Star Bulk Carriers Corp.
Form 6-K
January 03, 2013

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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16 OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of January 2013

Commission File Number: 001-33869

STAR BULK CARRIERS CORP.
(Translation of registrant's name into English)

Star Bulk Carriers Corp.
c/o Star Bulk Management Inc.
40 Agiou Konstantinou Street,
15124 Maroussi,
Athens, Greece
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F R Form 40-F £

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): £.

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): £.

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached as Exhibit 1 to this report on Form 6-K is Management's Discussion and Analysis of Financial Condition and Results of Operations and our unaudited interim condensed consolidated financial statements and related information and data as of and for the nine month period ended September 30, 2012.

SIGNATURES

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

STAR BULK CARRIERS CORP.
(Registrant)

Date: January 2, 2013	By:	/s/ SPYROS CAPRALOS
	Name:	Spyros Capralos
	Title:	Chief Executive Officer and President

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

The following is a discussion of our financial condition and results of operations for the nine month periods ended September 30, 2012 and 2011. Unless otherwise specified herein, references to the "Company", "we", "us" or "our" shall include Star Bulk Carriers Corp. and its subsidiaries. You should read the following discussion and analysis together with the unaudited interim condensed consolidated financial statements and related notes included elsewhere in this report. For additional information relating to our management's discussion and analysis of financial condition and results of operation, please see our Annual Report on Form 20-F for the year ended December 31, 2011, which was filed with the U.S. Securities and Exchange Commission(the "Commission") on March 27, 2012. This discussion includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those currently anticipated and expressed or implied by such forward-looking statements.

Overview

We are an international company providing worldwide transportation of drybulk commodities through our vessel-owning subsidiaries for a broad range of customers of major bulk cargoes including coal, iron ore, and grains, and minor bulk cargoes including, bauxite, phosphate, fertilizers and steel products. We were incorporated in the Marshall Islands on December 13, 2006 as a wholly-owned subsidiary of Star Maritime Acquisition Corp., or Star Maritime. On November 30, 2007, we merged with Star Maritime, with Star Bulk being the surviving entity and commenced operations on December 3, 2007, which was the date we took delivery of our first vessel.

Our Fleet

We currently own a fleet of 14 vessels consisting of six Capesize drybulk carriers and eight Supramax drybulk carriers. Our fleet has an average age of 10.8 years and a combined cargo carrying capacity of approximately 1.5 million dwt. We charter six of our vessels on medium- to long-term time charters, with an average remaining term of approximately 2.5 years, seven of our vessels on short-term time charters and one of our vessels on a voyage charter. We consider our vessels on short-term time charters and voyage charters to be employed in the spot market.

The following table presents summary information concerning our fleet as of December 31, 2012:

Vessel Name	Vessel Type	Size (dwt.)	Year Built	Daily Gross Hire Rate	Type/ Month of Contract Expiry
Star Aurora	Capesize	171,199	2000	$27,500	Time charter/ July 2013
Star Big	Capesize	168,404	1996	$25,000	Time charter/ November 2015
Star Borealis	Capesize	179,678	2011	$24,750	Time charter/ July 2021
Star Mega	Capesize	170,631	1994	$24,500	Time charter/ August 2014
Star Polaris (1)	Capesize	179,546	2011	$16,500	Time charter/ October 2013
Star Sigma (2)(4)	Capesize	184,403	1991	Freight $22.123/mt	Voyage charter/ Expected February 2013
Star Cosmo(2)	Supramax	52,247	2005	$14,500	Time charter/ January 2013
Star Delta (2)	Supramax	52,434	2000	$8,500	Time charter / February 2013
Star Epsilon (2)	Supramax	52,402	2001	$4,000 first 60 days $9,000 thereafter	Time charter / February 2013
Star Gamma (3)	Supramax	53,098	2002	$14,050	Time charter/ July 2013
Star Kappa(2)	Supramax	52,055	2001	$6,000 first 65 days and $9,000 thereafter	Time charter/ January 2013
Star Omicron (2)	Supramax	53,489	2005	$7,000 first 65 days and $9,200 thereafter	Time charter/ January 2013
Star Theta (2)	Supramax	52,425	2003	$6,250	

					Time charter/ January 2013
Star Zeta (2)	Supramax	52,994	2003	$9,450	Time charter/ January 2013

1. Our charterer has an option to extend this time charter for one year at a gross daily rate of $19,000.
2. We consider these vessels to be employed in the spot market in view of the expiration date of their current charters.
3. Our charterer has an option to extend this time charter for one year at a gross daily rate of $15,500.
4. Star Sigma is expected to transport 180,700 metric tons under the voyage charter.

RECENT AND OTHER DEVELOPMENTS

On September 27, 2012, Star Bulk S.A. entered into an agreement with Maiden Voyage LLC, a Marshall Islands company, for the commercial and technical management of the Maiden Voyage, a 2012 built Supramax dry bulk carrier. Pursuant to the terms of this management agreement, we will receive a fixed management fee of $750 per day beginning on September 28, 2012 and until two months after the termination by either party upon written notice. This vessel will be managed under the same strategy as the other vessels in our fleet. Maiden Voyage LLC is owned and controlled by Oceanbulk Carriers LLC, a company minority owned by our director, Mrs. Milena-Maria Pappas.

Effective as of the opening of trading on October 15, 2012, the Company affected a one-for-fifteen reverse stock split of its common shares. The reverse stock split was approved by shareholders at the Company's 2012 Annual General Meeting of Shareholders held on September 7, 2012. The reverse stock split reduced the number of the Company's common shares from 81,012,403 to 5,400,810 and affected all issued and outstanding common shares. Shareholders received cash in lieu of fractional shares and no fractional shares were issued in connection with the reverse split. On October 12, 2012, the Company amended and restated its articles of incorporation, which were included in a Form 6-K furnished to the Commission on October 15, 2012.

On October 18, 2012, Star Bulk S.A. entered into an agreement with OOCAPE1 Holdings LLC, a Marshall Islands company, for the commercial and technical management of the Obelix, a 2011 built Capesize dry bulk carrier. Pursuant to the terms of this management agreement, we will receive a fixed management fee of $750 per day beginning on October 19, 2012 and until two months after termination by either party upon written notice. This vessel will be managed under the same strategy as the other vessels in our fleet. OOCAPE1 Holdings LLC is owned and controlled by Oceanbulk Carriers LLC, a company minority owned by our director, Mrs. Milena-Maria Pappas.

On February 18, 2011, the Company received a letter from Korea Line Corporation, KLC, the charterer of the Star Gamma and the Star Cosmo, notifying the Company of the commencement of rehabilitation proceedings of KLC in Korea and the related schedule for making registered claims against KLC in those proceedings. On March 31, 2011, the Company filed their registered claims with the Bankruptcy Division of the Korean courts relating to the Star Gamma and the Star Cosmo. The rehabilitation plan was approved by the required majority vote of KLC's lenders which provided for payments in cash and in shares for a period of ten years to KLC's counterparties in relation to the unsecured claims. In addition, and with respect to the common benefit claims (secured claims), following an agreement with the joint receivers of KLC, the Company agreed to settle the common benefit claim of Star Gamma by way of two equal annual cash payments in the aggregate amount of $344,857, of which the second installment remains outstanding. With respect to the Company's claims related to the Star Cosmo, pursuant to a separate agreement with the joint receivers of KLC, the due hire which represented the common benefit claim was paid directly from sub charterers to the Company and the remaining due hire representing unsecured claims is expected to be settled pursuant to the approved rehabilitation plan.

On November 19, 2012, the Company received 46,007 shares of KLC as part of the rehabilitation plan described above, the shares were sold the same date at the average price of KRW 3,456. The cash proceeds from the sale of the respective shares amounted to approximately $144,000.

As of December 2012, the Company agreed in principle with all of its lenders to amend the terms of the current loan agreements subject to the negotiation and execution of definitive documentation by the Company and the lenders. The amended terms include the deferral of up to approximately $24.0 million from the installments payable until 2015 and the waiver or amendment of certain of the existing financial covenants. See "Loan Facilities."

In relation to the main engine failure of the vessel Star Polaris in June 2012, which resulted in a period of off-hire, the insurers have commenced reimbursing the Company under its hull and machinery policies for expenditures related to repairs.

A. Operating Results

Factors Affecting Our Results of Operations

We currently charter six of our vessels on medium- to long-term time charters, with an average remaining term of approximately 2.5 years, seven of our vessels on short-term time charters and one of our vessels on a voyage charter. Under time charters, the charterer typically pays us a fixed daily charter hire 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 of these types of charters, we remain responsible for paying the chartered 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 affiliated and unaffiliated ship brokers and to in-house brokers associated with the charterer for the arrangement of the relevant charter. In addition, we are also responsible for the dry docking costs related to our vessels.

In addition, we had a contract of affreightment, or COA, to transport approximately 1.35 million metric tons of iron ore between Brazil and China for Vale International S.A., or Vale, which was completed in February 2012. COAs relate to the carriage of multiple cargoes over the same route and enables the COA holder, usually the vessel owner, to nominate different vessels to perform individual voyages. Essentially, it constitutes a number of voyage charters to carry a specified amount of cargo during the term of the COA, which is usually several years. All of the vessel's operating, voyage and capital costs are the responsibility of the vessel owner. The freight rate is generally set on a per cargo ton basis. Although the majority of vessels in our fleet are employed on medium- to long-term time charters and on short-term time charters, we may employ these and additional vessels under COAs, bareboat charters and voyage charters or in dry bulk carrier pools in the future.

The following table reflects certain operating data for our fleet, including our ownership days, voyage days, and fleet utilization, which we believe are important measures for analyzing trends in our results of operations, for the periods indicated:

	Nine month period ended September 30, 2011	Nine month period ended September 30, 2012
Average number of vessels (1)	11.5	14.2
Number of vessels (as of the last day of the periods reported)	14	14
Average age of operational fleet (in years) (2)	11.0	10.6
Ownership days (3)	3,139	3,904
Available days (4)	3,089	3,704
Voyage days for fleet (5)	3,074	3,556
Fleet utilization (6)	99.50 %	96.0 %
Average per-day TCE rate (7)	$20,166	$15,560
Average per day OPEX per vessel	$5,478	$5,239

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

(2) Average age of operational fleet is calculated as at September 30, 2011 and 2012, respectively.

(3) Ownership days are the total calendar days each vessel in the fleet was owned by Star Bulk for the relevant period.

(4) Available days for the fleet are the ownership days after subtracting for off-hire days with major repairs, dry-docking or special or intermediate surveys or transfer of ownership.

(5) Voyage days are the total days the vessels were in our possession for the relevant period after subtracting all off-hire days incurred for any reason (including off-hire for dry-docking, major repairs, special or intermediate surveys).

(6) Fleet utilization is calculated by dividing voyage days by available days for the relevant period.

(7) Represents the weighted average per-day 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. Our method of calculating TCE rate is determined by dividing voyage revenues (net of voyage expenses and amortization of fair value of above/below market acquired time charter agreements) by voyage days for the relevant time 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., spot charters, time charters and bareboat

charters) under which the 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, because it assists our management in making decisions regarding the deployment and use of its vessels and in evaluating their financial performance.

Time Charter Equivalent (TCE)
Time charter equivalent rate, or TCE rate, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE rate is determined by dividing voyage revenues (net of voyage expenses and amortization of fair value of above/below market acquired time charter agreements) by voyage days for the relevant time 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. We report TCE revenues, a non-GAAP measure, because our management believes it provides additional meaningful information in conjunction with voyage revenues, the most directly comparable U.S. GAAP measure, because it assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance. The TCE rate is also included herein because it is a standard shipping industry performance measure used primarily to compare period-to-period changes in a shipping company's performance irrespective of changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods and because we believe that it presents useful information to investors.

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

(In thousands of Dollars)

	Nine month period ended September 30, 2011	Nine month period ended September 30, 2012
Voyage revenues	78,356	68,016
Less:		
Voyage expenses	(16,953)	(17,453)
Amortization of fair value of below/above market acquired time charter agreements	586	4,768
Time Charter equivalent revenues	61,989	55,331
Total voyage days for fleet	3,074	3,556
Time charter equivalent (TCE) rate (in Dollars)	20,166	15,560

6

Voyage Revenues

Voyage revenues are driven primarily by the number of vessels in our fleet, the number of voyage days 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 hire paid for chartered-in vessels, port and canal charges, fuel (bunker) expenses and brokerage commissions payable to related and third parties.

Our voyage expenses primarily consist of hire paid for chartered-in vessels and commissions paid for the chartering of our vessels.

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 costs of spares and consumable stores, tonnage taxes, regulatory fees, technical management fees 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, bunkers and insurance, may also cause these expenses to increase.

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 and accounting expenses.

Interest and Finance Costs
We incur interest expense and financing costs in connection with vessel-specific debt relating to the acquisition of our vessels. We defer financing fees and expenses incurred upon entering into our credit facilities and amortize them to interest and financing costs over the term of the underlying obligation using the effective interest method.

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.

Special or Intermediate Survey and Dry docking Costs
We utilize the direct expense method, under which we expense all dry docking costs as incurred.

Gain or Loss arising from Freight Derivatives
From time to time, we may take positions in freight derivatives including FFAs and freight options with an objective to utilize those instruments as economic hedge 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 London Clearing House (LCH), and there is also a margin maintenance requirement based on marking the contract to market. Freight options are treated as assets/liabilities until they are settled.

RESULTS OF OPERATIONS

Nine month period ended September 30, 2012 compared to the nine month period ended September 30, 2011

Voyage Revenues: For the nine month periods ended September 30, 2012 and 2011, our voyage revenues were approximately $68.0 million and $78.4 million, respectively. For the nine month period ended September 30, 2012, total voyage revenues were negatively affected by the amortization of the fair value of above market acquired time charters of $4.8 million while for the nine month period ended September 30, 2011 total revenues were negatively affected by the amortization of the fair value of above market acquired time charters by $0.6 million.

The TCE rate of our fleet decreased approximately 23% to $15,560 per day for the nine month period ended September 30, 2012 from $20,166 per day for the nine month period ended September 30, 2011.

The decrease in both voyage revenues and TCE rates was primarily due to lower charter rates during the nine month period ended September 30, 2012 for most of our vessels, as a result of a decline in the overall dry bulk charter market, partially offset by the increased voyage days due to the increase in the average number of vessels owned and operated by us during the nine month period ended on September 30, 2012.

Voyage revenues for the nine month period ended September 30, 2012 were affected by two incidents, the Star Polaris' grounding and damages to its main engine, which resulted in an off-hire period of 142 days and a revenue loss of $2.3 million.

Voyage Expenses: For the nine month periods ended September 30, 2012 and 2011, our voyage expenses were approximately $17.5 million and $17.0 million, respectively. Consistent with dry bulk industry practice, we paid, during the relevant periods, broker commissions ranging from 1.25% to 5.75% of the total daily charter hire rate of each charter to ship brokers associated with the charterers, depending on the number of brokers involved with arranging the charter. Voyage expenses also consist of hire paid for chartering-in vessels, port, canal and fuel costs. The expense for chartering-in third party vessels to serve shipments under the Vale COA that was completed in February 2012 amounted to $4.1 million and $14.4 million for the nine month periods ended September 30, 2012 and 2011, respectively. Excluding these expenses for chartering-in third party vessels, the increase in voyage expenses is mainly due to the fact that during the nine month period ended September 30, 2012 our vessels were under six voyage charter agreements while during the nine month period ended September 30, 2011 none of our vessels were under voyage charter agreements.

Vessel Operating Expenses: For the nine month periods ended September 30, 2012 and 2011, our vessel operating expenses were approximately $20.5 million and $17.2 million, respectively. This increase is mainly due to the fact that the average number of our vessels increased to 14.2 during the nine month period ended September 30, 2012 compared to 11.5 during the same period of 2011. However, daily operating expenses, which are calculated by dividing operating expenses by ownerships days for the relevant period, decreased to $5,239 during the nine month period ended September 30, 2012 compared to $5,478 in same period of 2011. This decrease is mainly attributable to our efforts to further improve our operational efficiency.

Dry Docking Expenses: For the nine month periods ended September 30, 2012 and 2011, our dry docking expenses were $3.0 million and $1.6 million, respectively. During the nine month period ended September 30, 2012, one of our Capesize vessels and one of our Supramax vessels underwent their periodic dry-docking surveys. In the same period in 2011, we had two Supramax vessels that underwent periodic dry docking surveys.

Depreciation: For the nine month periods ended September 30, 2012 and 2011, depreciation was $28.7 million and $36.7 million, respectively. The decrease in depreciation expense for the nine month period ended September 30, 2012 is mainly due to impairment losses recognized as of December 31, 2011 in connection with our oldest Capesize vessels, which resulted in a reduced net book value for the respective vessels and the sale of Star Ypsilon that took place in February of 2012.

Vessel impairment loss: During the nine month period ended September 30, 2012, we recognized an impairment loss of $303.2 million. The Company tests for impairment of its long lived assets whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Due to the sustained decline in charter rates and vessel values during the last four years and because market expectations for future rates are low and are unlikely to increase to the high levels of 2008 in the foreseeable future, the Company performed an impairment analysis for all the vessels in its fleet by comparing projected undiscounted cash flows to the carrying values of vessels. As a result of this analysis we recorded an impairment loss to the book value of our entire fleet of eight Suparmax vessels and of our oldest Capesize vessel Star Sigma, since the values of these vessels were considered to be non-recoverable.

Loss on sale of vessel: For the nine month period ended September 30, 2012, we recorded a loss on sale of vessel of $3.2 million related to the sale of Star Ypsilon.

Other operational gain: For the nine month period ended September 30, 2012, other operational gain amounted to $2.0 million, mainly consisting of $1.4 million non-recurring revenue related to settlement of a commercial claim and of $0.7 million regarding a hull and machinery claim. Other operational gain for the nine month period ended September 30, 2011 includes non-recurring revenue of $9.0 million received from the settlement of a commercial claim and a gain of $0.3 million regarding a hull and machinery claim.

Other operational loss: For the nine month period ended September 30, 2012, other operational loss amounted to $0.7 million representing the cash payment made by the Company to a third party pursuant to the terms of the agreement to sell a 45% interest in the future proceeds related to the settlement of certain commercial claims. The expense of $0.7 million was incurred in connection to the settlement amount of $1.4 million described in other operational gain above. During the nine month period ended September 30, 2011, we paid $4.05 million to a third party relating to the settlement of one of the legal cases included in the above mentioned agreement.

Gain/ (loss) on time charter agreement termination: For the nine month period ended September 30, 2012, gain on time charter agreement termination amounted to $6.5 million representing a cash payment of $5.73 million and fuel oil valued at $0.72 million, which were received as compensation for the early redelivery of vessel Star Sigma from its previous charterer. For the nine month period ended September 30, 2011, gain on time charter agreement termination amounted to $1.8 million consisted of $1.2 million cash compensation in connection with the early redelivery of vessel Star Omicron on January 17, 2011 by its previous charterer and $0.6 million non-cash gain in connection with the early redelivery of the vessel Star Cosmo by its previous charterer, which related to the write off of both the unamortized fair value of below market acquired time charter on the respective vessel's redelivery date and the deferred revenue from the terminated time charter contract.

General and Administrative Expenses: For the nine month periods ended September 30, 2012 and 2011, general and administrative expenses were $7.3 million and $10.0 million, respectively. The decrease in general and administrative expenses for the nine month period ended September 30, 2012, was mainly due to the non-recurring severance payment of $2.3 million to our former Chief Executive Officer and President, when he was succeeded by Mr. Capralos as of February 7, 2011 and the non-recurring severance payment of $0.5 million to our former Chief Financial Officer for the nine month period ended September 30, 2011. Each of these severance payments was made pursuant to the terms and conditions of their respective employment and consultancy agreements with us. Our former Chief Financial Officer was succeeded by Mr. Spyrou as of September, 1, 2011.

Interest Expenses and Finance Costs: For the nine month periods ended September 30, 2012 and 2011, interest expense and finance costs under our term-loan facilities were $6.0 million and $3.1 million, respectively. This increase is mainly due to higher interest rates charged by our lenders and the higher average loan balances outstanding during the nine months period ended September 30, 2012 compared to same period in 2011.

Interest Income: For the nine month periods ended September 30, 2012 and 2011, our interest income was $0.2 million and $0.6 million, respectively.

Cash Flow

Net cash provided by operating activities for the nine month periods ended September 30, 2012 and 2011, was $19.5 million and $35.6 million, respectively. Cash flows generated by the operation of our fleet decreased mainly due to lower average TCE rates as a result of the decline in the prevailing freight rate environment. For the nine month period ended September 30, 2012, we earned $15,560 TCE rate per day compared to $20,166 TCE rate per day for the nine month period ended September 30, 2011. In addition, total revenues for the nine month period ended September 30, 2012 were affected by two incidents, the vessel's Star Polaris grounding and damage of main engine, which resulted in an off-hire period of 142 days and a revenue loss of $2.3 million.

Net cash provided by investing activities for the nine months ended September 30, 2012 was $14.1 million. Net cash used in investing activities for the nine months ended September 30, 2011 was $108.9 million. For the nine months ended September 30, 2012 net cash provided by investing activities consisted of the proceeds from sale of the Star Ypsilon amounting to $8.0 million, a net decrease of $2.2 million in restricted cash, insurance proceeds amounting to $3.9 million, and $0.1 million relating to additions to office equipment. Net cash used in investing activities for the nine months ended September 30, 2011, consisted of $29.3 million related to the acquisition of second hand Capesize vessels Star Big and Star Mega plus a cash consideration of $23.1 million paid for the acquisition of the above fair market charter rates attached to these two vessels, plus $33.3 million related to the delivery of our newbuilding vessel Star Borealis, plus installments amounting to $22.5 million related to our newbuilding vessel Star Polaris and a net increase of $1.8 million in restricted cash offset by insurance proceeds amounting to $1.0 million.

Net cash used in financing activities for the nine months ended September 30, 2012 was $36.5 million. Net cash provided by financing activities for the nine months ended September 30, 2011 was $76.8 million. For the nine months ended September 30, 2012, net cash used in financing activities consisted of loan installment payments amounting to $32.0 million, cash dividend payments of $3.6 million, and $0.9 million paid for the repurchase of 925,957 shares under the terms of the existing share re-purchase plan. For the nine months ended September 30, 2011, net cash provided by financing activities consisted of loan proceeds amounting to $85.5 million in a relation to the acquisition of the second hand vessels Star Big and Star Mega as well as progress installment payments for our new building vessels Star Borealis and Star Polaris and proceeds from the public offering amounting to $28.7 million, offset by, cash dividend payments of $10.4 million, financing fees amounting to $0.9 million, and loan installment payments amounting to $26.1 million.

Liquidity and Capital Resources

Our principal source of funds has been equity provided by our shareholders, long-term borrowing and operating cash flow. Our principal use of funds has been capital expenditures to establish and 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 indebtedness and pay dividends.

Our short-term liquidity requirements include servicing our debt, payment of operating costs, funding working capital requirements and maintaining cash reserves against fluctuations in operating cash flows and financing activities and paying cash dividends when permissible. Sources of short-term liquidity include our revenues earned from our charters.

We believe that our current cash balance and our operating cash flows will be sufficient to meet our liquidity needs over the next twelve months, despite the sharp decline in the dry bulk charter market beginning in the third quarter of 2008, which has remained at depressed levels to date. Our results of operations have been, and may in the future, be adversely affected by prolonged depressed market conditions.

Our medium and long-term liquidity requirements include funding the equity portion of investments in additional vessels and repayment of long-term debt balances. Potential sources of funding for our medium and long-term liquidity requirements may include new loans we would seek to arrange or equity issuances or vessel sales. As of September 30, 2012, we had outstanding borrowings of $234.1 million of which $33.4 million is scheduled to be repaid within the next 12 months; the amount of $33.4 million includes an amount of $7.4 million that will be prepaid to HSH Nordbank from the pledged cash plus an amount of $2.0 million that will be prepaid to Commerzbank from the amount that will be reclassified from restricted cash to free cash, as agreed with the lenders following the restructuring agreement of the loan facilities in December 2012. As of December 31, 2012, we had $31.8 million in cash and outstanding borrowings of $222.1 million.

We may fund possible growth through our cash balances, operating cash flow, additional long-term borrowing and the issuance of new equity. Our practice has been to acquire dry bulk carriers using a combination of funds received from equity investors and bank debt secured by mortgages on our dry bulk carriers. In the event that we determine to finance a portion of the purchase price for new vessel acquisitions with debt, and if the current conditions in the credit market continue, we may not be able to secure new borrowing capacity on favorable terms or at all. 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 transactions 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. As of December 31, 2012, we do not have any capital commitments.

As of September 30, 2012, cash and cash equivalents decreased to $12.1 million compared to $15.1 million as of December 31, 2011 and restricted cash, due to minimum liquidity covenants and cash collateral requirements contained in our loan agreements, decreased to $27.3 million compared to $29.7 million as of December 31, 2011. Our working capital is equal to current assets minus current liabilities, including the current portion of long-term debt. Our working capital deficit decreased to $18.0 million as of September 30, 2012, compared to a working capital deficit of $20.8 million as of December 31, 2011.

In December 2012 the Company agreed with all of its lenders, subject to certain conditions, to obtain waivers or to restructure the affected debt. Management believes that the conditions will be met and the waivers and deferral of principal repayments will be effected.

If our working capital deficit continues to exist, lenders may be unwilling to provide future financing or will provide future financing at significantly increased interest rates, which would negatively affect our earnings, liquidity and capital position.

Loan Facilities

As of September 30, 2012, the Company was not in compliance with certain financial and security coverage ratio covenants in its credit facilities. The Company agreed with all of its lenders, subject to certain conditions, to obtain waivers or to restructure the affected debt. As a result, the terms may change and there can be no assurance that all closing conditions will be satisfied or that we will reach an agreement on definitive terms.

The Company has agreed with its lenders to the deferral of payments of up to $24.0 million for 2013 and 2014, representing 37% of the value of the initially agreed installments payable in 2013 and 2014.

In addition, all of the Company's lenders have agreed to waive or amend certain of the existing financial and security cover covenants. The corporate minimum liquidity requirement was reduced to $0.5 million per vessel from $1.0 million currently, which will result to a $7.0 million reclassification of restricted cash to free cash. During the waiver and deferral period ending on December 31, 2014, the Company is prohibited from paying dividends and is also obligated to increase its equity by $30.0 million within the year ending December 31, 2013.

For more information relating to our loan agreements, please see Note 8 to our audited financial statements for the year ended December 31, 2011 included in our Annual Report on Form 20-F, which was filed with the Commission on March 27, 2012, and Note 7 to our unaudited interim condensed consolidated financial statements for the nine month period ended September 30, 2012, included elsewhere herein.

Significant Accounting Policies and Critical Accounting Policies

There have been no material changes to our significant accounting policies since December 31, 2011. For a description of our critical accounting policies and all of our significant accounting policies, see Note 2 to our audited financial statements and "Item 5 — Operating and Financial Review and Prospects," included in our Annual Report on Form 20-F for the year ended December 31, 2011, which was filed with the Commission on March 27, 2012 and Note 2 to the unaudited interim condensed consolidated financial statements included elsewhere in this report.

STAR BULK CARRIERS CORP.
INDEX TO UNAUDITED INTERIM CONDENSED CONSOLIDATED

FINANCIAL STATEMENTS

STAR BULK CARRIERS CORP.
Unaudited Condensed Consolidated Balance Sheets
As of December 31, 2011 and September 30, 2012
(Expressed in thousands of U.S. dollars except for share and per share data)

	December 31, 2011	September 30, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$15,072	$12,090
Restricted cash, current	4,159	3,161
Trade accounts receivable	4,762	2,502
Inventories (Note 4)	3,867	4,006
Due from managers	70	81
Prepaid expenses and other receivables	3,467	6,775
Total current assets	31,397	28,615
FIXED ASSETS, NET		
Vessels and other fixed assets, net (Note 5)	638,532	295,520
Total fixed assets, net	638,532	295,520
OTHER NON-CURRENT ASSETS		
Deferred finance charges, net	1,776	1,401
Restricted cash, non-current	25,524	24,124
Fair value of above market acquired time charter (Note 6)	20,699	15,931
TOTAL ASSETS	$717,928	$365,591
LIABILITIES & STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of long term debt (Note 7)	$34,674	$33,419
Accounts payable	8,501	5,243
Due to related parties (Note 3)	436	373
Due to managers	48	-
Accrued liabilities	3,870	4,942
Derivative instruments (Note 14)	82	-
Deferred revenue	4,543	2,683
Total current liabilities	52,154	46,660
NON-CURRENT LIABILITIES		
Long term debt (Note 7)	231,466	200,695
Other non-current liabilities	95	178
TOTAL LIABILITIES	283,715	247,533
STOCKHOLDERS' EQUITY		
Preferred Stock; $0.01 par value, authorized 25,000,000 shares; none issued or outstanding at December 31, 2011 and September 30, 2012 (Note 8)	-	-
Common Stock, $0.01 par value, 300,000,000 shares authorized; 5,357,224 and 5,400,810 shares issued and outstanding at December 31, 2011 and September 30, 2012,	54	54

respectively		
Additional paid-in capital	520,261	520,874
Accumulated deficit	(86,102)	(402,870)
Total stockholders' equity	434,213	118,058
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$717,928	$365,591

The accompanying condensed notes are an integral part of these unaudited interim condensed consolidated financial statements.

STAR BULK CARRIERS CORP.
Unaudited Condensed Consolidated Statements of Operations
For the nine month periods ended September 30, 2011 and 2012
(Expressed in thousands of U.S. dollars except for share and per share data)

	2011	2012
Revenues		
Voyage Revenues	$78,356	$68,016
Management Fee Income	84	208
Total revenues	78,440	68,224
Expenses		
Voyage expenses (Note 3)	16,953	17,453
Vessel operating expenses	17,194	20,452
Dry docking expenses	1,605	2,997
Depreciation	36,684	28,732
Management fees	54	-
Loss/(gain) on derivative instruments (Note 14)	93	(41)
General and administrative expenses (Note 3)	10,010	7,325
Vessel impairment loss (Notes 5 and 14)	-	303,219
Gain on time charter agreement termination (Note 6)	(1,806)	(6,454)
Other operational loss (Note 10)	4,050	663
Other operational gain (Note 9)	(9,261)	(2,031)
Loss on sale of vessel (Note 5)	-	3,190
	75,576	375,505
Operating income/(loss)	2,864	(307,281)
Other Income (Expenses)		
Interest and finance costs (Note 7)	(3,127)	(6,047)
Interest and other income	647	191
Total other expenses, net	(2,480)	(5,856)
Net income/ (loss)	$384	$(313,137)
Earnings / (loss) per share, basic (Note 11)	$0.08	$(58.09)
Earnings / (loss) per share, diluted (Note 11)	$0.08	$(58.09)
Weighted average number of shares outstanding, basic	4,525,501	5,390,553
Weighted average number of shares outstanding, diluted	4,528,822	5,390,553

The accompanying condensed notes are an integral part of these unaudited interim condensed consolidated financial statements.

STAR BULK CARRIERS CORP.
Unaudited Interim Condensed Consolidated Statements of Comprehensive Income / (Loss)

For the nine month periods ended September 30, 2011 and 2012
(Expressed in thousands of U.S. Dollars)

	2011	2012
Net income / (loss)	$384	$(313,137)
Comprehensive income / (loss)	$384	$(313,137)

The accompanying condensed notes are an integral part of these unaudited interim condensed consolidated financial statements.

STAR BULK CARRIERS CORP.
Unaudited Interim Condensed Consolidated Statements of Stockholders' Equity
For the nine month periods ended September 30, 2011 and 2012
(Expressed in thousands of U.S. dollars except for share and per share data)

	Common Stock # of Shares	Common Stock Par Value	Additional Paid-in Capital	Accumulated deficit	Total stockholders' equity
BALANCE, January 1, 2011	4,227,357	$42	$490,362	$ (2,152)	$ 488,252
Net Income	-	$-	$-	$ 384	$ 384
Issuance of common stock	1,113,334	11	28,457	-	28,468
Issuance of vested and non-vested shares and amortization of stock based compensation	16,533	1	1,203	-	1,204
Dividends declared and paid ($0.15 per share)	-	-	-	(10,371)	(10,371)
BALANCE, September 30, 2011	5,357,224	$54	$520,022	$ (12,139)	$ 507,937
BALANCE, January 1, 2012	5,357,224	$54	$520,261	$ (86,102)	$ 434,213
Net Loss	-	$-	$-	$ (313,137)	$ (313,137)
Issuance of vested and non-vested shares and amortization of stock based compensation (Note 12)	105,316	1	1,473	-	1,474
Dividends declared and paid ($0.045 per share)	-	-	-	(3,631)	(3,631)
Repurchase and cancellation of common shares (Note 8)	(61,730)	(1)	(860)	-	(861)
BALANCE, September 30, 2012	5,400,810	$54	$520,874	$ (402,870)	$ 118,058

The accompanying condensed notes are an integral part of these unaudited interim condensed consolidated financial statements.

STAR BULK CARRIERS CORP.

Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the nine month periods ended September 30, 2011 and 2012
(Expressed in thousands of U.S. dollars)

	September 30, 2011	September 30, 2012
Cash Flows from Operating Activities:		
Net income /(loss)	$ 384	$ (313,137)
Adjustments to reconcile net income /(loss) to net cash provided by operating activities:		
Depreciation	36,684	28,732
Amortization of fair value of below/above market acquired time charter	313	4,768
Amortization of deferred finance charges	221	375
Vessel impairment loss	-	303,219
Loss on sale of vessel	-	3,190
Stock- based compensation	1,203	1,474
Change in fair value of derivatives	163	(82)
Gain from insurance claim	(260)	(681)
Other non-cash charges	18	83
Changes in operating assets and liabilities:		
(Increase)/Decrease in:		
Restricted cash for forward freight and bunkers agreements	(291)	153
Trade accounts receivable	(3,114)	2,260
Inventories	(650)	(139)
Accrued income	360	-
Prepaid expenses and other receivables	(2,201)	(6,572)
Due from managers	5	(11)
Increase/(Decrease) in:		
Accounts payable	2,141	(3,258)
Due to related parties	(294)	(63)
Accrued liabilities	953	1,072
Due to managers	(18)	(48)
Deferred revenue	(43)	(1,860)
Net Cash provided by Operating Activities	35,574	19,475
Cash Flows from Investing Activities:		
Advances for vessel acquisitions	(22,511)	-
Additions to vessel cost and other fixed assets	(62,601)	(91)
Decrease in restricted cash	7,250	2,446
Increase in restricted cash	(9,036)	(201)
Insurance proceeds	1,032	3,945
Cash paid for above market acquired time charters	(23,066)	-
Cash proceeds from vessel sale	-	7,962
Net cash (used in)/ provided by Investing Activities	(108,932)	14,061

Cash Flows from Financing Activities:				
Proceeds from bank loans		85,470		-
Loan repayment		(26,096)		(32,026)
Financing fees paid		(940)		-
Repurchase of common shares		-		(861)
Proceeds from issuance of common stock		28,687		-
Cash dividend		(10,371)		(3,631)
Net cash provided by / (used in) Financing Activities		76,750		(36,518)
Net increase/(decrease) in cash and cash equivalents		3,392		(2,982)
Cash and cash equivalents at beginning of period		12,824		15,072
Cash and cash equivalents at end of the period	$	16,216	$	12,090
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid during the period for:				
Interest		2,776		5,480

The accompanying condensed notes are an integral part of these unaudited interim condensed consolidated financial statements.