Corporate Participants

Petros Pappas
Star Bulk Carriers - Chief Executive Officer

Hamish Norton
Star Bulk Carriers - President

Simos Spyrou
Star Bulk Carriers - Co-Chief Financial Officers

Christos Begleris
Star Bulk Carriers - Co-Chief Financial Officers

Presentation

Operator:
Thank you for standing by, ladies and gentlemen, and welcome to the Star Bulk Carriers Conference Call on the 2nd Quarter 2017 Financial Results.

We have with us Mr. Petros Pappas, Chief Executive Officer, Mr. Hamish Norton, President, Mr. Simos Spyrou; and Mr. Christos Begleris, Co-Chief Financial Officers of the company.

At this time, all participants are in a listen only mode. There'll be a presentation, followed by a question and answer session, at which time if you wish to ask a question, please press star, one on your telephone keypad and wait for your name to be announced.

I must advise you that the conference is being recorded today.

And we now pass the floor to one of your speakers, Mr. Pappas. Please go ahead, sir.

Petros Pappas:
Thank you, Operator. I'm Petros Pappas, Chief Executive Officer of Star Bulk Carriers and I would like to welcome you to the Star Bulk Carriers conference call regarding our financial results for the second quarter of 2017.

Before we begin, I kindly ask you to take a moment to read the safe harbor statement on slide number two of our presentation.

Let us now turn to slide number three of the presentation for a summary of our second quarter 2017 financial highlights in comparison to the same period last year.

In the 3 months ending June 30, 2017, net revenues adjusted for non-cash items less volume expenses amounted to $62 million, 77.1 percent higher than the $35 million for the same period in 2016.

Adjusted EBITDA for the second quarter 2017 was $25.7 million, versus $1.6 million in the second quarter 2016. Adjusted net loss for the second quarter amounted to $7.6 million or 12 cents loss per share versus $30.2 million adjusted net loss or 69 cents loss per share in Q2, 2016.

Our Time Charter Equivalent rate during this quarter was $9,746 per day compared to $5,609 per day in the same quarter last year. Our average daily operating expenses were $3,880 per vessel per day.

I will now pass the floor to our Co-CFO, Christos Begleris for an update on our operational performance for the quarter.

Christos Begleris:
Thank you, Pedro. Slide number four highlights Star Bulk's strong liquidity position. We currently have an all-in cash breakeven, which including OpEx, corporate overhead, interest, lease payments and dry-dock provision is approximately $7,600 per day per vessel. Our lower breakeven has enabled the company to have positive free cash flow of $11.5 million during the second quarter of 2017.

On the right-hand side, we provide recent balance sheet information on our cash and debt positions.

As of 07/2017, our total cash balance stood at $244.6 million. Total debt as of the same date stood at $1.05 billion. The remaining CapEx on the 3 new (customer) vessels that we are due to take delivery of is at $103.5 million, $29.2 million is due in the third quarter of 2017 when we expect to take delivery of one vessel, and $74.3 million is due in early 2018 when we take delivery of the remaining two vessels.

One of the 3 vessels has variable financing with fixed debt amounts and no LTV (test) at drawdown. Furthermore, we have agreed to 30 million of delivery financing, on each of the remaining two vessels that would leave around $5 million of cash required in order to take delivery of all three vessels.

Finally, on the bottom right-hand side of the slide, you can see the evolution of our adjusted EBITDA, which has been growing continuously as the market has been improving from the historical lows of the first quarter 2016.

We aim to continue keeping our costs low in order to be able to increase our profitability, as the charter rates improve.

In slide five, we want to update you on our fleet (employment). We have fixed 21 vessels, on (inaudible) charters, ranging from a couple of months up to 12 months forward.

In addition, four linked Newcastlemax vessels are employed with a major minor for a series of consecutive voyages, and another Newcastlemax vessel is employed on a time charter contract with a major trading house at BCI + a premium of 32 percent.

Please turn now to slide six where we summarize our operational performance for the second quarter of 2017. The combination of our in-house management and the scale of the group provide us significant advantages in terms of cost and quality, which our customers and shareholders can enjoy.

OpEx was at $3,880 per vessel per day for the quarter, in line with our performance over the previous quarters. Net cash G&A expenses, adjusted for one-off restructuring expenses, as well as equity compensation, were $1,117 per vessel per day for the quarter.

Our low cost structure is complemented by excellent (inaudible) management capabilities as Star Bulk is ranked in the top five amongst managers evaluated by RightShip. We are focused on having the highest standards of vessels safety and maintenance to meet the requirements of our strictest and most demanding clients.

Slide seven shows that Star Bulk is one of the lowest cost operators among U.S. listed dry bulk peers based on the latest publicly available information. Star Bulk is one of the leaders in cost efficiencies amongst the industry, with OpEx approximately 16 percent below the peer average.

Notwithstanding the above, we always continue paying a lot of attention on the condition of our vessels in order to remain on the top of the list of our commercial partners.

I will now pass the floor back to Petros for a market update and his closing remarks.

Petros Pappas:
Thank you, Christos.

Thank you, Christos. Please turn to slide eight for a brief update of supply.

During the first half of 2017, the dry bulk fleet grew by 2.3 percent. A total of 26.3 million deadweight was delivered and 818.1 million deadweight was sent to demolition for an 18.2 million deadweight net inflow.

Dry bulk contracting during 2017 remained low with a total of 7.9 million deadweight reported by Clarksons as firm orders, but with 12 million tons of LOIs and options pending to be confirmed or canceled. The dry bulk order book, therefore, ranges between 7.5 and 9 percent of the fleet, depending on the percentage of LOIs and options that will, ultimately, materialize.

This compares to 14 percent order book during the same period last year. As previously projected, we still expect full year net fleet growth to end up at approximately 3.5 percent during 2017, from 2.2% during 2016.

This is the result of a slowdown in demolition activity, from 29.3 million deadweight during 2016, to less than 15 million deadweight projected for 2017.

Let's now turn to slide nine for a brief update of demands. As per Clarksons' latest report during 2017, total dry bulk trade will grow at 3.4 percent in tons, up from 1.3% during full year 2016. Dry bulk ton miles will expand at a higher pace, closer to 4 percent. We expect on miles trade to grow at a higher pace than pure ton trade during the second half of '17 due to Brazilian iron export expansion, weakened (Tunisia) coal exports, growing West Africa bulk side exports and healthy grain and soy bean demand from the Pacific.

During the first half of 2017, international steel prices and steel mill profitability experienced a strong recovery and have supported the 5 percent year-on-year increase in global steel production.

Apparent steel consumption in China increased by 9.9 percent during the same period, on the back of infrastructure and real estate investment growth. Important for iron-ore trade, is that forced shutdown of induction furnaces has led to regional shortages of steel which is currently providing support for blast furnaces and big iron production.

China (inaudible) have rebounded 23.3 percent during the first half of 2017 as thermal electricity generation grew by 7.6 percent on the back of electricity demand growth and reviews hydropower performance.

We find it encouraging for the second half of the year, that stocks at power plants are at historically low levels, despite the rebound in domestic coal production and imports. We're generally positive about the market from the second half 2017 onwards and we believe that every subsequent year will fair better than the year before. This, however, is a fragile balance which may tilt against us if ship owners and embark in massive new building ordering.

We therefore highlight, once again, that the most important factor for market balance, is owner's new building ordering discipline in order to ensure an sustainable recovery as environmental regulations gradually come into force.

These environmental regulations will thereafter not only contribute to transition towards a cleaner environment but will also assist shipping in reducing vessel supply and will therefore lead us to better markets as of 2020 onwards.

Without taking anymore of your time, I will now pass the floor over to the operator to answer any questions you may have.

Operator:
Thank you very much indeed sir. As a gentle reminder to you, it's star and one please if you wish to ask a question and then wait for your name to be announced.

And your first question from Stifel comes from the line of Ben Nolan. And your line is now open.

Ben Nolan:
Yes. Thank you. So, I have just a couple of questions. The first, I was going to see if you have any updates, I know in the last quarter you talked about doing some pretty intensive investigation as to installing scrubbers on your vessels, was curious if that process has begun at all or if you had anymore clarity as to how much it will ultimately cost?

Hamish Norton:
Well -- it's Hamish Norton, Ben. We've done a lot of work looking at scrubbers and it's in the 2 to 3 million range installed, which is a fair amount of capital.

Ben Nolan:
Yes, and but today there's not been any firm steps forward necessarily in terms of contracts or anything else in that front? Is that fair?

Hamish Norton:
We don't have any contract to install scrubbers at this moment, no.

Ben Nolan:

OK, OK. And then switching gears a little bit, obviously one of your competitors has sort of gone back to their traditional loan agreements and debt amortization schedules and so forth and the process of kind of normalizing and getting back to business as usual.

Obviously, you guys still have he cash sweeps and so forth, I'm curious if you've considered taking any steps on that front and kind of making a move to the old terms of the credit facility?

Hamish Norton:
Well first of all, we expect to be making payments under our cash sweep as charter rates improve and as the market strengthens. And we have fine relationships with our banks and we don't particularly think it's in our shareholders interest to go back to the terms of the agreement as it stood before the restructuring and frankly, that would be a fairly lengthy discussion with our banks just to revise the restructuring agreement that it took us so long to create. I'm frankly puzzled why anybody would want us to do that.

Ben Nolan:
OK. And that's good color. And then the last, I guess for me for you Mr. Pappas, how do you think through or are you at all concerned about the iron ore inventory levels in China or do you think that this is a bit of new normal in terms of them just carrying more iron ore?

Petros Pappas:
Yes, I think the present stock is about 142 million tons. Now if you think that China consumes 1.6 billion, perhaps even more than that, billion tons of iron ore every year, that is about 140 million tons per month.

Therefore, 140 million tons of stock is one months worth. Now, I don’t think they would below 70, so even if they decided to draw on their stocks, that would be 15 days worth. I'm not saying this wouldn't affect the market. This would probably temporarily affect the market.

But, it is not really such a great amount to be extremely worried about. I do not rule out that at some point that potentially iron ore prices go very high, they might temporarily draw on those stocks and that would have a transient affect on the market. But I do not consider this as a huge amount of stocks that would do permanent damage to the market.

Ben Nolan:
OK, perfect. That's it for me. I'll turn it over. Thanks a lot.

Operator:
Thank you very much indeed, sir. Now your next question from Deutsche Bank comes from the line of Amit Mehrotra. And your line is now open sir.

Amit Mehrotra:
Hi, thanks so much. Ben asked all the good questions. But, I just wanted to follow up the scrubber comment, Hamish. Your answer -- I read it as a little bit cryptic in terms of the details compared to Petros comments last quarter, which were very detailed.

But I think it's an important point, just given the -- you get a little bit more details around it just given the possibility cash calls that this could translate too, especially for Star Bulk given the size of the fleet.

So, the question is if you could just -- I'd really appreciate it if you could just offer some thoughts if there's been any progress on the financing arrangements around these potential cash calls that you kind of started alluding to last quarter and then also just if Star Bulk is in fact committed to installing these large capital investments given the evolving sort of regulatory landscape over the next couple of years. Would appreciate any detail, thanks.

Hamish Norton:
Well, first of all, we're not committed to doing anything along those lines. And we're only going to do something along those lines if it makes shareholders rich.

And in terms of financing, the financing alternatives run the gamut from having banks that already have a mortgage against a ship, extending a larger loan to finance a scrubber to export credit agency guarantees from the countries where the scrubbers are manufactured. So, we have a board and a management team that are very careful with the share.

Amit Mehrotra:
OK. Let me just ask one more as it relates to the commercial strategy. I mean the chartered out fleet shrunk a bit from 26 to 21, I guess that makes complete sense given the seasonality of the market.

But if you can just offer -- last quarter you did take some proactive steps in terms of getting coverage and in the weaker period of the market, especially in the first quarter. If you could just talk about how you expect the chartered out fleet to trend into your end and then more importantly, kind of in the first quarter or the first half of next year.

Petros Pappas:
Amit, we expect the market to get strong in the next few weeks, months. What we did, actually here, is that we timed so that about 65 percent of our fleet comes open between August and October, because we consider this being the best months to fix the vessels again.

And then if the market still doesn't improve within the next 10, 15 days, we'll do another short trip during that period that will open the -- will assist in opening the vessel again within the period that I mentioned.

And then, depending on where the market is, we will decide whether we take long hauls to get through January and February which could be slower, or we do some periods that will take -- give us cover for the first quarter or even part of the part of the second quarter next year. But the good thing about us is that we’ve managed to have the fleet opening up at the time that we believe is going to be a good timing for the market.

Amit Mehrotra:
Right. OK, that makes sense. And then, one last one from me, just piggybacking on Ben’s question again as it relates to Scorpio Bulkers decision to maybe accelerate some debt payments. The question I had is that -- are the banks at all, like you guys did this great restructuring or amortization holiday agreement in exchange for a little bit of equity -- 50 million or so of equity.

And now that the market has stabilized at all, have the banks come back to you to sort of try to -- not necessarily forcefully renegotiate the terms, but kind of open the door to you guys maybe paying a little

-- pre-paying a little bit of debt ahead of what you agreed to? Or is this purely still a very proactive decision in the market? I'm just trying to understand where the banks heads are at and if they've come to you at all to sort of talk about this.

Christos Begleris:
Hi, Amit, this is Christos. The banks have not really come back to us asking to change any of the terms of the restructuring. As Hamish previously said, it took quite a few months to complete documentation after we had a (term ship) agreement with the banks. There are 10 months, effectively from today -- or actually 11 months of repayment holidays until the 30th of June, 2018.

And there is (cash fleet) mechanism above a certain threshold, which means that banks are going to get repaid. So overall, banks have been very supportive. They like the fact we keep a very high cash balance within the company. And we will revert to the previous amortization schedule from the1st of July, 2018.

Amit Mehrotra:
Right, OK. That's very clear. All right, guys, thanks for answering my questions. Have a great rest of the summer. Thank you.

Petros Pappas:
You too, thanks.

Christos Begleris:
Bye, Amit.

Operator:
Thank you. Your next question from Clarksons comes from the line of Herman Hildan. And your line is open, sir.

Herman Hildan:
Good morning, guys, thank you very much for taking my question. I just have a short question. There's been some talk over the last couple of days about the government in China trying to force production cuts in the Hebie Providence during the winter months. Do you -- combining in all that, which obviously is not positive for potential import demand and also the induction furnace shutdown that you mentioned. How do you -- what do you think is the key factor for the strength that we're seeing in the (K freights) during the last month?

Petros Pappas:
You mean cutting down on production of what, iron or of coal?

Male:
Steel, I think.

Petros Pappas:
Oh, steel?

Herman Hildan:

Of steel, yes. So there's kind of a (one piece of stuff you might have) pushed forward some seasonal demand, which could result in Q3 being stronger and Q4 being weaker. Do you have any opinions of what's driving the earlier seasonality than expected?

Petros Pappas:
Well I don't actually know what percentage of cutting down is that for the overall production of China. But I suppose that cutting down -- which month is that for? I think it might be for Q4 -- or what is it?

Herman Hildan:
Yes, I think it's like November to (February) something.

Petros Pappas:
In what?

Male:
November.

Petros Pappas:
November, yes. I think I read it as well, that this is for November. So actually that might influence some imports in China, in September or October. I don't think I can judge that, Herman, at this point in time. We think that overall, this will not have a major effect in demand.

I think it is actually happening almost every year without a major effect. And we all know that the second-half of every year, there's much more trade and there's more iron ore coming from Brazil. I think it was -- it may have an effect, but it's going to be transient and it will probably be minor.

Herman Hildan:
Sure. Because kind of what's puzzling me a bit is stuff you've seen over the last month. You've seen (one area is stock market) obviously, at least in our opinion, being a bit stronger than we expected. You've seen (along their time chart rates) kind of moving up to just shy of ($15,000) a day.

And then, on the other hand, you've kind of seen some pressure on second-hand values. So it's not entirely (complacent) from (the asset and charter) market, I believe, that we're kind of already -- at least it's contradicting, low asset prices and higher rates. So I'm curious if you have any opinions on that?

Petros Pappas:
Well, Herman, right. If you are -- if you're worried about November, then we should -- we're well placed to start fixing our vessels through November and the first quarter because a lot of -- most of our vessels basically open up in August and September. And we will research that more and give it some more thought, and perhaps accommodate our chartering strategy accordingly.

But as I said before, we specifically tried to have our fleet open during those months in order to make sure that we don't get into December, which is the holiday season and then things slow down, or late November. So, most of our fleet will be put away before that.

Herman Hildan:
OK, that's clear. Just kind of a final question as well on your -- based of the (non-year shift) during the third quarter. And what's your thinking around, call it the next step for the fleet? Are you looking to

grow more or are you happy about your current positioning? What's the plan when you think on the next development for the fleet?

Christos Begleris:
Hi, Herman, this is Christos. As you have seen, we have acquired three modern vessels, two Kamsarmax and one Supramax, at quite attractive prices in the first six months of 2017. As far as the future is concerned, we may be engaging in fleet renewal exercises by disposing older vessels and replacing them with younger, commercially more attractive vessels as we have done recently.

Herman Hildan:
OK, thank you.

Operator:
Thank you very much, sir. Now from JPMorgan, your next question comes from the line of Noah Parquette. And your line is now open.

Noah Parquette:
Thank you. I wanted to get your guys thoughts on the ballast water treatment regulations being pushed back, and also in the context the U.S. has regulations in place for ships that discharge there. So you think they'll -- that will have any effect on (owners) decision to put in ballast water treatment systems before 2019 or is that not going to be much of a factor?

Petros Pappas:
Hi, Noah, it's Petros. For as long as the U.S. Coast Guard doesn't change their dates, I don't think that pushing back the ballast water treatment (plant) through IMO makes any major difference. Because, I mean, imagine that we have, let's say -- it doesn't really apply to (capes) but (capes) wouldn't go for scrap because most of the fleet is relatively modern anyway, they don't (go to the U.S.) so that doesn't apply that much there.

But on the smaller vessels, the U.S. is a big part of their business. So when the time comes, what would we do, not install the ballast water treatment plant and tell our charters that we are fine with trading worldwide but we're not going to the states? This is not going to be possible. We'll become second-rate citizens. I think that the push back by two years for -- from the IMO won't have a major effect in -- in the market.

Noah Parquette:
OK. (And can you give kind) of an updated estimate on those systems, because there's been a lot of variance in the -- over the past few months.

Male:
As to what?

Male:
Rough updated the cost…

Male:
Up date to the cost. Yes…

Petros Pappas:
On past quarter?

Noah Parquette:
Yes. Yes.

Petros Pappas:
We think they are between $6 to $700 and 1 -- 2.13 million depending on the size of the vessel.

Noah Parquette:
OK. OK. Great. And -- and just -- lastly, I wanted to ask, after buying a few ships, asset values have sort of stabilized here. They're still historically low. How liquid do you think the (second hand) market is now at these levels and what is the (bid out) spread?

Petros Pappas:
There are vessel -- there are vessels for sale. There's no question about that. So the market is relatively liquid. But don't forget we're going to Q4 and every day that passes by makes owners more confident about the future.

So in my view, I do not see prices falling, going forward. I think that buyers will be obliged to come up in their ideas, closer to the ideas of -- of the sellers if they really wish to buy vessels.

Noah Parquette:
OK. That's all I have. Thanks.

Petros Pappas:
Thank you.

Operator:
Thank you very much indeed sir. Now for Morgan Stanley, you're next question comes from the line of (Photoist Journalist), and your line is now open.

Male:
Yes. Hi, gentlemen, and thank you. Petro, you mention about the Europe to (Bismar) for the rest of the year, and (then for) next year. I'm just trying to understand, what would be a reasonable expected (reins) for (cab) sizes. We helped stream -- (this racer moving to $20,000 back in March.

But what is in your view a (raise) is more reasonable? And also if you can comment about the decline in (Steel) exports out of China during 2017, (capital with a thought about that China is trying to cap steel capacity and keep the sector profitable. Do you see that this could be a risk to the steel production and (selectively) to iron or (exports)?

Petros Pappas:
Right. Hi. For this -- now, you don’t really -- you want to hold me on it, but hope, Capes trades -- I -- I would estimate that we would see a (raise) going back to what we've seen at the highest of this year, at some point during the next four months. But I'm not a magician and I don’t have a crystal ball.

Now as far as the declining China steel exports, well that could be due to two reasons. One the fact that they need more steel within their own country and second that there's some importing countries that they're not very happy with the cheap prices of China. They're putting up some tax (buyers) and import duties and stuff like that.

I do not see -- but that -- doesn't -- is not actually a negative thing, because those countries would probably need to import more Iron ore to -- to do their own steel. So in my view this is not a negative. In fact, if you think about China exporting steel -- let's say one of our vessels finishes (discharge) in China and then -- and then goes to the next port, like one day away, and loads (steels) for the continent.

Basically that vessel is not -- is an efficient vessel and the last thing we want in shipping is (infelicities.) I -- we would prefer this vessel to not be able to load in China and have to (balance) somewhere else -- any where else that's longer than a day. A lot of the time, these vessels will have to (bolster) several days. And load from somewhere else. And that actually adds (inefficiencies) in the market. There's this one thing which we call ocean imbalance.

That one -- the counties in the one ocean produce more than they need, and they therefore have to move it to the other ocean. And the other ocean produces less of what they need, then they have to import it from -- form the Atlantic, for example. The Pacific from the Atlantic, and that actually obliges vessels to (buy less longer). So that -- China not producing -- not exporting lots of steel is not my opinion, and I get the (wow) factor.

Male:
Thank you, fellows for this very detailed answer. That's very helpful. I want to ask you -- you (ought to earn) the company that has the -- every type of a vessel within the (dry boat) segment.

When you see the trade of the different type of vessels, have you noticed any particular segmented doing better and -- and also if you can talk to us a little bit more about the (miner) commodities? How do you view the month for (miner) commodities beyond iron ore and core and which regions they have experience shift in demand there the last quarter?

Petros Pappas:
Right. Europe -- the Europe, given -- you've given me a lot of trouble for the difficult questions. OK. So as far as which vessel does what, I think on the (Capesizes) level, out of a 125 working days for the first six months of this year, we -- we saw a strong, meaning between 15 and $20,000 for about 25 days.

And then we saw -- at some points we saw very low levels, like $6,000 -- $5,000 -- 6 -- 7,000. So we saw a lot of fluctuation in the (Capes) but that is what (Capes) are all about. When as they depend a lot on China and they depend a lot on weather -- the exports from Brazil are not. You can see that the best performance and the worst performance and -- so that was expected. High levels, 20,000 and 5,000.

The average -- I don't remember what the average has been. I think it's been higher than the other two types of vessels. But that is something which would be expected. Now on the Panamax and the Supramax sizes -- on the Panamax we saw only six days (that bode $12,000). And we also saw only -- on the Supramax, only six days at (both) $10,000.

So you could say that on average the Kamsarmax did a bit better. I think on average in general they did better this last -- these six months than the Supras. I think this could be -- the reason behind that could be that many more Ultramaxs were delivered during that period. I think that's probably the reason.

So at least that -- that covers the question about the relative performance of the vessels. Now you asked me about (miner) commodities and whether we saw any changes. You know I'm not the statistician of this company and I don't have him here. He's on vacation.

But -- but one interesting thing, for example, was that (Bulk size) increased -- China increased their (Bulk size) imports by about 26 percent. And (Tourmalines) of the -- these segments increased by 38 percent, and this is very positive thing, obviously. Because most of that, (Bulk size) is coming from -- from West Africa, and East Africa.

Brazil increased their exports but you only talked about (minor) commodities. Nickel ore I see -- I saw nickel ore improving by imports nickel ore in China improving by about 7 percent and at this point in time, China has very low stocks of that. Grain trade was interesting because it went up -- imports of soy beans for example in China increased by like 17 percent which was positive.

We saw the South American (decision) extending for longer than usual. You know, that's about it. I don't -- other countries we don't really look at as much although trade overall increased in general. India is not -- is not offering us a lot of happiness yet although we are seeing their coal at very low -- coal stock at very low levels so there's some hope there.

One more thing is that we saw coal coming from the Atlantic to the pacific which was pretty strong. We're not sure this will continue for very long because China will increase its production. That's about it for this. What else would you want for me?

Male:
No, that's very helpful, Petros. I'm just trying to understand if there is a broader improvement in the trade flows as opposed to just, I don't know, something that could help the overall market. And that -- you gave me a very detailed answer. Thank you.

Petros Pappas:
Well, we think that coal (demands) will increase. We think that Indonesia at some point, it hasn't happened yet, will have to cut down on their exports. Also because they want to the imports -- they want the production for their own use and because the quality of their coal is not so good.

So we think that this will -- ton miles will improve there. We're seeing more of the great -- in general we believe in ton miles because of grain because of our (bulk site) we think nickel ore or will come on farther or far and coal as well. And, of course iron ore which will have all the discussed because of Brazil.

Male:
Thank you very much Petros. Enjoy the rest of your summer.

Petros Pappas:
Thank you. You too.

Operator:
Thank you very much. Now, your next question from Seaport Global comes from the line of Magnus Fyhr. And, your line is now open, sir.

Magnus Fyhr:
Good afternoon. Just had one question on your fleet employment update. Several fixtures there and look like some were actually very firm. Two, the Kamsarmax the (star Helen) up and the (ultra max Wolverine) were they recently done and is that an indication of the current market or were they done early in the quarter?

Petros Pappas:
Well, let me -- let me check for a second. Yes, those two vessels I think were fixed in the last week or so. We fixed what we're thinking about is that perhaps we should take some of our vessels through the first quarter of 2018 just to be on the safe side because usually during Q1 there's more vessels coming in, there's a lot of holidays, less production, by the way they're in all that (stuff).

The (Helen) we fixed for $10,750 for seven to 10 months which takes us through the end of February. The Wolverine we fixed at $10,600 for eight to 11 months would get us until probably the end of March. And we also actually fixed one of our supras at $9,700 a few days before that for seven to nine months which gets us through March.

So, if you keep all you vessels to be fixed at the same time, you will end up not being able to fix everything because of not being able to fix a good amount to have it list some heads in place because there's not so much business within the best month available.

So, some of the vessels -- when you have 74 of them, some of the vessels have to be fixed a bit earlier and some will pay fixed later. So, but the plan -- the plan would be to get through February.

Magnus Fyhr:
No, I thought these were very firm rates. So, for that amount of period so it's kind of like in your earlier remarks that you think market is going to move higher here as you get more ships opening up here over the next few months. So, that's great.

Petros Pappas:
We had 44 vessels opening up, we had 47 vessels opening up in August, September, October, 47. We fixed three of them and we have another 44 coming.

Magnus Fyhr:
Great. That's it from me. Enjoy the rest of the summer.

Petros Pappas:
Thank you. You, too.

Operator:
Thank you very much, indeed, sir. Now, from AXIA Capital Markets, your next question comes from the line of Clinton Webb. And, your line is now open, sir.

Clinton Webb

:Thank you. Hey, good morning, guys. Real quick just to revisit iron ore, we saw imports to China drop sequentially as well as year over year to about 86 million tons in July. I was just curious if there was any read through there or if it's mainly seasonal. And, secondly what have you guys seen in terms of cargos so far this month? Thanks.

Petros Pappas:
In terms of cargos in which type or on all types of vessels?

Clinton Webb:
No, on the iron ore.

Petros Pappas:
On iron ore. Right. Well, I'm not a chartering guy either but actually we are getting interest from brokers to fix our vessels -- from charters to fix our vessels for periods right now. Now, yes it was 86 million I think last month though. June was 91 million.

And overall, for the seven months the increase has been almost nine or 9.5 percent. So, I mean, it's normal that you see ups and downs. That doesn't really worry us that much. It also has to do with where our vessels are. Whether there's congestion somewhere and they come in late, et cetera.

What we do in our company is we check where all the capes are at any given time. And what we try to do is to fix at the periods that we see these lack of capacity in Australia or in Brazil. So, if we see that there's lack of capacity in Brazil, we send the vessel towards there or we will try to fix that week.

If we see that next week or next month there's going to be many more vessels arriving then we try to see where -- whether there's less in Australia. And, we follow this kind of pattern. Now whether there's been cargo this week or not I do now know. This is -- this is for the chartering department to deal with but our general strategy if to know where there is the bulk of (toners) and when their arriving and try to be in a different place or the right to fix earlier than that.

Now, the fact that there is various starters looking for us to give them our vessels for long period like a year, year and a half must mean something. Must mean that they're expecting something that they're expecting the market to get stronger. And actually ship owners are usually at the big advantage in that respect because the charters are the ones that control the vessels -- the cargos.

And they know when they're coming out than what kind of demand there is for them and we're only trying to second guess them.

Clinton Webb:
Got it. Appreciate it. That was helpful. Thanks and that's it for me.

Petros Pappas:
Thanks.

Operator:
Thank you very much, indeed, sir. Before we take our last question, if you wish to ask a question please press star and one on your telephone keypad and wait for your name to be announces. And so, our question from Firestorm Capital comes from the line of Eric Swergold and your line is now open, sir.

Eric Swergold:
Thank you. Could you speak to the political turmoil in Brazil and how that might impact you? I would think that the real had been getting stronger until the political stuff hit and then the real weakened.

I would think on a relative basis that would make (RNOR) more attractive to the Chinese price basis from Brazil, which theoretically could increase 10 miles since it's a longer route from Brazil to China than Australia to China. Is that not correct or could you comment on that?

Petros Pappas:
Well you're saying that the Brazilin real is increasing volume?

Eric Swergold:
Decrease, it's been decreasing in value recently due to the political turmoil?

Petros Pappas:
OK well that is a fantastic thing because the more the value decreases, the more (reals) the Brazilians are going to get for their -- for the dollars they get and; therefore, this will encourage exports from Brazil and it's going to be a positive thing.

In general, the dollar being -- the fact that the dollar is weak is also a good thing I mean currencies have a lot to do with trade. Just to stay on the real for a sec, if I remember well from the last analysis we saw the real has gone down versus more -- versus the dollar than the Australian dollar has.

If that is correct this is a positive thing so the more it goes down, the better it is. Now talking about the dollar itself, this is -- the dollar being weak is also a very good thing especially for countries that import commodities because (then) their local currency is much cheaper, the commodity is much cheaper.

And also it's good for (charter H) because in the local currency, they're paying less dollar -- less of their local currency for the (chartering in). And it also helps vessel prices so currencies are very important. I think the combination of a weak dollar and an even weaker real is excellent for the market.

Eric Swergold:
OK and while we're on currency, can you comment on the impact of currency on scrap rates? I know scrap rates have sort of stabilized or declined a little bit, but I would think that a weaker dollar would encourage more scrapping, is that correct or incorrect?

Petros Pappas:
Well actually scrapping -- we saw the first sale at $400 per (lightweight) a couple of days ago so actually scrap rates in the last couple of weeks are going up. So now whether the dollar influences that -- I don't think that is a major -- I don't think that's a major thing. It will depend how the dollar is fairing towards Bangladesh and Indian currencies. I haven't been checking lately to be honest.

Eric Swergold:
OK thanks very much. Congratulations on the nice sequential improvement in your EBITDA over the last five or six quarters.

Petros Pappas:

Thank you very much.

Operator:
Thank you very much indeed gentlemen. There appear to be no further requests for questions. I shall pass the floor back to you for closing remarks.

Petros Pappas:
Yes, I'd like to make one remark. I've been looking -- I've been hearing that -- and that is going to be about vessel emissions. I've been seeing that there's a plan, worldwide plan that by 2050, emissions should diminish by about 42 percent. And 2050's like 33 years from now, I'm going to be 97 then.

One way to reduce emissions is to cut vessel speeds and that's something that Green Peace has suggested and a number of such organizations. It seems like if you reduce your speed by 10 percent, you have 17 to 20 percent less emissions. So I've been having in my mind for some time now that if mandatorily, vessels speeds reduced by 10 or 15 percent then you could have less emissions within the next day of like 17 to 25 percent, depending on the percentage of slowing down the fleet.

In one day instead of waiting for 33 years, I think this is food for thought. I have no more comments operator, thank you very much.

Operator:
Thank you sir and with many thanks to all our speakers today. That does conclude our conference, thank you all for participating you may now disconnect. Thank you, Mr. Pappas, thank you, gentlemen.

Petros Pappas:
Thank you.

Operator:
All the very best to you, cheerio.

END