible tax consequences to our shareholders of the ownership and disposition of our common shares and does not address all tax considerations that might be relevant to particular holders in light of their personal circumstances or to persons that are subject to special tax rules. In particular, the information set forth below deals only with shareholders that will hold common shares as capital assets for U.S. federal income tax purposes (generally, property held for investment) and that do not own, and are not treated as owning, at any time, 10% or more of the total combined voting power of all classes of our stock entitled to vote. In addition, this description of the material U.S. federal income tax consequences does not address the tax treatment of special classes of shareholders, such as (i) financial institutions, (ii) regulated investment companies, (iii) real estate investment trusts, (iv) tax-exempt entities, (iv) insurance companies, (v) persons holding the common shares as part of a hedging, integrated or conversion transaction, constructive sale or “straddle,” (vi) persons that acquired common shares through the exercise or cancellation of employee stock options or otherwise as compensation for their services, (vii) U.S. expatriates, (viii) persons subject to the alternative minimum tax or the net investment income tax, (ix) dealers or traders in securities or currencies and (x) U.S. shareholders whose functional currency is not the U.S. dollar. You are encouraged to consult

your own tax advisors concerning the overall tax consequences arising in your own particular situation under U.S. federal, state, local or non-U.S. law of the ownership of our common shares.

U.S. Federal Income Tax Considerations

The following is a discussion of the material U.S. federal income tax consequences to us of our activities and to U.S. Holders and Non-U.S. Holders (each as defined below) of the ownership and disposition of our common shares.

The following discussion is based upon the Internal Revenue Code of 1986, as amended (the “Code”), U.S. judicial decisions, administrative pronouncements and existing and proposed Treasury Regulations, all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. We have not requested, and will not request, a ruling from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal income tax consequences described below, and as a result there can be no assurance that the IRS will not disagree with or challenge any of the conclusions we have reached and describe herein.

This summary does not address estate and gift tax consequences or tax consequences under any state, local or non-U.S. laws.

Tax Classification of the Company

Star Maritime was a Delaware corporation which merged into the Company pursuant to the Redomiciliation Merger as more specifically described in Item 4.A “Information on the Company – History and development of the Company.”

Section 7874(b) of the Code, or “Section 7874(b),” provides that a corporation organized outside the United States, such as the Company, which acquires (pursuant to a “plan” or a “series of related transactions”) substantially all of the assets of a corporation organized in the United States, such as Star Maritime, will be treated as a U.S. domestic corporation for U.S. federal income tax purposes if shareholders of the U.S. corporation whose assets are being acquired own at least 80% of the non-U.S. acquiring corporation after the acquisition. If Section 7874(b) were to apply to Star Maritime and the Redomiciliation Merger, then the Company, as the surviving entity of the Redomiciliation Merger, would be subject to U.S. federal income tax as a U.S. domestic corporation on its worldwide income after the Redomiciliation Merger. In addition, as a U.S. domestic corporation, any dividends paid by us to a Non-U.S. Holder, as defined below, would be subject to a U.S. federal income tax withholding at the rate of 30% or such lower rate as provided by an applicable U.S. income tax treaty.

After the completion of the Redomiciliation Merger, the shareholders of Star Maritime owned less than 80% of the Company. Star Maritime received an opinion of its counsel, Seward & Kissel LLP or “Seward & Kissel”, that Star Bulk should not be subject to Section 7874(b) after the Redomiciliation Merger. Based on the structure of the Redomiciliation Merger, the Company believes that it is not subject to U.S. federal income tax as a U.S. domestic corporation on its worldwide income for taxable years after the Redomiciliation Merger. However, there is no authority directly addressing the application of Section 7874(b) to a transaction such as the Redomiciliation Merger where shares in a foreign corporation, such as the Company, are issued concurrently with (or shortly after) a merger. In particular, since there is no authority directly applying the “series of related transactions” or “plan” provisions to the post-acquisition stock ownership requirements of Section 7874(b), there is no assurance that the U.S. Internal Revenue Service (IRS) or a court will agree with Seward & Kissel’s opinion on this matter. Moreover, Star Maritime has not sought a ruling from the IRS on this point. Therefore, there is no assurance that the IRS would not seek to assert that the Company is subject to U.S. federal income tax on its worldwide income after the Redomiciliation Merger, although the Company believes that such an assertion should not be successful.

The remainder of this discussion assumes that the Company will not be treated as a U.S. domestic corporation for any taxable year.

U.S. Federal Income Taxation of the Company

U.S. Tax Classification of the Company

We are treated as a corporation for U.S. federal income tax purposes. As a result, U.S. Holders will not be directly subject to U.S. federal income tax on our income, but rather will be subject to U.S. federal income tax on distributions received from us and dispositions of common shares as described below.

U.S. Federal Income Taxation of Operating Income: In General

We anticipate that we will earn substantially all our income from the hiring or leasing of vessels for use mostly on a voyage or time charter basis or from the performance of services directly related to those uses, all of which we refer to as “shipping income.”

Unless a non-U.S. corporation qualifies for an exemption from U.S. federal income taxation under Section 883 of the Code, such corporation will be subject to U.S. federal income taxation on its “shipping income” that is treated as derived from sources within the United States. For U.S. federal income tax purposes, 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States constitutes income from sources within the United States (“United States source gross transportation income” or “USSGTI”), and, in the absence of exemption from tax under Section 883 of the Code, such USSGTI generally will be subject to a 4% U.S. federal income tax imposed without allowance for deductions.

Shipping income of a non-U.S. corporation attributable to transportation that both begins and ends in the United States is considered to be derived entirely from sources within the United States. However, U.S. law prohibits non-U.S. corporations, such as us, from engaging in transportation that produces income considered to be derived entirely from U.S. sources.

Shipping income of a non-U.S. corporation attributable to transportation exclusively between two non-U.S. ports will be considered to be derived entirely from sources outside the United States. Shipping income of a non-U.S. corporation derived from sources outside the United States will not be subject to any U.S. federal income tax.

Exemption of Operating Income from U.S. Federal Income Taxation

Under Section 883 of the Code and the Treasury Regulations thereunder, a non-U.S. corporation will be exempt from U.S. federal income taxation on its U.S. source shipping income if:

- (1) it is organized in a country that grants an “equivalent exemption” from tax to corporations organized in the United States in respect of each category of shipping income for which exemption is being claimed under Section 883 of the Code (a “qualified foreign country”); and
- (2) one of the following tests is met: (A) more than 50% of the value of its shares is beneficially owned, directly or indirectly, by “qualified shareholders,” which term includes individuals that (i) are “residents” of qualified foreign countries and (ii) comply with certain substantiation requirements (the “50% Ownership Test”); (B) it is a “controlled foreign corporation” and it satisfies an ownership test (the “CFC Test”); or (C) its shares are “primarily and regularly traded on an established securities market” in a qualified foreign country or in the United States (the “Publicly-Traded Test”). We do not currently anticipate circumstances under which we would be able to satisfy the 50% Ownership Test or the CFC Test. Our ability to satisfy the Publicly-Traded Test is described below.

The Republic of the Marshall Islands has been officially recognized by the IRS as a qualified foreign country that grants the requisite “equivalent exemption” from tax in respect of each category of shipping income we earn and currently expect to earn in the future.

As discussed below, we believe that we do not satisfy the Publicly Traded Test for 2016 because we are subject to the 5% Override Rule (as defined below), and accordingly, we believe that we do not qualify for exemption under Section 883 for 2016; however, we may qualify for this tax exemption for subsequent tax years.

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Publicly-Traded Test. The Treasury Regulations under Section 883 of the Code provide, in pertinent part, that shares of a non-U.S. corporation will be considered to be “primarily traded” on an established securities market in a country if the number of shares of each class of stock that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. Our common stock is “primarily traded” on the NASDAQ Global Select Market.

Under the Treasury Regulations, stock of a non-U.S. corporation will be considered to be “regularly traded” on an established securities market if (1) one or more classes of stock of the corporation that represent more than 50% of the total combined voting power of all classes of stock of the corporation entitled to vote and of the total value of the stock of the corporation, are listed on such market and (2) (A) such class of stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or one-sixth of the days in a short taxable year and (B) the aggregate number of shares of such class of stock traded on such market during the taxable year must be at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year.

Notwithstanding the foregoing, the Treasury Regulations provide, in pertinent part, that a class of shares will not be considered to be “regularly traded” on an established securities market for any taxable year in which 50% or more of the vote and value of the outstanding shares of such class are owned, actually or constructively under specified share attribution rules, on more than half the days during the taxable year by persons that each own 5% or more of the vote and value of such class of outstanding stock (the “5% Override Rule”).

For purposes of determining the persons that actually or constructively own 5% or more of the vote and value of our common shares (“5% Shareholders”), the Treasury Regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the U.S. Securities and Exchange Commission, as owning 5% or more of our common shares. The Treasury Regulations further provide that an investment company which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Shareholder for such purposes.

In the event the 5% Override Rule is triggered, the Treasury Regulations provide that the 5% Override Rule will nevertheless not apply if we can establish that within the group of 5% Shareholders, qualified shareholders (as defined for purposes of Section 883) own sufficient number of shares to preclude non-qualified shareholders in such group from owning 50% or more of the total value of the class of stock of the closely held block that is a part of our common shares for more than half the number of days during the taxable year.

Based on information contained in Schedules 13G and 13D filing with the U.S. Securities and Exchange Commission, we believe that we do not satisfy the Publicly Traded Test for 2016 because we are subject to the 5% Override Rule. Specifically, while Oaktree and its affiliated entities collectively owned more than 50% of our outstanding common shares throughout 2015, Oaktree affiliated entities that were 5% Shareholders did not own, in the aggregate, 50% or more of our outstanding common shares for more than half of the days in 2016. However, according to Schedule 13G filed by Caspian Capital LP (“Caspian”) on February 16, 2016, 7.6% of our common shares were held by certain funds and accounts Caspian controls as of December 31, 2015. This filing specifies that one fund holds approximately 5.9% of our common shares. Accordingly, we believe that we do not qualify for exemption under Section 883 for 2016; however, we may qualify for this exemption from U.S. federal income tax on our U.S. source shipping income in subsequent taxable years.

Taxation in Absence of Section 883 Exemption

For any taxable year in which we are not eligible for the benefits of Section 883 exemption, our USSGTI will be subject to a 4% tax imposed by Section 887 of the Code without the benefit of deductions to the extent that such income is not considered to be “effectively connected” with the conduct of a U.S. trade or business, as described below. Since under the sourcing rules described above, no more than 50% of our shipping income would be treated as derived

from sources within the United States, the maximum effective rate of U.S. federal income tax on our shipping income would never exceed 2% under this regime.

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To the extent our shipping income derived from sources within the United States is considered to be “effectively connected” with the conduct of a U.S. trade or business, as described below, any such “effectively connected” shipping income, net of applicable deductions, would be subject to U.S. federal income tax, currently imposed at rates of up to 35%. In addition, we would generally be subject to the 30% “branch profits” tax on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of our U.S. trade or business.

Our shipping income would be considered “effectively connected” with the conduct of a U.S. trade or business only if:

- (1) we have, or are considered to have, a fixed place of business in the United States involved in the earning of U.S. source shipping income; and
- (2) substantially all of our U.S. source shipping income is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States.

We do not intend to have, or permit circumstances that would result in having, any vessel sailing to or from the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and other activities, it is anticipated that none of our shipping income will be “effectively connected” with the conduct of a U.S. trade or business.

U.S. Taxation of Gain on Sale of Vessels

Regardless of whether we qualify for exemption under Section 883, we will not be subject to U.S. federal income tax with respect to gain realized on a sale of a vessel, provided that (i) the sale is considered to occur outside of the United States under U.S. federal income tax principles and (ii) such sale is not attributable to an office or other fixed place of business in the United States. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. We intend to conduct our operations so that the gain on any sale of a vessel by us will not be taxable in the United States.

U.S. Federal Income Taxation of U.S. Holders

As used herein, a “U.S. Holder” is a beneficial owner of a common share that is: (1) a citizen of or an individual resident of the United States, as determined for U.S. federal income tax purposes; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a pass-through entity, including a partnership or other entity classified as a partnership for U.S. federal income tax purposes, is a beneficial owner of our common shares, the U.S. federal income tax treatment of an owner or partner will generally depend upon the status of such owner or partner and upon the activities of the pass-through entity. Owners or partners of a pass-through entity that is a beneficial owner of common shares are encouraged to consult their tax advisors.

U.S. Holders are urged to consult their tax advisors as to the particular consequences to them under U.S. federal, state and local, and applicable non-U.S. tax laws of the ownership and disposition of common shares.

Distributions

Subject to the discussion of passive foreign investment companies (“PFICs”) below, any distributions made by us with respect to our common shares to a U.S. Holder will generally constitute foreign-source dividends to the extent of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Distributions in excess of such earnings and profits will be treated first as a nontaxable return of capital to the extent of the U.S. Holder’s tax basis in its common shares and thereafter as capital gain. Because we are not a U.S. corporation, U.S. Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from us.

If the common shares are readily tradable on an established securities market in the United States within the meaning of the Code, such as the NASDAQ Global Select Market, and if certain holding period and other requirements (including a requirement that we are not a PFIC in the year of the dividend or the preceding year) are met, dividends received by non-corporate U.S. Holders will be “qualified dividend income” to such U.S. Holders. Qualified dividend income received by non-corporate U.S. Holders (including an individual) will be subject to U.S. federal income tax at preferential rates.

Sale, Exchange or Other Disposition of Common Shares

Subject to the discussion of PFICs below, a U.S. Holder generally will recognize capital gain or loss upon a sale, exchange or other disposition of our common shares in an amount equal to the difference between the amount realized by the U.S. Holder from such sale, exchange or other disposition and the U.S. Holder’s tax basis in such shares. Such gain or loss will be treated as long-term capital gain or loss if the U.S. Holder’s holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as U.S. source income or loss, as applicable, for U.S. foreign tax credit purposes. Long-term capital gains of certain non-corporate U.S. Holders are currently eligible for reduced rates of taxation. A U.S. Holder’s ability to deduct capital losses is subject to certain limitations.

Passive Foreign Investment Company Considerations

The foregoing discussion assumes that we are not, and will not be, a PFIC. If we are classified as a PFIC in any year during which a U.S. Holder owns our common shares, the U.S. federal income tax consequences to such U.S. Holder of the ownership and disposition of common shares could be materially different from those described above. A non-U.S. corporation will be considered a PFIC for any taxable year in which (i) 75% or more of its gross income is “passive income” (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business) or (ii) 50% or more of the average value of its assets produce (or are held for the production of) “passive income.” For this purpose, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiaries that are treated as pass-through entities for U.S. federal income tax purposes. Further, we will be treated as holding directly our proportionate share of the assets and receiving directly the proportionate share of the income of corporations of which we own, directly or indirectly, at least 25%, by value. For purposes of determining our PFIC status, income earned by us in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute “passive income” unless we were treated under specific rules as deriving our rental income in the active conduct of a trade or business. We intend to take the position that income we derive from our voyage and time chartering activities is services income, rather than rental income, and accordingly, that such income is not passive income for purposes of determining our PFIC status. We believe that there is substantial legal authority supporting our position consisting of case law and IRS pronouncements concerning the characterization of income derived from voyage and time charters as services income for other tax purposes. Additionally, we believe that our contracts for newbuilding vessels are not assets held for the production of passive income, because we intend to use these vessels for voyage and time chartering activities.

Assuming that it is proper to characterize income from our voyage and time chartering activities as services income and based on the expected composition of our income and assets, we believe that we currently are not a PFIC, and we do not expect to become a PFIC in the future. However, our characterization of income from voyage and time charters and of contracts for newbuilding vessels is not free from doubt. Moreover, the determination of PFIC status for any year must be made only on an annual basis after the end of such taxable year and will depend on the composition of our income, assets and operations during such taxable year. Because of the above described uncertainties, there can be no assurance that the IRS will not challenge the determination made by us concerning our PFIC status or that we will not be a PFIC for any taxable year.

If we were treated as a PFIC for any taxable year during which a U.S. Holder owns common shares, the U.S. Holder would be subject to special adverse rules (described in “—Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election”) unless the U.S. Holder makes a timely election to treat us as a “Qualified Electing Fund” (a “QEF election”) or marks its common shares to market, as discussed below. We intend to promptly notify our shareholders if we determine that we are a PFIC for any taxable year. A U.S. Holder generally will be required to file IRS Form 8621 if such U.S. Holder owns common shares in any year in which we are classified as a PFIC.

Taxation of U.S. Holders Making a Timely QEF Election. If a U.S. Holder makes a timely QEF election, such U.S. Holder must report for U.S. federal income tax purposes its pro-rata share of our ordinary earnings and net capital gain, if any, for each of our taxable years during which we are a PFIC that ends with or within the taxable year of such U.S. Holder, regardless of whether distributions were received from us by such U.S. Holder. No portion of any such inclusions of ordinary earnings will be treated as “qualified dividend income.” Net capital gain inclusions of certain non-corporate U.S. Holders might be eligible for preferential capital gains tax rates. The U.S. Holder’s adjusted tax basis in the common shares will be increased to reflect any income included under the QEF election. Distributions of previously taxed income will not be subject to tax upon distribution but will decrease the U.S. Holder’s tax basis in the common shares. An electing U.S. Holder would not, however, be entitled to a deduction for its pro-rata share of any losses that we incur with respect to any taxable year. An electing U.S. Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common shares. A U.S. Holder would make a timely QEF election for our common shares by filing IRS Form 8621 with its U.S. federal income tax return for the first year in which it held such shares when we were a PFIC. If we determine that we are a PFIC for any taxable year, we would provide each U.S. Holder with all necessary information in order to make the QEF election described above.

Taxation of U.S. Holders Making a “Mark-to-Market” Election. Alternatively, if we were treated as a PFIC for any taxable year and, as we anticipate, our common shares are treated as “marketable stock,” a U.S. Holder would be allowed to make a “mark-to-market” election with respect to our common shares. If that election is properly and timely made, the U.S. Holder generally would include as ordinary income in each taxable year that we are a PFIC the excess, if any, of the fair market value of the common shares at the end of the taxable year over such U.S. Holder’s adjusted tax basis in the common shares. The U.S. Holder would also be permitted an ordinary loss in each such year in respect of the excess, if any, of the U.S. Holder’s adjusted tax basis in the common shares over their fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder’s tax basis in its common shares would be adjusted to reflect any such income or loss amount recognized. Any gain realized on the sale, exchange or other disposition of our common shares in a year that we are a PFIC would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common shares in such a year would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the U.S. Holder.

Taxation of U.S. Holders Not Making a Timely QEF or Mark-to-Market Election. If we were treated as a PFIC for any taxable year, a U.S. Holder that does not make either a QEF election or a “mark-to-market” election (a “Non-Electing Holder”) would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the common shares in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder’s holding period for the common shares), and (2) any gain realized on the sale, exchange or other disposition of our common shares. Under these special rules:

- (1) the excess distribution or gain would be allocated ratably over the Non-Electing Holder’s aggregate holding period for the common shares;
- (2) the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, would be taxed as ordinary income and would not be “qualified dividend income”; and

(3) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed tax deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

U.S. Holders are urged to consult their tax advisors concerning the U.S. federal income tax consequences of holding common shares if we are considered a PFIC in any taxable year.

U.S. Federal Income Taxation of Non-U.S. Holders

As used herein, a “Non-U.S. Holder” is any beneficial owner of a common share that is, for U.S. federal income tax purposes, an individual, corporation, estate or trust and that is not a U.S. Holder.

If a pass-through entity, including a partnership or other entity classified as a partnership for U.S. federal income tax purposes, is a beneficial owner of our common shares, the U.S. federal income tax treatment of an owner or partner will generally depend upon the status of such owner or partner and upon the activities of the pass-through entity. Owners or partners of a pass-through entity that is a beneficial owner of common shares are encouraged to consult their tax advisors.

Distributions

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on dividends received from us with respect to our common shares, unless that income is effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States. In general, if the Non-U.S. Holder is entitled to the benefits of an applicable U.S. income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States.

Sale, Exchange or Other Disposition of Common Shares

A Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized upon the sale, exchange or other disposition of our common shares, unless:

(1) the gain is effectively connected with the Non-U.S. Holder’s conduct of a trade or business in the United States; in general, in the case of a Non-U.S. Holder entitled to the benefits of an applicable U.S. income tax treaty with respect to that gain, that gain is taxable only if it is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States; or

(2) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

Income or Gains Effectively Connected with a U.S. Trade or Business

If the Non-U.S. Holder is engaged in a U.S. trade or business for U.S. federal income tax purposes, dividends on the common shares and gain from the sale, exchange or other disposition of the shares, that is effectively connected with the conduct of that trade or business (and, if required by an applicable U.S. income tax treaty, is attributable to a U.S. permanent establishment), will generally be subject to regular U.S. federal income tax in the same manner as discussed in the previous section relating to the taxation of U.S. Holders. In addition, in the case of a corporate Non-U.S. Holder, its earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional U.S. federal branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable U.S. income tax treaty.

Information Reporting and Backup Withholding

Information reporting might apply to dividends paid in respect of common shares and the proceeds from the sale, exchange or other disposition of common shares within the United States. Backup withholding (currently at a rate of 28%) might apply to such payments made to a U.S. Holder unless the U.S. Holder furnishes its taxpayer identification number, certifies that such number is correct, certifies that such U.S. Holder is not subject to backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. Certain U.S. Holders, including corporations, are generally not subject to backup withholding and information reporting requirements, if they properly demonstrate their eligibility for exemption. United States persons who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification). Each Non-U.S. Holder must submit an appropriate, properly completed IRS Form W-8 certifying, under penalties of perjury, to such Non-U.S. Holder's non-U.S. status in order to establish an exemption from backup withholding and information reporting requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against your U.S. federal income tax liability, provided that the required information is furnished to the IRS in a timely manner.

Certain U.S. Holders who are individuals are required to report information relating to our common shares, subject to certain exceptions (including an exception for common shares held in accounts maintained by certain financial institutions). U.S. Holders are urged to consult their tax advisors regarding their reporting requirements.

F. Dividends and paying agents

Not Applicable.

G. Statement by experts

Not Applicable.

H. Documents on display

You may read and copy any document that we file, including this annual report, and obtain copies at prescribed rates from the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling 1 (800) SEC-0330. The Commission maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the Commission. Our filings are also available on our website at <http://www.starbulk.com>. The information on our website, however, is not, and should not be deemed to be a part of this annual report. You may also obtain copies of the incorporated documents, without charge, upon written or oral request to Star Bulk Carriers Corp., c/o Star Bulk Management Inc., 40 Agiou Konstantinou Str., Maroussi, 15124, Athens, Greece.

I. Subsidiary information

Not Applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

Interest Rates

Our exposure to market risk for changes in interest rate relates primarily to our long-term debt. The international dry bulk industry is a capital intensive industry, requiring significant amounts of investment. Much of this investment is provided in the form of secured long-term debt. Our debt contains interest rates that fluctuate with LIBOR.

Significant increases in interest rates could adversely affect our operating margins, results of operations and our ability to service our debt.

From time to time, we may take positions in interest rate derivative contracts to manage interest costs and risk associated with changing interest rates with respect to our variable interest loans and credit facilities. Generally, our approach is to economically hedge a portion of the floating-rate debt associated with our vessels. We manage the exposure to the rest of our debt based on our outlook for interest rates and other factors.

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We are exposed to credit loss in the event of non-performance by the counterparties to the interest rate derivative contracts. In order to minimize counterparty risk, we only enter into derivative transactions with counterparties that bear an investment grade rate at the time of the transaction. In addition, to the extent possible and practical, we enter into interest rate derivative contracts with different counterparties to reduce concentration risk.

In June 2013, we entered into two interest rate derivative contracts with Credit Agricole Corporate and Investment Bank (the “Credit Agricole Swaps”) to fix forward our floating interest rate liabilities under the two tranches of the Credit Agricole \$70.0 million Facility. The Credit Agricole Swaps were based on an amortizing notional amount beginning from \$26.8 million and \$28.6 million, for the Star Borealis and Star Polaris tranches, respectively. The Credit Agricole Swaps came into effect in November and August 2014, and will mature in August and November 2018, for the Star Borealis and Star Polaris tranches, respectively. Under the terms of the Credit Agricole Swaps, we pay on a quarterly basis a fixed rate of 1.720% and 1.705% per annum for the Star Borealis and Star Polaris tranches, respectively, while receiving a variable amount equal to the three month LIBOR, both applied on the notional amount of the swaps outstanding at each settlement date. As of December 31, 2016, the notional amount of these swaps was \$23.0 million and \$24.1 million, for Star Borealis and Star Polaris, respectively.

In addition, on April 28, 2014, we entered into two interest rate derivative contracts (the “HSH Swaps”) to fix forward 50% of our floating interest rate derivative contracts for the HSH Nordbank \$35.0 million Facility. The HSH Swaps came into effect in September 2014 and mature in September 2018. Under the terms of the HSH Swaps, we pay on a quarterly basis a fixed rate of 1.765% per annum, while receiving a variable amount equal to the three month LIBOR, both applied on the notional amount of the swaps outstanding at each settlement date. As of December 31, 2016, the notional amount of these swaps was \$14.2 million.

Up to August 31, 2014, because the Credit Agricole Swaps and the HSH Swaps were not designated as accounting hedges, changes in their fair value at each reporting period up to that date were reported in earnings as a loss under “Gain/(Loss) on derivative financial instruments, net” in the consolidated statements of operations. On August 31, 2014, we designated the Credit Agricole Swaps and the HSH Swaps as cash flow hedges in accordance with ASC Topic 815, “Derivatives and Hedging.” Accordingly, the effective portion of these cash flow hedges, from September 1, 2014 to December 31, 2014, was reported in “Accumulated other comprehensive loss”, while the ineffective portion of these cash flow hedges is reported under “Gain / (Loss) on derivative financial instruments, net.”

As part of the Merger, we acquired five swap agreements that Oceanbulk Shipping had entered during the third quarter of 2013 with Goldman Sachs Bank USA (the “Goldman Sachs Swaps”). The Goldman Sachs Swaps came into effect on October 1, 2014 and mature on April 1, 2018. Under their terms, Oceanbulk Shipping makes quarterly payments to the counterparty at fixed rates ranging between 1.79% to 2.07% per annum, based on an aggregate notional amount beginning at \$186.3 million on July 1, 2015 and increasing up to \$461.3 million on October 1, 2015, and then gradually decreasing through maturity. The counterparty makes quarterly floating rate payments at three-month LIBOR to Oceanbulk Shipping based on the same notional amount. Upon the completion of the Merger, on July 11, 2014, we re-designated the Goldman Sachs Swaps as cash flow hedges in accordance with ASC Topic 815. Accordingly, the effective portion of these cash flow hedges, from that date to December 31, 2014, was reported in “Accumulated other comprehensive income/ (loss).” As of December 31, 2016 the notional amount of these swaps was \$412.1 million.

The weighted average fixed rate, as of December 31, 2016, for all the nine interest rate derivative contracts we had effective at that time was 1.82%.

Due to (i) changes in the timing of delivery of some of our newbuilding vessels and, by extension, the timing of some of the forecasted transactions, (ii) changes in LIBOR curves, and (iii) the sale of some of our vessels in 2016 whose loans had been designated as hedged items, we determined that the “highly effective” criterion of the hedging effectiveness test for the Goldman Sachs Swaps was not satisfied for the quarter ended June 30, 2016. Consequently, the hedging relationship related to the Goldman Sachs Swaps no longer qualifies for special hedge accounting, and as

of April 1, 2015, we de-designated the cash flow hedge related to the Goldman Sachs Swaps. As a result, changes in the fair value of these swaps since the date of de-designation, April 1, 2015, were reported in earnings under “Gain / (Loss) on derivative financial instruments, net.” The amount already reported up to March 31, 2015 in “Accumulated other comprehensive income/ (loss)” with respect to the corresponding swaps will be reclassified to earnings when the hedged forecasted transaction impacts our earnings (i.e., when the hedged loan interest is incurred), except for amounts related to loans of sold or expected to be sold vessels which are being reclassified to earnings when sale is probable, since the forecasted transaction attributable to these vessels is no longer expected to occur. The unamortized balance of “Accumulated other comprehensive income/ (loss)” with respect to the corresponding swaps as of December 31, 2016 was \$0.6 million.

During the year ended December 31, 2016, we recorded a loss on interest rate derivative contracts of \$2.1 million in “Gain / (Loss) on derivative financial instruments, net”, in the consolidated statement of operations, which resulted from realized losses (interest expenses incurred under the Goldman Sachs Swaps) of \$5.0 million and unrealized gains of \$3.0 million (from the change in the fair market value) of the Goldman Sachs Swaps derivative contracts during the year ended December 31, 2016 and the write-off of unrealized losses, previously accumulated to “Accumulated other comprehensive income/ (loss),” related to the forecasted transaction attributable to sold or expected to be sold vessels which are no longer expected to occur, as discussed above, of \$0.04 million. In addition, as of December 31, 2016, we recorded a loss of \$0.4 million in “Accumulated other comprehensive income/ (loss)” resulting from the change in the fair market value of derivative contracts designation as cash flow hedges, as discussed above.

As of December 31, 2016, the floating rate portion of our long-term obligations consisted of senior secured credit facilities and capital lease obligations and the fixed rate portion consisted of the 2019 Notes and capital lease obligations for certain operating vessels. The total interest expense of our long-term debt obligations for the year ended December 31, 2016 was \$40.5 million, including the effects of the effective cash flow hedges. Our estimated total interest expense for the year ending December 31, 2017 is expected to be \$42.9 million. Our estimated amount of interest expense reflects interest payments we expect to make with respect to our long-term debt obligations our capital lease obligations, as well as the 8% 2019 Notes. The interest expense related to the floating rate portion of our long-term debt obligations reflects an assumed LIBOR-based applicable rate of 0.99789% (the three-month LIBOR rate as of December 31, 2016) plus the relevant margin of the applicable credit facility and the interest expense related to the floating rate portion of our capital lease obligations reflects an assumed LIBOR-based applicable rate of 1.31767% (the six-month LIBOR rate as of December 31, 2016) plus the relevant margin of the applicable capital lease. The following table sets forth the sensitivity of our existing long-term obligations in millions of Dollars, as of December 31, 2016, as to a 100 basis point increase in LIBOR during the next five years:

For the year ending December 31,	Estimated amount of interest expense	Estimated amount of interest expense after an increase of 100 basis points	Sensitivity
2017	42.9	49.9	7.0
2018	41.7	49.1	7.3
2019	30.8	35.8	5.0
2020	16.6	19.3	2.6
2021	10.5	11.9	1.3

The table below provides information about our financial instruments at December 31, 2016, that are sensitive to changes in interest rates, including our debt and interest rate derivative contracts. For long-term debt, the table presents expected outstanding balances and related weighted-average interest rates by expected maturity dates. For interest rate derivative contracts, the table presents notional amounts and weighted-average fixed pay interest rates by expected contractual maturity dates. Generally, our interest rate derivative contracts involve the receipt of floating payments based on the three-month LIBOR and the payment of fixed amounts based on a fixed rate specified in each swap agreement, on a quarterly basis.

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In thousands of Dollars	As of year ended December 31,				
	2017	2018	2019	2020	2021
Long-Term Debt:					
Variable Rate Debt, outstanding balance	\$835,395	\$664,935	\$349,316	\$278,415	\$140,807
Average Interest Rate on Variable Debt ⁽¹⁾	4.2 %	4.5 %	4.7 %	4.4 %	4.0 %
Fixed-Rate Debt, outstanding balance	120,190	115,200	56,820	46,780	36,370
Average Interest Rate on Fixed Debt ⁽²⁾	6.4 %	6.5 %	6.2 %	5.5 %	5.3 %
Interest Rate Derivative Contracts: ⁽³⁾					
Notional Amount Balance ⁽⁴⁾	\$428,842	\$-	\$-	\$-	\$-
Average Fixed Pay Rate	1.8 %	-	-	-	-

(1) Average Interest Rate on Variable Debt represents the weighted average interest rate for our floating rate debt comprising of LIBOR rate as of December 31, 2016 and applicable margin.

(2) Average Interest Rate on Fixed Debt represents the annual coupon for our 8.00% 2019 Notes and the average interest rate on certain of our bareboat capital lease commitments outstanding as of December 31, 2016.

(3) Our interest rate derivative contracts involve the receipt of floating payments based on the three month LIBOR and the payment of fixed amounts based on a fixed rate specified in each swap agreement, on a quarterly basis.

(4) All of interest swap derivative contracts expire within 2018.

Currency and Exchange Rates

We generate all of our revenues in Dollars and operating expenses in currencies other than the Dollar are approximately 8% of total operating expenses during 2016. Further, 75% of our General and administrative expenses, excluding expenses of \$4.2 million relating to the amortization of stock based compensation recognized in connection with the restricted shares issued to directors and employees, including consulting fees, salaries and traveling expenses were incurred in currencies other than the Dollar (mainly Euros) during 2016. For accounting purposes, expenses incurred in Euros are converted into Dollars at the exchange rate prevailing on the date of each transaction. Because a significant portion of our expenses are incurred in currencies other than the Dollar, our expenses may from time to time increase relative to our revenues as a result of fluctuations in exchange rates, particularly between the Dollar and the Euro, which could affect the amount of net income that we report in future periods. As of December 31, 2016, the effect of a 1% adverse movement in Dollar/Euro exchange rates would have resulted in an increase of \$151,644 and \$52,605 in our General and administrative expense and our operating expenses, respectively. While we historically have not mitigated the risk associated with exchange rate fluctuations through the use of financial derivatives, we may determine to employ such instruments from time to time in the future in order to minimize this risk. The use of financial derivatives, including foreign exchange forward agreements, would involve certain risks, including the risk that losses on a hedged position could exceed the nominal amount invested in the instrument and the risk that the counterparty to the derivative transaction may be unable or unwilling to satisfy its contractual obligations, which could have an adverse effect on our results.

Freight Derivatives

From time to time, we may take positions in freight derivatives, including Freight Forward Agreements (“FFAs”) and freight options. Generally freight derivatives may be used to hedge a vessel owner’s exposure to the charter market for a specified route and period of time. Upon settlement, if the contracted charter rate is less than the average of the rates reported on an identified index for the specified route and time period, the seller of the FFA is required to pay the buyer an amount equal to the difference between the contracted rate and the settlement rate, multiplied by the number of days of the specified period. Conversely, if the contracted rate is greater than the settlement rate, the buyer is required to pay the seller the settlement sum. If we take positions in FFAs or other derivative instruments we could suffer losses in the settling or termination of these agreements. This could adversely affect our results of operation and cash flow.

During the year ended December 31, 2012, we entered into a limited number of FFAs and freight options on the Capesize and Panamax and Supramax indexes. We used these freight derivatives as an economic hedge to reduce the risk on specific vessels trading in the spot market, or to take advantage of short term fluctuations in the market prices. Our freight derivatives do not qualify as cash flow hedges for accounting purposes and therefore gains or losses are recognized in the accompanying consolidated statements of operations. FFAs are settled on a daily basis through reputable exchanges such as London Clearing House or Singapore Exchange (SGX). Customary requirements for trading in FFAs include the maintenance of initial and variation margins based on expected volatility, open position and mark to market of the contracts. Freight options are treated as assets/liabilities until they are settled. During the years ended December 31, 2015, 2014 and 2013, we did not enter into FFAs and freight options and therefore we did not record any gain or loss from freight derivatives. During the year ended December 31, 2016, we entered into a certain number of FFAs on the Capesize, Panamax and Supramax indexes. As part of these FFAs, we recognized a gain of \$0.4 million during the year ended December 31, 2016 while the open position as of December 31, 2016 was an asset of \$0.04 million.

Item 12. Description of Securities Other than Equity Securities

A. Debt securities

Not Applicable.

B. Warrants and rights

Not Applicable.

C. Other securities

Not Applicable.

D. American depository shares

Not Applicable.

PART II.

Item 13. Defaults, Dividend Arrearages and Delinquencies

See “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources.”

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not Applicable.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures

As of December 31, 2016, our management (with the participation of our Chief Executive Officer and Co-Chief Financial Officers) conducted an evaluation pursuant to Rule 13a-15 and 15d-15 promulgated under the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the evaluation, our Chief Executive Officer and Co-Chief Financial Officers concluded that as of December 31, 2016, our disclosure controls and procedures, which include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to the management, including our Chief Executive Officer and Co-Chief Financial Officers, as appropriate to allow timely decisions regarding required disclosure, were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Commission.

(b) Management’s Annual Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15 and 15d-15 under the Securities and Exchange Act of 1934, as amended. Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Co-Chief Financial Officers, and carried out by our board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our consolidated financial statements for external reporting purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes policies and procedures that:

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the consolidated financial statements.

Management has conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in the “Internal Control – Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, (2013 Framework).

Based on this assessment, management has determined that our internal control over financial reporting as of December 31, 2016 is effective.

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(c) Attestation Report of the Independent Registered Public Accounting Firm

The attestation report on the Company’s internal control over financial reporting issued by the registered public accounting firm that audited the consolidated financial statements Ernst & Young (Hellas) Certified Auditors-Accountants S.A., appears under “Item 18. Financial Statements” of this annual report and is incorporated herein by reference.

(d) Changes in Internal Control over Financial Reporting

There were no other changes in our internal controls over financial reporting that occurred during the period covered by this Annual Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and the Co-Chief Financial Officers, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Further, in the design and evaluation of our disclosure controls and procedures our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 16A. Audit Committee Financial Expert

Our board of directors has determined that Mr. Softeland, whose biographical details are included in Item 6. “Directors and Senior Management,” the chairman of our Audit Committee qualifies as a financial expert and is considered to be independent according to the Commission rules.

Item 16B. Code of Ethics

We have adopted a code of ethics that applies to our directors, officers and employees. A copy of our code of ethics is posted in the “Corporate Governance” section of Star Bulk Carriers Corp. website, and may be viewed at <http://www.starbulk.com>. We will also provide a hard copy of our code of ethics free of charge upon written request of a shareholder. Shareholders may direct their requests to the attention of Investor Relations, c/o Star Bulk Management Inc., 40 Agiou Konstantinou Str., Maroussi 15124, Athens, Greece.

Item 16C. Principal Accountant Fees and Services

Ernst & Young (Hellas) Certified Auditors - Accountants S.A, an independent registered public accounting firm, has audited our annual financial statements acting as our independent auditor for the fiscal years ended December 31, 2015 and 2016. This table below sets forth the total amounts billed and accrued for Ernst & Young services regarding fiscal years 2015 and 2016 and breaks down these amounts by category of services:

(In thousands of Dollars)	2015	2016
Audit fees ^(a)	\$670	\$714
Audit-related fees ^(b)	113	—
Tax fees ^(c)	—	—

All other fees ^(d)	—	—
Total fees	\$783	\$714

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(a) **Audit Fees:** Audit fees represent professional services rendered for the audit of our annual financial statements and services provided by the principal accountant in connection with statutory and regulatory filings or engagements.

(b) **Audit-Related Fees:** Audit-related fees consisted of assurance and other services which have not been reported under Audit Fees above.

(c) **Tax Fees:** Tax fees represent fees for professional services for tax compliance, tax advice and tax planning.

(d) **All Other Fees:** All other fees include services other than audit fees, audit-related fees and tax fees set forth above.

The Audit Committee is responsible for the appointment, replacement, compensation, evaluation and oversight of the work of the independent auditors. As part of this responsibility, the Audit Committee pre-approves the audit and non-audit services performed by the independent auditors in order to assure that they do not impair the auditor's independence from the Company. The Audit Committee has adopted a policy which sets forth the procedures and the conditions pursuant to which services proposed to be performed by the independent auditors may be pre-approved.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not Applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not Applicable.

Item 16F. Change in Registrants Certifying Accountant

None.

Item 16G. Corporate Governance

As a foreign private issuer, we are permitted to follow home country practices in lieu of certain Nasdaq corporate governance requirements. We have certified to Nasdaq that our corporate governance practices are in compliance with, and are not prohibited by, the laws of the Republic of the Marshall Islands. We are exempt from many of Nasdaq's corporate governance practices other than the requirements regarding the disclosure of a going concern audit opinion, submission of a listing agreement, notification of material non-compliance with Nasdaq corporate governance practices, the voting rights agreement and the establishment and composition of an audit committee and a formal written audit committee charter. The practices we follow in lieu of Nasdaq's corporate governance requirements are as follows:

While our board of directors is currently comprised of directors a majority of whom are independent, we cannot assure you that in the future we will have a majority of independent directors. Our board of directors does not hold annual meetings at which only independent directors are present.

Consistent with Marshall Islands law requirements, in lieu of obtaining an independent review of related party transactions for conflicts of interests, our Bylaws require any director who has a potential conflict of interest to identify and declare the nature of the conflict to the board of directors at the next meeting of the board of directors. Our code of ethics and Bylaws additionally provide that related party transactions must be approved by a majority of the independent and disinterested directors. If the votes of such independent and disinterested directors are insufficient to constitute an act of the board of directors, then the related party transaction may be approved by a unanimous vote of the disinterested directors.

In lieu of obtaining shareholder approval prior to the issuance of designated securities, we plan to obtain the approval of our board of directors for such share issuances.

In lieu of an audit committee comprised of a minimum of three directors all of whom are independent and a compensation committee comprised solely of independent directors, our audit committee consists of three independent directors and our compensation committee consists of an executive director and two independent directors.

As a foreign private issuer, we are not required to solicit proxies or provide proxy statements to Nasdaq pursuant to Nasdaq corporate governance rules or Marshall Islands law. Consistent with Marshall Islands law and as provided in Bylaws, we will notify our shareholders of meetings between 10 and 60 days before the meeting. This notification will contain, among other things, information regarding business to be transacted at the meeting. In addition, our Bylaws provide that shareholders must give between 120 and 180 days advance notice to properly introduce any business at a meeting of the shareholders.

Other than as noted above, we are in full compliance with applicable Nasdaq corporate governance standard requirements for U.S. domestic issuers.

Item 16H. Mine Safety Disclosure

Not Applicable.

PART III.

Item 17. Financial Statements

See Item 18. “Financial Statements.”

Item 18. Financial Statements

The financial statements beginning on page F-1 together with the respective reports of the Independent Registered Public Accounting Firms are filed as part of this annual report.

Item 19. Exhibits

Exhibits Number	Description
1.1	Fourth Amended and Restated Articles of Incorporation of Star Bulk Carriers Corp. (included as Exhibit 3.1 of the Company’s Form 6-K, which was filed with the Commission on June 23, 2016 and incorporated herein by reference).
1.2	Third Amended and Restated Bylaws of the Company (included as Exhibit 1.2 of the Company’s Form 20-F, which was filed with the Commission on April 8, 2015 and incorporated herein by reference)
2.1	Form of Share Certificate (included as Exhibit 2.1 of the Company’s Form 20-F, which was filed with the Commission on April 8, 2015 and incorporated herein by reference)
2.2	Base Indenture, dated as of November 6, 2014, between the Company and U.S. Bank National Association, as trustee (the “Trustee”) (included as Exhibit 4.1 to the Company’s Current Report on Form 6-K, dated November 7, 2014 and incorporated herein by reference)
2.3	First Supplemental Indenture, dated as of November 6, 2014, between the Company and the Trustee (included as Exhibit 4.1 to the Company’s Current Report on Form 6-K, dated November 7, 2014 and incorporated herein by reference)
4.1	Purchase Agreement, dated as of May 1, 2013, by and among Star Bulk Carriers Corp. and the purchasers named therein (included as Exhibit 99.1 of the Company’s Schedule 13D, which was filed with the Commission on August 5, 2013 and incorporated herein by reference)
4.2	Amended and Restated Registration Rights Agreement dated July 11, 2014 (included as Annex B to Exhibit 99.1 to the Company’s Current Report on Form 6-K, dated June 20, 2014 and incorporated herein by reference)
4.3	Amendment No.1 to Amended and Restated Registration Rights Agreement dated August 28, 2014 (included as Exhibit 99.2 to the Company’s Current Report on Form 6-K, dated September 3, 2014 and incorporated herein by reference)
4.4	Agreement and Plan of Merger dated June 16, 2014 (included as Exhibit 99.2 to the Company’s Current Report on Form 6-K, dated June 16, 2014 and incorporated herein by reference)
4.5	Oaktree Shareholders Agreement (included as Annex B to Exhibit 99.1 to the Company’s Current Report on Form 6-K, dated June 20, 2014 and incorporated herein by reference)

- 4.6 Pappas Shareholder Agreement by and among the Company and the parties named therein dated July 11, 2014 (included as Exhibit 99.3 to the Company's Current Report on Form 6-K, dated June 16, 2014 and incorporated herein by reference)

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- 4.7 Vessel Purchase Agreement by and among the Company, Excel and Christine Shipco Holdings Corp. dated August 19, 2014 (included as Exhibit 99.1 to the Company's Current Report on Form 6-K, dated September 3, 2014 and incorporated herein by reference)
- 4.8 Underwriting Agreement, dated October 30, 2014, between Star Bulk Carriers Corp. and the underwriters named on Schedule I thereto. (included as Exhibit 1.1 to the Company's Current Report on Form 6-K, dated November 07, 2014 and incorporated herein by reference)
- 4.9 Underwriting Agreement, dated January 9, 2015, between Jefferies LLC and Morgan Stanley & Co. LLC, as representatives of the other several underwriters listed in Schedule I thereto, and Star Bulk Carriers Corp. (included as Exhibit 1.1 to the Company's Current Report on Form 6-K, dated January 15, 2015 and incorporated herein by reference)
- 4.10 Placement Agency Agreement, dated May 13, 2015, between Clarksons Platou Securities, Inc., as manager of the placement agents listed in Schedule I thereto, and Star Bulk Carriers Corp. (included as Exhibit 1.1 to the Company's Current Report on Form 6-K, dated April 19, 2015 and incorporated herein by reference)
- 4.11 Underwriting Agreement, dated September 15, 2016, among Citigroup Global Markets Inc., Clarksons Platou Securities, Inc., Deutsche Bank Securities Inc. and DNB Markets, Inc., as representatives of the several underwriters listed in Schedule I thereto, and Star Bulk Carriers Corp. (included as Exhibit 1.1 to the Company's Current Report on Form 6-K, dated September 20, 2016 and incorporated herein by reference)
- 4.12 2013 Equity Incentive Plan (included as Exhibit 4.4 of the Company's Form F-1, which was filed with the Commission on May 2, 2013 and incorporated herein by reference)
- 4.13 2014 Equity Incentive Plan (included as Exhibit 2.6 of the Company's Form 20-F, which was filed with the Commission on March 21, 2014 and incorporated herein by reference)
- 4.14 2015 Equity Incentive Plan (included as Exhibit 4.13 of the Company's Form 20-F, which was filed with the Commission on March 23, 2016 and incorporated herein by reference)
- 4.15 2016 Equity Incentive Plan
- 6.1 For earnings per share calculation, see "Item 18. Financial Statements—Note 13."
- 8.1 For a list of all our subsidiaries, see "Item 18. Financial Statements—Note 1."
- 11.1 Code of Ethics (included as Exhibit 11.1 of the Company's Form 20-F, which was filed with the Commission on April 8, 2015 and incorporated herein by reference)
- 12.1 Certification of the Principal Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
- 12.2 Certification of the Principal Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
- 13.1 Certification of the Principal Executive Officer pursuant to 18 USC Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 13.2 Certification of the Principal Financial Officer pursuant to 18 USC Section 1350, as adopted, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

- 15.1 Consent of Independent Registered Public Accounting Firm (Ernst & Young (Hellas) Certified Auditors - Accountants S.A.)
- 101 The following materials from the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2016, formatted in Extensible Business Reporting Language (XBRL):
- (i) Consolidated Balance Sheets as of December 31, 2015 and 2016;
 - (ii) Consolidated Statements of Operations for the years ended December 31, 2014, 2015 and 2016;
 - (iii) Consolidated Statements of Comprehensive Income/ (Loss) for the years ended December 31, 2014, 2015 and 2016;
 - (iv) Consolidated Statements of Shareholders' Equity for the for the years ended December 31, 2014, 2015 and 2016;
 - (v) Consolidated Statements of Cash Flows for the for the years ended December 31, 2014, 2015 and 2016;
and
 - (vi) the Notes to Consolidated Financial Statements.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Star Bulk Carriers Corp.
(Registrant)

Date: March 21, 2017 By: /s/ Petros Pappas
Name: Petros Pappas
Title: Chief Executive Officer

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STAR BULK CARRIERS CORP.

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Certified Auditors – Accountants S.A. Fax: +30 210 2886 905
Chimarras 8B, Maroussi, 151 25, Greece ey.com

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Star Bulk Carriers Corp.

We have audited the accompanying consolidated balance sheets of Star Bulk Carriers Corp. (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, stockholders’ equity and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Star Bulk Carriers Corp. at December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016 in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Star Bulk Carriers Corp.’s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young (Hellas) Certified Auditors - Accountants S.A.
Athens, Greece
March 21, 2017
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of Star Bulk Carriers Corp.

We have audited Star Bulk Carriers Corp. 's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Star Bulk Carriers Corp.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Star Bulk Carriers Corp. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Star Bulk Carriers Corp. as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2016 of Star Bulk Carriers Corp. and our report dated March 21, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young (Hellas) Certified Auditors - Accountants S.A.
Athens, Greece
March 21, 2017

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STAR BULK CARRIERS CORP.

Consolidated Balance Sheets

As of December 31, 2015 and 2016

(Expressed in thousands of U.S. dollars except for share and per share data)

	2015	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$208,056	\$181,758
Restricted cash, current (Note 8)	3,769	5,121
Trade accounts receivable, net	10,889	12,572
Inventories (Note 4)	14,247	14,534
Due from managers	-	1,430
Due from related parties (Note 3)	1,209	922
Prepaid expenses and other receivables	8,604	5,641
Derivative asset, current (Note 18)	-	41
Other current assets	5,284	6,447
Total Current Assets	252,058	228,466
FIXED ASSETS		
Advances for vessels under construction and acquisition of vessels (Note 6)	127,910	64,570
Vessels and other fixed assets, net (Note 5)	1,757,552	1,707,209
Total Fixed Assets	1,885,462	1,771,779
OTHER NON-CURRENT ASSETS		
Long-term investment (Note 3)	844	970
Restricted cash, non-current (Note 8)	10,228	8,883
Fair value of above market acquired time charter (Note 7)	254	-
Other non-current assets (Note 6)	-	1,604
TOTAL ASSETS	\$2,148,846	\$2,011,702
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long term debt (Note 8)	\$127,141	\$-
Lease commitments short term (Note 5 & Note 8)	4,490	6,235
Accounts payable	9,436	5,200
Due to related parties (Note 3)	422	356
Due to managers	2,291	-
Accrued liabilities (Note 14)	14,773	11,719
Derivative liability, current (Note 18)	5,931	2,549
Deferred revenue	2,465	2,060
Total Current Liabilities	166,949	28,119
NON-CURRENT LIABILITIES		
8.00% 2019 Notes, net of unamortized deferred finance fees of \$1,677 and \$1,243, respectively (Note 8)	48,323	48,757
Long term debt, net of current portion and unamortized deferred finance fees of \$14,360 and \$9,214, respectively (Note 8)	720,237	743,719
Lease commitments long term, net of unamortized deferred finance fees of \$nil and \$39, respectively (Note 5 & Note 8)	75,030	152,613
Derivative liability, non-current (Note 18)	2,518	796

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Other non-current liabilities	431	468
TOTAL LIABILITIES	1,013,488	974,472
COMMITMENTS & CONTINGENCIES (Note 16)	-	-
STOCKHOLDERS' EQUITY		
Preferred Stock; \$0.01 par value, authorized 25,000,000 shares; none issued or outstanding at December 31, 2015 and 2016 (Note 9)	-	-
Common Stock, \$0.01 par value, 300,000,000 shares authorized; 43,821,114 and 56,628,907 shares issued and outstanding at December 31, 2015 and 2016, respectively (Note 9)	438	566
Additional paid in capital (Note 9)	2,008,440	2,063,490
Accumulated other comprehensive income/(loss) (Note 18)	(1,216)	(294)
Accumulated deficit	(872,304)	(1,026,532)
Total Stockholders' Equity	1,135,358	1,037,230
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,148,846	\$2,011,702

The accompanying notes are integral part of these consolidated financial statements.

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STAR BULK CARRIERS CORP.

Consolidated Statements of Operations

For the years ended December 31, 2014, 2015 and 2016

(Expressed in thousands of U.S. dollars except for share and per share data)

	2014	2015	2016
Revenues:			
Voyage revenues	\$ 145,041	\$ 234,035	\$ 221,987
Management fee income (Note 3)	2,346	251	119
	147,387	234,286	222,106
Expenses			
Voyage expenses (Note 17)	42,341	72,877	65,821
Charter-in hire expenses	-	1,025	3,550
Vessel operating expenses (Note 17)	53,096	112,796	98,830
Dry docking expenses	5,363	14,950	6,023
Depreciation	37,150	82,070	81,935
Management fees (Note 11)	158	8,436	7,604
General and administrative expenses	32,723	23,621	24,602
Bad debt expense	215	-	-
Impairment loss (Note 5, Note 6 and Note 18)	-	321,978	29,221
Loss on time-charter agreement termination (Note 7)	-	2,114	-
Other operational loss	94	-	503
Other operational gain (Note 10)	(10,003)	(592)	(1,565)
(Gain)/Loss on forward freight agreements (Note 18)	-	-	(411)
Loss on sale of vessel (Note 5)	-	20,585	15,248
Gain from bargain purchase (Note 1)	(12,318)	-	-
	148,819	659,860	331,361
Operating income/(loss)	(1,432)	(425,574)	(109,255)
Other Income/(Expenses):			
Interest and finance costs (Note 8)	(9,575)	(29,661)	(41,217)
Interest and other income	629	1,090	876
Gain/(Loss) on derivative financial instruments, net (Note 18)	(799)	(3,268)	(2,116)
Loss on debt extinguishment (Note 8)	(652)	(974)	(2,375)
Total other expenses, net	(10,397)	(32,813)	(44,832)
Income/(Loss) before equity in income of investee	(11,829)	(458,387)	(154,087)
Equity in income of investee (Note 3)	106	210	126
Income/(loss) before taxes	\$(11,723)	\$(458,177)	\$(153,961)
Income taxes (Note 15)	-	-	(267)
Net income/(loss)	\$(11,723)	\$(458,177)	\$(154,228)
Earnings/(loss) per share, basic (Note 13)	\$(1.00)	\$(11.71)	\$(3.24)
Earnings/(loss) per share, diluted (Note 13)	\$(1.00)	\$(11.71)	\$(3.24)
Weighted average number of shares outstanding, basic (Note 13)	11,688,239	39,124,673	47,574,454
Weighted average number of shares outstanding, diluted (Note 13)	11,688,239	39,124,673	47,574,454

The accompanying notes are an integral part of these consolidated financial statements.

STAR BULK CARRIERS CORP.

Consolidated Statements of Comprehensive Income / (Loss)

For the years ended December 31, 2014, 2015 and 2016

(Expressed in thousands of U.S. dollars except for share and per share data)

	2014	2015	2016
Net income/(loss):	\$(11,723)	\$(458,177)	\$(154,228)
Other comprehensive income/(loss):			
Unrealized gain/(loss) from cash flow hedges:			
Unrealized gain/(loss) from hedging interest rate swaps recognized in Other comprehensive income / (loss) before reclassifications (Note 18)	(1,433)	(5,047)	(372)
Less:			
Reclassification adjustments of interest rate swap loss (Note 18)	1,055	4,209	1,294
Other comprehensive income/(loss):	(378)	(838)	922
Comprehensive income/(loss)	\$(12,101)	\$(459,015)	\$(153,306)

The accompanying notes are an integral part of these consolidated financial statements.

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STAR BULK CARRIERS CORP.

Consolidated Statements of Stockholders' Equity

For the years ended December 31, 2014, 2015 and 2016

(Expressed in thousands of U.S. dollars except for share and per share data)

	Common Stock		Additional Paid-in Capital	Other Comprehensive income/(loss)	Accumulated deficit	Total Stockholders' Equity
	# of Shares	Par Value				
BALANCE, December 31, 2013	5,811,906	\$ 58	\$668,452	\$ -	\$(402,404)	\$266,106
Net income/(loss) for the year ended December 31, 2014	-	\$ -	\$-	\$ -	\$(11,723)	\$(11,723)
Other comprehensive loss	-	-	-	(378)	-	(378)
Issuance of common stock - Acquisition of 33% of Interchart (Note 9)	4,520	-	328	-	-	328
Issuance of vested and non-vested shares and amortization of stock-based compensation (Note 12)	116,068	1	5,833	-	-	5,834
Issuance of common stock Merger & Pappas Transaction (Note 1)	10,397,699	104	616,168	-	-	616,272
Issuance of common stock Heron Transaction in escrow account (Note 1)	423,141	4	25,075	-	-	25,079
Issuance of common stock Excel Transactions (Note 1)	5,131,885	51	252,733	-	-	252,784
BALANCE, December 31, 2014	21,885,219	\$ 218	\$1,568,589	\$(378)	\$(414,127)	\$1,154,302
Net income/(loss) for the year ended December 31, 2015	-	\$ -	\$-	\$ -	\$(458,177)	\$(458,177)
Other comprehensive loss	-	-	-	(838)	-	(838)
Amortization of stock-based compensation (Note 12)	-	-	2,684	-	-	2,684
Issuance of common shares (Note 9)	21,050,084	211	417,586	-	-	417,797
Issuance of shares for commission to Oceanbulk Maritime (Note 3)	34,234	-	282	-	-	282
Issuance of vested and non-vested shares and amortization of stock-based compensation (Note 12)	851,577	9	19,299	-	-	19,308
BALANCE, December 31, 2015	43,821,114	\$ 438	\$2,008,440	\$(1,216)	\$(872,304)	\$1,135,358
Net income/(loss) for the year ended December 31, 2016	-	\$ -	\$-	\$ -	\$(154,228)	\$(154,228)
Other comprehensive loss	-	-	-	922	-	922
Issuance of vested and non-vested shares and amortization of	692,595	7	4,159	-	-	4,166

stock-based compensation (Note 12)						
Issuance of common shares (Note 9)	11,976,745	120	50,158	-	-	50,278
Issuance of shares for commission to Oceanbulk Maritime (Note 3)	138,453	1	733	-	-	734
BALANCE, December 31, 2016	56,628,907	\$ 566	\$2,063,490	\$ (294	) \$(1,026,532	) \$1,037,230

The accompanying notes are an integral part of these consolidated financial statements.

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STAR BULK CARRIERS CORP.

Consolidated Statements of Cash Flows

For the years ended December 31, 2014, 2015 and 2016

(Expressed in thousands of U.S. dollars)

	2014	2015	2016
Cash Flows from Operating Activities:			
Net income/(loss)	\$(11,723)	\$(458,177)	\$(154,228)
Adjustments to reconcile net loss to net cash provided by/(used in) operating activities:			
Depreciation	37,150	82,070	81,935
Amortization of fair value of above market acquired time charters (Note 7)	6,113	9,540	254
Amortization of deferred finance charges (Note 8)	681	2,732	2,855
Amortization of deferred gain (Note 5)	-	(22)	(75)
Loss on debt extinguishment (Note 8)	652	974	2,375
Loss on time-charter agreement termination (Note 7)	-	2,114	-
Impairment loss (Note 19)	-	321,978	29,221
Loss on sale of vessel (Note 5)	-	20,585	15,248
Stock-based compensation (Note 12)	5,834	2,684	4,166
Non-cash effects of derivatives (Note 18)	1,717	(121)	(4,223)
Other non-cash charges	66	38	112
Bad debt expense	215	-	-
Write-off of claim receivable	-	-	225
Gain from insurance claim	(237)	-	(1,472)
Gain from bargain purchase (Note 1)	(12,318)	-	-
Write-off of liability in other operational gain (non cash gain) (Note 10)	(1,361)	-	-
Equity in income of investee (Note 3)	(106)	(210)	(126)
Income tax	-	-	267
Changes in operating assets and liabilities:			
(Increase)/Decrease in:			
Restricted cash for forward freight derivatives	-	-	(216)
Trade accounts receivable	(16,057)	13,876	(1,683)
Inventories	(5,409)	121	(184)
Prepaid expenses and other current assets	(2,328)	(8,497)	3,142
Due from managers	-	-	(1,430)
Due from related parties	287	(964)	287
Increase/(Decrease) in:			
Accounts payable	1,995	(5,276)	(4,236)
Due to related parties	(449)	(1,744)	(66)
Accrued liabilities	6,713	1,465	(2,900)
Due to managers	-	2,291	(2,291)
Deferred revenue	1,384	(35)	(405)
Net cash provided by/(used in) Operating Activities	12,819	(14,578)	(33,448)
Cash Flows provided by/(used in) Investing Activities:			
Advances for vessels under construction and acquisition of vessels and other assets	(518,447)	(473,917)	(396,154)
Cash paid for above market acquired time charters (Note 7)	(4,856)	-	-
Cash proceeds from vessel sales (Note 5)	1,100	70,300	380,193
Long term investment (Note 3)	(200)	-	-
Cash received from Merger & Pappas Transaction (Note 1)	96,268	-	-

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Hull and Machinery Insurance proceeds	550	309	2,536
Proceeds from cancellation of vessels under construction	-	5,800	-
Decrease in restricted cash	35	4,500	7,251
Increase in restricted cash	(11,525)	(4,525)	(7,042)
Net cash provided by/(used in) Investing Activities	(437,075)	(397,533)	(13,216)
Cash Flows provided by/(used in) Financing Activities:			
Proceeds from bank loans, lease commitments and 8.00% 2019 Notes	637,207	373,993	151,763
Loan prepayments and repayments	(173,986)	(244,529)	(181,201)
Financing fees paid	(6,513)	(13,094)	(474)
Proceeds from issuance of common stock	-	418,771	50,589
Offering expenses paid related to the issuance of common stock	-	(974)	(311)
Net cash provided by/(used in) Financing Activities	456,708	534,167	20,366
Net increase in cash and cash equivalents	32,452	122,056	(26,298)
Cash and cash equivalents at beginning of the year	53,548	86,000	208,056
Cash and cash equivalents at end of the year	\$86,000	\$208,056	\$181,758
SUPPLEMENTAL CASH FLOW INFORMATION			
Cash paid during the year for:			
Interest, net of amount capitalized	5,803	29,813	47,997

The accompanying notes are an integral part of these consolidated financial statements.

STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

1 Basis of Presentation and General Information:

The accompanying consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016, include the accounts of Star Bulk Carriers Corp. (“Star Bulk”) and its wholly owned subsidiaries as set forth below (collectively, the “Company”).

Star Bulk was incorporated on December 13, 2006 under the laws of the Marshall Islands and maintains executive offices in Athens, Greece. The Company is engaged in the ocean transportation of dry bulk cargoes worldwide through the ownership and operation of dry bulk carrier vessels. Since December 3, 2007, Star Bulk shares trade on the NASDAQ Global Select Market under the ticker symbol SBLK.

Effective June 20, 2016, the Company effected a 5-for-1 reverse split of its issued and outstanding common shares (the “June 2016 Reverse Split”) (Note 9). All share and per share amounts disclosed in the accompanying financial statements give effect to this reverse stock split retroactively, for all periods presented.

The July 2014 Transactions

On July 11, 2014, the Company, as part of its growth strategy, completed a transaction that resulted in the acquisition of Oceanbulk Shipping LLC (“Oceanbulk Shipping”) and Oceanbulk Carriers LLC (“Oceanbulk Carriers”, and together with Oceanbulk Shipping, “Oceanbulk”) from Oaktree Dry Bulk Holdings LLC (including affiliated funds, “Oaktree”) and Millennia Holdings LLC (“Millennia Holdings”, and together with Oaktree, the “Oceanbulk Sellers” or “Sellers”) through the merger of the Company’s wholly-owned subsidiaries, Star Synergy LLC and Star Omas LLC, into Oceanbulk’s holding companies (the “Merger”). At the time of the Merger, Oceanbulk owned and operated a fleet of 12 dry bulk carrier vessels and owned contracts for the construction of 25 newbuilding fuel-efficient Eco-type dry bulk vessels at shipyards in Japan and China. Millennia Holdings is an entity that is affiliated with the family of Mr. Petros Pappas, who became the Company’s Chief Executive Officer in connection with the Merger.

The agreement governing the Merger, the “Merger Agreement”, also provided for the acquisition (the “Heron Transaction”) by the Company of two Kamsarmax vessels (the “Heron Vessels”), from Heron Ventures Ltd. (“Heron”), a limited liability company incorporated in Malta, which was a joint venture between Oceanbulk Shipping and a third party. Oceanbulk Shipping at the time of the Merger had an outstanding loan receivable of \$23,680 from Heron that was convertible into 50% of the equity interests of Heron (the “Heron Convertible Loan”). The Heron Convertible Loan was converted into 50% of the equity of Heron on November 5, 2014. The Company issued 423,141 of its common shares (adjusted for the June 2016 Reverse Split) into escrow as part of the consideration for the acquisition of the Heron Vessels. The common shares were released from escrow to the Sellers on January 30, 2015, following the transfer of the Heron Vessels to the Company on December 5, 2014. In addition to the issued shares, upon the delivery of the Heron vessels the Company paid \$25,000 in cash, which was financed by the Heron Vessels Facility (described in Note 8t), which the Company had entered in November 2014.

In addition, concurrently with the Merger, the Company completed a transaction (the “Pappas Transaction”), in which it acquired all of the issued and outstanding shares of Dioriga Shipping Co. and Positive Shipping Company (collectively, the “Pappas Companies”), which were entities owned and controlled by affiliates of the family of Mr. Pappas. At the time of the Merger, the Pappas Companies owned and operated a dry bulk carrier vessel (Tsu Ebisu) and had a contract for the construction of a newbuilding dry bulk carrier vessel (Indomitable - ex-HN 5016), which was delivered in January 2015. The Merger, the Heron Transaction and the Pappas Transaction are referred to, together, as the “July 2014 Transactions.”

STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

1. Basis of Presentation and General Information – (continued):

A total of 10,820,840 of the Company's common shares (adjusted for the June 2016 Reverse Split) were issued to the various selling parties in the July 2014 Transactions, consisting of 9,679,153 common shares consideration for the Merger with Oceanbulk, 718,546 common shares consideration for the acquisition of Pappas Companies and 423,141 common shares as partial consideration for the acquisition of the Heron Vessels.

The Merger and the Pappas Transaction have been reflected in the Company's consolidated financial statements for the year ended December 31, 2014, as purchases of businesses pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805, "Business Combinations", and the results of operations of Oceanbulk and the Pappas Companies have been included in the accompanying consolidated statement of operations since July 11, 2014, the date the Merger and the Pappas Transaction were completed. The following table summarizes the estimated fair values of the significant assets acquired and liabilities assumed by the Company on the date of the acquisition with respect to the Merger and the Pappas Transaction:

	July 11, 2014
Assets	
Cash and cash equivalents	\$ 89,887
Restricted cash	6,381
Other current assets	13,906
Advances for vessel acquisition and vessels under construction	316,786
Vessels	426,000
Fair value of above market acquired charters	1,967
Total Assets acquired	\$ 854,927
Liabilities	
Current liabilities, excluding current portion of long term bank debt and derivative financial liabilities	12,372
Long-term debt, including current portion	208,237
Derivative financial liabilities	5,728
Total Liabilities assumed	\$ 226,337
Net assets acquired	\$ 628,590
Consideration paid in common shares for Oceanbulk and Pappas Companies (10,397,699 shares issued)	616,272
Gain from Bargain Purchase	\$ 12,318

The purchase price allocation was prepared by the Company, assisted by a third party expert, based on management estimates and assumptions, making use of available market data and taking into consideration third party valuations. Major adjustments to record the acquired assets and assumed liabilities at fair value include:

a) a \$158,523 fair value adjustment recognized for vessels under construction, as supported by vessel valuations of independent shipbrokers on a fully delivered and charter free basis, through Level 2 of the fair value hierarchy based on observable inputs, prevailing in the sale and purchase market of similar vessels on June 23, 2014, which, according to the third party appraiser and management estimates and based on the then current market trends were not materially different from the values on July 11, 2014;

a \$79,465 fair value adjustment recognized for vessels in operation, as supported by vessel valuations of independent shipbrokers on a charter free basis, through Level 2 of the fair value hierarchy based on observable b)inputs, prevailing in the sale and purchase market of similar vessels on June 23, 2014, which, according to the third party appraiser and management estimates and based on the then current market trends were not materially different from the values on July 11, 2014;

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STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

1. Basis of Presentation and General Information – (continued):

a write-off of the Heron Convertible Loan of \$23,680, as further discussed below, on the basis that no economic benefit was expected to be provided to the Company from Heron's liquidation process (other than the distribution of c) the Heron Vessels in exchange for separate consideration of 423,141 common shares and \$25,000 in cash) with any distributable cash from the liquidation of Heron to be transferred to the former owners of Oceanbulk Shipping as further discussed in Note 16.2;

d) a write-off of \$3,003 deferred finance costs with respect to financing arrangements that, according to the third party appraiser and management estimates, were not expected to provide any ongoing benefit to the business;

e) a \$1,967 intangible asset recognized with respect to a fair value adjustment for two favorable charters under which Oceanbulk is the lessor, through Level 2 of the fair value hierarchy based on observable inputs, by comparing the discounted cash flows under the existing charters with those that could be obtained in the then current market by vessels of similar size and age for the remaining charter period. The respective intangible asset was amortized on a straight-line basis over the remaining period of the time charters (which terminated during the first and second quarter of 2016) (Note 7).

The fair value of the share consideration issued in connection with the July 2014 Transactions was based on the market price of \$59.27 per share of the Company's common shares (adjusted for the June 2016 Reverse Split).

The resulting gain from bargain purchase from the acquisition of Oceanbulk and the Pappas Companies of \$12,318 is separately presented in the accompanying consolidated statement of operations for the year ended December 31, 2014. The gain from bargain purchase is primarily attributable to the estimates of the fair value of the assets acquired and liabilities assumed and the subsequent stability or slightly declining market value of dry bulk carrier vessels since the signing of the agreements relating to the July 2014 Transactions, combined with the simultaneous decline in stock prices for most U.S. listed shipping companies, including Star Bulk, which had at the time of the Merger decreased by a greater amount than their net asset values.

The following unaudited financial information reflects the results of operations of Oceanbulk and Pappas Companies since the acquisition date, which are included in the Company's consolidated statement of operations for the year ended December 31, 2014:

	Oceanbulk	Pappas Companies
Voyage revenues	\$ 39,585	\$ 2,249
Operating income/(loss)	\$ (645)	\$ 111
Net loss	\$ (4,822)	\$ (213)

The following unaudited pro forma consolidated financial information reflects the results of operations for the year ended December 31, 2014, as if the Merger and the Pappas Transaction had been consummated on January 1, 2013 and after giving effect to purchase accounting adjustments, including the nonrecurring pro forma reversal of: (i) the gain from bargain purchase of \$12,318 in 2014; (ii) all acquisition-related transaction costs of \$12,757 in 2014; and (iii) the interest expense of \$1,412 in 2013 and \$1,816 in 2014, with respect to the convertible loan owed by Oceanbulk to its members, which was converted into equity because of the Merger, as if the conversion had taken place on January 1, 2013. These unaudited pro forma results have been prepared for comparative purposes only and do not purport to be indicative of what operating results would have been, had the Merger and the Pappas Transaction

actually taken place on January 1, 2013. In addition, these results are not intended to be a projection of future results and do not reflect any synergies that might be achieved from the combined operations:

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STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

1. Basis of Presentation and General Information – (continued):

	2014
Pro forma revenues	\$ 177,654
Pro forma operating loss	\$ (10,296)
Pro forma net loss	\$ (24,075)
Pro forma loss per share, basic and diluted	\$ (0.27)

The Heron Transaction has been reflected in the Company's consolidated financial statements for the year ended December 31, 2014, as a purchase of assets with the acquisition cost of the two Heron Vessels delivered on December 5, 2014, consisting of the value of the 423,141 common shares issued on July 11, 2014, of \$25,080, and \$25,000 in cash, financed by the Heron Vessels Facility (Note 8) being recorded within "Vessels and other fixed assets, net" in the accompanying consolidated balance sheets, net of accumulated depreciation. As discussed above, as part of the purchase price allocation as of July 11, 2014, the Company assigned zero value to the Heron Convertible Loan, as no economic benefit is expected to be provided to the Company from Heron's liquidation process, since any distributable cash from the liquidation of Heron will be transferred to the former owners of Oceanbulk Shipping and not to the Company as further discussed in Note 16.2.

On September 5, 2014, Oceanbulk Shipping, which became, following the Merger a wholly owned subsidiary of Star Bulk, entered into a term sheet with ABY Group Holdings Limited ("ABY Group") and Heron. The term sheet provided for the conversion of the Heron Convertible Loan. Among other things, the term sheet contained customary governance provisions and provisions relating to the liquidation of Heron following the conversion of the Heron Convertible Loan. Under the term sheet, Oceanbulk Shipping received as a distribution the vessels Star Gwyneth (ex-ABYO Gwyneth) and Star Angelina (ex-ABYO Angelina) (two Kamsarmax vessels of 82,790 dwt and 82,981 dwt, respectively), and ABY Group received, as a distribution, the ABYO Audrey (a Capesize vessel of 175,125 dwt) and the ABYO Oprah (a Kamsarmax vessel of 82,551 dwt). On November 5, 2014, the conversion of the Heron Convertible Loan into 50% of the equity interests of Heron was completed. However, such conversion did not affect the Company's financial statements since, as further discussed above and in Note 16.2, pursuant to the provisions of the Merger Agreement, the former owners of Oceanbulk effectively remain the ultimate beneficial owners of Heron until Heron is dissolved and any distributable cash from the liquidation of Heron will be transferred to the former owners of Oceanbulk Shipping and not to the Company.

The Company incurred transaction costs and a stock based compensation expense relating to the July 2014 Transactions of \$9,364 and \$1,808, respectively, which are included in "General and administrative expenses" in the accompanying consolidated statement of operations for the year ended December 31, 2014.

The Excel Transactions

On August 19, 2014, the Company entered into definitive agreements with Excel Maritime Carriers Ltd. ("Excel") pursuant to which (the "Excel Transactions") the Company acquired 34 operating dry bulk vessels, consisting of six Capesize vessels, 14 sistership Kamsarmax vessels, 12 Panamax vessels and two Handymax vessels (the "Excel Vessels") for an aggregate consideration of 5,983,462 of its common shares (adjusted for the June 2016 Reverse Split)

(the “Excel Vessel Share Consideration”) and \$288,391 in cash (Note 3). The Excel Vessels were transferred to the Company in a series of closings, on a vessel-by-vessel basis, in general upon reaching port after their voyages and cargoes were discharged. The last Excel Vessel was delivered to the Company in April 2015.

In the case of three Excel Vessels (Star Martha (ex - Christine), Star Pauline (ex - Sandra) and Star Despoina (ex -Lowlands Beilun)), which were transferred subject to existing charters, the Company acquired the outstanding equity interests of the vessel-owning subsidiaries that own those Excel Vessels (although all other assets and liabilities of such vessel-owning subsidiaries remained with Excel). The delivery of each Excel Vessel has been reflected in the Company’s financial statements as a purchase of assets.

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STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

1. Basis of Presentation and General Information – (continued):

At the transfer of each Excel Vessel, the Company paid the cash and share consideration for such Excel Vessel to Excel. The Company used cash on hand, together with borrowings under (i) a \$231,000 secured bridge loan facility (the “Excel Vessel Bridge Facility”) provided to the Company by Excel’s majority equity holders, which are entities affiliated with Oaktree and entities affiliated with Angelo, Gordon & Co. (“Angelo, Gordon”), or (ii) other bank borrowings, to fund part of the cash consideration for the acquisition of the Excel Vessels (Notes 3 and 8). Excel used the cash consideration to cause an amount of outstanding indebtedness under its senior secured credit agreement to be repaid, such that all liens and obligations with respect to each transferred Excel Vessel were released upon its transfer to the Company.

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STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

1. Basis of Presentation and General Information – (continued):

Below is the list of the Company's wholly owned subsidiaries as of December 31, 2016:

Subsidiaries owning vessels in operation at December 31, 2016

Wholly Owned Subsidiaries	Vessel Name	DWT	Date Delivered to Star Bulk	Year Built
1 Star Ennea LLC	Star Poseidon	209,475	February 26, 2016	2016
2 Sea Diamond LLC	Goliath	209,537	July 15, 2015	2015
3 Pearl Shiptrade LLC	Gargantua	209,529	April 2, 2015	2015
4 Coral Cape Shipping LLC	Maharaj	209,472	July 15, 2015	2015
5 Star Seeker LLC	Star Libra (1)	207,765	June 6, 2016	2016
6 Clearwater Shipping LLC	Star Marisa (1)	207,709	March 11 2016	2016
7 Cape Ocean Maritime LLC	Leviathan	182,511	September 19, 2014	2014
8 Cape Horizon Shipping LLC	Peloreus	182,496	July 22, 2014	2014
9 Sandra Shipco LLC	Star Pauline	180,274	December 29, 2014	2008
10 Christine Shipco LLC	Star Martha	180,274	October 31, 2014	2010
11 Pacific Cape Shipping LLC	Pantagruel	180,181	July 11, 2014	2004
12 Star Borealis LLC	Star Borealis	179,678	September 9, 2011	2011
13 Star Polaris LLC	Star Polaris	179,600	November 14, 2011	2011
14 Star Trident V LLC	Star Angie	177,931	October 29, 2014	2007
15 Sky Cape Shipping LLC	Big Fish	177,662	July 11, 2014	2004
16 Global Cape Shipping LLC	Kymopolia	176,990	July 11, 2014	2006
17 Sea Cape Shipping LLC	Big Bang	174,109	July 11, 2014	2007
18 Star Aurora LLC	Star Aurora	171,199	September 8, 2010	2000
19 Star Trident VII LLC	Star Eleonora (Note 19)	164,218	December 3, 2014	2001
20 Nautical Shipping LLC	Amami	98,681	July 11, 2014	2011
21 Majestic Shipping LLC	Madredeus	98,681	July 11, 2014	2011
22 Star Sirius LLC	Star Sirius	98,681	March 7, 2014	2011
23 Star Vega LLC	Star Vega	98,681	February 13, 2014	2011
24 Star Alta I LLC	Star Angelina	82,981	December 5, 2014	2006
25 Star Alta II LLC	Star Gwyneth	82,790	December 5, 2014	2006
26 Star Trident I LLC	Star Kamila	82,769	September 3, 2014	2005
27 Grain Shipping LLC	Pendulum	82,619	July 11, 2014	2006
28 Star Trident XIX LLC	Star Maria	82,598	November 5, 2014	2007
29 Star Trident XII LLC	Star Markella	82,594	September 29, 2014	2007
30 Star Trident IX LLC	Star Danai	82,574	October 21, 2014	2006
31 Star Trident XI LLC	Star Georgia	82,298	October 14, 2014	2006
32 Star Trident VIII LLC	Star Sophia	82,269	October 31, 2014	2007
33 Star Trident XVI LLC	Star Mariella	82,266	September 19, 2014	2006
34 Star Trident XIV LLC	Star Moira	82,257	November 19, 2014	2006
35 Star Trident XVIII LLC	Star Nina	82,224	January 5, 2015	2006
36 Star Trident X LLC	Star Renee	82,221	December 18, 2014	2006
37 Star Trident II LLC	Star Nasia	82,220	August 29, 2014	2006
38 Star Trident XIII LLC	Star Laura	82,209	December 8, 2014	2006
39 Star Trident XV LLC	Star Jennifer	82,209	April 15, 2015	2006

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40	Star Trident XVII LLC	Star Helena	82,187	December 29, 2014	2006
41	Mineral Shipping LLC	Mercurial Virgo	81,545	July 11, 2014	2013
42	Star Trident III LLC	Star Iris	76,466	September 8, 2014	2004
43	Star Trident XX LLC	Star Emily	76,417	September 16, 2014	2004
44	Star Trident XXV Ltd.	Star Vanessa	72,493	November 7, 2014	1999
45	Orion Maritime LLC	Idee Fixe (1)	63,458	March 25, 2015	2015
46	Spring Shipping LLC	Roberta (1)	63,426	March 31, 2015	2015
47	Success Maritime LLC	Laura (1)	63,399	April 7, 2015	2015
48	Ultra Shipping LLC	Kaley (1)	63,283	June 26, 2015	2015
49	Blooming Navigation LLC	Kennadi	63,262	January 8, 2016	2016
50	Jasmine Shipping LLC	Mackenzie	63,226	March 2, 2016	2016

(1) Vessels subject to a capital bareboat lease (Note 5)

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STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

1. Basis of Presentation and General Information – (continued):

Wholly Owned Subsidiaries	Vessel Name	DWT	Date Delivered to Star Bulk	Year Built
51 Star Challenger I LLC	Star Challenger	61,462	December 12, 2013	2012
52 Star Challenger II LLC	Star Fighter	61,455	December 30, 2013	2013
53 Star Axe II LLC	Star Lutas	61,347	January 6, 2016	2016
54 Aurelia Shipping LLC	Honey Badger	61,320	February 27, 2015	2015
55 Rainbow Maritime LLC	Wolverine	61,292	February 27, 2015	2015
56 Star Axe I LLC	Star Antares	61,258	October 9, 2015	2015
57 Star Asia I LLC	Star Aquarius	60,916	July 22, 2015	2015
58 Star Asia II LLC	Star Pisces	60,916	August 7, 2015	2015
59 Glory Supra Shipping LLC	Strange Attractor	55,742	July 11, 2014	2006
60 Star Omicron LLC	Star Omicron	53,489	April 17, 2008	2005
61 Star Gamma LLC	Star Gamma	53,098	January 4, 2008	2002
62 Star Zeta LLC	Star Zeta	52,994	January 2, 2008	2003
63 Star Delta LLC	Star Delta	52,434	January 2, 2008	2000
64 Star Theta LLC	Star Theta	52,425	December 6, 2007	2003
65 Star Epsilon LLC	Star Epsilon	52,402	December 3, 2007	2001
66 Star Cosmo LLC	Star Cosmo	52,247	July 1, 2008	2005
67 Star Kappa LLC	Star Kappa	52,055	December 14, 2007	2001
	Total dwt	7,010,446		

Subsidiaries owning newbuildings at December 31, 2016

Wholly Owned Subsidiaries	Newbuildings Name	Type	DWT	Expected Delivery Date
1 Star Breezer LLC	HN 1371 (tbn Star Virgo) (1) (Note 19)	Newcastlemax	208,000	Mar-17
2 Domus Shipping LLC	HN 1360 (tbn Star Ariadne) (1)	Newcastlemax	208,000	Mar-17
3 Star Castle I LLC	HN 1342 (tbn Star Gemini)	Newcastlemax	208,000	Jul-17
4 Festive Shipping LLC	HN 1361 (tbn Star Magnanimus) (1)	Newcastlemax	208,000	Jan-18
5 Star Castle II LLC	HN 1343 (tbn Star Leo)	Newcastlemax	208,000	Jan-18
	Total dwt		1,040,000	

(1) Vessels subject to a bareboat capital lease (Note 5)

STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

1. Basis of Presentation and General Information – (continued):

Non-vessel owning subsidiaries at December 31, 2016

<u>Wholly Owned Subsidiaries</u>			
1	Star Bulk Management Inc.	25	Star Beta LLC
2	Starbulk S.A.	26	Star Mega LLC
3	Star Bulk Manning LLC	27	Star Big LLC
4	Star Bulk Shipmanagement Company (Cyprus) Limited	28	Gravity Shipping LLC
5	Optima Shipping Limited	29	White Sand Shipping LLC
6	Star Omas LLC	30	Premier Voyage LLC
7	Star Synergy LLC	31	L.A. Cape Shipping LLC
8	Oceanbulk Shipping LLC	32	Cape Confidence Shipping LLC
9	Oceanbulk Carriers LLC	33	Cape Runner Shipping LLC
10	International Holdings LLC	34	Olympia Shiptrade LLC
11	Star Ventures LLC	35	Victory Shipping LLC
12	Dry Ventures LLC	36	Star Cape I LLC
13	Unity Holding LLC	37	Star Cape II LLC
14	Star Bulk (USA) LLC	38	Positive Shipping Company
15	Star Trident XXI LLC	39	OOCape1 Holdings LLC
16	Star Trident XXIV LLC	40	Oday Marine LLC
17	Star Trident XXVII LLC	41	Searay Maritime LLC
18	Star Trident XXXI LLC	42	Lowlands Beilun Shipco LLC
19	Star Trident XXIX LLC	43	Star Trident VI LLC
20	Star Trident XXVIII LLC	44	KMSRX Holdings LLC
21	Star Trident XXVI LLC	45	Dioriga Shipping Co.
22	Star Trident XXII LLC	46	Star Trident XXX LLC
23	Star Trident XXIII LLC	47	Star Trident IV LLC
24	Star Alpha LLC	48	Pacific Ventures Holdings LLC

STAR BULK CARRIERS CORP.

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

1. Basis of Presentation and General Information – (continued):

Below is the list of the vessels which were under commercial and technical management by Star Bulk's wholly owned subsidiary, Starbulk S.A., during the year ended December 31, 2014. For each vessel, Starbulk S.A. received a fixed management fee of \$0.75 per day. Only the vessel Serenity I, listed in the below table, was under Starbulk S.A.'s commercial and technical management during the year ended December 31, 2015. As of October 1, 2015, the management fee that the Company was receiving for Serenity I, was changed to \$0.50 per day and the respective management agreement was terminated in August 2016. There were no vessels under commercial and technical management by Starbulk, S.A. on December 31, 2016.

Vessel Owning Company	Vessel Name	DWT	Effective Date of Management Agreement	Year Built
Global Cape Shipping LLC (2)	Kymopolia	176,990	January 30, 2014	2006
OOCAPEI Holdings LLC (2)	Obelix	181,433	October 19, 2012	2011
Pacific Cape Shipping LLC (2)	Pantagruel	180,181	October 24, 2013	2004
Sea Cape Shipping LLC (2)	Big Bang	174,109	August 30, 2013	2007
Sky Cape Shipping LLC (2)	Big Fish	177,662	October 18, 2013	2004
Majestic Shipping LLC (2)	Madredeus	98,681	February 4, 2014	2011
Nautical Shipping LLC (2)	Amami	98,681	February 4, 2014	2011
Grain Shipping LLC (2)	Pendulum	82,619	February 17, 2014	2006
Mineral Shipping LLC (2)	Mercurial Virgo	81,545	February 17, 2014	2013
Adore Shipping Corp.	Renascentia(3)	74,732	June 20, 2013	1999
Hamon Shipping Inc	Marto (4)	74,470	August 2, 2013	2001
Glory Supra Shipping LLC (2)	Strange Attractor	55,742	September 24, 2013	2006
Premier Voyage LLC (2)	Maiden Voyage	58,722	September 28, 2012	2012
Serenity Maritime Inc.	Serenity I	53,688	June 11, 2011	2006

These companies were subsidiaries of Oceanbulk and related parties to the Company (please refer to Note 3), (1) which became wholly owned subsidiaries following the completion of the Merger, when the respective management agreements were terminated.

On June 20, 2014, this vessel was sold and the management agreement between Starbulk S.A. and the previous (2) owners was terminated. The Company received management fees for a period of two months following the termination date, in accordance with the terms of the management agreement.

On July 3, 2014, the Company received a notice of termination of the management agreement for this vessel. The (3) management agreement was terminated upon the vessel's delivery to its new managers, on August 20, 2014. The Company received management fees for a period of three months following the termination date, in accordance with the terms of the management agreement.

Below is the vessel which was chartered in as part of the sale and leaseback transaction that the Company has entered into for the previously owned vessel Maiden Voyage, which is currently named Astakos (Note 5).

<u>Vessel Name</u>	<u>Type</u>	<u>DWT</u>	<u>Year Built</u>
Astakos	Supramax	58,722	2012

Total dwt: 58,722

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STAR BULK CARRIERS CORP.

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1. Basis of Presentation and General Information – (continued):

No charterer accounted for more than 10% of the Company's voyage revenue in 2015. Charterers who individually accounted for more than 10% of the Company's voyage revenues during the year ended December 31, 2014 and 2016 are as follows:

<u>Charterer</u>	2014	2015	2016
A	0%	6%	13%
B	12%	4%	3%
C	12%	3%	2%

The outstanding accounts receivable balance as at December 31, 2016 of these charterers was \$452.

2. Significant Accounting policies:

Principles of consolidation: The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), which include the accounts of Star Bulk and its wholly owned subsidiaries referred to in Note 1 above. All intercompany balances and transactions have been eliminated in the consolidation.

Star Bulk as the holding company determines whether it has controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity. Under ASC 810 "Consolidation", a voting interest entity is an entity in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provides the equity holders with the obligation to absorb losses, the right to receive residual returns and make financial and operating decisions. Star Bulk consolidates voting interest entities in which it owns all, or at least a majority (generally, greater than 50%), of the voting interest.

A variable interest entity ("VIE") is an entity as defined under ASC 810-10, which in general either does not have equity investors with voting rights or has equity investors that do not provide sufficient financial resources for the entity to support its activities. A controlling financial interest pursuant to a VIE model requires both of the following: (a) the power to direct the activities that most significantly impact the VIE's economic performance, and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The company with a controlling financial interest, known as the primary beneficiary, is required to consolidate the VIE. The Company evaluates all arrangements that may include a variable interest in an entity to determine if it may be the primary beneficiary, and would be required to include assets, liabilities and operations of a VIE in its consolidated financial statements. As of December 31, 2014, 2015 and 2016, no such interests existed.

The amendments to the consolidation analysis, issued by the FASB under ASU 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis" in February 2015, provide guidance for reporting entities to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. The implementation of these amendments had no impact on the Company's consolidated financial statements.

b) Equity method investments: Investments in the equity of entities over which the Company exercises significant influence, but does not exercise control are accounted for by the equity method of accounting. Under this method, the Company records such an investment at cost and adjusts the carrying amount for its share of the earnings or

losses of the entity subsequent to the date of investment and reports the recognized earnings or losses in income. The Company also evaluates whether a loss in value of an investment that is other than a temporary decline should be recognized. Evidence of a loss in value might include absence of an ability to recover the carrying amount of the investment or inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment. Dividends received reduce the carrying amount of the investment. When the Company's share of losses in an entity accounted for by the equity method equals or exceeds its interest in the entity, the Company does not recognize further losses, unless the Company has made advances, incurred obligations and made payments on behalf of the entity.

STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

2. Significant Accounting policies – (continued):

Use of estimates: The preparation of the accompanying consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the accompanying consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates under different assumptions or conditions.

Comprehensive income/(loss): The statement of comprehensive income/(loss) presents the change in equity (net assets) during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by shareholders and distributions to shareholders. Reclassification adjustments are presented out of accumulated other comprehensive income/(loss) on the face of the statement in which the components of other comprehensive income/(loss) are presented or in the notes to the financial statements. The Company follows the provisions of ASC 220 “Comprehensive Income”, and presents items of net income/(loss), items of other comprehensive income/(loss) (“OCI”) and total comprehensive income/(loss) in two separate and consecutive statements.

Concentration of credit risk: Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and cash equivalents and restricted cash, trade accounts receivable and derivative contracts (including freight derivatives, bunker derivatives and interest rate swaps). The Company’s policy is to place cash and cash equivalents, and restricted cash with financial institutions evaluated as being creditworthy and are exposed to minimal interest rate and credit risk. The Company may be exposed to credit risk in the event of non-performance by counter parties to derivative instruments. To decrease this risk, the Company limits its exposure in over-the-counter transactions by diversifying among counter parties with high credit ratings, and selects freight derivatives, if any, that clear through the London Clearing House. The Company performs periodic evaluations of the relative credit standing of those financial institutions. In addition the Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers’ financial condition.

Foreign currency transactions: The functional currency of the Company is the U.S. Dollar since its vessels operate in the international shipping markets, and therefore primarily transact business in U.S. Dollars. The Company’s books of accounts are maintained in U.S. Dollars. Transactions involving other currencies during the period are converted into U.S. Dollars using the exchange rates in effect at the time of the transactions. At the consolidated balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are converted into U.S. Dollars at the period-end exchange rates. Resulting gains or losses are included in “Interest and other income” in the accompanying consolidated statements of operations.

Cash and cash equivalents: The Company considers highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less or from which cash is readily available without penalty, to be cash equivalents.

STAR BULK CARRIERS CORP.

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

2. Significant Accounting policies – (continued):

Restricted cash: Restricted cash represents minimum cash deposits or cash collateral deposits required to be maintained with certain banks under the Company's borrowing arrangements or derivative contracts, which are h) legally restricted as to withdrawal or use. In the event that the obligation to maintain such deposits is expected to be terminated within the next twelve months, these deposits are classified as current assets. Otherwise, they are classified as non-current assets.

Trade accounts receivable, net: The amount shown as Trade accounts receivable, net, at each balance sheet date, i) includes estimated amounts recovered from each voyage or time charter net of any provision for doubtful debts. At each balance sheet date, the Company provides for doubtful accounts on the basis of specific identified doubtful receivables. As of December 31, 2015 and 2016, provision for doubtful receivables was nil.

Inventories: Inventories consist of consumable lubricants and bunkers, which are stated at the lower of cost or j) market value. Cost is determined by the first in, first out method.

Vessels, net: Vessels are stated at cost, which consists of the purchase price and any material expenses incurred k) upon acquisition, such as initial repairs, improvements, delivery expenses and other expenditures to prepare the vessel for its initial voyage. Any subsequent expenditure, when it does not extend the useful life of the vessel, increase the earning capacity or improve the efficiency or safety of the vessel, is expensed as incurred.

The cost of each of the Company's vessels is depreciated beginning when the vessel is ready for its intended use, on a straight-line basis over the vessel's remaining economic useful life, after considering the estimated residual value (vessel's residual value is equal to the product of its lightweight tonnage and estimated scrap rate per ton). Management estimates the useful life of the Company's vessels to be 25 years from the date of initial delivery from the shipyard. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its remaining useful life is adjusted at the date such regulations are adopted.

Effective as of January 1, 2015, following management's reassessment of the residual value of the Company's vessels, the Company increased the estimated scrap rate per light weight tonnage from \$0.2 to \$0.3. The current value of \$0.3 was based on the historical average demolition prices prevailing in the market. The change in this accounting estimate, which pursuant to ASC 250 "Accounting Changes and Error Corrections" was applied prospectively and did not require retrospective application, decreased the depreciation expense and the net loss for the year ended December 31, 2015 by \$6,337 or \$0.16 loss per basic and diluted share.

Advances for vessels under construction: Advances made to shipyards during construction periods are classified as "Advances for vessels under construction and acquisition of vessels" until the date of delivery and acceptance of the vessel, at which date they are reclassified to "Vessels and other fixed assets, net." Advances l) for vessels under construction also include supervision costs, amounts paid under engineering contracts, capitalized interest and other expenses directly related to the construction of the vessel or the preparation of the vessel for its initial voyage. Financing costs incurred during the construction period of the vessels are also capitalized and included in the vessels' cost.

m) Fair value of above/below market acquired time charter: The Company values any asset or liability arising from the market value of the time charters assumed when a vessel is acquired. The value of above or below market acquired time charters is determined by comparing the existing charter rates in the acquired time charter agreements with the market rates for equivalent time charter agreements prevailing at the time the foregoing vessels are delivered. Such

intangible asset or liability is recognized ratably as an adjustment to revenues over the remaining term of the assumed time charter.

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STAR BULK CARRIERS CORP.

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2. Significant Accounting policies – (continued):

Impairment of long-lived assets: The Company follows guidance related to the Impairment or Disposal of long-lived assets which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. The standard requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. When the estimate of undiscounted cash flows, excluding interest charges, expected to be generated by the use and eventual disposition of the asset is less than its carrying amount, the Company should record an impairment loss to the extent the asset's carrying value exceeds its fair value. Measurement of the impairment loss is based on the fair value. The Company determines the fair value of its assets based on management estimates and assumptions and by making use of available market data and taking into consideration agreed sale prices and third party valuations.

In this respect, the management regularly reviews the carrying amount of the vessels, including newbuilding contracts, on a vessel-by-vessel basis, when events and circumstances indicate that the carrying amount of the vessels or newbuilding contracts might not be recoverable (such as vessel sales and purchases, business plans, obsolescence or damage to the asset and overall market conditions). When impairment indicators are present, the Company compares undiscounted cash flows to the carrying values of the Company's vessels to determine if the assets are impaired. In developing its estimates of future undiscounted net operating cash flows, the Company makes assumptions and estimates about vessels' future performance, with the significant assumptions being related to charter rates, ship operating expenses, vessels' residual value, fleet utilization and the estimated remaining useful lives of the vessels, assumed to be 25 years from the delivery of the vessel from the shipyard. These assumptions are based on current market conditions, historical industry and Company specific trends, as well as future expectations.

The undiscounted projected net operating cash flows are determined by considering the charter revenues from existing time charters for the fixed vessel days and an estimated daily time charter equivalent rate for the unfixed days over the estimated remaining economic life of each vessel, net of brokerage and address commissions. Estimates of the daily time charter equivalent for the unfixed days are based on the current Forward Freight Agreement ("FFA") rates, for the first three-year period, and historical average rate levels of similar size vessels for the period thereafter. The expected cash inflows from charter revenues are based on an assumed fleet utilization rate of approximately 98% for the unfixed days, taking also into account expected technical off-hire days. In assessing expected future cash outflows, management forecasts vessel operating expenses, which are based on the Company's internal budget for the first annual period and thereafter assume an annual inflation rate of up to 3% (escalating during the first three-year period) and are capped at the tenth year, as well as vessel expected maintenance costs (for dry docking and special surveys). The estimated salvage value of each vessel is \$0.3 per light weight ton, in accordance with the Company's vessel depreciation policy. The Company uses a probability weighted approach for developing estimates of future cash flows used to test its vessels for recoverability when alternative courses of action are under consideration (i.e. sale or continuing operation of a vessel). If the Company's estimate of undiscounted future cash flows for any vessel is lower than the vessel's carrying value, the carrying value is written down to the vessel's fair market value with a charge recorded in earnings.

Using the framework for estimating projected undiscounted net operating cash flows described above, the Company completed its impairment analysis for the years ended December 31, 2014, 2015 and 2016, for those operating vessels and newbuildings whose carrying values were above their respective market values. For 2014, no asset impairment was necessary. An impairment loss of \$321,978 and \$29,221 was recognized for the years ended December 31, 2015 and 2016, respectively, which resulted primarily from the Company's actual and intended vessel sales that are further discussed in Notes 5 and 6.

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2. Significant Accounting policies – (continued):

Vessels held for sale: It is the Company's policy to dispose of vessels when suitable opportunities occur. The Company classifies a vessel as being held for sale when all of the following criteria, enumerated under ASC 360 "Property, Plant, and Equipment", are met: (i) management has committed to a plan to sell the vessel; (ii) the vessel is available for immediate sale in its present condition; (iii) an active program to locate a buyer and other actions o)required to complete the plan to sell the vessel have been initiated; (iv) the sale of the vessel is probable, and transfer of the asset is expected to qualify for recognition as a completed sale within one year; (v) the vessel is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and (vi) actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Vessels classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. The resulting difference, if any, is recorded under "Impairment loss" in the accompanying consolidated statement of operations. The vessels are not depreciated once they meet the criteria to be classified as held for sale. At December 31, 2015 and 2016, there were no vessels that met the criteria to be classified as held for sale.

Financing costs: Effective as of January 1, 2016, fees paid to lenders or required to be paid to third parties on the lenders' behalf for obtaining new loans, senior notes or for refinancing or amending existing loans, are required to be presented on the balance sheet, following the adoption of Accounting Standards Update ("ASU") No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs," as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, rather than as a deferred finance charges asset. These costs are expensed as interest and finance costs using the effective interest rate method over the duration of the relevant loan facility. Any unamortized balance of costs relating to debt repaid or refinanced is expensed in the period in which the repayment p)or refinancing is made, subject to the guidance regarding Debt Extinguishment. Any unamortized balance of costs relating to debt refinanced is deferred and amortized over the term of the refinanced debt in the period in which the refinancing occurs. The guidance under ASU 2015-03 also provides that the new classification should be retrospectively applied to prior periods presented in the financial statements. As such, the outstanding balance of deferred finance charges as of December 31, 2015 of \$16,037 (previously presented as "Deferred finance charges, net") and December 31, 2016 of \$10,496, are reflected as a direct deduction from long term debt, long term lease commitments and the 8.00% 2019 Notes in the accompanying balance sheets as further analyzed in Note 8. The recognition and measurement guidance for debt issuance costs were not affected by the amendments in this update.

Debt Modifications and extinguishments: The Company follows the provisions of ASC 470-50, "Modifications and Extinguishments" to account for all extinguishments of debt instruments, except debt that is extinguished through a troubled debt restructuring (see Subtopic 470-60) or a conversion of debt to equity securities of the debtor pursuant to conversion privileges provided in terms of the debt at issuance (see Subtopic 470-20). This subtopic also provides q)guidance on whether an exchange of debt instruments with the same creditor constitutes an extinguishment and whether a modification of a debt instrument should be accounted for in the same manner as an extinguishment. In circumstances where an exchange of debt instruments or a modification of a debt instrument does not result in extinguishment accounting, this Subtopic provides guidance on the appropriate accounting treatment.

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2. Significant Accounting policies – (continued):

Stock incentive plan awards: Stock based compensation represents the cost of shares and share options granted to employees and to directors, for their services, and is included in “General and administrative expenses” in the consolidated statements of operations. The shares are measured at their fair value equal to the market value of the Company’s common stock on the grant date. The shares that do not contain any future service vesting conditions are considered vested shares and the total fair value of such shares is expensed on the grant date. Guidance related to r) stock compensation describes two generally accepted methods of recognizing expense for non-vested share awards with a graded vesting schedule for financial reporting purposes: 1) the “accelerated method”, which treats an award with multiple vesting dates as multiple awards and results in a front-loading of the costs of the award and 2) the “straight-line method” which treats such awards as a single award and results in recognition of the cost ratably over the entire vesting period. The shares that contain a time-based service vesting condition are considered non-vested shares on the grant date and a total fair value of such shares is recognized using the accelerated method.

The fair value of share options grants is determined with reference to option pricing models, and depends on the terms of the granted options. The fair value is recognized (generally as compensation expense) over the requisite service period for all awards that vest.

s) Dry docking and special survey expenses: Dry docking and special survey expenses are expensed when incurred.

Accounting for revenue and related expenses: The Company generates its revenues from charterers for the charterhire of its vessels under time charter agreements, where a contract is entered into for the use of a vessel for a t) specific period of time and a specified daily charterhire rate, or voyage charter agreements, where a contract is made in the spot market for the use of a vessel for a specific voyage at a specified freight rate per ton.

Under time charter agreements, voyage costs, such as fuel and port charges are borne and paid by the charterer. The Company’s time charter agreements are classified as operating leases. Revenues under operating lease arrangements are recognized when a charter agreement exists, the charter rate is fixed and determinable, the vessel is made available to the lessee and collection of the related revenue is reasonably assured. Revenues are recognized ratably on a straight line basis over the period of the respective charter agreement in accordance with guidance related to leases.

Revenue from voyage charter agreements is recognized on a pro-rata basis over the duration of the voyage. Under voyage charter agreements, all voyage costs are borne and paid by the Company. Demurrage income, which is included in voyage revenues, represents payments by the charterer to the vessel owner when loading or discharging time exceeds the stipulated time in the voyage charter agreements and is recognized when an arrangement exists, services have been performed, the amount is fixed or determinable and collection is reasonably assured. Deferred revenue includes cash received prior to the balance sheet date and is related to revenue to be earned after such date. The portion of the deferred revenue that will be earned within the next twelve months is classified as current liability and the remaining (if any) as long term liability.

For vessels operating in pooling arrangements, the Company earns a portion of total revenues generated by the pool, net of voyage expenses and expenses incurred by the pool. The amount allocated to each pool participant vessel, including the Company’s vessels, is determined in accordance with an agreed-upon formula, which is determined by points awarded to each vessel in the pool (based on the vessel’s age, design, consumption and other performance characteristics) as well as the time each vessel has spent in the pool. Revenue under pooling arrangements is accounted for on an accrual basis and is recognized when an agreement with the pool exists, the price is fixed, services are provided and collectability of the revenue is reasonably assured.

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Notes to Consolidated Financial Statements

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

2. Significant Accounting policies – (continued):

t) Accounting for revenue and related expenses – (continued):

Vessel operating expenses include crew wages and related costs, the cost of insurance and vessel registry, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes, regulatory fees, technical management fees and other miscellaneous expenses. Payments in advance for services are recorded as prepaid expenses.

Voyage expenses consist of bunker consumption, port expenses and agency fees related to the voyage.

Brokerage commissions are paid by the Company. Brokerage commissions are recognized over the related charter period and included in voyage expenses. Voyage expenses and vessel operating expenses are recognized as incurred.

In addition expenses related to the chartering-in of vessels owned by third parties are recognized on a pro-rata basis over the duration of the voyage, and are included in voyage expenses, except for the hire expense for chartering-in the respective vessels, which is included within “Charter in hire expense” in the consolidated statement of operations.

Fair value measurements: The Company follows the provisions of ASC 820, “Fair Value Measurements and Disclosures” that defines and provides guidance as to the measurement of fair value. ASC 820 creates a hierarchy of measurement and indicates that, when possible, fair value is the price that would be received to sell an asset or paid u) to transfer a liability in an orderly transaction between market participants. The fair value hierarchy gives the highest priority (Level 1) to quoted prices in active markets and the lowest priority (Level 3) to unobservable data, for example, the reporting entity’s own data. Under the standard, fair value measurements are separately disclosed by level within the fair value hierarchy (Note 18).

Earnings/ (loss) per share: Earnings or loss per share are computed in accordance with guidance related to Earnings per Share. Basic earnings or loss per share are calculated by dividing net income or loss available to common shareholders by the basic weighted average number of common shares outstanding and vested during the period. Diluted earnings per share reflect the potential dilution that would occur assuming that common shares were issued v) for the exercise of outstanding in-the-money warrants and non-vested shares and the hypothetical proceeds, including proceeds from warrant exercise and average unrecognized stock-based compensation cost thereof, were used to purchase common shares at the average market price during the period such warrants and non-vested shares were outstanding (Note 13).

Segment reporting: The Company reports financial information and evaluates its operations and operating results by total charter revenues and not by the type of vessel, length of vessel employment, customer or type of charter. As a result, management, including the Chief Operating Officer, who is the chief operating decision maker, reviews w) operating results solely by revenue per day and operating results of the fleet, and thus, the Company has determined that it operates under one reportable segment, that of operating dry bulk vessels. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide, subject to restrictions as per the charter agreement, and, as a result, the disclosure of geographic information is impracticable.

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2. Significant Accounting policies – (continued):

Accounting for leases: Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line method over the lease term. As of December 31, 2015 and 2016, the Company held no operating lease arrangements acting as lessee other than its office leases and an operating lease arrangement for one Supramax vessel (Note 5).

Leases of vessels are classified as capital leases when they satisfy the criteria for capital lease classification under ASC 840, “Leases.” As of December 31, 2015 and 2016 the Company was the lessee under certain capital lease arrangements as further discussed in Notes 5 and 6. Capital leases are capitalized at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between liability and finance charges to achieve a constant rate on the capital balance outstanding. The interest incurred under a capital lease is included within “Interest and finance costs” in the consolidated statement of operations. The depreciation of vessels under capital lease is included within “Depreciation” in the consolidated statement of operations.

When the ownership of a vessel is transferred at the end of the lease, or there is a bargain purchase option, the vessel is depreciated on a straight-line basis over its useful life as if the vessel was owned. Otherwise, vessels under capital lease are depreciated on a straight-line basis over the term of the lease.

Pursuant to the provisions of the ASC 840, “Leases”, in cases of changes in the contractual terms, the Company reassesses its conclusions for the accounting of the subject leases.

Derivatives: The Company enters into derivative financial instruments to manage risk related to fluctuations of interest rates. In case the instruments are eligible for hedge accounting, at the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy undertaken for the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument’s effectiveness in offsetting exposure to changes in the hedged item’s cash flows attributable to the hedged risk. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability, or a highly probable forecasted transaction that could affect profit or loss. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed at each reporting date to determine whether they actually have been highly effective throughout the financial reporting periods for which they were designated. All derivatives are recorded on the balance sheet as assets or liabilities and are measured at fair value. The valuation of interest rate swaps is based on Level 2 observable inputs of the fair value hierarchy such as interest rate curves. For derivatives designated as cash flow hedges, the effective portion of the changes in their fair value is recorded in Accumulated other comprehensive income / (loss) and is subsequently recognized in earnings, under “Interest and finance costs” when the hedged items impact earnings, while the ineffective portion, if any, is recognized immediately in current period earnings under “Gain / (Loss) on derivative financial instruments, net.”

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2. Significant Accounting policies – (continued):

y) *Derivatives – (continued)*

The changes in the fair value of derivatives not qualifying for hedge accounting are recognized in earnings. The Company discontinues cash flow hedge accounting if the hedging instrument expires or is sold, terminated or exercised and it no longer meets all the criteria for hedge accounting or if the Company de-designates the instrument as a cash flow hedge. At that time, any cumulative gain or loss on the hedging instrument recognized in equity remains in equity until the forecasted transaction occurs or until it becomes probable of not occurring. When the forecasted transaction occurs, any cumulative gain or loss on the hedging instrument is recognized in earnings. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is reclassified to earnings for the year. Following the hedging designations made during the third quarter of 2014 (Note 18), all of the Company's interest rates swaps effective as of December 31, 2014 were designated as accounting hedges. Only four out of the nine of the Company's interest rate swaps effective as of December 31, 2015 and 2016 remained designated as accounting hedges as of those dates.

In addition, from time to time, the Company may take positions in derivative instruments including freight forward agreements, or FFAs. Generally, FFAs and other derivative instruments may be used to hedge a vessel owner's exposure to the charter market for a specified route and period of time. Upon settlement, if the contracted charter rate is less than the average of the rates for the specified route and time period, as reported by an identified index, the seller of the FFA is required to pay the buyer an amount equal to the difference between the contracted rate and the settlement rate, multiplied by the number of days in the specified period. Based on this, the value of all open positions at each reporting date is measured (Level 2). Conversely, if the contracted rate is greater than the settlement rate, the buyer is required to pay the seller the settlement sum. FFAs are intended to serve as an economic hedge for the Company's vessels that are being chartered in the spot market, effectively locking-in an approximate amount of revenue that the Company expects to receive from such vessels for the relevant periods. The Company's FFAs do not qualify for hedge accounting and therefore gains or losses are recognized in the accompanying consolidated statements of operations under "(Gain)/Loss on forward freight agreements."

z) Taxation: The Company follows the provisions of ASC 740-10, "Accounting for Uncertainty in Income Taxes" which clarifies the accounting for uncertainty in income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. ASC 740-10 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

STAR BULK CARRIERS CORP.

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

2. Significant Accounting policies – (continued):

aa) Recent accounting pronouncements – not yet adopted:

Revenue from Contracts with Customers (“Topic 606”): In May and April 2016, the FASB issued two Updates with respect to Topic 606: ASU 2016-10, “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing” and ASU 2016-12, “Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients.” The amendments in these Updates do not change the core principle of the guidance in Topic 606, which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by applying the following steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations in each contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in each contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The amendments in Update 2016-10 clarify the following two aspects of Topic 606: (a) identifying performance obligations and (b) licensing implementation guidance. The amendments in Update 2016-12 similarly affect only certain narrow aspects of Topic 606, including, (i) “Assessing the Collectibility Criterion in Paragraph 606-10-25-1(e) and Accounting for Contracts That Do Not Meet the Criteria for Step 1 (Applying Paragraph 606-10-25-7),” (ii) “Presentation of Sales Taxes and Other Similar Taxes Collected from Customers,” (iii) “Noncash Consideration,” (iv) “Contract Modifications at Transition,” (v) “Completed Contracts at Transition,” and (vi) “Technical Correction.” The amendments in these Updates also affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. In December 2016, the FASB also issued ASU 2016-20, “Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers”. The amendments in the latest Update 2016-20 represent changes to make minor corrections/improvements to the Codification that are not expected to have a significant effect on current accounting practice. The effective date and transition requirements for the amendments in these Updates are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by Update 2014-09). Accounting Standards Update 2015-14, “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date,” has deferred the effective date of Update 2014-09 for public business entities to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted. The new revenue standard may be applied using either of the following transition methods: (1) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (2) a modified retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption (which includes additional footnote disclosures). Presently, the Company is in the process of evaluating the impact of the standard and of reviewing historical contracts to quantify the impact that the adoption of these ASUs, on January 1, 2018, will have on its financial statements and accompanying notes. While the Company is not yet in a position to quantify these effects as part of its preliminary assessment, the Company currently anticipates adopting the standard using the modified retrospective method.

Simplifying the Measurement of Inventory: In July 2015, the FASB issued ASU No. 2015-11, “Simplifying the measurement of inventory.” ASC 330, “Inventory”, currently requires an entity to measure inventory at the lower of cost or market. Market could be replacement cost, net realizable value, or net realizable value less an approximately normal profit margin. The amendments in ASU 2015-11 require an entity to measure inventory within the scope of ASU 2015-11 at the lower of cost and net realizable value. For public business entities, the amendments are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The amendments in ASU 2015-11 are to be applied prospectively, with earlier application permitted as of the beginning of an interim or annual reporting period. While the Company has not yet adopted ASU 2015-11, its adoption is not expected to have a material effect on the Company’s financial statements and accompanying notes.

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

2. Significant Accounting policies – (continued):

aa) Recent accounting pronouncements – not yet adopted – (continued):

Leases: In February 2016, the FASB issued Accounting Standards Update No. 2016-02, “Leases (Topic 842).” ASU 2016-02 will apply to both types of leases – capital (or finance) leases and operating leases. According to the new Accounting Standard, lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with term of more than 12 months. ASU 2016 – 02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements and footnotes disclosures.

Derivatives and Hedging: In March 2016, the FASB issued ASU 2016-05, “Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships,” which clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship, provided that all other hedge accounting criteria (including those in paragraphs 815-20-35-14 through 35-18) continue to be satisfied. For public companies, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. An entity may apply the amendments in this Update on a prospective basis or on a modified retrospective basis, as defined in the Update. The adoption of this ASU is not expected to have a material effect on the Company’s consolidated financial statements and accompanying notes.

Investments - Equity Method and Joint Ventures: In March 2016, the FASB issued ASU 2016-07, “Investments - Equity Method and Joint Ventures (Topic 323)” (“ASU 2016-07”), which simplifies the accounting for equity method investments by removing the requirement that an entity retroactively adopt the equity method of accounting if an investment qualifies for use of the equity method as a result of an increase in the level of ownership or degree of influence. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. ASU 2016-07 is effective for fiscal years beginning after December 15, 2016, and interim periods within those years, and must be applied prospectively. Early adoption is permitted. The adoption of this ASU is not expected to have a material effect on the Company’s consolidated financial statements and accompanying notes.

Compensation-Stock Compensation - Improvements to Employee Share-Based Payment Accounting: In March 2016, the FASB issued ASU 2016-09, “Compensation-Stock Compensation - Improvements to Employee Share-Based Payment Accounting (Topic 718)” (“ASU 2016-09”), which involves several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Under the new standard, all excess income tax benefits and deficiencies are to be recognized as income tax expense or benefit in the income statement and the tax effects of exercised or vested awards should be treated as discrete items in the reporting period in which they occur. An entity should also recognize excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. Excess tax benefits should be classified along with other income tax cash flows as an operating activity. With regard to forfeitures, the entity may make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures when they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016 including interim periods within that reporting period. Early adoption is permitted. The adoption of this ASU is not expected to have a material effect on the Company’s consolidated financial statements and accompanying notes.

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

2. Significant Accounting policies – (continued):

aa) Recent accounting pronouncements – not yet adopted – (continued):

Financial Instruments – Credit Losses (Topic 326): In June 2016, the FASB issued ASU No. 2016-13– Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For public entities, the amendments of this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application is permitted. The Company is in the process of assessing the impact of the amendment of this Update on the Company’s consolidated financial position and performance.

Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments: In August 2016, the FASB issued ASU No. 2016-15- Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments which addresses the following eight specific cash flow issues with the objective of reducing the existing diversity in practice: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017 including interim periods within that reporting period, however early adoption is permitted. The Company is currently evaluating the provisions of this guidance and assessing its impact on its consolidated financial statements and notes disclosures.

Statement of Cash Flows (230) - Restricted Cash: In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (230): Restricted Cash”. The amendments in this Update require that a statement of cash flows explain the change during the period in the total amount of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows under Topic 230. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. Other than the presentation effects, the adoption of this ASU is not expected to have a material effect on the Company’s consolidated financial statements and accompanying notes.

STAR BULK CARRIERS CORP.

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

3. Transactions with Related Parties

Transactions and balances with related parties are analyzed as follows:

	2015	2016
Assets		
Oceanbulk Maritime S.A. and its affiliates (d)	\$1,209	\$922
Total Assets	\$1,209	\$922
Liabilities		
Interchart Shipping Inc. (a)	\$8	\$-
Combine Marine Ltd (c)	9	-
Oceanbulk Maritime S.A. and its affiliates (d)	33	26
Management and Directors Fees (b)	315	323
Managed Vessels of Oceanbulk Shipping LLC (e)	7	7
Oceanbulk Sellers (Note 16.2)	50	-
Total Liabilities	\$422	\$356

Statements of Operations

	2014	2015	2016
Executive directors consultancy fees (b)	\$(1,516)	\$(633)	\$(496)
Non-executive directors compensation (b)	(191)	(160)	(148)
Office rent - Combine Marine Ltd. (c)	(42)	(35)	(34)
Voyage expenses-Interchart (a)	(1,997)	(3,350)	(3,300)
Management fee expense - Oceanbulk Maritime S.A. (d)	(158)	-	-
Management fee expense - Maryville Maritime Inc. (j)	(35)	(451)	-
Interest on Excel Vessel Bridge Facility (h)	(1,659)	(220)	-
Management fee income - Oceanbulk Maritime S.A. (d)	188	-	-
Management fee income - Managed Vessels of Oceanbulk Shipping LLC (e)	1,390	-	-
Management fee income Product Shipping & Trading S.A. (f)	62	-	-

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STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

3. Transactions with Related Parties – (continued):

Interchart Shipping Inc. or Interchart: On February 25, 2014, the Company acquired 33% of the total outstanding common stock of Interchart for total consideration of \$200 in cash and 4,520 of the Company's common shares (adjusted for the June 2016 Reverse Split). The common shares were issued on April 1, 2014, and the fair value per share of \$72.55 (adjusted for the June 2016 Reverse Split) was determined by reference to the per share closing price of the Company's common shares on the issuance date. The ownership interest was purchased from an entity affiliated with family members of Company's Chief Executive Officer, including the Company's former director Mrs. Milena-Maria Pappas. This investment is accounted for as an equity method investment.

On February 25, 2014, the Company also entered into a services agreement (the "Services Agreement") with Interchart, for chartering, brokering and commercial services for all the Company's vessels for an annual fee of €500,000 (\$525, using the exchange rate as of December 31, 2016, which was \$1.05 per euro). This fee is adjustable for changes in the Company's fleet pursuant to the terms of the Services Agreement. Before the Services Agreement, Interchart acted as chartering broker of all the Company's vessels on an agreed upon basis. Under the Services Agreement, all previously agreed upon brokerage commissions due to Interchart were cancelled retroactively from January 1, 2014.

In November 2014, the Company entered into a new services agreement with Interchart for chartering, brokering and commercial services for all of the Company's vessels for a monthly fee of \$275, with a term until March 31, 2015, which following recurring renewals is currently effective until December 31, 2017. The agreement is effective from October 1, 2014, and on the same date the previous agreement dated February 25, 2014, was terminated.

During the years ended December 31, 2014, 2015 and 2016 the brokerage commissions charged by Interchart were \$1,997, \$3,350 and \$3,300, respectively, and are included in "Voyage expenses" in the accompanying consolidated statements of operations. As of December 31, 2015 and 2016, the Company had outstanding payables of \$8 and \$0, respectively, to Interchart.

Management and Directors Fees: During 2011 the Company entered into consulting agreements with companies owned and controlled by each of the then Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. These agreements had a term of three years unless terminated earlier in accordance with their terms, except for the consultancy agreement with the entity controlled by the Company's then Chief Operating Officer which provided for an indefinite term (terminable by either party with one month's notice). In addition, on May 3, 2013, the Company entered into separate renewal consulting agreements with the companies controlled by the Company's then Chief Executive Officer and Chief Financial Officer. Additionally, pursuant to the aforementioned agreements, the entities controlled by the Company's then Chief Executive Officer and Chief Financial Officer were entitled to receive an annual discretionary bonus, as determined by the Company's Board of Directors in its sole discretion. b) Finally, the entity controlled by the then Chief Executive Officer was entitled to receive a minimum guaranteed incentive award of 5,600 shares of common stock (adjusted for the June 2016 Reverse Split). These shares vested in three equal annual installments, the first installment of 1,866 shares vested on February 7, 2012, the second installment of 1,867 shares vested on February 7, 2013 and the last installment of 1,867 shares vested on February 7, 2014. The minimum guaranteed incentive award of 5,600 shares of the Company's stock was also renewed as part of the renewal of the consultancy agreement incurred between the Company and the company controlled by the former Chief Executive Officer with the new shares vesting in three equal annual installments, the first installment of 1,866 shares vested on May 3, 2014, the second installment of 1,867 shares would vest on May 3, 2015 and the last installment of 1,867 shares would vest on May 3, 2016.

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Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

3. Transactions with Related Parties – (continued):

b) Management and Directors Fees – (continued):

In connection with the July 2014 Transactions, the Company's former Chief Executive Officer resigned as Chief Executive Officer and remains with the Company as Non-Executive Chairman. On July 31, 2014, the Company entered into an agreement to terminate the consultancy agreement with the company owned by the former Chief Executive Officer and made a severance payment of €664,000 (approximately \$890, using the exchange rate as of July 31, 2014, which was \$1.34 per euro) of cash and 33,768 common shares (adjusted for the June 2016 Reverse Split), which were issued on the same date. As a result of the termination agreement, the second and the third installments of the former Chief Executive Officer's minimum guaranteed incentive award, under his renewed consultancy agreement, of 1,867 shares, each, which would have been vested on May 3, 2015 and 2016, respectively, were cancelled.

Following the completion of the Merger, on December 17, 2014, the Company entered into consulting agreements with companies owned and controlled by each one of the new Chief Operating Officer and the new co-Chief Financial Officer. These agreements have a term of three years unless terminated earlier in accordance with their terms. Pursuant to the corresponding agreements, the entities controlled by the new Chief Operating Officer and the new co-Chief Financial Officer are entitled to receive an annual discretionary bonus, as determined by the Company's Board of Directors in its sole discretion. On May 19, 2015, the Company entered into an addendum to the consultancy agreements with the companies owned and controlled by each one of the new Chief Operating Officer and the co-Chief Financial Officers, amending the consultancy fee payable by the Company, effective as of January 1, 2015.

Pursuant to all aforementioned agreements, effective as of December 31, 2016, the Company is required to pay an aggregate base fee at an annual rate of \$496 (this amount is the sum of all consulting fees in USD and Euro, using the exchange rate as of December 31, 2016, which was \$1.05 per euro), under the relevant consultancy agreements.

The expenses related to the Company's executive officers for the years ended December 31, 2014, 2015 and 2016, including the severance cash payment in 2014 to the Company's former Chief Executive Officer were \$1,516, \$633 and \$496, respectively, and are included under "General and administrative expenses" in the accompanying consolidated statements of operations. The related expenses of non-executive directors for the years ended December 31, 2014, 2015 and 2016 were \$191, \$160 and \$148, respectively, and are included under "General and administrative expenses" in the accompanying consolidated statements of operations. As of December 31, 2015 and 2016, the Company had outstanding payables of \$315 and \$323, respectively, to its executive officers and directors and non-executive directors, representing unpaid consulting fees and unpaid fees for their participation in the Company's Board of Directors and other special committees.

Combine Marine Ltd.: On January 1, 2012, Starbulk S.A., entered into a one year lease agreement for office space with Combine Marine Ltd., a company controlled by one of the then Company's directors, Mrs. Milena - Maria Pappas and by Mr. Alexandros Pappas, both of whom are children of Mr. Petros Pappas, the Company's current Chief Executive Officer and then Company's Chairman. The lease agreement provides for a monthly rental of €2,500 (approximately \$2.6, using the exchange rate as of December 31, 2016, which was \$1.05 per euro). On January 1, 2013, the agreement was renewed, and, unless terminated by either party, it will expire in January 2024. The related rent expense for the years ended December 31, 2014, 2015 and 2016 was \$42, \$35 and \$34, respectively, and is included under "General and administrative expenses" in the accompanying consolidated statements of operations. As of December 31, 2015 and 2016, the Company had outstanding payables of \$9 and \$0, respectively, from Combine Marine Ltd.

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Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

3. Transactions with Related Parties – (continued):

d) Oceanbulk Maritime S.A.: Oceanbulk Maritime S.A. (“Oceanbulk Maritime”) is a ship management company controlled by the Company’s former director Mrs. Milena-Maria Pappas.

On November 25, 2013, the Company’s Board of Directors approved a commission payable to Oceanbulk Maritime with respect to its involvement in the negotiations with the shipyards for nine of the Company’s contracted newbuilding vessels (Note 6). The agreement provides for a commission of 0.5% of the shipbuilding contract price for two newbuilding Capesize vessels (Star Aries (ex-HN 1338) and Star Taurus (ex-HN 1339) and three newbuilding Newcastlemax vessels (HN 1342 (tbn Star Gemini), HN 1343 (tbn Star Leo) and Star Poseidon (ex-HN NE 198) and a flat fee of \$200 per vessel for four newbuilding Ultramax vessels Star Aquarius (ex-HN 5040), Star Pisces (ex-HN 5043), Star Antares (ex-HN NE 196) and Star Lutas (ex-HN NE 197), for a total commission of \$2,077. The Company agreed to pay the commission in four equal installments. The first two installments were paid in cash, while the remaining two installments were paid in the form of common shares, the number of which depended on the price of the Company’s common shares on the date of the two remaining installments. The first and the second installments of \$519, each, were paid in cash in December 2013 and in April 2014, respectively. On October 28, 2015 and in September 9, 2016, the Company issued 34,234 shares (adjusted for the June 2016 Reverse Split) and 138,453 shares representing the third and fourth installment, respectively, the fair value per share was determined by reference to the per share closing price of the Company’s common shares on the issuance date. An amount of \$280 and \$533 was capitalized to “Advances for vessel under construction and acquisition of vessels” and “Vessels and other fixed assets, net” during the years ended December 31, 2015 and 2016, respectively.

On March 22, 2014, Starbulk S.A. entered into an agreement with Oceanbulk Maritime, under which certain management services, including crewing, purchasing, arranging insurance, vessel telecommunications and master general accounts supervision, were provided to certain dry bulk vessels, which were under the management of Oceanbulk Maritime up to December 31, 2014. Pursuant to the terms of this agreement, Starbulk S.A. received a fixed management fee of \$0.17 per day, per vessel, which as of June 1, 2014, was changed to \$0.11 per day, per vessel, based on an addendum signed on May 22, 2014. The related income for the year ended December 31, 2014, was \$188 and was included under “Management fee income” in the accompanying consolidated statement of operations.

Following the completion of the Merger and the Pappas Transaction, the Company owned the vessels Magnum Opus and Tsu Ebisu, until their sale in the first quarter of 2016. Both vessels were managed by Oceanbulk Maritime prior to the Merger and continued to be managed by Oceanbulk Maritime after the Merger, until September and August 2014, respectively. The related expense for the year ended December 31, 2014, was \$158 and is included under “Management fee expense” in the accompanying consolidated statement of operations.

Oceanbulk Maritime provided performance guarantees under the bareboat charter agreements relating to the shipbuilding contracts for the vessels Roberta (ex-HN 1061), Laura (ex-HN 1062), Idee Fixe (ex-HN 1063) and Kaley (ex-HN 1064). Such performance guarantees had been counter-guaranteed by Oceanbulk Carriers. Following the completion of the Merger, in September, 2014, Star Bulk provided counter-guarantees to Oceanbulk Maritime S.A. in exchange for the counter-guarantees provided by Oceanbulk Carriers. The vessels were delivered to the Company in 2015.

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

3. Transactions with Related Parties – (continued):

d) Oceanbulk Maritime S.A. – (continued):

In addition, Oceanbulk Maritime also provided performance guarantees under the shipbuilding contracts for the vessels Deep Blue (ex-HN 5017), Behemoth (ex-HN 5055-JMU), Megalodon (ex-HN 5056-JMU), Honey Badger (ex-HN NE 164), Wolverine (ex-HN NE 165), Gargantua (ex-HN NE 166), Goliath (ex-HN NE 167) and Maharaj (ex-HN NE 184). Prior to the Merger, all of the performance guarantees were counter-guaranteed by Oceanbulk Shipping. Following the completion of the Merger, on September 20, 2014 Star Bulk provided counter-guarantees to Oceanbulk Maritime in exchange for the counter-guarantees provided by Oceanbulk Shipping. These vessels were delivered to the Company in early 2016 at which time the aforementioned guarantees terminated.

As of December 31, 2015 and 2016, the Company had outstanding receivables of \$1,209 and \$922 from Oceanbulk Maritime and its affiliates, respectively. The outstanding balance as of December 31, 2015 and 2016 includes an amount of \$850 and \$415, respectively, which represents supervision cost for certain newbuilding vessels managed by Oceanbulk Maritime and paid by the Company. In addition, as of December 31, 2015 and 2016, the Company had an outstanding payable of \$33 and \$26 respectively, to Oceanbulk Maritime and its affiliates.

Managed vessels of Oceanbulk Shipping: Prior to the Merger, Starbulk S.A. had entered into vessel management agreements with certain ship-owning companies owned and controlled by Oceanbulk Shipping (Note 1). Pursuant to the terms of these agreements, Starbulk S.A. received a fixed management fee of \$0.75 per day, per vessel. These management agreements were terminated on July 11, 2014, the date of the Merger. The related income for the year ended December 31, 2014, was \$1,390, and is included under “Management fee income” in the accompanying consolidated statements of operations. As of December 31, 2015 and 2016, the Company had an outstanding payable of \$7 and \$7, respectively, to Maiden Voyage LLC, previous owner of the vessel Maiden Voyage, one of the vessels of Oceanbulk Shipping.

Product Shipping & Trading S.A.: Product Shipping & Trading S.A. is an entity controlled by family members of the Company’s ex-Chairman and current Chief Executive Officer, Mr. Petros Pappas. On June 7, 2013, Starbulk S.A. entered into an agreement with Product Shipping & Trading S.A., under which the Company provided certain management services including crewing, purchasing and arranging insurance to the vessels under the management of Product Shipping & Trading S.A. Pursuant to the terms of this agreement, Starbulk S.A. received a fixed management fee of \$0.13 per day, per vessel. In October, 2013 the Company decided to gradually cease providing the above mentioned services to the vessels managed by Product Shipping & Trading S.A., except for arranging insurance services, and as a result, the management fee decreased to \$0.02 per day, per vessel, and effective July 1, 2014, the agreement was terminated. The related income for the year ended December 31, 2014 was \$62, and is included under “Management fee income” in the accompanying consolidated statement of operations. As of December 31, 2015 and 2016, the Company had no outstanding receivables or payables with Product Shipping & Trading S.A.

g) Oaktree Shareholder Agreement: As a result of the Merger, on July 11, 2014, Oaktree became the beneficial owner of approximately 61.3% of the Company’s then outstanding common shares. At the closing of the July 2014 Transactions, the Company and Oaktree entered into a shareholders agreement (the “Oaktree Shareholders Agreement”). Under the Oaktree Shareholders Agreement, Oaktree has the right to nominate four of the Company’s nine directors so long as it beneficially owns 40% or more of the Company’s outstanding voting securities. The number of directors able to be designated by Oaktree is reduced to three directors if Oaktree beneficially owns 25% or more but less than 40% of the Company’s outstanding voting securities, to two directors if Oaktree beneficially owns 15% or more but less than 25%, and to one director if Oaktree beneficially owns 5% or more but less than

15%. Oaktree's designation rights terminate if it beneficially owns less than 5% of the Company's outstanding voting securities.

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STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

3. Transactions with Related Parties – (continued):

g) Oaktree Shareholder Agreement – (continued):

Therefore, in July 2014 and in connection with the July 2014 Transactions, the Company's Board of Directors, increased the number of directors constituting the Board of Directors to nine. The three directors currently designated by Oaktree are Messrs. Pappas and Balakrishnan and Ms. Box, while Oaktree retains the right to name an additional director under the Oaktree Shareholders Agreement. Under the Oaktree Shareholders Agreement, with certain limited exceptions, Oaktree effectively cannot vote more than 33% of the Company's outstanding common shares (subject to adjustment under certain circumstances).

Excel Transactions: As discussed in detail in Note 1, on August 19, 2014, the Company entered into the Excel Transactions. The principal shareholders of Excel were Oaktree and Angelo Gordon, none of which though, on its own, was deemed to have control on Excel's strategy and operations either by means of holding equity interests, control of Excel's board of directors or other type of arrangement indicating a parent-subsidiary relationship.

h) Therefore the Company concluded that the Excel Transactions were not transactions under common control. Nevertheless, due to Oaktree's relationship with the Company and the relationship of Oaktree to Excel, the Company concluded that the Excel Transactions, including the acquisition of the Excel Vessels and the conclusion of the Excel Vessel Bridge Facility (Note 8), should be treated as related party transactions for purposes of its financial statements presentation and disclosure. The Excel Vessel Bridge Facility was fully repaid in January 2015. Interest expense incurred for the years ended December 31, 2014 and 2015, amounted to \$1,659 and \$220, respectively.

i) Acquisition of Heron Vessels: Following the completion of the Merger, as further discussed in Note 1, on November 11, 2014, the Company entered into two separate agreements to acquire from Heron the vessels Star Gwyneth (ex-ABYO Gwyneth) and Star Angelina (ex-ABYO Angelina), which were delivered to the Company on December 5, 2014 (Note 5).

j) Management agreement with Maryville Maritime Inc.: Three of the Excel Vessels (Star Martha (ex-Christine), Star Pauline (ex-Sandra) and Star Despoina (ex-Lowlands Beilun), which were acquired with attached time charters, were managed by Maryville Maritime Inc. ("Maryville"), a subsidiary of Excel from the date of their delivery to the Company up to the expiration of their attached time charters. As described in Note 3(h) above, due to Oaktree's relationship with Excel, the Company concluded that the management agreement with Maryville should be treated as a related party transaction for purposes of its financial statements presentation and disclosure. Maryville managed two of the vessels until August 2015 and one until November 2015, when each of their existing time charters expired. The Company paid Maryville a monthly fee of \$17.5 per vessel. Total management fee expense to Maryville for the years ended December 31, 2014 and 2015 was \$35 and \$451, respectively and is included in "Management fees" in the accompanying consolidated statements of operations.

k) Sydelle Marine Ltd.: Sydelle Marine Limited ("Sydelle"), a company controlled by members of Mr. Pappas family, is a party to a Contract of Affreightment (the "Contract") with a third party charterer for a vessel currently under construction (the "Sydelle Vessel"). Pursuant to an assignment agreement, dated as of May 7, 2016, between Sydelle and a subsidiary of Star Bulk (the "Assignment Agreement"), Sydelle has assigned its rights and obligations under the Contract to the Company until the completion of the construction and the delivery of the Sydelle Vessel to the third party charterer, expected in April 2017. During the assignment period, the Contract is being performed by the vessel Star Libra and the respective revenue is earned by the Company.

STAR BULK CARRIERS CORP.

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4. Inventories:

The amounts shown in the accompanying consolidated balance sheets are analyzed as follows:

	2015	2016
Lubricants	\$7,438	\$6,629
Bunkers	6,809	7,905
Total	\$14,247	\$14,534

5. Vessels and other fixed assets, net:

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	2015	2016
Cost		
Vessels	\$2,025,688	\$2,037,737
Other fixed assets	1,810	1,898
Total cost	2,027,498	2,039,635
Accumulated depreciation	(269,946)	(332,426)
Vessels and other fixed assets, net	\$1,757,552	\$1,707,209

Vessels acquired / disposed during the year ended December 31, 2014

Acquisition of secondhand and delivery of newbuilding vessels:

On January 24, 2014, the Company entered into two agreements to acquire from Glocal Maritime Ltd, or “Glocal”, an unaffiliated third party, two 98,000 dwt Post-Panamax vessels, Star Vega and Star Sirius, built 2011. The vessels Star Vega and Star Sirius, were delivered to the Company on February 13, 2014 and March 7, 2014, respectively. The vessels, upon their delivery, were chartered back to Glocal for a daily rate of \$15, until August 2016 and June 2016, respectively.

Following the completion of the Merger and the Pappas Transaction discussed in Note 1, the Company became the owner of 13 operating vessels, the fair value of which following the purchase price allocation was estimated at \$426,000 (based on Level 2 inputs of the fair value hierarchy). In addition, on July 22, 2014 and on September 19, 2014, the Company took delivery of the vessels Peloreus and Leviathan, respectively, two Capesize vessels with a capacity of 182,000 dwt each, built by the Japan Marine United Corporation, or JMU shipyard. The newbuilding contracts for those vessels had been acquired by the Company as part of the Merger. The delivery installment payment of \$34,625 for each vessel was partially financed by \$32,500 drawn for each vessel under a loan facility with Deutsche Bank AG (Note 8).

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Notes to Consolidated Financial Statements

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5. Vessels and other fixed assets, net – (continued):

Pursuant to the Excel Transactions discussed in Note 1, as of December 31, 2014, 28 out of the 34 Excel Vessels had been transferred to the Company, for an aggregate consideration of 5,131,885 common shares (adjusted for the June 2016 Reverse Split) and \$248,751 in cash, or a total cost of \$501,535, including time charters attached (Note 7). The Company used cash on hand, together with borrowings under various credit facilities, to pay the cash consideration for the Excel Vessels, as further discussed in Note 8.

As further discussed in Note 3, on November 11, 2014, the Company entered into two separate agreements with Heron to acquire the vessels Star Gwyneth (ex-ABYO Gwyneth) and Star Angelina (ex-ABYO Angelina), which were delivered to the Company on December 5, 2014. The cost for the acquisition of these vessels was determined based on the fair value of the 423,141 common shares issued on July 11, 2014, in connection with the Heron Transaction, of \$25,080 (Level 1) and the amount of \$25,000 financed by the Heron Vessels Facility (Note 8), according to the provisions of the Merger Agreement with respect to these acquisitions, as further discussed in Note 16.2.

Sale of vessels:

On December 17, 2014, the Company entered into an agreement with a third party to sell the vessel Star Kim. The sale was completed on January 21, 2015 when the vessel was delivered to its new owner. As of December 31, 2014, the Company had received an advance payment from the buyers amounting to \$1,100, which is included under “Advances from sale of vessel” in the accompanying consolidated balance sheet as of December 31, 2014.

Vessels acquired / disposed during the year ended December 31, 2015

Delivery of newbuilding vessels:

On January 8, 2015, the Company took delivery of the vessel Indomitable (ex-HN 5016), for which it had (i) previously made a payment of \$34,942 in December 2014. To partially finance the delivery installment of the Indomitable, the Company drew down \$32,480 under the BNP \$32,480 Facility (Note 8).

On February 27, 2015, the Company took delivery of the vessels Honey Badger (ex-HN 164) and Wolverine (ex-HN 165), for which the Company paid delivery installments of \$19,422 each. On March 13, 2015, the (ii) Company drew down \$38,162 for the financing of both the Honey Badger and the Wolverine under the Sinasure Facility (Note 8).

On March 25, March 31, April 7, and June 26, 2015, the Company took delivery of the Ultramax vessels Idee Fixe (ex-HN 1063), Roberta (ex-HN 1061), Laura (ex-HN 1062) and Kaley (ex-HN1064), respectively, which are all (iii) subject to separate bareboat charter agreements with Jiangsu Yangzijiang Shipbuilding Co. Ltd. (“New Yangzijiang”). As further discussed below, the Company accounts for these bareboat charter agreements as capital leases.

On April 2, 2015, the Company took delivery of the Newcastlemax vessel Gargantua (ex-HN 166). On July 15, 2015, the Company took delivery of the Newcastlemax vessels Goliath (ex-HN 167) and Maharaj (ex-HN 184). (iv) The delivery installments of \$113,046 in aggregate for the respective vessels, were partially financed by \$93,000 drawn down under the DNB-SEB-CEXIM \$227,500 Facility (Note 8).

(v)

On May 27, 2015, the Company took delivery of the Capesize vessel Deep Blue (ex-HN 5017). The delivery installment of \$34,982 was partially financed by \$28,680 drawn under the DVB \$31,000 Deep Blue Facility (Note 8).

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5. Vessels and other fixed assets, net – (continued):

On July 22, 2015 and on August 7, 2015, the Company took delivery of the Ultramax vessels Star Aquarius (vi)(ex-HN 5040) and Star Pisces (ex-HN5043). The delivery installments of \$20,359 and \$20,351, respectively, were partially financed by \$15,237 drawn for each vessel, under the NIBC \$32,000 Facility (Note 8) for each vessel.

(vii) On October 9, 2015, the Company took delivery of the Ultramax vessel Star Antares (ex-HN 196). The delivery installment of \$19,770 was partially financed by \$16,738 drawn under the Sinasure Facility (Note 8).

Acquisition of secondhand vessels:

During the year ended December 31, 2015, the remaining six of the Excel Vessels (Star Nina (ex-Iron Kalypso), Star Nicole (ex-Elinakos), Star Claudia (ex-Happyday), Star Monisha (ex-Iron Beauty), Rodon and Star Jennifer (ex-Ore Hansa) were delivered to the Company in exchange for 851,577 common shares (adjusted for the June 2016 Reverse Split) and \$39,475 in cash, completing the acquisitions of 34 vessels from Excel as further discussed in Note 1 above.

Sale of vessels:

During 2015, the Company entered into various separate agreements with third parties to sell 15 of the Company's vessels (Star Big, Star Mega, Maiden Voyage, Star Natalie, Star Tatianna, Star Christianna, Star Monika, Star Julia, Star Nicole, Rodon, Star Claudia, Indomitable, Magnum Opus, Tsu Ebisu and Deep Blue). Of these vessels, 11 were delivered to their purchasers in 2015, while the remaining four (Indomitable, Magnum Opus, Tsu Ebisu and Deep Blue) were delivered to their purchasers in 2016. None of these four vessels met the 'held-for-sale' classification criteria as of December 31, 2015, as none of them were considered available for immediate sale in their present condition at that date. In addition, as discussed above, in late December 2014 the Company agreed to sell the vessel Star Kim, which was delivered to its owner in early 2015. As part of these sales (other than the sale of the vessel Maiden Voyage which is separately discussed below), the Company recognized a net loss on sale of \$20,585, which is separately reflected in the accompanying consolidated statement of operations for the year ended December 31, 2015.

On May 28, 2015, the Company entered into an agreement with a third party to sell the vessel Maiden Voyage. As part of this transaction, the vessel (currently named Astakos) was leased back to the Company under a time charter for two years. The vessel was delivered to its new owner on September 15, 2015 and the Company became the charterer of the vessel on the same date. The lease back did not meet the lease classification test for a capital lease and is accounted for as operating lease. Pursuant to the applicable accounting guidance for sale and lease back transactions, the net gain from the sale of Maiden Voyage of \$148 was deferred and is being amortized in straight line over the lease term. The net book value of this deferred gain as of December 31, 2015 and 2016 is \$126 and \$51 and is reflected within "Other non-current liabilities" in the accompanying consolidated balance sheets, while amortization of this deferred gain for the years ended December 31, 2015 and 2016 is \$22 and \$75 and is included within "Charter-In Hire expenses" in the accompanying consolidated statement of operations.

Vessels acquired / disposed of during the year ended December 31, 2016

Delivery of newbuilding vessels:

(i) On January 6, 2016, the Company took delivery of the vessel Star Lutas (ex-HN NE 197). The delivery installment of \$19,770 was partially financed by \$14,813 drawn down under the Sinasure Facility (Note 8).

(ii) On January 8, 2016, the Company took delivery of the vessel Kennadi (ex-HN 1080). The delivery installment of \$21,229 was partially financed by \$14,478 drawn down under the Sinosure Facility (Note 8).

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STAR BULK CARRIERS CORP.

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

5. Vessels and other fixed assets, net – (continued):

On February 26, 2016, the Company took delivery of the vessel Star Poseidon (ex-HN NE 198). The delivery (iii) installment of \$33,390 was partially financed by \$23,400 drawn down under the DNB–SEB–CEXIM \$227,500 Facility (Note 8).

(iv) On March 2, 2016, the Company took delivery of the vessel Mackenzie (ex-HN 1081). The delivery installment of \$18,221 was partially financed by \$12,720 drawn down under the Sinasure Facility (Note 8).

(v) On March 11, 2016 and June 6, 2016, the Company took delivery of the vessels Star Marisa (ex-HN 1359) and Star Libra (ex-HN 1372), which are each subject to a separate bareboat charter agreement with CSSC (Hong Kong) Shipping Company Limited (“CSSC”). Each of these bareboat charter agreements is accounted for in the Company’s consolidated financial statements as a capital lease, as further described below.

Sale of operating vessels and newbuilding vessels upon their delivery from the shipyards:

As discussed above, in late 2015, the Company entered into various separate agreements with third parties to sell four of its operating vessels (Indomitable, Magnum Opus, Tsu Ebisu and Deep Blue) and five of its newbuilding vessels (Behemoth, Bruno Marks, Jenmark, Star Aries and Star Taurus) upon their delivery from the shipyards. In addition, in 2016, the Company entered into various separate agreements with third parties to sell the operating vessels Obelix, Star Michele, Star Monisha, Star Aline and Star Despoina and the newbuilding vessel Megalodon (ex-HN 5056) upon its delivery from the shipyard. All these vessels were delivered to their purchasers during the year ended December 31, 2016, and the Company recognized an aggregate net loss on sale of \$15,248.

In connection with the sale of the vessels Tsu Ebisu, Deep Blue, Magnum Opus, Obelix, Indomitable, Star Michele, Star Monisha, Star Aline and Star Despoina discussed above, during the year ended December 31, 2016 the Company prepaid an aggregate amount of \$130,062 under the Deutsche Bank \$85,000 Facility, the HSBC \$20,000 Dioriga Facility, the DVB \$31,000 Facility, the ABN \$87,458 Facility, the Commerzbank \$120,000 Facility, the BNP \$32,480 Facility, the DNB \$120.0 million Facility, the Heron Vessels Facility and the Citi Facility (Note 8).

Capital leases:

On May 17, 2013, subsidiaries of Oceanbulk entered into separate bareboat charter party contracts with affiliates of New Yangzijiang shipyards for eight-year bareboat charters of four newbuilding 64,000 dwt Ultramax vessels being built at New Yangzijiang. The Company assumed these bareboat charters following the completion of the Merger. The vessels were constructed pursuant to four shipbuilding contracts entered into between four pairings of affiliates of New Yangzijiang. Each pair had one shipyard party (each, a “New YJ Builder”) and one ship-owning entity (each a “New YJ Owner”). Delivery of each vessel to the Company was deemed to occur upon delivery of the vessel to the New YJ Owner from the corresponding New YJ Builder. Pursuant to the terms of the bareboat charter, the Company was required to pay upfront fees, corresponding to the pre-delivery installments to the shipyard. An amount of \$20,680 for the construction cost of each vessel, corresponding to the delivery installment to the shipyard, is financed by the relevant New YJ Owner, to whom the Company will pay a pre-agreed daily bareboat charter hire rate on a 30-days advance basis. After each vessel’s delivery, the Company has monthly purchase options to acquire the vessel at pre-determined, amortizing-during-the-charter-period prices. On the eighth anniversary of the delivery of each vessel, the Company has the obligation to purchase the vessel at a purchase price of \$6,000. Upon the earlier of the exercise of the purchase options or the expiration of the bareboat charters, the Company will own the four vessels. As further discussed above, the Company took delivery of these four vessels during the year ended December 31, 2015.

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

5. Vessels and other fixed assets, net – (continued):

On February 17, 2014, the Company entered into separate bareboat charter party contracts with CSSC (Hong Kong) Shipping Company Limited, or CSSC, an affiliate of Shanghai Waigaoqiao Shipbuilding Co., Ltd. (“SWS”), a Chinese shipyard, to bareboat charter for ten years, two fuel efficient newbuilding Newcastlemax dry bulk vessels, the “CSSC Vessels”, each with a cargo carrying capacity of 208,000 dwt. The vessels were constructed pursuant to shipbuilding contracts entered into between two pairings of affiliates of SWS. Each pair had one shipyard party (each, an “SWS Builder”) and one ship-owning entity (each an “SWS Owner”). Delivery to the Company of each vessel was deemed to occur upon delivery of the vessel to the SWS Owner from the corresponding SWS Builder. Pursuant to the terms of the bareboat charters, the Company was required to pay upfront fees, corresponding to the pre-delivery installments to the shipyard. An amount of approximately \$43,200 and \$40,000, respectively, for the construction cost of each vessel, corresponding to the delivery installment to the shipyard, is financed by the relevant SWS Owner, to whom the Company will pay a daily bareboat charter hire rate payable monthly plus a variable amount. Under the terms of the bareboat charters, the Company has the option to purchase the CSSC Vessels at any time after each vessel’s delivery, such option being exercisable on a monthly basis against pre-determined, amortizing-during-the-charter-period prices whilst it has a respective obligation of purchasing the vessels at the expiration of the bareboat term at a purchase price of approximately \$12,960 and \$12,000, respectively. Upon the earlier of the exercise of the purchase options or the expiration of the bareboat charters, the Company will own the CSSC Vessels. As further discussed above, the Company took delivery of the Star Libra (ex-HN 1372) during the year ended December 31, 2016, while the HN 1371 (tbn Star Virgo) was delivered in March 2017 (Note 19).

In addition, following the completion of the Merger and the Pappas Transactions the Company also assumed certain bareboat charter party contracts with CSSC with respect to five newbuilding vessels being built at SWS for subsidiaries of Oceanbulk at the time of the Merger. On December 27, 2013, subsidiaries of Oceanbulk entered into separate bareboat charter party contracts for ten-year bareboat charters of five newbuilding 208,000 dwt Newcastlemax vessels. During the year ended December 31, 2015, the Company reassigned two of these bareboat vessels back to their owners, leaving the Company with no future capital expenditure obligations with respect to these two newbuildings. The remaining three vessels are being constructed pursuant to shipbuilding contracts entered into between three pairings of affiliates of SWS. Each pair has one shipyard party (each, an “SWS Builder”) and one ship-owning entity (each an “SWS Owner”). Delivery of each vessel to the Company is deemed to occur upon delivery of the vessel to the SWS Owner from the corresponding SWS Builder. Pursuant to the terms of the bareboat charter, the Company is required to pay upfront fees, corresponding to the pre-delivery installments to the shipyard. An amount ranging from \$39,968, to \$43,152 for the construction cost of each vessel, corresponding to the delivery installment to the shipyard, will be financed by the relevant SWS Owner, to whom the Company will pay a daily bareboat charter hire rate payable monthly plus a variable amount. After each vessel’s delivery, the Company has monthly purchase options to acquire the vessel at pre-determined, amortizing-during-the-charter-period prices. At the end of the ten-year charter period for each vessel, the Company has the obligation to purchase the vessel at a purchase price ranging from approximately \$12,000 to \$12,960. Upon the earlier of the exercise of the purchase options or the expiration of the bareboat charters, the Company will own the three vessels. As further discussed above, the Company took delivery of the Star Marisa (ex-HN 1359) during the year ended December 31, 2016, while the HN 1360 (tbn Star Ariadne) and the HN 1361 (tbn Star Magnanimus) are expected to be delivered in March 2017 and January 2018, respectively.

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5. Vessels and other fixed assets, net – (continued):

Based on applicable accounting guidance, the Company determined that the bareboat charters discussed above should be classified as capital leases. As a result, in accordance with the applicable capital lease accounting guidance, with respect to the vessels already delivered, the Company recorded a financial liability and a financial asset equal to the lower of the fair value of the asset at the inception of the lease and the present value of the minimum lease payments at the beginning of the lease term.. The net book value of these vessels (which includes the upfront fees paid by the Company until the delivery of the vessel, net of accumulated depreciation) recorded as of December 31, 2015 and 2016 is reflected within “Vessels and other fixed assets, net” in the accompanying consolidated balance sheet. The charge resulting from amortization of these leased assets is included within “Depreciation expense” in the accompanying consolidated statement of operations. The interest expense on the financial liability related to these capital leases for the years December 31, 2015 and 2016 was \$3,088 and \$7,477, respectively, and is included within “Interest and finance costs” in the accompanying consolidated statement of operations. As of December 31, 2015 the net book value of the vessels was \$120,992, with accumulated amortization of \$3,056, while as of December 31, 2016 the net book value of the vessels was \$228,679, with accumulated amortization of \$10,144.

Following the execution of the Restructuring Letter Agreements entered in August 2016 between the Company and its lenders and export credit agencies discussed in Note 8, during the fourth quarter of 2016 the Company entered into a Restructuring Letter Agreement with one of our existing lease providers to defer a portion of the principal repayments included in the hire amounts that were scheduled for payment between 1 October 2016 and 30 June 2018 under all the lease agreements. The deferred hire amounts will be amortized on a monthly basis in the remaining charter period, unless otherwise prepaid as part of a cash sweep mechanism which shall be implemented on a consolidated level, as described in detail in Note 8.

The principal payments required to be made after December 31, 2016, for the outstanding capital lease obligations, taking effect of the deferral of the hire agreed with CSSC discussed above, are as follows:

Years	Amount
December 31, 2017	\$ 14,980
December 31, 2018	17,166
December 31, 2019	22,439
December 31, 2020	23,467
December 31, 2021	23,121
December 31, 2022 and thereafter	108,016
Total capital lease minimum payments	\$ 209,189
Unamortized Deferred financing fees	39
Total lease commitments, net	209,150
Excluding bareboat interest	50,302
Lease commitments – current portion	6,235
Lease commitments – non-current portion	152,613

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5. Vessels and other fixed assets, net – (continued):

Impairment Analysis

As a result of the decline in charter rates and vessel values during the previous years and since market expectations for future rates were low and vessel values were unlikely to increase to the high levels of 2008, the Company reviewed the recoverability of the carrying amount of its vessels in 2014, 2015 and 2016.

The Company's impairment analysis for 2014 indicated that the carrying amount of the Company's vessels was recoverable, and therefore the Company concluded that no impairment charge was necessary.

As part of the sales agreed in 2015 and early 2016, as discussed above, and the reassignment of the leases of two newbuilding vessels back to the vessels' owner (Notes 6), the Company recognized an impairment loss in 2015 of \$219,400. In addition, in light of the continued economic downturn and the prevailing conditions in the shipping industry, as of December 31, 2015, the Company performed an impairment analysis for each of its operating vessels and newbuildings whose carrying value was above its market value.

Based on the Company's impairment analysis framework described in Note 2(n), taking also into consideration the probability of a sale of certain operating and newbuildings vessels, the future undiscounted projected net operating cash flows for certain of its operating and newbuilding vessels over their operating life were below their carrying value and therefore the Company recognized an additional impairment loss of \$102,578 for the year ended December 31, 2015. The total impairment charge of \$321,978, for the year ended December 31, 2015 is separately reflected in the accompanying consolidated statement of operations (Note 18).

In connection with the termination of two shipbuilding contracts (Note 6) and the sale of two operating vessels discussed above and by reference to their agreed sale prices less costs to sell (Level 2), the Company recognized during the year ended December 31, 2016, an impairment loss of \$18,537. In addition, based on the Company's impairment analysis, using the same framework that was used in the previous years, which is discussed in Note 2(n) and taking also into consideration the probability of vessel sales, the Company recognized an additional impairment loss of \$10,684. The total impairment charge of \$29,221, for the year ended December 31, 2016 is separately reflected in the accompanying consolidated statement of operations (Note 18).

The carrying value of the Company's vessels, which did not meet the criteria as held for sale as of December 31, 2016, but met these criteria after the balance sheet date and before the issuance of the Company's financial statements, was \$8,000.

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6. Advances for vessels under construction and acquisition of vessels:

The amounts shown in the accompanying consolidated balance sheets are analyzed as follows:

	2015	2016
Pre-delivery yard installments and fair value adjustment (Note 1)	\$65,009	\$32,602
Bareboat capital leases – upfront hire & handling fees	54,428	25,272
Capitalized interest and finance costs	6,301	4,966
Other capitalized costs (Note 3)	2,172	1,730
Total	\$127,910	\$64,570

During 2015 and in early 2016 the Company reached an agreement in principle with certain shipyards to defer the delivery and reduce the purchase price of certain newbuilding vessels. The estimated delivery dates disclosed in the tables of Note 1 take effect of these negotiations. In addition, during the year ended December 31, 2015, the Company agreed to reassign the leases for two newbuilding vessels back to the vessels' owner for a one-time refund to the Company of \$5,800 each.

During the year ended December 31, 2016, the Company terminated two shipbuilding contacts, leaving the Company with no future capital expenditure obligations with respect to these two newbuildings and an impairment charge of \$1,068 was recorded in the year ended December 31, 2016, in order to write off the total amount of assets, in respect with the two terminated shipbuilding contracts.

As also discussed in Note 5 above, in 2015, the Company entered into separate agreements with third parties to sell upon their delivery from the shipyard the newbuilding vessels Behemoth, Bruno Marks, Jenmark, Star Aries and Star Taurus. The first two of these vessels were delivered to purchasers in January 2016, while the remaining three were delivered until the end of June 2016. Additionally, in January 2016, the Company entered into an agreement to sell upon its delivery from the shipyard the newbuilding vessel Megalodon (ex-HN 5056). The vessel was delivered to its new owners in January 2016. None of these vessels met the 'held-for-sale' classification criteria as of December 31, 2015, as none of them was considered available for immediate sale in its present condition at that date.

As summarized in the relevant table of Note 1, as of December 31, 2016, the Company was party to five newbuilding contracts or lease arrangements for the construction of drybulk carriers of various types.

Taking into effect the outcome of the negotiations discussed above, as of December 31, 2016, the total aggregate remaining contracted price for the five newbuilding vessels plus agreed extras was \$187,014, of which \$112,675 is payable during the next twelve months ending December 31, 2017, and the remaining \$74,339 is payable during the year ending December 31, 2018. An amount of \$79,936 and \$39,984, respectively, will be financed through bareboat capital lease arrangements, as discussed above, the commitments of which are reflected in Note 16.

In addition, as of December 31, 2016, the Company is entitled to receive a refund of \$4,820 from the shipyards, \$1,604 of which is separately reflected in the accompanying relevant consolidated balance sheet under "Other non-current assets," while the remaining \$3,216 is included under "Prepaid expenses and other receivables."

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7. Fair value of Above Market Acquired Time Charters:

During 2011, the Company acquired two second-hand Capesize vessels, Star Big and Star Mega, with existing time charter contracts. Upon their delivery, the Company evaluated the attached charter contracts by comparing the charter rates in the acquired time charter agreements with the market rates for equivalent time charter agreements prevailing at the time the foregoing vessels were delivered and recognized an asset of \$23,065. As described in Note 5 above, in the second quarter of 2015, the Company entered into an agreement with a third party to sell the vessel Star Big. In view of its planned sale, its above market acquired time charter was terminated early, and the unamortized balance of \$2,114, at June 30, 2015, was written-off. Such amount is reflected under “Loss on time charter agreement termination” in the accompanying consolidated statement of operations for the year ended December 31, 2015.

As part of the Merger in July 2014, a \$1,967 intangible asset was recognized corresponding to a fair value adjustment for two favorable time charters under which Oceanbulk was the lessor at the time of acquisition, with respect to vessels Amami and Madreus, as further discussed in Note 1.

In addition, for three Excel Vessels Star Martha (ex Christine), Star Pauline (ex Sandra) and Star Despoina (ex Lowlands Beilun), which were transferred to the Company subject to existing charters, the Company recognized an asset of \$8,076, since it determined that the respective charters were favorable comparing to the existing charter rates.

For the years ended December 31, 2014, 2015 and 2016, the amortization of fair value of the above market acquired time charters amounted to \$6,113, \$9,540 and \$254, respectively, and is included under “Voyage revenues” in the accompanying consolidated statements of operations. The accumulated amortization of these above market time charters as of December 31, 2015 and 2016 was \$30,740 and \$30,994, respectively. These assets had been fully amortized by December 31, 2016.

8. Long-term debt:

Following the execution of the Restructuring Letter Agreements in August 2016, as described below, the Company agreed with all of its lenders to, among others things, defer principal payments owed from June 1, 2016 through June 30, 2018 (the “Deferred Amounts”) to the due date of the balloon installments of each facility. As a consequence no principal payments are required to be made in the next twelve months ending December 31, 2017 and therefore no current portion of long term debt was outstanding as of December 31, 2016.

(A) Existing Facilities

a) Commerzbank \$120,000 Facility:

On December 27, 2007, the Company entered into a loan agreement with Commerzbank AG for up to \$120,000, in order to partially finance the acquisition cost of the vessels, Star Gamma, Star Delta, Star Epsilon, Star Zeta, and Star Theta (the “Commerzbank \$120,000 Facility”). The Commerzbank \$120,000 Facility is secured by a first priority mortgage over the financed vessels. The Commerzbank \$120,000 Facility was amended in June and December 2009. As amended, the Commerzbank \$120,000 Facility had two tranches. One tranche of \$50,000 was repayable in 28 consecutive quarterly installments, which commenced in January 2010, consisting of (i) the first four installments of \$2,250 each, (ii) the next 13 installments of \$1,000 each and (iii) the remaining 11 installments of \$1,300 each, with a final balloon payment of \$13,700 payable along with the last installment. The second tranche of \$70,000 was repayable in 28 consecutive quarterly installments, which commenced in January 2010, consisting of i) the first four installments of \$4,000 each and (ii) the remaining 24 installments of \$1,750 each, with a final balloon payment of

\$12,000 payable together with the last installment.”

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Notes to Consolidated Financial Statements

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

b) Commerzbank \$26,000 Facility:

On September 3, 2010, the Company entered into a loan agreement with Commerzbank AG for up to \$26,000 in order to partially finance the acquisition cost of the vessel, Star Aurora (the “Commerzbank \$26,000 Facility”). The Commerzbank \$26,000 Facility was secured by a first priority mortgage over the financed vessel.

Supplemental Agreement - Commerzbank \$120,000 and \$26,000 Facilities

On December 17, 2012, the Company executed a commitment letter with Commerzbank to amend the Commerzbank \$120,000 Facility and the Commerzbank \$26,000 Facility. The definitive documentation for the supplemental agreement (the “Commerzbank Supplemental”) was signed on July 1, 2013. Pursuant to the Commerzbank Supplemental, the Company paid Commerzbank a flat fee of 0.40% of the combined outstanding loans under the two facilities and agreed, subject to certain conditions, to (i) amend some of the covenants governing the two facilities, (ii) prepay an amount of \$2,000, pro rata against the balloon payments of each facility, (iii) raise \$30,000 in equity (which condition was satisfied after the completion of the Company’s rights offering in July 2013 (Note 9)) and (iv) increase the loan margins. In addition, Commerzbank agreed to defer 60% and 50% of the quarterly installments for the years ended December 31, 2013 and 2014 (the “2013 Deferred Amounts”), to the balloon payments or to a payment in accordance with a semi-annual cash sweep mechanism; under which all earnings of the mortgaged vessels after operating expenses, dry docking provision, general and administrative expenses and debt service, if any, will be used as repayment of the 2013 Deferred Amounts. The Company was not permitted to pay any dividends as long as 2013 Deferred Amounts are outstanding and/or until original terms are complied with.

On March 30, 2015, the Company and Commerzbank AG signed a second supplemental agreement (the “Commerzbank Second Supplemental”). Under the Commerzbank Second Supplemental, the Company agreed to (i) prepay an amount of \$3,000, (ii) amend some of the covenants governing this facility, and (iii) change the repayment date for the Commerzbank \$26,000 Facility from September 7, 2016 to July 31, 2015. The Company fully repaid the Commerzbank \$26,000 Facility in June 2015, and the vessels Star Aurora and Star Zeta were released from the vessel mortgage.

On June 29, 2015, the Company and Commerzbank AG signed a third supplemental agreement (the “Commerzbank Third Supplemental”). Under the Commerzbank Third Supplemental, the Company and Commerzbank AG agreed to (i) defer the installment payments under the Commerzbank \$120,000 Facility, until the full repayment in late October, 2016, (ii) add as additional collateral the vessel Star Iris, and (iii) amend some of the covenants governing this facility.

STAR BULK CARRIERS CORP.

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

Supplemental Agreement - Commerzbank \$120,000 and \$26,000 Facilities (continued):

In April 2016, the Company and Commerzbank entered into a refinancing amendment of the “Commerzbank Supplemental”. This refinancing included (a) changes to certain covenants governing this facility and (b) a different amortization schedule including the change in the final repayment date from October 2016 to October 2018.

Please see below for information regarding the Restructuring Letter Agreements.

c) Credit Agricole \$70,000 Facility:

On January 20, 2011, the Company entered into a loan agreement with Credit Agricole Corporate and Investment Bank for a term loan of up to \$70,000 (the “Credit Agricole \$70,000 Facility”) to partially finance the construction cost of the two newbuilding vessels, Star Borealis and Star Polaris, which were delivered to the Company in 2011. The Credit Agricole \$70,000 Facility is secured by a first priority mortgage over the financed vessels and is divided into two tranches. The Company drew down \$67,275 under this facility. The Credit Agricole \$70,000 Facility is repayable in 28 consecutive quarterly installments, commencing three months after the delivery of each vessel, of \$485.4 and \$499.7, respectively, and a final balloon payment payable at maturity, of \$19,558.2 (due August 2018) and \$20,134 (due November 2018) for the Star Borealis and Star Polaris tranches, respectively.

On June 29, 2015, the Company signed a waiver letter with Credit Agricole Corporate and Investment Bank in order to revise some of the covenants contained in the loan agreement for a period up to December 31, 2016.

Please see below for information regarding the Restructuring Letter Agreements.

d) HSH Nordbank AG \$64,500 Facility:

On October 3, 2011, the Company entered into a \$64,500 secured term loan agreement (the “HSH Nordbank \$64,500 Facility”) with HSH Nordbank AG (“HSH Nordbank”) to repay, together with cash on hand, certain existing debt. The borrowers under the HSH Nordbank \$64,500 Facility are the vessel-owning subsidiaries that own the vessels Star Cosmo, Star Kappa, Star Sigma, Star Omicron and Star Ypsilon, and Star Bulk Carriers Corp. is the guarantor. This facility consists of two tranches. The first tranche of \$48,500 (the “Supramax Tranche”) is repayable in 20 quarterly consecutive installments of \$1,250 commencing in January 2012 and a final balloon payment of \$23,500 payable at the maturity, in September, 2016. The second tranche of \$16,000 (the “Capesize Tranche”) was repayable in 12 consecutive, quarterly installments of \$1,333, commencing in January 2012 and matured in September 2014.

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

d) HSH Nordbank AG \$64,500 Facility – (continued):

On July 17, 2013, the Company and HSH Nordbank signed a supplemental agreement (the “HSH Nordbank \$64,500 Supplemental”). Under the HSH Nordbank \$64,500 Supplemental, the Company agreed, subject to certain conditions, to (i) amend some of the covenants governing this facility until December 31, 2014, (ii) defer a minimum of approximately \$3,500 payments from January 1, 2013 until December 31, 2014, (iii) prepay an amount of \$6,590 with pledged cash already held by HSH Nordbank, (iv) raise \$20,000 in equity (which condition was satisfied after the completion of the Company’s rights offering in July 2013, (Note 9), (v) increase the loan margins from January 1, 2013 until December 31, 2014, (vi) include a semi-annual cash sweep mechanism, under which all earnings of the mortgaged vessels after operating expenses, dry docking provision, general and administrative expenses and debt service, if any, are to be used as prepayment to the balloon payment of the Supramax Tranche, and (vii) not pay any dividends until December 31, 2014 or later in case of a covenant breach. When the Company sold the vessel Star Sigma in April 2013, the HSH Nordbank \$64,500 Supplemental also required the Company to use the proceeds from the sale to fully prepay the balance of the Capesize Tranche and use the remaining vessel sale proceeds to prepay a portion of the Supramax Tranche. As a result, the next seven scheduled quarterly installments commencing in April 2013 were reduced pro rata according to the prepayment from \$813 to \$224.

On June 29, 2015, the Company and HSH Nordbank signed a supplemental agreement to amend certain covenants governing this facility until December 31, 2016.

In September 2016, the Company and HSH Nordbank signed a supplemental agreement to add the vessel Star Zeta as additional collateral.

As part of the 2016 Restructuring discussed below, the Company and HSH agreed to extend the maturity of this loan from September 2016 to August 2018.

Please see below for information regarding the Restructuring Letter Agreements.

e) HSH Nordbank AG \$35,000 Facility:

On February 6, 2014, the Company entered into a new \$35,000 secured term loan agreement (the “HSH Nordbank \$35,000 Facility”) with HSH Nordbank AG. The borrowings under this new loan agreement were used to partially finance the acquisition cost of the vessels Star Challenger and Star Fighter. The HSH Nordbank \$35,000 Facility is secured by a first priority mortgage over the financed vessels. The borrowers under the HSH Nordbank \$35,000 Facility are the two vessel-owning subsidiaries that own the two vessels and Star Bulk Carriers Corp. is the guarantor. This facility matures in February 2021 and is repayable in 28 equal, consecutive, quarterly installments, commencing in May 2014, of \$312.5 and \$291.7 for the Star Challenger and Star Fighter, respectively, and a final balloon payment of \$8,750 and \$9,332.4, payable together with the last installments, for Star Challenger and Star Fighter, respectively.

On June 29, 2015, the Company and HSH Nordbank signed a supplemental agreement to amend certain covenants governing this facility until December 31, 2016.

Please see below for information regarding the Restructuring Letter Agreements.

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Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

f) Deutsche Bank AG \$39,000 Facility:

On March 14, 2014, the Company entered into a \$39,000 secured term loan agreement with Deutsche Bank AG (the “Deutsche Bank \$39,000 Facility”). The borrowings under this loan agreement were used to partially finance the acquisition cost of the vessels Star Sirius and Star Vega. The Deutsche Bank \$39,000 Facility is secured by a first priority mortgage over the financed vessels. The borrowers under the Deutsche Bank \$39,000 Facility are the two vessel-owning subsidiaries that own the two vessels and Star Bulk Carriers Corp. is the guarantor. This facility consists of two tranches of \$19,500 each and matures in March 2021. Each tranche is repayable in 28 equal, consecutive, quarterly installments of \$390 each commencing in June 2014, and a final balloon payment of \$8,580 payable at maturity.

On June 29, 2015, the Company entered into a supplemental letter with Deutsche Bank AG to amend certain covenants governing this facility until December 31, 2016.

On June 2, 2016, the Company and Deutsche Bank AG signed a supplemental agreement to add the vessel Star Vanessa as additional collateral.

Please see below for information regarding the Restructuring Letter Agreements.

g) ABN \$87,458 Facility

On August 1, 2013, Oceanbulk Shipping entered into a \$34,458 credit facility with ABN AMRO, N.V. (the “ABN AMRO \$87,458 Facility”) in order to partially finance the acquisition cost of the vessels Obelix and Maiden Voyage. The loans under the ABN AMRO \$87,458 Facility were available in two tranches of \$20,350 and \$14,108. On August 6, 2013, Oceanbulk Shipping drew down the available tranches. On December 18, 2013, the ABN AMRO \$87,458 Facility was amended to add an additional loan of \$53,000 to partially finance the acquisition cost of the vessels Big Bang, Strange Attractor, Big Fish and Pantagruel. On December 20, 2013, Oceanbulk Shipping drew down the available tranches. The tranche under the ABN AMRO \$87,458 Facility relating to vessel Obelix would mature in September 2017, the one relating to vessel Maiden Voyage matures in August 2018 and those relating to vessels Big Bang, Strange Attractor, Big Fish and Pantagruel, mature in December 2018. The tranches are repayable in quarterly consecutive installments ranging between \$248 to \$550 and a final balloon payment for each tranche at maturity, ranging between \$2,500 and \$12,813. The ABN AMRO \$87,458 Facility is secured by a first-priority ship mortgage on the financed vessels and general and specific assignments and was guaranteed by Oceanbulk Shipping LLC. Following the completion of the Merger, Star Bulk Carriers Corp. replaced Oceanbulk Shipping as guarantor of the ABN AMRO \$87,458 Facility.

On June 29, 2015, the Company signed a supplemental letter with ABN AMRO to amend certain covenants governing this facility until December 31, 2016.

In August 2015, the tranche relating to the vessel Maiden Voyage was fully repaid, following the sale of the vessel (Note 5). In March 2016, the tranche relating to the vessel Obelix was fully repaid, following the sale of the vessel (Note 5).

Please see below for information regarding the Restructuring Letter Agreements.

STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

h) Deutsche Bank \$85,000 Facility

On May 20, 2014, Oceanbulk Shipping entered into a loan agreement with Deutsche Bank AG Filiale Deutschlandgeschäft for the financing of an aggregate amount of \$85,000 (the “Deutsche Bank \$85,000 Facility”), in order to partially finance the construction cost of the newbuilding vessels *Magnum Opus*, *Peloreus* and *Leviathan*. Each tranche matures five years after the drawdown date. The applicable tranches were drawn down concurrently with the deliveries of the financed vessels, in May, July and September 2014, respectively. Each tranche is subject to 19 quarterly amortization payments equal to 1/60th of the tranche amount, with the 20th payment equal to the remaining amount outstanding on the tranche. The Deutsche Bank \$85,000 Facility is secured by first priority cross-collateralized ship mortgages on the financed vessels, and general and specific assignments and was originally guaranteed by Oceanbulk Shipping. On July 4, 2014, an amendment to the Deutsche Bank \$85,000 Facility was executed in order to add ITF International Transport Finance Suisse AG as a lender. On November 4, 2014, a supplemental letter was signed to replace Oceanbulk Shipping with Star Bulk Carriers Corp. as guarantor of this facility.

On June 29, 2015, the Company signed a supplemental letter with Deutsche Bank AG Filiale Deutschlandgeschäft to amend certain covenants governing this facility until December 31, 2016.

In March 2016, the tranche relating to the vessel *Magnum Opus* was fully repaid, following the sale of the respective vessel (Note 5).

Please see below for information regarding the Restructuring Letter Agreements.

i) HSBC \$86,600
Facility

On June 16, 2014, Oceanbulk Shipping entered into a loan agreement with HSBC Bank plc. (the “HSBC \$86,600 Facility”) for the financing of an aggregate amount of \$86,600, to partially finance the acquisition cost of the second hand vessels *Kymopolia*, *Mercurial Virgo*, *Pendulum*, *Amami* and *Madredeus*. The loan, which was drawn in June 2014, matures in May 2019 and is repayable in 20 quarterly installments, commencing three months after the drawdown, of \$1,555 plus a balloon payment of \$55,500 due together with the last installment. The HSBC \$86,600 Facility is secured by a first priority mortgage over the financed vessels and general and specific assignments and was originally guaranteed by Oceanbulk Shipping. On September 11, 2014, a supplemental agreement to the HSBC \$86,600 Facility was executed in order to replace Oceanbulk Shipping with Star Bulk Carriers Corp. as guarantor of the HSBC \$86,600 Facility.

On January 29, 2016, the Company and HSBC Bank plc signed a supplemental agreement to add the vessel *Star Emily* as additional collateral.

Please see below for information regarding the Restructuring Letter Agreements.

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Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

j) NIBC \$32,000
Facility:

On November 7, 2014, the Company and NIBC Bank N.V. entered into an agreement with respect to a credit facility (the “NIBC \$32,000 Facility”) for the financing of an aggregate amount of up to \$32,000, which is available in two tranches of \$16,000, to partially finance the construction cost of two newbuilding vessels, Star Aquarius (ex-HN 5040) and Star Pisces (ex-HN 5043). An amount of \$15,237 for each vessel was drawn in July and August 2015, concurrently with the delivery of the respective vessels to the Company. Each tranche is repayable in consecutive quarterly installments of \$255, commencing three months after the drawdown of each tranche, plus a balloon payment of \$9,633 and \$9,888, for each of the two vessels, both due in November 2020. The NIBC \$32,000 Facility is secured by a first priority cross collateralized mortgage over the financed vessels and general and specific assignments and is guaranteed by Star Bulk Carriers Corp.

On June 29, 2015, the Company signed a supplemental letter with NIBC Bank N.V to amend certain covenants governing this facility until December 31, 2016.

Please see below for information regarding the Restructuring Letter Agreements.

k) DVB \$24,750 Facility:

On October 30, 2014, the Company and DVB Bank SE, Frankfurt entered into an agreement with respect to a credit facility (the “DVB \$24,750 Facility”), to partially finance the acquisition of 100% of the equity interests of Christine Shipco LLC, which is the owner of the vessel Star Martha (ex-Christine), one of the 34 Excel Vessels. On October 31, 2014, the Company drew \$24,750 to pay Excel the related cash consideration. The DVB \$24,750 Facility is repayable in 24 consecutive, quarterly principal payments of \$900 for each of the first four quarters and of \$450 for each of the remaining 20 quarters, with the first becoming due and payable three months from the drawdown date, and a balloon payment of \$12,150 payable simultaneously with the last quarterly installment, which is due in October 2020. The DVB \$24,750 Facility is secured by a first priority pledge of the membership interests of the Christine Shipco LLC and general and specific assignments and is guaranteed by Star Bulk Carriers Corp.

On June 29, 2015, the Company signed a supplemental letter with DVB Bank SE, Frankfurt to amend certain covenants governing this facility until December 31, 2016.

Please see below for information regarding the Restructuring Letter Agreements.

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

l) Sinosure Facility:

On December 22, 2014, the Company executed a binding term sheet with Deutsche Bank (China) Co., Ltd. Beijing Branch and HSBC Bank plc (the “Sinosure Facility”) for the financing of an aggregate amount of up to \$156,453 to partially finance the construction cost of eight newbuilding vessels, Honey Badger (ex-HN NE 164), Wolverine (ex-HN NE 165), Star Antares (ex-HN NE 196), Star Lutas (ex-HN NE 197), Kennadi (ex-HN 1080), Mackenzie (ex-HN 1081), and two other newbuilding vessels for which the construction contracts were subsequently terminated and the corresponding available tranches were cancelled (the “Sinosure Financed Vessels”). The financing under the Sinosure Facility was available in eight separate tranches, one for each Sinosure Financed Vessel, and is credit insured (95%) by China Export & Credit Insurance Corporation. The final loan documentation for the Sinosure Facility was signed on February 11, 2015. Each tranche, which is documented by a separate credit agreement, matures twelve years after each drawdown date and is repayable in 48 equal and consecutive quarterly installments. The Sinosure Facility is secured by a first priority cross collateralized mortgage over the Sinosure Financed Vessels and general and specific assignments and is guaranteed by Star Bulk Carriers Corp. The vessels Honey Badger and Wolverine were delivered to the Company in February 2015. The vessel Star Antares was delivered to the Company in October 2015. The vessels Star Lutas and Kennadi were delivered to the Company in early January 2016 and the vessel Mackenzie was delivered to the Company in March 2016 (Note 5).

On September 2, 2015, the Company signed a supplemental letter agreement with Deutsche Bank (China) Co., Ltd. Beijing Branch and HSBC Bank plc to amend certain covenants governing the existing credit agreements from June 26, 2015 until December 31, 2016.

Please see below for information regarding the Restructuring Letter Agreements.

m) Citi Facility:

On December 22, 2014, the Company entered into a credit facility with Citibank, N.A., London Branch (the “Citi Facility”) to provide financing in an amount of up to \$100,000, in lieu of the Excel Vessel Bridge Facility, in connection with the acquisition of vessels Star Pauline, Star Despoina, Star Angie, Star Sophia, Star Georgia, Star Kamila and Star Nina, which are seven of the Excel Vessels the Company has acquired (the “Citi Financed Excel Vessels”). The first tranche of \$51,477.5 was drawn on December 23, 2014, and the second tranche of \$42,627.5 was drawn on January 21, 2015. The Company used amounts drawn under the Citi Facility to repay portion of the Excel Vessel Bridge Facility in respect of those Citi Financed Excel Vessels. The Citi Facility matures on December 30, 2019. The Citi Facility is repayable in 20 equal, consecutive, quarterly principal payments of \$3,388, with the first installment due on March 30, 2015 and a balloon installment of \$26,349 payable simultaneously with the 20th quarterly installment. The Citi Facility is secured by a first priority mortgage over the Citi Financed Excel Vessels and general and specific assignments and is guaranteed by Star Bulk Carriers Corp.

On June 30, 2015, the Company signed a supplemental Agreement with Citibank, N.A., London Branch to amend certain covenants governing this agreement until December 31, 2016.

In December 2016, the tranche relating to the vessel Star Despoina was fully repaid, following the sale of the respective vessel (Note 5).

Please see below for information regarding the Restructuring Letter Agreements.

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Notes to Consolidated Financial Statements

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

n) Heron Vessels
Facility:

In November 2014, the Company entered into a secured term loan agreement with CiT Finance LLC (the “Heron Vessels Facility”), in the amount of \$25,311, in order to partially finance the acquisition cost of the two Heron Vessels, Star Gwyneth and Star Angelina. The drawdown of the financed amount incurred in December 2014, when the Company took delivery of the Heron Vessels. The facility matures on June 30, 2019, and is repayable in 19 equal consecutive, quarterly principal payments of \$744.4 (with the first becoming due and payable on December 31, 2014), and a balloon installment payable at maturity equal to the then outstanding amount of the loan. The facility is secured by a first priority mortgage over the financed vessels and general and specific assignments and is guaranteed by Star Bulk Carrier Corp.

On July 1, 2015, the Company signed a supplemental letter with CiT Finance LLC to amend certain covenants governing this agreement from June 30, 2015 until December 31, 2016 and to add the vessel Star Aline as collateral under this agreement. In connection with the sale of Star Aline in August 2016, the Company repaid the amount attributable to this vessel, in accordance with the provisions of the Heron Vessels Facility.

Please see below for information regarding the Restructuring Letter Agreements.

o) DNB \$120,000 Facility:

On December 29, 2014, the Company entered into an agreement with DNB Bank ASA as facility agent, security agent account bank and bookrunner, DNB Bank ASA, NIBC Bank N.V and Skandinaviska Enskilda Banken AB as original lenders, mandated lead arrangers and hedge counterparties (the “DNB \$120,000 Facility”), to provide financing for up to \$120,000, in lieu of the Excel Vessel Bridge Facility, in connection with the acquisition of vessels Star Nasia, Star Monisha, Star Eleonora, Star Danai, Star Renee, Star Markella, Star Laura, Star Moira, Star Jennifer, Star Mariella, Star Helena and Star Maria, which are 12 of the Excel Vessels the Company has acquired (the “DNB Financed Excel Vessels”). The Company drew \$88,275 on December 30, 2014, \$9,515 in January, 2015, \$9,507 in February 2015 and \$7,769 in April 2015. The Company used amounts drawn under the DNB \$120,000 Facility to repay portion of the amounts drawn under the Excel Vessel Bridge Facility relating to the DNB Financed Excel Vessels. The DNB \$120,000 Facility matures in December 2019 and is repayable in 20 equal, consecutive, quarterly principal payments of \$4,374, with the first installment due in March 2015, and a balloon installment of \$29,160 payable simultaneously with the 20th installment. The DNB \$120,000 Facility is secured by a first priority mortgage over the DNB Financed Excel Vessels and general and specific assignments and is guaranteed by Star Bulk Carriers Corp.

On June 29, 2015, the Company signed a supplemental letter with the lenders under this facility to amend certain covenants governing this agreement until December 31, 2016.

In August 2016, the total proceeds from the sale of Star Monisha (Note 5) were applied towards the prepayment of the loan.

Please see below for information regarding the Restructuring Letter Agreements.

STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

p) DNB–SEB–CEXIM \$227,500 Facility:

On March 31, 2015, the Company entered into an agreement with DNB Bank ASA as facility agent, security agent account bank and bookrunner, DNB Bank ASA and the Export-Import Bank of China (CEXIM) as mandated lead arrangers and DNB Bank ASA, Skandinaviska Enskilda Banken AB (SEB) and CEXIM as original lenders (the “DNB–SEB–CEXIM \$227,500 Facility”) for up to \$227,500 to partially finance the construction cost of six newbuilding vessels, Gargantua (ex-HN166), Goliath (ex–HN167), Maharaj (ex–HN184), Star Aries (ex-HN1338), Star Taurus (ex-HN1339), and Star Poseidon (ex-HN198). The financing is available in six separate tranches, one for each newbuilding vessel. Following the sale of the Star Aries and the Star Taurus (Note 5), the relevant tranches were terminated without having been drawn. The first tranche of \$32,400 and the second and third tranche of \$30,300 each were drawn, upon the delivery of the vessels Gargantua, Goliath and Maharaj in 2015. The fourth tranche of \$23,400 was drawn, upon the delivery of the vessel Star Poseidon in February 2016 (Note 5). The tranches are repayable in 24 quarterly consecutive installments ranging between \$367 and \$508, with the first becoming due and payable three months from the drawdown date of each tranche and a final balloon installment for each tranche, ranging between \$14,587 million and \$20,198 million, payable simultaneously with the 24th installment. The DNB–SEB–CEXIM \$227,500 Facility is secured by a first priority cross-collateralized mortgage over the financed vessels and general and specific assignments and is guaranteed by Star Bulk Carriers Corp.

On June 29, 2015, the Company signed a supplemental letter with the lenders under this facility to amend certain covenants governing this facility until December 31, 2016.

Please see below for information regarding the Restructuring Letter Agreements.

q) Issuance of the 8.00% 2019 Notes:

On November 6, 2014, the Company issued \$50,000 aggregate principal amount of 8.00% Senior Notes due 2019 (the “2019 Notes”). The net proceeds were \$48,425. The 2019 Notes mature in November 2019 and are senior, unsecured obligations of Star Bulk Carriers Corp. The 2019 Notes are not guaranteed by any of the Company’s subsidiaries.

The 2019 Notes bear interest at a rate of 8.00% per year, payable quarterly in arrears on each February 15, May 15, August 15 and November 15, commencing on February 15, 2015.

The Company may redeem the 2019 Notes, in whole or in part, at any time on or after November 15, 2016 at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. Prior to November 15, 2016, the Company may redeem the 2019 Notes, in whole or in part, at a price equal to 100% of their principal amount plus a make-whole premium and accrued and unpaid interest to the date of redemption. In addition, the Company may redeem the 2019 Notes in whole, but not in part, at any time, at a redemption price equal to 100% of their principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date, if certain events occur involving changes in taxation.

The indenture governing the 2019 Notes contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the 2019 Notes then outstanding may declare the entire principal amount of all the 2019 Notes plus accrued interest, if any, to be immediately due and payable. Upon certain change of control events, the Company is required to offer to repurchase the 2019 Notes at a price equal to 101% of their principal amount, plus accrued and

unpaid interest to, but not including, the date of redemption. If the Company receives net cash proceeds from certain asset sales and does not apply them within a specified deadline, the Company will be required to apply those proceeds to offer to repurchase the 2019 Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to, but not including, the date of redemption.

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

(B) Terminated Facilities

a) ABN AMRO Bank N.V. \$31,000 Facility:

On July 21, 2011, the Company entered into a senior secured credit facility with ABN AMRO Bank N.V. the “ABN AMRO”) for \$31,000 (the “ABN AMRO \$31,000 Facility”), to partially finance the acquisition cost of the vessels Star Big and Star Mega. The ABN AMRO \$31,000 Facility was secured by a first priority mortgage over the financed vessels. The borrowers under the ABN AMRO \$31,000 Facility were the two vessel-owning subsidiaries that own the two vessels and Star Bulk Carriers Corp. was the guarantor.

On March 16, 2012, the Company and ABN AMRO amended the ABN AMRO \$31,000 Facility under a first supplemental agreement (the “ABN \$31,000 First Supplemental”). On April 2, 2013, the Company and ABN AMRO signed a second supplemental agreement (the “ABN \$31,000 Second Supplemental” and, together with the ABN First Supplemental, the “ABN \$31,000 Supplementals”). Under the ABN \$31,000 Supplementals, the Company agreed, subject to certain conditions, to (i) revise the covenants governing this facility until December 31, 2014, (ii) not pay dividends until December 31, 2014 and (iii) increase the margin by 50 bps, beginning on March 31, 2013, until the time the Company was able to raise at least \$30,000 of additional equity (which condition was satisfied after the completion of the Company’s rights offering in July 2013 (Note 9)).

On March 31, 2015, the Company and ABN AMRO signed a third supplemental agreement (the “ABN \$31,000 Third Supplemental”) and agreed to revise certain covenants governing this facility.

In June 2015, this facility was fully repaid following the sale of the vessels Star Big and Star Mega (Note 5).

b) BNP \$32,480 Facility:

On December 3, 2014, Positive Shipping Company, a subsidiary of Star Bulk following the completion of the Pappas Transaction, and BNP Paribas entered into an agreement with respect to a credit facility (the “BNP \$32,480 Facility”) for the financing of up to \$32,500 to partially finance the construction cost of its newbuilding vessel Indomitable (ex-HN 5016). An amount of \$32,480 was drawn in December 2014, in anticipation of the delivery of the Indomitable to the Company on January 8, 2015. The facility was repayable in 20 equal, consecutive, quarterly principal payments of \$537.2 each, with the first becoming due and payable three months from the drawdown date and a balloon installment of \$21,737 payable simultaneously with the 20th installment, which was due in December 2019. The BNP \$32,480 Facility was secured by a first priority mortgage over the financed vessel and general and specific assignments and is guaranteed by Star Bulk Carriers Corp.

On July 3, 2015, the Company signed a supplemental letter with BNP Paribas to amend certain covenants governing this facility from June 30, 2015 until December 31, 2016.

In December 2015, the Company entered into an agreement with a third party to sell the vessel Indomitable. In connection with this sale, the BNP \$32.48 million Facility was repaid in April 2016 along with the delivery of the vessel to its new owners (Note 5).

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Notes to Consolidated Financial Statements

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

c) Excel Vessel Bridge Facility (Note 3):

On August 19, 2014, the Company, through Unity Holdings LLC (“Unity”), a fully owned subsidiary, entered into a \$231,000 Senior Secured Credit Agreement, among Unity, as borrower, the initial lenders named therein which were affiliates of Oaktree and Angelo Gordon, and Wilmington Trust National Association, as administrative agent. The Company used borrowings under the Excel Vessel Bridge Facility to fund portion of the cash consideration for the Excel Vessels. The Excel Vessel Bridge Facility would mature in February 2016, with mandatory repayments of \$6,000, each due in March, June and September 2015. Unity, Star Bulk, and each individual vessel-owning subsidiary of Unity were guarantors under the Excel Vessel Bridge Facility. As of December 31, 2014 an amount of \$195,914 had been drawn under the Excel Vessel Bridge Facility, of which an amount of \$139,753 was prepaid from proceeds from the Citi Facility and the DNB \$120,000 Facility (discussed below), with such prepayment being applied in direct order of maturity according to the provisions of the Excel Vessel Bridge Facility.

On January 29, 2015, the Company fully prepaid and terminated the Excel Vessel Bridge Facility.

d) Excel Vessel CiT Facility:

On December 9, 2014, the Company entered into a credit facility with CiT Finance LLC (the “Excel Vessel CiT Facility”) for an amount up to \$30,000 to partially finance the acquisition of 11 of the older Excel Vessels. The Excel Vessel CiT Facility was secured on a first-priority basis by these 11 financed vessels, which consist of nine Panamax and two Handymax vessels (the “Excel Collateral Vessels”). Pursuant to an intercreditor agreement executed among the lenders under the Excel Vessel Bridge Facility and Excel Vessel CiT Facility, the Excel Collateral Vessels also secured the Excel Vessel Bridge Facility on a second-priority basis. On December 10, 2014, the Company drew \$30,000 under the Excel Vessel CiT Facility. The borrowers under the Excel Vessel CiT Facility were the various vessel-owning subsidiaries that own the Excel Collateral Vessels and Star Bulk Carriers Corp. was the guarantor. The Excel Vessel CiT Facility would mature in December 2016 and was subject to quarterly amortization payments of \$500, commencing on March 31, 2015, with a balloon payment equal to the outstanding amount under the Excel Vessel CiT Facility payable simultaneously with the last quarterly installment.

On June 10, 2015, the Company fully repaid the Excel Vessel CiT Facility.

e) DVB \$31,000 Facility:

On May 21, 2015, the Company entered into an agreement with DVB Bank SE (the “DVB \$31,000 Facility”) for up to \$31,000 to partially finance the construction cost of the newbuilding vessel Deep Blue (ex-HN 5017). The Company drew \$28,680 in May 2015, upon the vessel’s delivery to the Company. The facility was repayable in 24 equal, consecutive, quarterly principal installments of \$476.5 each, with the first become becoming due and payable three months from the drawdown date, and a balloon installment of \$17,245 payable simultaneously with the 24th installment in May 2021. The DVB \$31,000 Facility was secured by a first priority mortgage over the financed vessel and general and specific assignments and was guaranteed by Star Bulk Carriers Corp. In March 2016, this facility was fully repaid following the sale of the vessel Deep Blue (Note 5).

f) BNP \$39,500 Facility:

On March 13, 2015, the Company entered into a committed term sheet with BNP Paribas for up to \$39,500 to finance two vessels, the newbuilding vessel Megalodon (ex-HN5056) and the 2004-built Panamax vessel Star Emily. The loan agreement was executed on September 14, 2015 (the “BNP \$39,500 Facility”). In early 2016, the Company entered into an agreement to sell the newbuilding vessel Megalodon (ex-HN5056) upon its delivery to the Company (Note 5), and the loan agreement was terminated without having been drawn.

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STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

g) HSBC \$20,000 Dioriga Facility

On April 14, 2014, Dioriga Shipping Co. entered into a loan agreement with HSBC Bank plc (the “HSBC \$20,000 Dioriga Facility”) for \$20,000 to partially finance the construction cost of the vessel Tsu Ebisu, which was delivered in April 2014. The HSBC \$20,000 Dioriga Facility would mature in March 2019 and was repayable in 20 quarterly installments of \$350 each, commencing three months after the drawdown, plus a balloon payment of \$13,000 due together with the last installment. The HSBC \$20,000 Dioriga Facility was secured by a first priority mortgage over the financed vessel and general and specific assignments. On October 3, 2014, a supplemental agreement to the HSBC \$20,000 Dioriga Facility was executed in order for Star Bulk Carriers Corp. to become the guarantor of the HSBC \$20,000 Dioriga Facility and to include covenants similar to those of the Company’s other vessel financing facilities.

On June 30, 2015, the Company entered into two supplemental agreements with HSBC Bank plc to amend certain covenants included in the HSBC \$86,600 Facility and HSBC \$20,000 Dioriga Facility until December 31, 2016. In addition, the Company agreed to provide a first priority cross collateralized mortgage over the financed vessels of the HSBC \$86,600 Facility and the financed vessel of the HSBC \$20,000 Dioriga Facility.

In December 2015, the Company entered into an agreement with a third party to sell the vessel Tsu Ebisu (Note 5) and therefore the Dioriga \$20.0 million Facility was fully repaid in January 2016.

h) CEXIM \$57,360
Facility

On June 26, 2014, Oceanbulk Shipping entered into a loan agreement with the Export-Import Bank of China (the “CEXIM \$57,360 Facility”) for the financing of an aggregate amount of up to \$57,360, which was available in two tranches of \$28,680 each, to partially finance the construction cost of the two newbuilding vessels Bruno Marks (ex-HN 1312) delivered in January 2016 and Jenmark (ex -HN 1313), delivered in March 2016. In December 2015, the Company entered into separate agreements with third parties to sell the newbuilding vessels Bruno Marks and Jenmark, upon their delivery to the Company (Note 5) and therefore the CEXIM \$57,360 Facility was terminated without being drawn.

Credit Facility Covenants:

The Company’s outstanding credit facilities generally contain customary affirmative and negative covenants, on a subsidiary level, including limitations to:

- pay dividends if there is an event of default under the Company’s credit facilities or the Deferred Amounts have not been repaid in full;
- incur additional indebtedness, including the issuance of guarantees, refinance or prepay any indebtedness, unless certain conditions exist;
- create liens on Company’s assets, unless otherwise permitted under Company’s credit facilities;
- change the flag, class or management of Company’s vessels or terminate or materially amend the management agreement relating to each vessel;

- acquire new or sell vessels, unless certain conditions exist;
- merge or consolidate with, or transfer all or substantially all Company's assets to, another person; or
- enter into a new line of business.

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STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

Credit Facility Covenants – (continued):

Furthermore, the Company's credit facilities contain financial covenants requiring the Company to maintain various financial ratios, including:

- a minimum percentage of aggregate vessel value to secured loans (security cover ratio or "SCR");
- a maximum ratio of total liabilities to market value adjusted total assets;
- a minimum EBITDA to interest coverage ratio;
- a minimum liquidity; and
- a minimum market value adjusted net worth.

As of December 31, 2015 and 2016, the Company was required to maintain minimum liquidity, not legally restricted, of \$150,000 and \$47,566, respectively, which is included within "Cash and cash equivalents" in the accompanying balance sheets. In addition, as of December 31, 2015 and 2016, the Company was required to maintain minimum liquidity, legally restricted, of \$13,997 and \$14,004 respectively, which is included within "Restricted cash" current and non-current, in the accompanying balance sheets.

As of December 31, 2015, as a result of market conditions, the market value of certain of the Company's vessels was below the minimum SCR required under certain loan agreements. A SCR shortfall does not automatically trigger the acceleration of the corresponding loans or constitute a default under the relevant loan agreements. Under these loan agreements, the Company may remedy an SCR shortfall within a period of 10 to 30 days after it receives notice from the lenders by providing additional collateral or repaying the amount of the shortfall. With respect to such SCR shortfall, the Company did not receive any notices from the relevant lenders that would indicate their intention to exercise their rights under the SCR provisions of the relevant loan agreements and cause acceleration of respective outstanding loan amounts. As of December 31, 2015, \$14,268, which was the amount that could be made repayable under the SCR provisions by the lenders (or "SCR Shortfall Amount"), was reclassified as current portion of long term debt within current liabilities. Apart from this, as of December 31, 2015, the Company was in compliance with the applicable financial and other covenants contained in its debt agreements, including the 2019 Notes.

As of August 31, 2016, the Company entered into restructuring letter agreements (the "Restructuring Letter Agreements") with all 15 banks and export credit agencies providing its senior credit facilities to, among other things, (i) defer principal payments owed from June 1, 2016 through June 30, 2018 (the "Deferred Amounts") to the due date of the balloon installments of each facility, (ii) waive in full or substantially relax the financial covenants, effective during the period until December 31, 2019 and (iii) implement a cash sweep mechanism pursuant to which excess cash at consolidated level will be applied towards the payment of Deferred Amounts, payable pro rata based on each loan facility's and lease agreement's (Note 5) outstanding Deferred Amounts relative to the total Deferred Amounts at the end of each quarter. In exchange, the Company agreed to raise additional equity of not less than \$50.0 million by September 30, 2016 (which condition was satisfied after the completion of the Company's equity offering in September 2016, see Note 9) and impose restrictions on paying dividends until all Deferred Amounts have been repaid (the "Restructuring"). In this respect, the Company has classified all of the amounts outstanding under its bank loans as of December 31, 2016, in accordance with their repayment terms, as amended pursuant to the Restructuring.

STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

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(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

Credit Facility Covenants – (continued):

Under all loan agreements, the Company is not allowed to pay dividends until all Deferred Amount have been repaid in full. Additionally, the Company may not pay dividends or distributions if an event of default has occurred and is continuing or would result from such dividend or distribution.

As of December 31, 2016, the Company was in compliance with the applicable financial and other covenants contained in its debt agreements, including the 2019 Notes.

The weighted average interest rate (including the margin) related to the Company's existing debt, including 2019 Notes and capital leases as of December 31, 2014, 2015 and 2016 was 3.53%, 3.69% and 4.13%, respectively. The commitment fees incurred during the years ended December 31, 2015 and 2016, with regards to the Company's unused credit facilities were \$3,157 and \$472, respectively.

The principal payments required to be made after December 31, 2016, for all the then outstanding debt, after giving effect to the Restructuring, are as follows:

Years	Amount
December 31, 2017	\$-
December 31, 2018	166,663
December 31, 2019	309,363
December 31, 2020	64,358
December 31, 2021	130,764
December 31, 2022 and thereafter	81,785
Total Long term debt	\$752,933
Unamortized Deferred financing fees	9,214
Total Long term debt, net	\$743,719
Current portion of long term debt	-
Long term debt, net	743,719

The 8.00% 2019 Notes mature in November 2019 and are presented in the accompanying consolidated balance sheets as of December 31, 2015 and 2016 net of unamortized deferred financing fees of \$1,677 and \$1,243, respectively.

At December 31, 2016, 61 of the Company's 67 owned vessels, having a net carrying value of \$1,478,226, were subject to first-priority mortgages as collateral to its loan facilities. In addition, six of the Company's bareboat vessels, having a net carrying value of \$228,679, were cross-collateral under the Company's bareboat lease agreements.

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Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

8. Long-term debt – (continued):

Credit Facility Covenants – (continued):

All of the Company's bank loans bear interest at LIBOR plus a margin. The amounts of "Interest and finance costs" included in the accompanying consolidated statements of operations are analyzed as follows:

	2014	2015	2016
Interest on long term debt	\$ 15,362	\$ 35,969	\$ 40,449
Less: Interest capitalized	(7,838)	(12,079)	(3,940)
Reclassification adjustments of interest rate swap loss transferred to Interest and finance costs from Other comprehensive income	1,055	2,416	1,252
Amortization of deferred finance charges	681	2,732	2,855
Other bank and finance charges	315	623	601
Interest and finance costs	\$ 9,575	\$ 29,661	\$ 41,217

During the year ended December 31, 2016, In connection with the prepayments discussed above following (i) the sale of mortgaged vessels, (ii) the cancellation of certain loan commitments resulting from the sale of certain newbuilding vessels upon their delivery from the shipyards and (iii) the termination of two newbuilding contracts as further discussed in Note 5, \$2,375 of unamortized deferred finance charges were written off and included under "Loss on debt extinguishment" in the accompanying consolidated statement of operations for the year ended December 31, 2016. During the year ended December 31, 2015 and 2014, \$974 and \$652, respectively of unamortized deferred finance charges were written off, in connection with loan prepayments and included under "Loss on debt extinguishment" in the accompanying consolidated statement of operations.

STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

9. Preferred, Common Stock and Additional paid in capital:

Preferred Stock: Star Bulk is authorized to issue up to 25,000,000 shares of preferred stock, \$0.01 par value with such designations, as voting, and other rights and preferences, as determined by the Board of Directors. As of December 31, 2015 and 2016 the Company had not issued any preferred stock.

Common Stock: On November 23, 2009, at the Company's annual meeting of shareholders, the Company's shareholders voted to approve an amendment to the Amended and Restated Articles of Incorporation increasing the number of common shares that the Company is authorized to issue from 100,000,000 registered common shares, par value \$0.01 per share, to 300,000,000 registered common shares, par value \$0.01 per share.

Each outstanding share of the Company's common stock entitles the holder to one vote on all matters submitted to a vote of shareholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of shares of common stock are entitled to ratably receive all dividends, if any, declared by the Company's Board of Directors out of funds legally available for dividends. Holders of common stock do not have conversion, redemption or preemptive rights to subscribe to any of the Company's securities. All outstanding shares of common stock are fully paid and non-assessable. The rights, preferences and privileges of holders of shares of common stock are subject to the rights of the holders of any shares of preferred stock which the Company may issue in the future.

5-for-1 reverse stock split: Effective as of June 20, 2016, the Company effected a five-for-one reverse stock split of its common shares (the "June 2016 Reverse Split"). The reverse stock split was approved by shareholders at the Company's Special Meeting of Shareholders held on December 21, 2015. The reverse stock split reduced the number of the Company's common shares from 219,778,437 to 43,955,659 and affected all issued and outstanding common shares. No fractional shares were issued in connection with the reverse split. Shareholders who would otherwise have held a fractional share of the Company's common stock received a cash payment in lieu of such fractional share. All share and per share amounts disclosed in the accompanying financial statements give effect to this reverse stock split retroactively, for all periods presented.

In July 2014, the Company issued as consideration 10,820,840 common shares (adjusted for the June 2016 Reverse Split) in the July 2014 Transactions, consisting of 9,679,153 common shares for the Merger, 718,546 common shares for the acquisition of the Pappas Companies and 423,141 common shares as partial consideration for the acquisition of the Heron Vessels (Note 1).

As disclosed in Note 3 above, 4,520 common shares (adjusted for the latest reverse stock split discussed above) were issued during the year ended December 31, 2014, as part of the consideration for the acquisition of 33% of the total outstanding common stock of Interchart.

As disclosed in Note 12 below, during the year ended December 31, 2014, the Company issued: (i) 78,833 common shares (adjusted for the June 2016 Reverse Split) in connection with its 2014 Equity Incentive Plan; (ii) 1,600 common shares, which were granted to certain directors of the Company; (iii) 1,866 common shares to the Company's former Chief Executive Officer, representing the first installment of his minimum guaranteed incentive award in accordance with his consultancy agreement; and (iv) 33,768 shares to the Company's former Chief Executive Officer pursuant to a termination agreement dated July 31, 2014 (Note 3).

In August 2014, the Company agreed to issue the Excel Vessel Share Consideration of 5,983,462 common shares (adjusted for the latest June 2016 Reverse Split) under the terms of the Excel Transactions. As of December 31, 2015, the Company had issued all shares, out of which 5,131,885 common shares were issued in 2014 as part of the Excel

Vessel Share Consideration and the remaining 851,577 shares were issued in 2015 (Note 1 and Note 5).

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STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)
9. Preferred, Common Stock and Additional paid in capital – (continued):

On January 14, 2015, the Company completed a primary underwritten public offering of 9,800,084 of its common shares, at a price of \$25.0 per share (both shares and per share amounts were adjusted for the June 2016 Reverse Split). The aggregate proceeds to the Company, net of underwriters' commissions and offering expenses, were \$242,211.

On May 18, 2015, the Company completed a primary underwritten public offering of 11,250,000 of its common shares, at a price of \$16.0 per share (both shares and per share amounts were adjusted for the June 2016 Reverse Split). The aggregate proceeds to the Company, net of underwriters' commissions and offering expenses, were \$175,586.

As disclosed in Note 3 above, 34,234 common shares (adjusted for the June 2016 Reverse Split) were issued during the year ended December 31, 2015, as consideration for the third installment payable to Oceanbulk Maritime S.A. as commission for the shipbuilding contracts of certain of the Company's newbuilding vessels. On September 9, 2016, the Company issued 138,453 common shares representing the fourth and last installment to Oceanbulk Maritime.

On April 13, 2016, the Company issued 131,545 common shares (adjusted for the June 2016 Reverse Split) in connection with its 2015 Equity Incentive Plan and 3,000 shares (adjusted for the June 2016 Reverse Split) to two of the Company's directors, which had been granted and vested on July 11, 2014 (as discussed in Note 12). In addition, during the fourth quarter of 2016, the Company issued 558,050 common shares in connection with its 2016 Equity Incentive Plan.

On September 20, 2016, the Company completed a primary underwritten public offering of 11,976,745 of its common shares, at a price of \$4.30 per share. The aggregate proceeds to the Company, net of underwriters' commissions and offering expenses, were \$50,278.

10. Other operational gain:

On June 28, 2013, the Company received a letter from the receivers of STX Pan Ocean Co. Ltd., or STX, terminating the charter agreement for the vessel Star Borealis, effective immediately. Star Borealis was on time charter at an average gross daily charter rate of \$24.75 for the period from September 11, 2011 until July 11, 2021. On September 11, 2014, Star Bulk agreed the settlement of a claim for damages and due hire brought by its subsidiary, Star Borealis LLC ("Star Borealis") arising from the repudiation of the long-term time charter by charterer STX, which claim had been filed with the Seoul Central District Court, Korea, (the "Settled Claim"). Star Borealis negotiated, sold and assigned the rights to the Settled Claim to an unrelated third party for consideration of \$8,016, which was received on October 3, 2014. The Company recorded in 2014 a gain of approximately \$9,377 including the extinguishment of a \$1,361 liability related to the amount of fuel and lubricants remaining on board of the vessel Star Borealis at the time of the charter repudiation.

In addition, other operational gain for the year ended December 31, 2014, includes \$456 relating to a gain from a hull and machinery insurance claim and a gain from a protection and indemnity claim, as well as \$170 relating to a rebate from the Company's previous manning agent.

For the year ended December 31, 2015, other operational gain of \$592 was recognized, mainly consisting of \$550 cash received from the sale of the shares of charterer Korea Line Corporation ("KLC") acquired in connection with the rehabilitation plan approved by KLC's creditors.

For the year ended December 31, 2016, other operational gain of \$1,565 was recognized, mainly consisting of gain from hull and machinery insurance claims.

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STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

11. Management fees:

As of January 1, 2015, the Company engaged Ship Procurement Services S.A. (“SPS”), a third party company, to provide to its fleet certain procurement services at a daily fee of \$0.295 per vessel. Total management fees to SPS for the year ended December 31, 2015 and 2016, were \$7,985 and \$7,604, respectively, and are included in Management fees in the accompanying consolidated statement of operations. In addition, Management fees for the year ended December 31, 2015 also include \$451 of fees incurred pursuant to the management agreement with Maryville discussed in Note 3.

12. Equity Incentive Plans:

On February 20, 2014, the Company’s Board of Directors adopted the 2014 Equity Incentive Plan (the “2014 Plan”) and reserved for issuance 86,000 common shares thereunder (adjusted for the June 2016 Reverse Split). The Plan, similarly to the previous incentive plans adopted by the Company, is designed to provide certain key persons, whose initiative and efforts are deemed to be important to the successful conduct of the business of the Company with incentives to enter into and remain in the service of the Company, acquire an interest in the success of the Company, maximize their performance and enhance the long-term performance of the Company.

On February 20, 2014, 78,833 restricted common shares (adjusted for the June 2016 Reverse Split) were granted to certain directors, officers and employees of the Company, which vested on March 20, 2015. Additionally, on February 20, 2014, 1,600 restricted common shares were granted to certain directors of the Company, which vested immediately. The fair value of each share was \$54.3, based on the closing price of the Company’s common shares on the grant date (adjusted for the June 2016 Reverse Split). The shares were issued in May 2014 along with 1,866 common shares to the Company’s former Chief Executive Officer, representing the first installment of his minimum guaranteed incentive award in accordance with his consultancy agreement (Note 3).

On July 11, 2014, 3,000 common shares (adjusted for the June 2016 Reverse Split) were granted to two of the Company’s directors and vested on the same date. The Company issued the respective shares in April 2016. The fair value of each share was \$60.15, based on the closing price of the Company’s common shares on the grant date (also adjusted for the June 2016 Reverse Split).

On August 4, 2014, the Company issued an aggregate of 33,768 common shares (adjusted for the June 2016 Reverse Split) to its former Chief Executive Officer and current Non-Executive Chairman, in accordance with the terms of an agreement to terminate his consultancy agreement, effective July 31, 2014 (Note 3). The fair value of each share was \$53.55, based on the closing price of the Company’s common stock on the grant date, the date of the release agreement (also adjusted for the June 2016 Reverse Split). In addition, as a result of the termination agreement, the second and the third installments of his minimum guaranteed incentive award under his consultancy agreement of 1,867 and 1,867, which would vest on May 3, 2015 and 2016, respectively, were cancelled (Note 3).

On April 13, 2015, the Company’s Board of Directors adopted the 2015 Equity Incentive Plan and reserved for issuance 280,000 common shares thereunder (adjusted for the June 2016 Reverse Split). The terms and conditions of the 2015 Plan are substantially similar to the terms and conditions of Company’s previous equity incentive plans. On the same date, the Company granted 135,230 restricted common shares (adjusted for June 2016 Reverse Split) to certain directors, former directors, officers and employees, which vested in April 13, 2016. The Company issued the respective shares in April 2016. The fair value of each restricted share was \$17.75, which was determined by reference to the closing price of the Company’s common shares on the grant date (also adjusted for the June 2016 Reverse Split).

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December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

12. Equity Incentive Plans – (continued):

In addition, on the same date, the Board of Directors granted share purchase options of up to 104,250 common shares to certain executive officers, at an option exercise price of \$27.50 per share (both adjusted for the June 2016 Reverse Split). These options are exercisable in whole or in part between the third and the fifth anniversary of the grant date, subject to the respective individuals remaining employed by the Company at the time the options are exercised.

The fair value of all share option awards was calculated based on the modified Black-Scholes method. A description of the significant assumptions used to estimate the fair value of the share option awards is set out below:

·Option type: Bermudan call option

·Grant Date: April 13, 2015

Expected term: Given the absence of expected dividend payments (discussed below), the Company expects that it is optimal for the holders of the granted options to avoid early exercise of the options. As a result, the Company assumes that the expected term of the options is their contractual term (i.e. five years from the grant date).

Expected volatility: The Company used the historical volatility of the common shares to estimate the volatility of the price of the shares underlying the share option awards. The final expected volatility estimate, which is based on historical volatility for the two years preceding the grant date, was 59.274%.

Expected dividends: The Company does not currently pay any dividends to its shareholders, and the Company's loan agreements contain restrictions and limitations on dividend payments. Based on the foregoing, the outstanding newbuilding orderbook of the Company and the market conditions prevailing in the dry bulk industry at the time of valuation, the Company's management determined that for purposes of this calculation the Company is not expected to pay dividends before the expiration of the share options.

Dilution adjustment: Compared to the number of common shares outstanding, the Company's management considers the overall number of shares covered by the options as immaterial, and no dilution adjustment was incorporated in the valuation model.

Risk-free rate: The Company has elected to employ the risk-free yield-to-maturity rate to match the expected term of the options (which as explained above is expected to be five years from the grant date). As of the grant date, the yield-to-maturity rate of five-year U.S. Government bonds was approximately 1.3%.

STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

12. Equity Incentive Plans – (continued):

On May 9, 2016, the Company's Board of Directors adopted the 2016 Equity Incentive Plan (the "2016 Plan") and reserved for issuance 940,000 common shares thereunder (adjusted for the June 2016 Reverse Split). The terms and conditions of the 2016 Plan are substantially similar to the terms and conditions of Company's previous equity incentive plans. On the same date, 690,000 restricted common shares (adjusted for the June 2016 Reverse Split) were granted to certain directors, officers, employees of the Company, 650,000 of which vested in July, 2016 while the remaining 40,000 will vest on March 1, 2018. The fair value of each share was \$3.75, based on the closing price of the Company's common shares on the grant date (also adjusted for the June 2016 Reverse Split). Out of these shares, 558,050 common shares were issued during the fourth quarter of 2016, and the Company plans to issue the remaining in the first quarter of 2017.

On September 12, 2016, the Company's Board of Directors granted 345,000 restricted common shares to certain of its directors and officers, for their participation in the negotiations with the Company's lenders related to the Restructuring. Out of these shares, 305,000 will vest on March 30, 2017, and the remaining 40,000 will vest on March 1, 2018. The fair value of each share was \$4.94, based on the closing price of the Company's common shares on the grant date.

All non-vested shares and options vest according to the terms and conditions of the applicable award agreements. The grantee does not have the right to vote the non-vested shares or exercise any right as a shareholder of the non-vested shares, although the issued and non-vested shares pay dividends as declared. The dividends with respect to these shares are forfeitable. Share options have no voting or other shareholder rights. For the years ended December 31, 2014, 2015 and 2016, the Company paid no dividends on non-vested shares.

The Company expects that there will be no forfeitures of non-vested shares or options. The shares which are issued in accordance with the terms of the Company's equity incentive plans or awards remain restricted until they vest. For the years ended December 31, 2014, 2015 and 2016, the stock based compensation cost was \$5,834, \$2,684 and \$4,166, respectively, and is included under "General and administrative expenses" in the accompanying consolidated statement of operations.

A summary of the status of the Company's non-vested restricted shares as of December 31, 2014, 2015 and 2016, and the movement during these years, is presented below:

	Number of shares	Weighted Average Grant Date Fair Value
Unvested as at January 1, 2014	55,333	\$ 37.30
Granted	117,201	54.25
Vested	(89,968)	44.70
Cancelled	(3,733)	31.00
Unvested as at December 31, 2014	78,833	\$ 54.30
Unvested as at January 1, 2015	78,833	\$ 54.30
Granted	135,230	17.75
Vested	(78,833)	54.30
Unvested as at December 31, 2015	135,230	\$ 17.75

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Unvested as at January 1, 2016	135,230	\$	17.75
Granted	1,035,000		4.15
Cancelled	(1,685)		17.75
Vested	(783,545)		6.14
Unvested as at December 31, 2016	385,000	\$	4.82

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12. Equity Incentive Plans – (continued):

The number of shares as well as their exercise price and weighed average grant date fair value have been revised retroactively, for all periods presented, to give effect to the June 2016 Reverse Split, while the total grant date fair value remained unchanged.

A summary of the status of the Company's non-vested share options as of December 31, 2015 and 2016, and the movement during the year, since granted, is presented below:

Options	Shares	Weighted average exercise price	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2015	-	\$ -	\$ -
Granted	104,250	27.5	7.0605
Outstanding as of December 31, 2015	104,250	\$ 27.5	\$ 7.0605
Outstanding at January 1, 2016	104,250	\$ 27.5	\$ 7.0605
Granted	-	-	-
Vested	-	-	-
Outstanding as of December 31, 2016	104,250	\$ 27.5	\$ 7.0605

The number of outstanding options as well as their exercise price and weighed average grant date fair value have been revised retroactively, for all periods presented, to give effect to the June 2016 Reverse Split, by keeping the total grant date fair value unchanged.

The estimated compensation cost relating to non-vested share option and restricted share awards not yet recognized was \$483 and \$923, respectively, as of December 31, 2016 and is expected to be recognized over the weighted average period of 3.28 years and 0.5 years, respectively. The total fair value of shares vested during the years ended December 31, 2014, 2015 and 2016 was \$5,773, \$1,301 and \$3,580 respectively.

13. Earnings / (Loss) per share:

All shares issued (including the restricted shares issued under the Company's equity incentive plan) are the Company's common stock and have equal rights to vote and participate in dividends. The restricted shares issued under the Company's equity incentive plans are subject to forfeiture provisions set forth in the applicable award agreement. The calculation of basic earnings per share does not consider the non-vested shares as outstanding until the time-based vesting restriction has lapsed. For the years ended December 31, 2014, 2015 and 2016, during which the Company incurred losses, the effect of 78,833, 135,230 and 385,000 non-vested shares (adjusted for the June 2016 Reverse Split), respectively, as well as the effect of 104,250 non vested share options (adjusted for the June 2016 Reverse Split) as of December 31, 2015 and 2016, would be anti-dilutive, and "Basic loss per share" equals "Diluted loss per share."

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13. Earnings / (Loss) per share – (continued):

The Company calculates basic and diluted losses per share as follows:

	2014	2015	2016
Income / (Loss):			
Net income / (loss)	\$(11,723)	\$(458,177)	\$(154,228)
Basic earnings / (loss) per share:			
Weighted average common shares outstanding, basic	11,688,239	39,124,673	47,574,454
Basic earnings / (loss) per share	\$(1.00)	\$(11.71)	\$(3.24)
Effect of dilutive securities:			
Dilutive effect of non vested shares	-	-	-
Weighted average common shares outstanding, diluted	11,688,239	39,124,673	47,574,454
Diluted earnings / (loss) per share	\$(1.00)	\$(11.71)	\$(3.24)

14. Accrued liabilities:

The amounts shown in the accompanying consolidated balance sheets are analyzed as follows:

	2015	2016
Audit fees	\$386	\$216
Legal fees	449	117
Other professional fees	26	7
Vessel Operating and voyage expenses	9,555	7,573
Loan interest and financing fees	4,357	3,539
Income tax	-	267
Total Accrued Liabilities	\$14,773	\$11,719

15. Income taxes

The Company is in the business of international shipping and is not subject to a material amount of income taxes. The Company is subjected to tonnage taxes in certain jurisdictions as described below and accounts for these taxes under “Vessel Operating Expenses” in the accompanying statements of operations. Accordingly, the Company does not record deferred taxes as these are immaterial.

The Company does receive dividends from its operating subsidiaries and these are not subject to withholding taxes nor are these dividends taxed at the Company upon receipt. Thus, the Company does not record deferred tax liabilities for any unremitted earnings as there are no taxes associated with the remittances.

The Company is subjected to tax audits in the jurisdictions it operates in. There have been no adjustments assessed to the Company in the past and the Company believes there are no uncertain tax positions to consider.

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15. Income taxes – (continued):

a) Taxation on Marshall Islands Registered Companies and tonnage tax

Under the laws of the countries of the shipowning companies' incorporation and/or vessels' registration, the shipowning companies are not subject to tax on international shipping income, other than taxation on Maltese registration company described below. However, they are subject to registration and tonnage taxes. In addition, each foreign flagged vessel managed in Greece by Greek or foreign ship management companies is subject to Greek tonnage tax, under the laws of the Hellenic Republic. The technical managers of the Company's vessels, which are established in Greece under Greek Law 89/67, are responsible for the filing and payment of the respective tonnage tax on behalf the Company. Furthermore, under the New Tonnage Tax System ("TTS") for Cypriot merchant shipping, qualifying ship managers who opted and are accepted to be taxed under the TTS are subject to an annual tax referred to as tonnage tax, which is calculated on the basis of the net tonnage of the qualifying ships they manage. The technical managers of the Company's vessels, which are established and operate in Cyprus, are responsible for the filing and payment of the respective tonnage tax. These taxes for 2014, 2015 and 2016 amounted to \$1,360, \$3,717 and \$2,438 respectively, and have also been included under "Vessel operating expenses" in the accompanying statements of operations.

b) Taxation on US Source Income – Shipping Income

The Company believes that it was exempt from U.S. federal income tax at 4% on U.S. source shipping income for the taxable years up to 2015, as each vessel-operating subsidiary is organized in a foreign country that grants an equivalent exemption to corporations organized in the United States and the Company's stock was primarily and regularly traded on an established securities market in the United States, as defined by the Internal Revenue Code (IRC) of the United States.

Under IRS regulations, a Company's stock will be considered to be regularly traded on an established securities market if (i) one or more classes of its stock representing 50% or more of its outstanding shares, by voting power of all classes of stock of the corporation entitled to vote and of the total value of the stock of the corporation, are listed on the market and (ii) (A) such class of stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or one sixth of the days in a short taxable year; and (B) the aggregate number of shares of such class of stock traded on such market during the taxable year must be at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year. Notwithstanding the foregoing, the treasury regulations provide, in pertinent part, that a class of the Company's stock will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of the vote and value of the outstanding shares of such class are owned, actually or constructively under specified stock attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the vote and value of such class of the Company's outstanding stock, ("5% Override Rule").

For the taxable year 2016 the Company believes that it were not exempt from U.S. federal income tax of 4% on U.S. source shipping income, as it believes that it does not satisfy the Publicly Traded Test for 2016 because it is subject to the 5% Override Rule. As a result, tax reserve of approximately \$267 was recognized in the accompanying consolidated statement of operations for the year ended December 31, 2016.

c) Taxation on Maltese Registered Company

In addition to the tax consequences discussed above, the Company may be subject to tax in one or more other jurisdictions, including Malta, where the Company conducts activities. The Company believes that the amount of any

such tax imposed upon its operations for years 2015 and 2016 in Malta will be immaterial.

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16. Commitments and Contingencies:

a) Legal proceedings

Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. The Company's vessels are covered for pollution in the amount of \$1 billion per vessel per incident, by the Protection and Indemnity (P&I) Association in which the Company's vessels are entered. The Company's vessels are subject to calls payable to their P&I Association and may be subject to supplemental calls which are based on estimates of premium income and anticipated and paid claims. Such estimates are adjusted each year by the Board of Directors of the P&I Association until the closing of the relevant policy year, which generally occurs within three years from the end of the policy year. Supplemental calls, if any, are expensed when they are announced and according to the period they relate to. The Company is not aware of any supplemental calls in respect of any policy years other than those that have already been recorded in its consolidated financial statements.

On July 13, 2011, Star Cosmo was retained by the port authority in the Spanish port of Almeria and was released on July 16, 2011. According to the port authority, the vessel allegedly discharged oily water while sailing in Spanish waters in May 2011, more than two months before being retained, and related records were allegedly deficient. An administrative investigation commenced locally. The fines were finally set by the Spanish administrative authorities to €260,000 (approx. \$273, using the exchange rate as of December 31, 2016, eur/usd 1.05) and, following their irrevocable adjudication, the fines have been fully settled and the case is considered closed. Up to \$1 billion of the liabilities associated with the individual vessel's actions, mainly for sea pollution, are covered by the P&I Club Insurance.

In March 2013, the Company commenced arbitration proceedings against Hanjin HHIC-Phil Inc., the shipyard that constructed the Star Polaris, relating to an engine failure the vessel experienced in Korea. This resulted in 142 off-hire days and the loss of \$2,343 in revenues. The Company pursued the compensation for the cost of the repairs and the loss of revenues and following the arbitration hearing in July 2015, the arbitral tribunal issued its partial final award (the "Award"), which found the yard liable for certain aspects of the claim but did not quantify the Award. Following the dismissal of the loss of revenues claim before the High Court of the United Kingdom in the appeal proceedings, a hearing before the arbitral tribunal to quantify the cost of the repairs for which the yard is liable is pending.

On June 28, 2013, the Company received a letter from the receivers of STX Pan Ocean Co. Ltd., or STX, terminating the charter agreement for the vessel Star Borealis. Star Borealis was on time charter at an average gross daily charter rate of \$24.75 for the period from September 11, 2011 until July 11, 2021. On September 11, 2014, Star Bulk agreed the settlement of a claim for damages and due hire brought by its subsidiary, Star Borealis LLC arising from the purported repudiation of the Star Borealis charter agreement by charterer STX (the "Settled Claim"). Star Borealis LLC negotiated, sold and assigned the rights to the Settled Claim to an unrelated third party for \$8,016, which was received on October 3, 2014. The Company recorded in 2014 a gain of approximately \$9,377 including the extinguishment of a \$1,361 liability related to the amount of fuel and lubricants remaining on board of Star Borealis at the time of the charter repudiation.

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16. Commitments and Contingencies – (continued):

a) Legal proceedings– (continued):

On October 23, 2014, a purported shareholder (the “Plaintiff”) of the Company filed a derivative and putative class action lawsuit in New York state court against the Company’s Chief Executive Officer, members of its Board of Directors and several of its shareholders and related entities. The Company has been named as a nominal defendant in the lawsuit. The lawsuit alleges that the acquisition of Oceanbulk and purchase of several Excel Vessels were the result of self-dealing by various defendants and that the Company entered into the respective transactions on unfair terms. The lawsuit further alleges that, as a result of these transactions, several defendants’ interests in the Company have increased and that the Plaintiff’s interest in the Company has been diluted. The lawsuit also alleges that the Company’s management has engaged in other conduct that has resulted in corporate (iv) waste. The lawsuit seeks cancellation of all shares issued to the defendants in connection with the acquisition of Oceanbulk, unspecified monetary damages, the replacement of some or all members of the Company’s Board of Directors and its Chief Executive Officer, and other relief. The Company believes the claims are completely without merit, denies them and intends to vigorously defend against them in court. On November 24, 2014, the Company and the other defendants removed the action to the United States District Court for the Southern District of New York. On March 4, 2015, the Company and the other defendants moved to dismiss the complaint. On February 18, 2016, the court granted the Company’s motion to dismiss in full and dismissed the matter. On February 24, 2016, Plaintiff filed a notice of appeal. The appeal was heard before the Court of Appeals for the Second Circuit on December 6, 2016 and judgment is pending.

b) Other contingencies:

Contingencies relating to Heron

Following the completion of the Merger, Oceanbulk Shipping became a wholly owned subsidiary of the Company. As further discussed in Note 1, Oceanbulk Shipping owned the Heron Convertible Loan, which was convertible into 50% of Heron’s equity. After the conversion of the loan, on November 5, 2014 (Note 1), Heron is a 50-50 joint venture between Oceanbulk Shipping and ABY Group Holding Limited, and Oceanbulk Shipping shares joint control over Heron with ABY Group Holding Limited. Based on the applicable related agreements, neither party will entirely control Heron. In addition, any operational and other decisions with respect to Heron will need to be jointly agreed between Oceanbulk Shipping and ABY Group Holding Limited. As of December 31, 2016, all vessels previously owned by Heron have been either sold or distributed to its equity holders. While Oceanbulk Shipping and ABY Group Holding Limited intend that Heron eventually will be dissolved shortly after receiving permission from local authorities, until that occurs, contingencies to the Company may arise. However, the pre-transaction investors in Heron effectively remain as ultimate beneficial owners of Heron, until Heron is dissolved on the basis that, according to the Merger Agreement, any cash received or paid by the Company from the final liquidation of Heron will be settled accordingly by Oceanbulk Sellers. As of December 31, 2015, the Company had an outstanding payable of \$50 to the Oceanbulk Sellers, respectively, which is included under “Due to related parties” in the accompanying consolidated balance sheets. As this amount was settled in 2016, the Company had no outstanding balance with the Oceanbulk Sellers as of December 31, 2016.

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16. Commitments and Contingencies – (continued):

c) Lease commitments:

The following table sets forth inflows or outflows, related to the Company's leases, as at December 31, 2016.

+ inflows/ - outflows	Twelve month periods ending December 31,						
	Total	2017	2018	2019	2020	2021	2022 and thereafter
Future, minimum, non-cancellable charter revenue (1)	\$46,161	\$45,345	\$816	\$-	\$-	\$-	\$-
Future, minimum, non-cancellable lease payment under vessel operating leases (2)	(2,334)	(2,334)	-	-	-	-	-
Office rent	(1,397)	(249)	(248)	(245)	(241)	(201)	(213)
Bareboat capital leases - upfront hire & handling fees (3)	(5,800)	(5,800)	-	-	-	-	-
Bareboat commitments charter hire (4)	(168,854)	(4,964)	(11,609)	(14,215)	(14,111)	(14,001)	(109,954)
Total	\$(132,224)	\$31,998	\$(11,041)	\$(14,460)	\$(14,352)	\$(14,202)	\$(110,167)

The amounts represent the minimum contractual charter revenues to be generated from the existing, as of (1) December 31, 2016, non-cancellable time and freight charter until their expiration, net of address commission, assuming no off-hire days other than those related to scheduled interim and special surveys of the vessels.

(2) The amounts represent the Company's commitments under the operating lease arrangement for Maiden Voyage disclosed in Note 5.

(3) The amounts represent the Company's commitments under the bareboat lease arrangements representing the upfront hire fee and handling fees for those vessels being, as of December 31, 2016, under construction (Note 6).

(4) The amounts represent the Company's commitments under the bareboat lease arrangements representing the charter hire for those vessels that, as of December 31, 2016, either are under construction or have been delivered to the Company. The bareboat charter hire is comprised of fixed and variable portion, the variable portion is calculated based on the 6-month LIBOR of 1.34572%, as of December 31, 2016 (please refer to Note 5 and Note 6).

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17. Voyage and Vessel operating expenses:

	2014	2015	2016
Voyage expenses			
Port charges	\$5,132	\$17,619	\$30,229
Bunkers	33,146	48,535	28,121
Commissions – third parties	1,902	2,915	2,506
Commissions – related parties (Note 3)	1,997	3,350	3,300
Miscellaneous	164	458	1,665
Total voyage expenses	\$42,341	\$72,877	\$65,821
Vessel operating expenses			
Crew wages and related costs	\$29,449	\$65,402	\$62,920
Insurances	4,561	8,026	6,124
Maintenance, repairs, spares and stores	9,415	18,577	17,194
Lubricants	3,901	8,187	6,372
Tonnage taxes	1,360	3,717	2,438
Upgrading expenses	3,167	6,205	1,784
Miscellaneous	1,243	2,682	1,998
Total vessel operating expenses	\$53,096	\$112,796	\$98,830

The amounts in the accompanying consolidated statements of operations are analyzed as follows:

18. Fair value measurements:

The guidance for fair value measurements applies to all assets and liabilities that are being measured and reported on a fair value basis. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The same guidance requires that assets and liabilities carried at fair value should be classified and disclosed in one of the following three categories based on the inputs used to determine its fair value:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data.

In addition, ASC 815, “Derivatives and Hedging” requires companies to recognize all derivative instruments as either assets or liabilities at fair value in the statement of financial position.

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18. Fair value measurements – (continued):

Fair value on a recurring basis:

Interest rate swaps:

The Company enters into interest rate derivative contracts to manage interest costs and risk associated with changing interest rates with respect to its variable interest loans and credit facilities.

In June 2013, the Company entered into two interest rate swap agreements with Credit Agricole Corporate and Investment Bank (the “Credit Agricole Swaps”) to fix forward its floating interest rate liabilities under the two tranches of the Credit Agricole \$70,000 Facility (Note 8c). The Credit Agricole Swaps were based on an amortizing notional amount beginning from \$26,840 and \$28,628, for the Star Borealis and Star Polaris tranches, respectively, of the Credit Agricole \$70,000 Facility. The Credit Agricole Swaps were effective by November and August 2014, respectively, and mature in August and November 2018. Under the terms of the Credit Agricole Swaps, the Company pays on a quarterly basis a fixed rate of 1.705% and 1.720% per annum, respectively, while receiving a variable amount equal to the three month LIBOR, both applied on the notional amount of the swaps outstanding at each settlement date. As of December 31, 2016, the notional amount of these swaps was \$22,956 and \$24,131, for the vessel Star Borealis and the vessel Star Polaris, respectively.

In addition, on April 28, 2014, the Company entered into two interest rate swap agreements (the “HSH Swaps”) to fix forward 50% of its floating interest rate liabilities for the HSH Nordbank \$35,000 Facility (Note 8f). The HSH Swaps came into effect in September 2014 and mature in September 2018. Under the terms of the HSH Swaps, the Company is paying on a quarterly basis a fixed rate of 1.765% per annum, while receiving a variable amount equal to the three month LIBOR, both applied on the notional amount of the swaps outstanding at each settlement date. As of December 31, 2016, the notional amount of these swaps was \$14,177.

Up to August 31, 2014, because the Credit Agricole Swaps and the HSH Swaps were not designated as accounting hedges, changes in their fair value at each reporting period up to that date, were reported in earnings under “Gain/ (Loss) on derivative financial instruments, net.” On August 31, 2014 the Company designated the Credit Agricole Swaps and the HSH Swaps as cash flow hedges in accordance with ASC 815, “Derivatives and Hedging.” Since that date, the effective portion of these cash flow hedges is reported in “Accumulated other comprehensive income / (loss)” while the ineffective portion of these cash flow hedges is reported under “Gain / (Loss) on derivative financial instruments, net.”

As part of the Merger, the Company acquired five swap agreements that Oceanbulk Shipping had entered during the third quarter of 2013 with Goldman Sachs Bank USA (the “Goldman Sachs Swaps”). The Goldman Sachs Swaps were effective by October 2014 and mature in April 2018. Under their terms, Oceanbulk Shipping makes quarterly payments to the counterparty at fixed rates ranging between 1.79% to 2.07% per annum, based on an aggregate notional amount beginning at \$186,307 on July 1, 2015, increasing up to \$461,264 on October 1, 2015, and then gradually decreasing through maturity. The counterparty makes quarterly floating rate payments at three-month LIBOR to the Company based on the same notional amount. Upon the completion of the Merger, on July 11, 2014, the Company re-designated the Goldman Sachs Swaps as cash flow hedges in accordance with ASC 815. Accordingly, the effective portion of these cash flow hedges, from that date and until March 31, 2015 (see below), was reported in “Accumulated other comprehensive income / (loss)”, while the ineffective portion of these cash flow hedges was reported as gain under “Gain / (Loss) on derivative financial instruments, net”, in the statement of operations for the relevant period. As of December 31, 2016 the notional amount of these swaps was \$412,074.

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18. Fair value measurements – (continued):

Fair value on a recurring basis: – (continued):

Interest rate swaps:

Due to (i) changes in the timing of delivery of some of the Company's newbuilding vessels and, by extension, the timing of some of the forecasted transactions, (ii) changes in LIBOR curves, and (iii) the sale of some of the Company's vessels in 2015 whose loans had been designated as hedged items, the Company determined that the "highly effective" criterion of the hedging effectiveness test for the Goldman Sachs Swaps was not satisfied for the quarter ended June 30, 2015. Consequently, the hedging relationship related to the Goldman Sachs Swaps no longer qualified for special hedge accounting, and as of April 1, 2015, the Company de-designated the cash flow hedge related to the Goldman Sachs Swaps. As a result, changes in the fair value of these swaps since the date of de-designation, April 1, 2015, were reported in earnings under "Gain / (Loss) on derivative financial instruments, net." The amount already reported up to March 31, 2015 in "Accumulated other comprehensive income / (loss)" with respect to the corresponding swaps is reclassified to earnings when the hedged forecasted transaction impacts the Company's earnings (i.e., when the hedged loan interest is incurred), except for amounts related to loans of sold or expected to be sold vessels which are being reclassified to earnings when sale is probable, since the forecasted transaction attributable to these vessels is no longer expected to occur. The unamortized balance of "Accumulated other comprehensive income / (loss)" with respect to the corresponding swaps as of December 31, 2016 was \$649.

The amount recognized in Other Comprehensive Income / (Loss) is derived from the effective portion of unrealized losses from cash flow hedges.

An amount of approximately (\$354) is expected to be reclassified into earnings during the following 12-month period when realized.

In relation to the above interest rate swap agreements designated as cash flow hedges and in accordance with ASC 815 "Derivatives and Hedging - Timing and Probability of the Hedged Forecasted Transaction," the management of the Company considered the creditworthiness of its counterparties and the expectations of the forecasted transactions and determined that no events have occurred that would make the forecasted transaction not probable.

Forward Freight Agreements:

During the year ended December 31, 2016, the Company entered into a certain number of FFAs on the Capesize, Panamax and Supramax indexes. The results of the Company's FFAs and the valuation of the Company's open position as at December 31, 2016 are presented in the tables below.

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18. Fair value measurements – (continued):

The amount of Gain/ (Loss) on derivative financial instruments, including forward freight agreements recognized in the accompanying consolidated statements of operations are analyzed as follows:

Consolidated Statement of Operations	2014	2015	2016
Gain/(loss) on derivative instruments, net			
Unrealized gain/(loss) from the Credit Agricole Swaps and the HSH Swaps before hedging designation (August 31, 2014)	\$(799)	\$-	\$-
Unrealized gain/(loss) from the Goldman Sachs Swaps after de-designation of accounting hedging relationship (April 1, 2015)	-	3,443	2,974
Realized gain/(loss) from the Goldman Sachs Swaps after de-designation of accounting hedging relationship (April 1, 2015)	-	(4,918)	(5,048)
Write-off of unrealized loss related to forecasted transactions which are no longer considered probable reclassified from other comprehensive income/(loss)	-	(1,793)	(42)
Ineffective portion of cash flow hedges	-	-	-
Total Gain/(Loss) on derivative instruments, net	\$(799)	\$(3,268)	\$(2,116)
Interest and finance costs			
Reclassification adjustments of interest rate swap loss transferred to Interest and finance costs from Other comprehensive income/(loss)	(1,055)	(2,416)	(1,252)
Total Gain/(Loss) recognized	\$(1,854)	\$(5,684)	\$(3,368)
Gain/(Loss) on forward freight agreements			
Realized gain on forward freight agreements	-	-	370
Unrealized gain on forward freight agreements	-	-	41
Total Gain/(Loss) recognized	\$-	\$-	\$411

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18. Fair value measurements – (continued):

The following table summarizes the valuation of the Company's financial instruments as of December 31, 2015 and 2016, based on Level 2 observable inputs of the fair value hierarchy.

	Significant Other Observable Inputs (Level 2)			
	2015 (not designated as cash flow hedges)	(designated as cash flow hedges)	2016 (not designated as cash flow hedges)	(designated as cash flow hedges)
ASSETS				
Forward freight agreement - asset position	\$ -	-	\$ 41	-
Total	\$ -	-	\$ 41	-
LIABILITIES				
Interest rate swaps - liability position (current and non-current)	\$ 7,642	807	\$ 2,908	437
Total	\$ 7,642	807	\$ 2,908	437

The carrying values of temporary cash investments, restricted cash, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these financial instruments. The fair value of long-term bank loans, bearing interest at variable interest rates, approximates their recorded values as of December 31, 2016.

The 8.00% 2019 Notes have a fixed rate, and their estimated fair value as of December 31, 2016, determined through Level 1 inputs of the fair value hierarchy (quoted price on NASDAQ under the ticker symbol SBLKL), is approximately \$43,342.

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18. Fair value measurements – (continued):

Fair value on a nonrecurring basis

As a result of the decline in charter rates and vessel values during the previous years and because market expectations for future rates were low and vessel values were unlikely to increase to the high levels of 2008, the Company reviewed, in 2014, 2015 and 2016 the recoverability of the carrying amount of its vessels.

The Company's impairment analysis as of December 31, 2014, indicated that the carrying amount of the Company's vessels, was recoverable, and therefore, the Company concluded that no impairment charge, was necessary.

As further discussed in Note 5, the Company recognized an impairment loss of \$321,978 for the year ended December 31, 2015, of which:

\$17,815 relates to sold operating vessels that had been delivered to their purchasers as of December 31, 2015 or bareboat vessels that were reassigned to their owners during the year. The carrying value of these vessels was (i) written down to the fair value as determined by reference to their agreed sale (or reassignment) prices less costs of sale.

\$201,585 relates to sold operating vessels and newbuildings in 2015 or in early 2016 that had not been delivered to (ii) their purchasers as of December 31, 2015. The carrying value of these vessels was written down to the fair value as determined by reference to their agreed sale prices less costs of sale.

\$102,578 relates to certain other operating vessels and newbuildings. Pursuant to its impairment analysis as at December 31, 2015, the Company estimated that these operating vessels and newbuildings would have future undiscounted projected operating cash flows to be earned over their operating life less than their carrying value. In (iii) estimating the projected cash flows for these vessels, the Company took into consideration the possibility of their sale, to the extent that attractive sale prices are attainable. The carrying value of these vessels was written down to the fair value as determined by reference to the vessel valuations of independent shipbrokers (as of mid to late December 2015).

The following table summarizes the valuation of these assets described under (ii) and (iii) above, measured at fair value on a non-recurring basis as of December 31, 2015.

Fair Value Measurements Using

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment loss	Impairment loss
Long-lived assets held and used					
Vessels, net	\$ —	\$ 259,775	\$ —	\$ —	\$ 145,631
Advances for vessels under construction	—	36,152	—	—	158,532
TOTAL	\$ —	\$ 295,927	\$ —	\$ —	\$ 304,163

STAR BULK CARRIERS CORP.

Notes to Consolidated Financial Statements

December 31, 2016

(Expressed in thousands of U.S. dollars – except share, per share data and scrap rates, unless otherwise stated)

18. Fair value measurements – (continued):

As further disclosed in Note 5, during 2016 the Company recognized an impairment loss of \$18,537 related to the sale of two operating vessels and the termination of two newbuilding contracts during the year. The carrying value of the sold vessels was written down to the fair value as determined by reference to their agreed sale prices less the costs of their sale (Level 2). In addition pursuant to the Company's impairment analysis for its entire fleet, as at December 31, 2016, using the same framework that was used in the previous years, which is discussed in Note 2(n), the Company recognized an additional impairment loss of \$10,684. The carrying value of the respective vessels was written down to the fair value as determined by reference to the vessel valuations of independent shipbrokers (as of December 31, 2016).

The table following table summarizes the valuation of these assets measured at fair value on a non-recurring basis as of December 31, 2016:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment loss	Impairment loss
Long-lived assets held and used					
Vessels, net	\$ —	\$ 12,700	\$ —	\$ —	\$ 10,684
TOTAL	\$ —	\$ 12,700	\$ —	\$ —	\$ 10,684

In addition, please refer to Note 1 for the fair value of assets acquired and liabilities assumed by the Company at the Merger and the Pappas Transaction on July 11, 2014, which was the acquisition date.

19. Subsequent Events:

On February 2, 2017, the Company completed a private placement of 6,310,272 common shares, at a price of \$8.154 per share (the "February 2017 Private Placement"). The aggregate gross proceeds to the Company were approximately \$51.5 million, raised for general corporate purposes. One of the Company's significant shareholders, Oaktree and its affiliates, purchased a total of 3,244,292 of the common shares in the February 2017 Private Placement.

On February 9, 2017, the Company entered into agreement with a third party to sell the vessel Star Eleonora at market terms. The vessel was delivered to its new owner in early March.

On March 1, 2017, the Company took delivery of the Newcastlemax vessel Star Virgo (ex HN 1371), which, as disclosed in Note 5, is financed under a bareboat charter accounted for as a capital lease, from CSSC (Hong Kong) Shipping Company Limited.

In March 2017, the Company entered into definitive agreements to acquire two modern Kamsarmax drybulk carriers from an unaffiliated third party for an aggregate total consideration of \$30.3 million. Each of the vessels has a carrying capacity of 81,713 deadweight tons and was built with high specifications at Jiangsu New Yangzijiang in 2013. The vessels are expected to be delivered to the Company between March and May 2017. The Company is currently in advanced discussions with a financial institution to secure financing for up to 50% of the acquisition costs of the vessels.

