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Notes to Consolidated Financial Statements

F-7

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and stockholders of Star Bulk Carriers Corp.
Majuro, Republic of the Marshall Islands

We have audited the accompanying consolidated balance sheets of Star Bulk Carriers Corp. and subsidiaries (the "Company") as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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, such consolidated financial statements present fairly, in all material respects, the financial position of Star Bulk Carriers Corp. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2009, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 23, 2010 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte.
Hadjipavlou, Sofianos & Cambanis S.A.
Athens, Greece
March 23, 2010

STAR BULK CARRIERS CORP.
Consolidated Balance Sheets
As of December 31, 2008 and 2009
(Expressed in thousands of U.S. dollars except for share and per share data)

	2008	2009
ASSETS		
Current Assets		
Cash and cash equivalents	$29,475	$40,142
Restricted cash (Note 2i)	2,486	8,353
Trade accounts receivable	3,379	5,449
Inventories (Note 4)	1,276	982
Due from related parties (Note 3)	465	2,507
Due from managers	1,747	147
Derivative instruments (Note 15)	251	128
Prepaid expenses and other receivables	680	3,120
Deposit on forward freight agreements	2,514	-
Total Current Assets	42,273	60,828
FIXED ASSETS		
Vessels and other fixed assets, net (Note 5)	821,284	668,698
Total Fixed Assets	821,284	668,698
OTHER NON-CURRENT ASSETS		
Deferred finance charges	1,391	1,041
Due from managers	270	-
Fair value of above market acquired time charter (Note 6)	14,148	-
Derivative instruments (Note 15)	-	154
Restricted cash (Note 2i)	12,010	29,920
TOTAL ASSETS	$891,376	$760,641
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of long-term debt (Note 7)	$49,250	$59,675
Accounts payable	1,031	3,977
Due to related parties (Note 3)	156	336
Accrued liabilities (Note 11)	3,296	2,293
Deferred revenue	3,554	4,811
Total Current Liabilities	57,287	71,092
NON CURRENT LIABILITIES		
Long term debt (Note 7)	247,250	187,575
Fair value of below market acquired time charter (Note 6)	21,574	1,812
Deferred revenue	5,072	847
Other non-current liability	53	58
TOTAL LIABILITIES	331,236	261,384
Commitments & Contingencies (Note 13)		

Stockholders' Equity		
Preferred Stock; $0.01 par value authorized 25,000,000 shares; none issued or outstanding at December 31, 2008 and 2009 (Note 8)	-	-
Common Stock, $0.01 par value, 100,000,000 and 300,000,000 shares authorized at December 31, 2008 and 2009, respectively; 58,412,402 and 61,104,760 shares issued and outstanding at December 31, 2008 and 2009, respectively (Note 8)	584	611
Additional paid in capital (Note 8)	479,592	483,282
Retained earnings	79,964	15,364
Total Stockholders' Equity	560,140	499,257
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$891,376	$760,641

The accompanying notes are an integral part of these consolidated financial statements

STAR BULK CARRIERS CORP.
Consolidated Statements of Operations

For the years ended December 31, 2007, 2008 and 2009
(Expressed in thousands of U.S. dollars except for share and per share data)

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009
REVENUES:			
Voyage revenues	$ 3,633	$ 238,883	$ 142,351
EXPENSES/(INCOME):			
Voyage expenses (Note 14)	43	3,504	15,374
Vessel operating expenses (Note 14)	622	26,198	30,168
Management fees	23	975	771
Management fees-related party	-	392	-
Drydocking expenses	-	7,881	6,122
Depreciation (Note 5)	745	51,050	58,298
Vessel impairment loss (Note 5)	-	3,646	75,208
(Gain)/Loss on derivative instruments (Note 15)	-	(251)	2,154
Gain on time charter agreement termination (Note 6)	-	(9,711)	(16,219)
Loss on time charter agreement termination (Note 6)	-	-	11,040
General and administrative expenses	7,756	12,424	8,742
	9,189	96,108	191,658
Operating (loss)/profit	(5,556)	142,775	(49,307)
OTHER INCOME/(EXPENSES):			
Interest and finance costs (Note 7)	(45)	(10,238)	(9,914)
Interest and other income	9,021	1,201	806
Total other income/(expense), net	8,976	(9,037)	(9,108)
Income /(loss) before income taxes	3,420	133,738	(58,415)
Income taxes (Note 12)	(9)	-	-
Net income /(loss)	$ 3,411	$ 133,738	$ (58,415)
Earnings/(loss) per share, basic (Note 9)	$ 0.11	$ 2.55	$ (0.96)
Earnings/(loss) per share, diluted (Note 9)	$ 0.09	$ 2.46	$ (0.96)
Weighted average number of shares outstanding, basic (Note 9)	30,065,923	52,477,947	60,873,421
Weighted average number of shares outstanding, diluted (Note 9)	36,817,616	54,447,985	60,873,421

The accompanying notes are an integral part of these consolidated financial statements

STAR BULK CARRIERS
CORP.
Consolidated Statements of Stockholders Equity
For the years ended December 31, 2007, 2008 and 2009
(Expressed in thousands of U.S. dollars except for share and per share data)

	Common Stock		Additional Paid-in Capital	Retained earnings	Total stockholders' Equity
	# of Shares	Par Value			
BALANCE, January 1, 2007	$ 29,026,924	$ 3	$ 120,442	$ 3,088	$ 123,533
Net income for the year ended December 31, 2007	$ -	$ -	$ -	$ 3,411	$ 3,411
Redomiciliation Merger common stock par value change		287	(287)	-	-
Issuance of common stock to TMT	12,537,645	125	175,830	-	175,955
Warrants exercised	951,864	10	7,605	-	7,615
Reclassification of common stock subject to redemption		-	64,680		64,680
Stock-based compensation		-	184	-	184
BALANCE, December 31, 2007	$ 42,516,433	$ 425	$ 368,454	$ 6,499	$ 375,378
Net income for the year ended December 31, 2008	$ -	$ -	$ -	$ 133,738	$ 133,738
Warrants exercised	11,769,486	118	94,038	-	94,155
Warrants and common stock buyback	(1,247,000)	(12)	(13,437)	-	(13,449)
Issuance of common stock to TMT	803,481	8	18,938	-	18,946
Issuance of common stock to stockholders	4,255,002	42	7,617	(7,659)	-
Issuance of vested and non-vested shares and amortization of stock based compensation	315,000	3	3,983	-	3,986
Dividends declared and paid ($0.98 per share)	-	-		(52,614)	(52,614)
BALANCE, December 31, 2008	$ 58,412,402	$ 584	$ 479,592	$ 79,964	$ 560,140
Net loss for the year ended December 31, 2009	$ -	$ -	$ -	$ (58,415)	$ (58,415)
Issuance of common stock to TMT	803,481	8	(8)	-	-
Issuance of common stock	818,877	8	1,877	-	1,885

Issuance of vested and non-vested shares and amortization of stock based compensation	1,070,000	11	1,821	-	1,832
Dividends declared and paid ($0.10 per share)	-	-	-	(6,185)	(6,185)
BALANCE, December 31, 2009	$ 61,104,760	$ 611	$ 483,282	$ 15,364	$ 499,257

The accompanying notes are an integral part of these consolidated financial statements

STAR BULK CARRIERS CORP.
Consolidated Statements of Cash Flows
For the years ended December 31, 2006, 2007 and 2008
(Expressed in thousands of U.S. dollars)

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009
Cash Flows from Operating Activities:			
Net income/(loss)	$ 3,411	$ 133,738	$ (58,415)
Adjustments to reconcile net income /(loss) to net cash provided by operating activities:			
Depreciation	745	51,050	58,298
Amortization of fair value of above market acquired time charter	28	2,221	3,108
Amortization of fair value of below market acquired time charter	(1,465)	(82,754)	(8,843)
Amortization of deferred finance charges	-	234	350
Loss on time charter agreement termination	-	-	121
Vessel impairment loss	-	3,646	75,208
Stock- based compensation	184	3,986	1,832
Change in fair value of derivatives	-	(251)	(31)
Other non-cash charges	-	53	5
Deferred interest	(2,163)	-	-
Changes in operating assets and liabilities:			
(Increase)/Decrease in:			
Fair value of trust account	(1,179)	-	-
Restricted cash for forward freight and bunkers agreements		(2,486)	(3,267)
Trade accounts receivable	-	(3,379)	(2,070)
Inventories	(598)	(678)	294
Prepaid expenses and other receivables	(68)	(462)	(2,440)
Deposit on forward freight agreements	-	(2,514)	2,514
Due from related parties	-	(465)	(2,042)
Due from managers	(120)	(1,897)	1,870
Increase/(Decrease) in:			
Accounts payable	(31)	864	2,946
Due to related parties	480	(324)	180
Accrued liabilities	437	2,455	(773)
Income taxes payable	(207)	-	-
Deferred revenue	916	7,710	(2,968)
Net Cash provided by Operating Activities	370	110,747	65,877
Cash Flows from Investing Activities:			
Cash disbursements from trust account	194,094	-	-
Advances for vessels to be acquired	(83,444)	-	-
Additions to vessel cost and other fixed assets	(95,707)	(413,457)	(49)
Cash paid for above market acquired time charter	(1,980)	(14,417)	-

Cash proceeds from vessel sale		-	16,579	19,129
Increase in restricted cash		-	(12,010)	(20,510)
Net cash provided by/(used in) Investing Activities		12,963	(423,305)	(1,430)
Cash Flows from Financing Activities:				
Proceeds from bank loans		-	317,500	-
Loan repayment		-	(21,000)	(49,250)
Repurchase of shares and warrants		-	(13,449)	-
Proceeds from exercise of warrants		7,534	94,236	-
Proceeds from dividend reinvestment		-	-	1,885
Deferred underwriting fees paid		(4,000)	-	-
Financing fees paid		-	(1,625)	(230)
Cash dividend		-	(52,614)	(6,185)
Net cash provided by/(used in) Financing Activities		3,534	323,048	(53,780)
Net increase in cash and cash equivalents		16,867	10,490	10,667
Cash and cash equivalents at beginning of year		2,118	18,985	29,475
Cash and cash equivalents at end of the year	$	18,985	$ 29,475	$ 40,142
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid during the year for:				
Interest		-	9,378	9,206
Income taxes		216	-	-
Non-cash items:				
Issue of common stock at fair value for delivery of vessels		175,955	18,946	-
Deferred finance charges		600	-	-
Receivable from exercise of warrants		81	-	-
Amount owed for capital expentitures		52	-	-
Fair value of below market acquired time charters		26,772	79,021	-
Issuance of common stock to stockholders (non-cash stock dividend) -	-		7,659	-

The accompanying notes are an integral part of these consolidated financial statements

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

1. Basis of Presentation and General Information:

On November 30, 2007, Star Maritime Acquisition Corp. ("Star Maritime") incorporated in the state of Delaware, merged into its wholly-owned subsidiary at the time, Star Bulk Carriers Corp. ("Star Bulk") a company incorporated in Marshall Islands, with Star Bulk being the surviving entity (collectively, the "Company," "we" or "us"). This merger is referred to as "Redomiciliation Merger" or the "Merger".

The accompanying consolidated financial statements as of and for the years ended December 31, 2007, 2008 and 2009 include the accounts of Star Bulk and its wholly owned subsidiaries. The accompanying consolidated financial statements for the period from January 1, 2007 to November 30, 2007 (the date of Redomiciliation Merger) include the accounts of Star Maritime.

Star Bulk was incorporated on December 13, 2006 under the laws of the Marshall Islands and is the sole owner of all of the outstanding shares of Star Bulk Management Inc. and the ship-owning subsidiaries as set forth below.

Star Maritime was organized 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. On December 21, 2005, Star Maritime consummated its initial public offering of 18,867,500 units, at a price of $10.00 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 $8.00 per share. In addition, during December 2005 the Company completed a private placement of an aggregate of 1,132,500 units, each unit consisting of one share of common stock and one warrant. The entire gross proceeds of the initial public offering amounting to $188,675 were deposited in a trust account (the "Trust Account").

On January 12, 2007, Star Maritime and Star Bulk entered into definitive agreements (the "Master Agreement") to acquire a fleet of eight drybulk carriers (the "Transaction") from certain subsidiaries of TMT Co. Ltd. ("TMT"), a shipping company headquartered in Taiwan that is controlled by Mr. Nobu Su, a former director of the Company. These eight drybulk carriers are referred to as the "initial fleet", or the "initial vessels". The aggregate purchase price specified in the Master Agreement for the initial fleet was $224,500 in cash and 12,537,645 shares of common stock of Star Bulk that were issued on November 30, 2007. The Company also agreed to issue to TMT additional stock consideration of 1,606,962 common shares of Star Bulk in two equal installments in 2008 and 2009. On July 17, 2008 the Company issued 803,481 shares out of additional stock consideration of 1,606,962 of common stock of Star Bulk to TMT. On April 28, 2009 the remaining 803,481 shares of Star Bulk's common stock were issued to TMT.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

1. Basis of Presentation and General Information-(continued):

On November 27, 2007 the Company obtained shareholder approval for the acquisition of the initial fleet and for effecting the Redomiciliation Merger, which became effective on November 30, 2007. The shares of Star Maritime were exchanged on one-for-one basis with shares of Star Bulk and Star Bulk assumed the outstanding warrants of Star Maritime. Subsequently, Star Maritime shares ceased trading on the American Stock Exchange.

Holders of Star Maritime common stock had the right to redeem their shares for cash by voting against the Redomiciliation Merger. Accordingly, at December 31, 2005, the Company had a liability of $64,680 due to a possible redemption of 6,599,999 shares of common stock. Upon completion of the Redomiciliation Merger none of the redemption rights were exercised and the liability for the possible redemption was reclassified as additional paid-in capital during the year ended December 31, 2007. Deferred interest attributable to common stock subject to a possible redemption in the amount of $2,163 was recognized in the consolidated statement of operations during the year ended December 31, 2007.

In addition, upon completion of the Redomiciliation Merger, all Trust Account proceeds were released to the Company to complete the Transaction as per the Master Agreement. Star Bulk shares and warrants started trading on the NASDAQ Global Select Market on December 3, 2007 under the ticker symbols SBLK and SBLKW, respectively. Immediately following the effective date of the Redomiciliation Merger, TMT and its affiliates owned 30.2% of Star Bulk's outstanding common stock.

The Company began operations on December 3, 2007 with the delivery of its first vessel Star Epsilon.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

1. Basis of Presentation and General Information-(continued):

Below is the list of the Company's wholly owned ship-owning subsidiaries as of December 31, 2009:

Wholly Owned Subsidiaries	Vessel Name	DWT	Date Delivered to Star Bulk	Year Built
Star Bulk Management Inc.	-	-	-	-
Starbulk S.A.***	-	-	-	-
Vessels in operation at December 31, 2009				
Star Epsilon LLC	Star Epsilon (ex G Duckling)*	52,402	December 3, 2007	2001
Star Theta LLC	Star Theta (ex J Duckling)*	52,425	December 6, 2007	2003
Star Kappa LLC	Star Kappa (ex E Duckling)	52,055	December 14, 2007	2001
Star Beta LLC	Star Beta (ex B Duckling)*	174,691	December 28, 2007	1993
Star Zeta LLC	Star Zeta (ex I Duckling)*	52,994	January 2, 2008	2003
Star Delta LLC	Star Delta (ex F Duckling)*	52,434	January 2, 2008	2000
Star Gamma LLC	Star Gamma (ex C Duckling)*	53,098	January 4, 2008	2002
Lamda LLC	Star Sigma	184,403	April 15, 2008	1991
Star Omicron LLC	Star Omicron	53,489	April 17, 2008	2005
Star Cosmo LLC	Star Cosmo	52,247	July 1, 2008	2005
Star Ypsilon LLC	Star Ypsilon	150,940	September 18, 2008	1991
Vessels sold				
Star Iota LLC	Star Iota**	78,585	March 7, 2008	1983
Star Alpha LLC	Star Alpha (ex A Duckling)****	175,075	January 9, 2008	1992

* Initial fleet or initial vessels

** On April 24, 2008 the Company entered into an agreement to sell Star Iota (which was a vessel in the initial fleet) for gross proceeds of $18.4 million less costs to sell of $1.8 million. The vessel was delivered to its purchasers on October 6, 2008.

***

Starbulk S.A. was incorporated on January 28, 2009 for the purpose of acting as the technical manager of the Company's vessels.

****On July 21, 2009 the Company entered into an agreement to sell Star Alpha (which was also a vessel in the initial fleet) for gross proceeds of $19.9 million less costs to sell of $0.8 million. The vessel was delivered to its purchasers on December 21, 2009.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

1. Basis of Presentation and General Information-(continued):

The charterers that individually accounting for more than 10% of the Company's voyage revenues during the years ended December 31, 2007, 2008 and 2009 are as follows:

Charterer	2007	2008	2009
A	44 %	-	-
B	36 %	-	-
C	20 %	-	12 %
D	-	19 %	-
E	-	10 %	-
F	-	-	20 %
G	-	-	12 %
H	-	-	11 %
I	-	-	10 %

2. Significant Accounting Policies:

a) Principles of Consolidation: The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which include the accounts of Star Maritime, prior to the Redomiciliation Merger, and of Star Bulk and its wholly owned subsidiaries referred to in Note 1 above. All inter-company accounts and transactions have been eliminated in consolidation.

b) 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 and 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.

c) Other Comprehensive Income: The Company follows guidance related to Reporting Comprehensive Income, which requires separate presentation of certain transactions, which are recorded directly as components of stockholders' equity. The Company has no such transactions which affect comprehensive income and, accordingly, comprehensive income equals net income / (loss) for all periods presented.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

2. Significant Accounting Policies – (continued):

d) Concentration of Credit Risk: Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and cash equivalents, short-term investments, trade accounts receivable and derivative contracts (bunker swaps and forward freight agreements). The Company's policy is to place cash and cash equivalents and short-term investments with financial institutions evaluated as being creditworthy. The Company may be exposed to credit risk in the event of non-performance by counterparties to derivative instruments; however, the Company a) in over-the-counter transactions limits its exposure by diversifying among counter parties with high credit ratings, and b) all of the Company's forward freight agreements ("FFA's") are settled on a daily basis through London Clearing House ("LCH"). The Company, consistent with drybulk shipping industry practice, has not independently analyzed the creditworthiness of the charterers and generally does not require collateral for its trade accounts receivable.

e) Income taxes:

e.i) Star Bulk: is not liable for any income tax on its income derived from shipping operations because the countries in which the Company's ship-owning and management subsidiaries and management company are incorporated do not levy tax on income, but rather a tonnage tax on vessels.

e.ii) Star Maritime: was incorporated in Delaware, thus, deferred income taxes were provided for the differences between the bases of assets and liabilities for financial reporting and income tax purposes. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized.

f) Foreign Currency Translation: The functional currency of the Company is the U.S. Dollar since the Company's vessels operate in 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 year 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 translated into U.S. Dollars at the year-end exchange rates. Resulting gains or losses are included in General and administrative expenses in the accompanying consolidated statements of operations.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

2. Significant Accounting Policies – (continued):

g) 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 to be cash equivalents.

h) Cash Held in Trust: Investments held in trust during the year ending December 31, 2007, were held in short-term investments. The Company invested in various short-term tax free money market funds promulgated under the Investment Company Act of 1940. Interest income earned on such investments and unrealized and realized gains and losses were the Company's source of income until the consummation of the Merger. For the year ended December 31, 2007, the realized gain on such investments amounted to $1,179.

i) Restricted Cash: Restricted cash reflects deposits that are required to be maintained with certain banks under the Company's loan agreements (Note 7). Restricted cash also consists of the restricted portion of both FFAs and bunker swaps base and margin collaterals with LCH and Marfin Bank, respectively. As of December 31, 2008 and 2009, the restricted balance with LCH and Marfin Bank amounted to $2,486 and $5,753, respectively, and is presented under current assets in the accompanying consolidated balance sheet. Furthermore, as of December 31, 2008 and 2009, minimum liquidity required by the Company's lenders amounted to $12,000 and $11,000, respectively, pledged amounts amounted to $0 and $21,500, respectively. Effective February 1, 2010, based on the waiver dated December 24, 2009 (Note 7), minimum liquidity decreased by $3,850 and the pledged accounts increased by $1,250. The amount of $2,600 representing minimum liquidity and the pledge account requirements is presented in restricted cash under current assets in the accompanying consolidated balance sheet. As of December 31, 2008 and 2009, letters of guarantee for statutory registration amounted to $10 and $20, respectively, and are presented in restricted cash under non-current assets in the accompanying consolidated balance sheet.

j) Trade accounts receivable: The amount shown as trade accounts receivable, at each balance sheet date, includes estimated recoveries from each voyage or time charter. At each balance sheet date, the Company provides for doubtful accounts on the basis of specific identified doubtful receivables. At December 31, 2008 and 2009, no provision for doubtful debts was considered necessary.

k) Inventories: Inventories consist of consumable bunkers and lubricants, which are stated at the lower of cost or market value. Cost is determined by the first in, first out method.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

2. Significant Accounting Policies – (continued):

l) Vessels, Net: Vessels are stated at cost, which consists of the purchase price and any material expenses incurred upon acquisition, such as (initial repairs, improvements, delivery expenses and other expenditures to prepare the vessel for her initial voyage). Otherwise these amounts are charged to expense as incurred.

The aggregate purchase price paid to TMT for the eight vessels in the initial fleet consisted of cash and Star Bulk common shares. The stock consideration was measured based on the fair market value of the Company's common shares at the time each vessel was delivered. The additional stock consideration of 1,606,962 common shares (Note 1) was measured when TMT completed its performance under the Master Agreement when it delivered to the Company the last vessel of the initial fleet on March 7, 2008. The aggregate purchase price consisting of cash and stock consideration was allocated to the acquired vessels based on the relative fair values of the vessels on their respective dates of delivery to Star Bulk.

The cost of each of the Company's vessels is depreciated beginning when the vessel was ready for its intended use, on a straight-line basis over the vessel's remaining economic useful life, after considering the estimated residual value (a 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.

m) Fair value of above/below market acquired time charter: The Company records all identified tangible and intangible assets associated with the acquisition of a vessel or liabilities at fair value. Fair 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. The present values representing the fair value of the above or below market acquired time charters are recorded as an intangible asset or liability, respectively. Such intangible asset or liability is recognized ratably as an adjustment to revenues over the remaining term of the assumed time charter.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

2. Significant Accounting Policies – (continued):

n) Impairment of Long-Lived Assets: The Company follows guidance related to 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 of the asset is less than its carrying amount, the Company should evaluate the asset for an impairment loss. Measurement of the impairment loss is based on the fair value. In this respect, management regularly reviews the carrying amount of the vessels on vessel by vessel basis when events and circumstances indicate that the carrying amount of the vessels might not be recoverable.

At December 31, 2008 and 2009, the Company performed an impairment review of the Company's vessels due to the global economic downturn and the prevailing conditions in the shipping industry. The Company compared undiscounted cash flows to the carrying values for the Company's vessels to determine if the assets were impaired. Significant management judgment is required in forecasting future operating results used in this method. These estimates are consistent with the plans and forecasts used by management to conduct its business. As a result of this analysis, no assets were considered to be impaired and the Company has not recognized any impairment charge for its vessels, for the years ended December 31, 2008 and 2009, other than vessels classified as held for sale during the years ended December 31, 2008 and 2009 (Note 5).

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

2. Significant Accounting Policies – (continued):

o) Vessels held for sale: It is the Company's policy to dispose of vessels when suitable opportunities occur and not necessarily to keep them until the end of their useful life. The Company classifies vessels as being held for sale when: management has committed to a plan to sell the vessels; the vessels are available for immediate sale in their present condition; an active program to locate a buyer and other actions required to complete the plan to sell the vessels have been initiated; the sale of the vessels is probable, and transfer of the asset is expected to qualify for recognition as a completed sale within one year; the vessels are being actively marketed for sale at a price that is reasonable in relation to their current fair value and 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. These vessels are not depreciated once they meet the criteria to be classified as held for sale.

p) Financing Costs: Fees paid to lenders or required to be paid to third parties on the lender's behalf for obtaining loans or refinancing existing ones are recorded as deferred charges. Unamortized fees relating to loans repaid or refinanced as debt extinguishment are expensed as interest and finance costs in the period the repayment or extinguishment is made using the effective interest method.

q) Pension and retirement benefit obligations—crew: The ship-owning subsidiaries included in the consolidated financial statements employ the crew on board under short-term contracts (usually up to eight months) and, accordingly, are not liable for any pension or post-retirement benefits.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

2. Significant Accounting Policies – (continued):

r) Pension and retirement benefit obligations—administrative personnel: Administrative employees are covered by state-sponsored pension funds. Both employees and the Company are required to contribute a portion of the employees' gross salary to the fund. The related expense is recorded under "General and administration expenses" in the Consolidated Statements of Operations. Upon retirement, the state-sponsored pension funds are responsible for paying the employees retirement benefits without recourse to the Company.

s) Stock incentive plan awards: Share-based compensation represents vested and non-vested shares granted to employees and to non-employee directors, for their services as directors, 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 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 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.

t) Dry-docking and special survey expenses: Dry-docking and special survey expenses are expensed when incurred.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

2. Significant Accounting Policies – (continued):

u) Accounting for Revenue and Related Expenses: The Company generates its revenues from charterers for the charterhire of its vessels. Vessels are chartered mainly using time charters, where a contract is entered into for the use of a vessel for a specific period of time and a specified daily charterhire rate. Under time charters, voyage costs, such as fuel and port charges are borne and paid by the charterer. Company's time charters agreements are classified as operating leases. Revenues under operating lease arrangements are recognized when a charter agreement exists, 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.

Voyage charter agreements are charterhires, where a contract is made in the spot market for the use of a vessel for a specific voyage at a specified charter rate. 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 and is recognized when 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 consolidated balance sheet date and is related to revenue 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 as long term liability.

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.
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 expensed as incurred.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

2. Significant Accounting Policies – (continued):

v) Fair value of financial instruments: On January 1, 2008, the Company adopted guidance related to Fair Value Measurements & Disclosures for financial assets and liabilities and any other assets and liabilities carried at fair value and are measured on recurring basis. This pronouncement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The Company's adoption of this guidance did not have a material effect on the Company's Consolidated Financial Statements for financial assets and liabilities and any other assets and liabilities carried at fair value. The Company has provided additional fair value disclosures in Note 15.

w) Earnings per Common Share: Earnings 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 during the period. Diluted income per share reflects the potential dilution assuming common shares were issued for the exercise of outstanding in-the-money warrants and non-vested shares and assuming 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 9).

x) Segment Reporting: The Company reports financial information and evaluates its operations 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 decision makers, reviews 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. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographic information is impracticable.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

2. Significant Accounting Policies – (continued):

y) Recent Accounting Pronouncements:

(i) In March 2008, new guidance was issued to provide users of financial statements with an enhanced understanding of derivative instruments and hedging activities. The new guidance requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on instruments, and disclosures about credit-risk-related contingent features in derivative agreements. This guidance was effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. This guidance does not require comparative disclosures for earlier periods at initial adoption. The Company adopted this guidance in the first quarter of 2009 (Note 15).

(ii) In June 2008, new guidance clarified that all outstanding non-vested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities, and the two-class method of computing basic and diluted earnings per share must be applied. The guidance was effective for fiscal years beginning after December 15, 2008. The adoption of this new guidance did not have an impact on the Company's consolidated financial statements as dividends are required to be returned to the entity if the employee forfeits the award.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

2. Significant Accounting Policies – (continued):

(iii) In June 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (the "ASC" or the "Codification"), which became the single source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. The Codification's content carries the same level of authority, effectively superseding previous guidanceand includes only two levels of GAAP: authoritative and no authoritative. The guidance is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company adopted the new guidance in the third quarter of 2009 and revised references to US GAAP in these consolidated financial statements to reflect the guidance in the Codification.

(iv) In June 2009, new guidance was issued with regards to the consolidation of variable interest entities ("VIE"). This guidance responds to concerns about the application of certain key provisions of the FASB Interpretation, including those regarding the transparency of the involvement with VIEs. The new guidance revises the approach to determining the primary beneficiary of a VIE to be more qualitative in nature and requires companies to more frequently reassess whether they must consolidate a VIE. Specifically, the new guidance requires a qualitative approach to identifying a controlling financial interest in a VIE and requires ongoing assessment of whether an entity is a VIE and whether an interest in a VIE makes the holder the primary beneficiary of the VIE. In addition, the standard requires additional disclosures about the involvement with a VIE and any significant changes in risk exposure due to that involvement. This new guidance is effective from January 1, 2010. The adoption of this pronouncement is not expected to have a significant impact on the Company's financial statements.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

3. Transactions with Related Parties

Transactions and balances with related parties are analyzed as follows:

Balance Sheet

	December 31, 2008	December 31, 2009
Assets		
TMT Co Ltd. (a)	$ 454	$ -
Combine Marine S.A. (b)	11	-
Oceanbulk Maritime, S.A.(c)	-	2,507
Total assets	$ 465	$ 2,507
Liabilities		
Oceanbulk Maritime, S.A.(c)	$ 1	$ -
Interchart Shipping Inc. (d)	6	190
Management and Directors	149	146
Total Liabilities	$ 156	$ 336

Statement of operations

	Year ended December 31, 2007	2008	2009
Revenues-TMT (a)	$	$ 13,009	$ 309
Voyage expenses-Combine (b)	-	95	-
Operating expenses-Combine (b)	-	1,440	-
Management fees-Combine (b)	-	434	-
General and Administrative-Combine (b)	91	67	-
Revenues Vinyl (c)	-	11,611	16,508
Voyage expenses-Interchart (d)	-	396	1,472
Executive directors consultancy fees (e)	659	969	917
Non-executive directors compensation (e)	-	149	126

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

3. Transactions with Related Parties-(continued):

(a) TMT Co. Ltd.: Under the Master Agreement (Note 1) the Company issued to TMT 12,537,645 shares of Star Bulk's common stock representing the stock consideration portion of the aggregate purchase price of initial vessels and agreed to issue to TMT additional stock consideration of 1,606,962 common shares of Star Bulk in two equal installments in 2008 and 2009. On July 17, 2008, the Company issued 803,481 of the additional stock consideration of 1,606,962 shares of common stock of Star Bulk. On April 28, 2009 the remaining 803,481 shares of Star Bulk's common stock were issued to TMT. Under the Master Agreement, Star Bulk filed with the Commission a universal shelf registration statement, as amended, on Form F-3 (File No. 333-153304), which was declared effective on November 3, 2008 permitting TMT sales of shares into the market from time to time over an extended period.

Under the Master Agreement, as of December 31, 2007, Star Bulk took delivery of three vessels in the initial fleet as indicated in Note 1. In addition, in December 2007, Star Bulk took delivery of the Star Kappa from TMT, which was not part of the initial fleet for a cash consideration of $72,000. During the year ended December 31, 2008, Star Bulk took delivery of the remaining five vessels in the initial fleet as indicated in Note 1.

Star Gamma LLC, a wholly-owned subsidiary of Star Bulk, entered into a time charter agreement dated, February 23, 2007, with TMT for the Star Gamma. The charter rate for the Star Gamma was $28.5 per day for a term of one year. Star Iota LLC, a wholly-owned subsidiary of Star Bulk, entered into a time charter agreement, dated February 26, 2007, with TMT for the Star Iota. The charter rate for the Star Iota was $18 per day for a term of one year. Neither of the above mentioned vessels were delivered to the Company as of December 31, 2007, consequently no amounts relating thereto have been included in the consolidated statement of operations in 2007. For the years ended December 31, 2008 and 2009, the Company earned $13,009 and $309, respectively, net revenue under the time charter party agreements with TMT and included in Voyage revenues in the Consolidated Statements of operations.

TMT is a company controlled by Mr. Nobu Su, a former director of the Company. During the second quarter of 2008, Mr. Nobu Su's beneficial ownership decreased to 7%, and on October 20, 2008, he resigned from the board of directors of Star Bulk with immediate effect. As a result, TMT ceased to be a related party to Star Bulk.

As of December 31, 2008, the outstanding balance of $454 with TMT mainly represented receivable for bunkers.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

3. Transactions with Related Parties-(continued):

(b) Combine Marine S.A. or ("Combine"): Under an agreement dated May 4, 2007, Star Bulk appointed Combine, a company affiliated with Mr. Tsirigakis, Mr. Pappas and Mr. Christos Anagnostou, as interim manager of the vessels in the initial fleet. Under the agreement, Combine provided interim technical management and associated services, including legal services, to the vessels starting with their delivery to Star Bulk, and also provided such services and shore personnel prior to and during vessel delivery to Star Bulk in exchange for a flat fee of $10 per vessel prior to delivery and at a daily fee of $450 U.S. dollars per vessel after vessel's delivery and during the term of the agreement. Combine was entitled to be reimbursed by Star Bulk for out-of-pocket expenses incurred by Combine while managing the vessels and was obligated to provide Star Bulk with the full benefit of all discounts and rebates available to Combine. The term of the agreement was for one year from the date of delivery of each vessel. Either party may terminate the agreement upon thirty days' notice. As of December 31, 2008 and 2009, none of Star Bulk's vessels were managed by Combine.

As of December 31, 2008 and 2009 Star Bulk has an outstanding receivable balance of $11, and $0 respectively from Combine. During the years ended December 31, 2007, 2008 and 2009 Combine Marine S.A. charged $91, $2,059 and $0 respectively for operational and technical management services. Combine also charged $84 related to vessel pre-delivery expenses, which represents $10 per vessel from initial fleet plus $4 of other capitalized expenses that were capitalized as vessel cost as of December 31, 2007.

(c) Oceanbulk Maritime, S.A., or Oceanbulk: Oceanbulk Maritime, S.A., a related party, has paid for certain expenses on behalf of Star Maritime. Star Bulk's director Mr. Petros Pappas is also the Honorary Chairman of Oceanbulk, a ship management company of drybulk vessels. Star Bulk's Chief Executive Officer, Mr. Prokopios (Akis) Tsirigakis, as well as its officer Mr. Christos Anagnostou had been employees of Oceanbulk until November 30, 2007.

On June 3, 2008, we entered into an agreement with Vinyl Navigation a company affiliated with Oceanbulk Maritime, S.A., a company founded by Star Bulk's Chairman, Mr. Petros Pappas, to acquire the Star Ypsilon, a Capesize drybulk carrier for the purchase price of $87,180, which was the same price that Vinyl Navigation had paid when it acquired the vessel from an unrelated third party. The Company eventually paid $86,940 due to the late delivery of the vessel. Star Ypsilon was delivered to the Company on September 18, 2008. No commissions were charged to us on the purchase or the chartering of the Star Ypsilon.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

3. Transactions with Related Parties-(continued):

Oceanbulk Maritime, S.A., or Oceanbulk -(continued):

We acquired the Star Ypsilon with an existing above market time charter at an average daily hire rate of $91,932, and we recorded the fair market value of time charter acquired at $14,417 (Note 6) which during 2009 was amortized as a decrease to revenues until the early termination of the time charter agreement. Vinyl Navigation had a back-to back charter agreement with TMT, a company controlled by a former director of the Company, Mr. Nobu Su, on the same terms as Star Bulk's charter agreement with Vinyl Navigation.

On July 17, 2009, TMT repudiated the time charter agreement relating to Star Ypsilon. Arbitration proceedings commenced on July 27, 2009 against TMT seeking damages resulting from TMT's repudiation of this time charter.

Included in the consolidated statement of operations for December 31, 2007 are legal and office support expenses paid to Oceanbulk Maritime S.A. in the amount of $196. For the years ended December 31, 2008 and 2009, the Company earned $11,611 and $ 16,508, respectively for net revenue under the time charter party agreements with Vinyl and included in Voyage revenues in the Consolidated Statements of Operations. The Company also paid to Oceanbulk a brokerage commission amounting to $99 regarding the sale of vessel Star Iota during the year ended December 31, 2008 and $184 regarding the sale of vessel Star Alpha during the year ended December 31, 2009 (Note 5). As of December 31, 2008 and 2009, Star Bulk had an outstanding payable balance of $1 and an outstanding receivable of $2,507, respectively, resulting from chartering and brokerage activities with Oceanbulk.

(d) Interchart Shipping Inc. or Interchart: Interchart, a company affiliated to Oceanbulk- acting as a chartering broker of of all Company's vessels except from Star Kappa.As of December 31, 2008 and 2009, Star Bulk had an outstanding liability of $6 and $190, respectively to Interchart. During the years ended December 31, 2007, 2008 and 2009 the brokerage commission of 1.25% on charter revenue paid to Interchart amounted $0, $396 and $1,472, respectively and included in Voyage expenses in the Consolidated Statements of Operations.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

3. Transactions with Related Parties-(continued):

(e) Management and Directors Fees: On October 3, 2007, Star Bulk has entered into separate consulting agreements with companies owned and controlled by the Chief Executive Officer and the Chief Financial Officer, for the services provided by the Chief Executive Officer and the Chief Financial Officer, respectively. Each of these agreements has a term of three years unless terminated earlier in accordance with the terms of such agreements. Under the consulting agreements, each company controlled by the Chief Executive Officer and the Chief Financial Officer is expected to receive an annual consulting fee of €370 (approx. $517) and €250 (approx. $349), respectively, commencing on the Merger date on a pro-rata basis.

Additionally, the Chief Executive Officer and the Chief Financial Officer are entitled to receive benefits under each of their consultancy agreements with Star Bulk, among other things each is entitled to receive an annual discretionary bonus, to be determined by Star Bulk's board of directors in its sole discretion. The related expenses for the years ended December 31, 2007, 2008 and 2009 were $659, $969 and $917, respectively and are included under general and administrative expenses.

Non-employee directors of Star Bulk receive an annual cash retainer of $15, plus a fee of $1 for each board and committee meeting attended, including meetings attended telephonically. The chairman of the audit committee receives an additional $7.5 per year and each chairman of each other standing committees will receive an additional $5 per year.

As of December 31, 2008 and December 31, 2009, Star Bulk had an outstanding payable balance of $149 and $146, respectively, with its management and directors, representing unpaid fees.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

4. Inventories:

The amounts shown in the accompanying consolidated balance sheets are analyzed as follows:

	2008	2009
Bunkers	$412	$-
Lubricants	864	982
	$1,276	$982

5. Vessels and other fixed assets:

The amount shown in the accompanying consolidated balance sheets are analyzed as follows:

	2008	2009
Cost		
Vessels	$872,577	$760,474
Other fixed assets	502	556
Total cost	873,079	761,030
Accumulated depreciation	(51,795)	(92,332)
Vessels and other fixed assets, net	$821,284	$668,698

The impact of cash and stock consideration on the financial statements for the vessels acquired in 2007 and 2008 and sold during 2008 and 2009 is analyzed as follows:

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

5. Vessels and other fixed assets-(continued):

	Consolidated statements of cash flows		Consolidated statements of stockholders' equity	Consolidated balance sheets	
	Cash paid for vessels to be acquired	Cash paid for vessels delivered and time charters acquired	Stock consideration	Additions/ Disposals	Fair value of (below)/above market acquired time charter
Year ended December 31, 2007					
Initial vessels	$83,444	$25,541	$ 175,955	$193,522	$ (26,772)
Star Kappa	-	72,043	-	70,063	1,980
Other fixed assets	-	103	-	103	-
Total	$83,444	$97,687	$ 175,955	$263,688	$ (24,792)
Year ended December 31, 2008					
Initial vessels	$-	$115,696	$ 18,946	$327,974	$ (75,164)
Disposal of initial vessel	-	-	-	(20,204)	-
Additional vessels	-	311,783	-	301,222	10,561
Other fixed assets		395	-	395	-
Total	$-	$427,874	$ 18,946	$609,387	$ (64,603)
Year ended December 31, 2009					
Disposal of initial vessel	$-	$-	$ -	$(94,338)	$ -
Other fixed assets	-	-	-	50	-
Total	$-	$-	$ -	$(94,288)	$ -

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

5. Vessels and other fixed assets-(continued):

Vessels acquisitions for the year ended December 31, 2007

Following the consummation of the Redomiciliation Merger, Star Bulk took delivery from TMT of three out of eight initial vessels indicated in Note 1. The total purchase price for all eight vessels included stock consideration of 12,537,645 shares and cash consideration of $224,500. The purchase price of the first three vessels of the initial fleet delivered to Star Bulk in December, 2007 was first satisfied by issuing 12,537,645 shares to TMT and a cash payment of $25,541. In addition, Star Bulk paid in advance to TMT the amount of $83,444 for vessels from initial fleets that were delivered in 2008. The stock consideration of $175,955 was measured based on the fair market value of Star Bulk's shares at the time of vessel delivery.

The total purchase price for all eight vessels from initial fleet consisting of cash and stock consideration included in the table above was allocated to the acquired vessels based on the relative fair values of the vessels on the date of delivery of each vessel in 2007 and 2008.

The total purchased price of $263,585 for vessels delivered in 2007 also includes cash consideration of $72,043 for Star Kappa and the above market acquired time charter (Note 6), which was on additional vessel acquired by Star Bulk from TMT and delivered to the Company on December 14, 2007.

Vessels acquisition for the year ended December 31, 2008

During the first quarter of 2008, Star Bulk took delivery of the remaining five vessels of the initial fleet (Note 1) and paid the remaining cash consideration of $115,515 to TMT and $181 of capitalizable costs. The additional stock consideration of 1,606,962 common shares (Note 1) was determined to be $18,946 and was measured based on the Company's share price on March 7, 2008 when performance by TMT was complete upon delivery of the last initial vessel, Star Iota.

In addition to the initial vessels, during the year ended December 31, 2008 the Company acquired four additional vessels: Star Sigma, Star Omicron, Star Cosmo and Star Ypsilon (Note 3) and the related time charter agreements (Note 6) for an aggregate cash purchase price of $311,783.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

5. Vessels and other fixed assets-(continued):

Vessel disposed during the year ended December 31, 2008

On April 24, 2008, the Company entered into an agreement to sell the Star Iota, a vessel from initial fleet for gross proceeds of $18,350 less costs to sell of $1,771. The Company delivered this vessel to its purchasers on October 6, 2008. Star Iota was classified as vessel held for sale during the first quarter of 2008 resulting in $3,646 of impairment loss to record vessel at a lower of its carrying amount or fair value less cost to sell that is included in the accompanying consolidated statements of operations for the year ended December 31, 2008.

Vessel disposed during the year ended December 31, 2009

On July 21, 2009, the Company entered into a Memorandum of Agreement to sell the Star Alpha, a vessel from initial fleet, to a third party for a contracted sales price of $19,850 less costs to sell of $721. The vessel was delivered to its purchaser on December 21, 2009. Star Alpha was classified as asset held for sale during the third quarter of 2009 and recorded at the lower of its carrying amount or fair value less costs to sell. The resulting impairment loss of $75,208 is included in the accompanying consolidated statements of operations for the year ended December 31, 2009.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars – except for share and per share data, unless otherwise stated)

6. Fair value of acquired time charters:

The fair value of the time charters acquired at below/above fair market charter rates on the acquisition of the vessels is summarized below. These amounts are amortized on a straight-line basis to the end of each charter period.

Vessel	Fair value of acquired time charter	Amortization 2007	Balance December 31, 2007	Amortization 2008	Balance December 31, 2008	Amortization 2009	Balance December 31, 2009
Fair value of below market acquired time charter							
Star Epsilon	$14,375	$ 889	$13,486	$ 12,469	$1,017	$ 1,017	$-
Star Theta	12,397	576	11,821	8,745	3,076	3,076	-
Star Alpha	46,966	-	-	34,462	12,504	12,504	-
Star Delta	13,815	-	-	12,011	1,804	1,804	-
Star Gamma	11,649	-	-	11,649	-	-	-
Star Zeta	2,735	-	-	2,735	-	-	-
Star Cosmo	3,856	-	-	683	3,173	1,361	1,812
Total	$105,793	$ 1,465	$25,307	$ 82,754	$21,574	$ 19,762	$1,812
Fair value of above market acquired time charter							
Star Kappa	1,980	28	1,952	746	1,206	1,206	-
Star Ypsilon	14,417	-	-	1,475	12,942	12,942	-
Total	$16,397	$ 28	$1,952	$ 2,221	$14,148	$ 14,148	$-

As a result of downturn in the shipping industry during the fourth quarter of 2008, the Company has revised its original assumptions of the latest available redelivery dates used in determining the term of its below and above market acquired time charter agreements. Under the provision of guidance related to Accounting Changes and Error Corrections this revision was treated as a change in accounting estimate and was accounted for prospectively beginning October 1, 2008. The unamortized balance of below market acquired time charter agreements was amortized on an accelerated basis assuming the earliest redelivery dates of vessels under existing time charter agreements. This change had a positive impact on revenue of $13,018 ($0.25 and $0.24 per basic and diluted share) for the year ended December 31, 2008.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

6. Fair value of acquired time charters-(continued):

Gain/Loss on time charter agreement termination

For the year ended December 31, 2008

The vessel Star Sigma, which was on time charter to a charterer at a gross daily charter rate of $100,000 per day from April 2008 until March 2009, was redelivered to the Company prior to the redelivery date under the time charter pursuant to an agreement whereby the charterer agreed to pay the contracted rate less $8,000 per day, which is the approximate operating cost for the vessel, from the date of the actual redelivery in November 2008 through March 1, 2009. The total amount received (net of commissions) was $9,711.

For the year ended December 31, 2009

The vessel Star Alpha, which was on time charter at a gross daily charter rate of $47,500 per day for the period from January 9, 2008 until January 16, 2009, was redelivered to the Company by its charterers approximately one month prior to the earliest redelivery date under the time charter agreement. The Company, under the accounting provisions applicable to intangible assets, recognized a gain on a time charter agreement termination of $10,077, which relates to the write-off of the unamortized fair value of below market acquired time charter on a vessel redelivery date.

The vessel Star Theta was also redelivered to the Company by its charterers on March 15, 2009, approximately twenty-nine days prior to the earliest redelivery date under the time charter agreement. The Company recognized a gain on time charter agreement termination amounting to $842 which relates to the write-off of the unamortized fair value of below market acquired time charter on a vessel redelivery date. In addition, the Company received $260 from its charterers relating to the early termination of this charter party, which was also recorded as a gain on time charter termination.

The vessel Star Kappa, which was on time charter at an average gross daily charter rate of $25,500 per day for the period from April 12, 2009 until July 12, 2014, was redelivered to the Company by its charterers prior to the earliest redelivery date under the time charter agreement. The Company recognized a loss on time charter agreement termination of $903, which relates to the write-off of the unamortized fair value of above-market acquired time charter on a vessel redelivery date.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

6. Fair value of acquired time charters-(continued):

Star Ypsilon, which was on time charter at an average gross daily charter rate of $91,932 per day for the period from September 18, 2008 until July 4, 2011, was redelivered to the Company by its charterers prior to the earliest redelivery date under the time charter agreement. The Company recognized the loss on time charter agreement termination of $10,137, which relates to the unamortized fair value of above-market acquired time charter on a vessel redelivery date. In addition, the Company recognized a gain amounting to $5,040, which represents the deferred revenue from the terminated time charter contract.

All amounts presented above are included under Gain on time charter agreement termination or Loss on time charter agreement termination in the accompanying consolidated statements of operations for years ended December 31, 2008 and 2009.

Amortization expenses related to Star Cosmo for the years ended December 31, 2010 and 2011 will be $1,360 and $452, respectively.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

7. Long-term Debt:

a) On December 27, 2007, the Company entered into a loan agreement with Commerzbank AG in the amount of up to $120,000 in order to partially finance the acquisition cost of the second hand vessels, Star Gamma, Star Delta, Star Epsilon, Star Zeta, and Star Theta, that also provide the security for this loan agreement. Under the terms of this loan facility, the repayment of $120,000 is over a nine year term and divided into two tranches. The first of up to $50,000 is repayable in twenty-eight consecutive quarterly installments commencing twenty-seven months after the initial borrowings but no later than March 31, 2010: (i) the first four installments amount to $2,250 each, (ii) the next thirteen installments amount to $1,000 each (iii) the remaining eleven installments amount to $1,300 each and a final balloon payment of $13,700 is payable together with the last installment. The second tranche of up to $70,000 is repayable in twenty-eight consecutive quarterly installments commencing twenty-seven months after draw down but no later than March 31, 2010: (i) the first four installments amount to $4,000 each (ii) the remaining twenty-four installments amount to $1,750 each and a final balloon payment of $12,000 is payable together with the last installment. The loan bears interest at LIBOR plus a margin at a minimum of 0.8% per annum (p.a.) to a maximum of 1.25% p.a. depending on whether the aggregate drawdown ranges from 60% up to 75% of the aggregate market value of the initial fleet.

The loan contains financial covenants, including requirements to maintain (i) a minimum liquidity of $10,000 or $1,000 per vessel, whichever is greater (ii) the market value adjusted equity ratio shall not be less than 25%, as defined therein and (iii) an aggregate market value of the vessels pledged as security under this loan agreement not less than (a) 125% of the then outstanding borrowings for the first three years and (b) 135% of the then outstanding borrowings thereafter. As of December 31, 2008 the Company's recognized restricted cash based on this covenant amounted to $12,000.

On March 13, 2009, the Company entered into agreement with Commerzbank to obtain waivers for certain covenants and the following loan and covenants amendments were agreed: during the waiver period from December 31, 2008 to January 31, 2010, the loan to value covenant shall at all times be less than 90% including the value of the additional securities provided by the waiver. As further security for this facility, the Company shall provide a first preferred mortgage on Star Alpha and shall pledge an amount of $6,000 to the lenders. Furthermore, the interest spread was increased to 2.00% p.a. for the duration of the waiver period and LIBOR was replaced by cost of funds. In addition, during the waiver period, payments of dividend, share repurchases and investments are subject to the prior written consent of the lenders.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

7. Long-term Debt-(continued):

On December 24, 2009, the Company entered into agreement with Commerzbank to obtain waivers for certain covenants and the following loan and covenants amendments were agreed: during the waiver period from February 1, 2010 to June 30, 2010 and from July 1, 2010 to January 31, 2011 the security cover shall be at least 111% and 118%, respectively. Furthermore, the bank consented to: i) the sale of Star Alpha, ii) the payment of dividends not exceeding $0.05 per share in each quarter iii) the reduction of minimum liquidity from $1,000 to $650 per fleet vessel, iv) the increase of the pledged deposit by $1,250 from $6,000 to $7,250 plus a minimum liquidity of $7,150. The interest spread was also maintained to 2.00% p.a. for the duration of the waiver period.

As of December 31, 2008 and 2009, the Company had outstanding borrowings of $120,000 and $120,000, respectively, which is the maximum amount of borrowings permitted under this loan facility.

b) On April 14, 2008, the Company entered into a loan agreement with Piraeus Bank A.E., acting as an agent, which was subsequently amended on April 17, 2008 and September 18, 2008. Under the amended terms, the agreement provides for a term loan of $150,000 to partially finance the acquisition of the Star Omicron, the Star Sigma and Star Ypsilon. This loan agreement is secured by the vessels Star Omicron, the Star Beta, and the Star Sigma. Under the terms of this term loan facility, the repayment of $150,000 is over six years and begins three months after the Company's first draw down amount and is divided into twenty-four consecutive quarterly installments: (i) the first installment amounts to $7,000, (ii) the second through fifth installments amount to $10,500 each, (iii) the sixth to eighth installments amount to $8,800 each, (iv) the ninth through fourteenth installments amount to $4,400 each, (v) the fifteenth through twenty-fourth installments amount to $2,700 each, and a final balloon payment in the amount of $21,200 is payable together with the last installment. The loan bears interest at LIBOR plus a margin of 1.3% p.a.

This loan agreement with Piraeus Bank A.E. contains financial covenants, including requirements to maintain (i) a minimum liquidity of $500 per vessel, (ii) the total indebtedness of the borrower over the market value of all vessels owned shall not be greater than 0.6:1, (iii) the interest coverage ratio shall not be less than 2:1 and (iv) an aggregate market value of the vessels pledged as security under this loan agreement should not be less than (a) 125% of the then outstanding borrowings for the first three years and (b) 135% of the then outstanding borrowings thereafter.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

7. Long-term Debt-(continued):

On March 11, 2009, the Company entered into agreements with Piraeus Bank to obtain waivers for certain covenants and the followings loan and covenants amendments were agreed: during the waiver period from December 31, 2008 to February 28, 2010, the required security cover covenant of 125% shall be waived. After the end of the waiver period, for the period from February 28, 2010 to February 28, 2011 the required security cover shall be reduced to 110% from 125% of the outstanding loan amount. The lenders shall waive the 60% corporate leverage ratio, which is the ratio of the Company's total indebtedness net of any unencumbered cash balances over the market value of all vessels owned by the Company, through February 28, 2010. As further security for this facility, the Company shall provide (i) first priority mortgages on and first priority assignments of all earnings and insurances of Star Kappa and Star Ypsilon; (ii) corporate guarantees from each of the collateral vessel owning limited liability companies; (iii) a subordination of the technical and commercial manager's rights to payment; (iv) a pledge amount of $9,000 to the lenders; and (v) the hedging obligation of the Company shall be waived until December 31, 2009. Furthermore, the interest spread was increased to 2% p.a. applicable for the period from January 1, 2009 to December 31, 2010, and thereafter shall be adjusted to 1.5% per annum until the margin review date of the facility. In addition, during the waiver period, payments of dividend are subject to the prior written consent of the lenders.

As of December 31, 2008, and 2009, the Company had outstanding borrowings of $143,000 and $101,000, respectively, which is the maximum amount of borrowings permitted under this loan facility.

c) On July 1, 2008, the Company entered into a loan agreement with Piraeus Bank A.E., acting as an agent, in the amount of $35,000 to partially finance the acquisition of the Star Cosmo, which also provides the security for this loan agreement. The full amount of the loan was drawn down, on the same date. Under the terms of this term loan facility, the repayment of $35,000 is over six years and begins three months after the Company draw down the full amount but no later than July 30, 2008 and is divided into twenty-four consecutive quarterly installments: (i) the first through fourth installments amounts to $1,500 each, (ii) the fifth through eighth installments amount to $1,250 each, (iii) the ninth to twelfth installments amount to $875 each, (iv) the thirteenth through twenty-fourth installments amount to $500 each and a final balloon payment of $14,500 is payable together with the last installment. The loan bears interest at LIBOR plus a margin of 1.325% p.a.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009
(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

7. Long-term Debt-(continued):

The loan agreement contains financial covenants, including requirements to maintain (i) a minimum liquidity of $500 per vessel, (ii) the total indebtedness of the borrower over the market value of all vessels owned shall not be greater than 0.6:1, (iii) the interest coverage ratio shall not be less than 2:1 and (iv) an aggregate market value of the vessels pledged as security under this loan agreement not less than (a) 125% of the then outstanding borrowings for the first three years and (b) 135% of the then outstanding borrowings thereafter.

On March 11, 2009, the Company entered into agreements with Piraeus Bank to obtain waivers for certain covenants and the followings loan and covenants amendments were agreed: during the waiver period from December 31, 2008 to February 28, 2010, the required security cover covenant of 125% shall be waived. After the end of the waiver period, for the period from February 28, 2010 to February 28, 2011 the required security cover shall be reduced to 110% from 125% of the outstanding loan amount. The lender shall waive the 60% corporate leverage ratio, which is the ratio of the Company's total indebtedness net of any unencumbered cash balances over the market value of all vessels owned by the Company, through February 28, 2010. Also, during the waiver period, no dividend payments are made without the prior written consent of the lenders.

As further security for this facility the Company agreed to provide: (i) second priority mortgage on and second priority assignment of all earnings and insurances of Star Alpha; (ii) a corporate guarantee from Star Alpha's vessel owning limited liability company; (iii) a subordination of the technical and commercial managers rights to payment; and (iv) shall pledge an amount of $5,000 to the lenders. This facility was repayable beginning on April 2, 2009, in twenty-two consecutive quarterly installments: (i) the first two installments in the amount of $2,000 each; (ii) the third installment in the amount of $1,750; (iii) the fourth installment in the amount of $1,250; (iv) the fifth through tenth installment in the amount of $875 each; and (v) the final twelve installments in the amount of $500 each plus a balloon payment of $13,750 is payable together with the last installment. In addition, the interest spread was adjusted to 2% p.a. applicable for the period from March 1, 2009 to February 28, 2010, and thereafter shall be adjusted to 1.5% p.a. until the final maturity date of the facility. On December 2009, Piraeus Bank consented to the sale of vessel Star Alpha. Consequently, the second priority mortgage on Star Alpha was released.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

7. Long-term Debt-(continued):

As of December 31, 2008 and 2009, the Company had outstanding borrowings of $33,500 and $26,250, respectively, which is the maximum amount of borrowings permitted under this loan facility.

The Company was in compliance with the financial covenants in the amended waiver agreements as of December 31, 2009.

The weighted average interest rate (including the margin) as of December 31, 2008 and 2009 was 3.63% and 2.65%, respectively.

The principal payments required to be made after December 31, 2009, are as follows:

Years ending	Amount
2010	$59,675
2011	31,725
2012	25,500
2013	23,800
2014	56,450
2015 and thereafter	50,100
Total	$247,250

Interest expense for the years ended December 31, 2008 and 2009 amounting to $9,655 and $9,217, respectively, amortization of deferred finance fees amounting to $234 and $350, respectively, and other finance fees amounting to $349 and $347, respectively, and are included under "Interest and finance costs" in the accompanying consolidated statements of operations.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

8. Preferred, Common stock and Additional paid in capital:

As of December 31, 2008 and 2009, the Company had common stock and warrants outstanding.

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, 2008 and 2009, the Company had not issued any preferred stock.

Common Stock: Star Bulk was authorized to issue 100,000,000 shares of common stock, par value $0.01. On November 23, 2009 at the Company's annual meeting of shareholders, the Company's shareholders voted to approve an amendment to our 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.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated

8. Preferred, Common stock and Additional paid in capital-(continued):

Each outstanding share of Star Bulk 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 receive ratably all dividends, if any, declared by Star Bulk'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 Star Bulk's securities. All outstanding shares of common stock are fully paid and non-assessable. The rights, preferences and privileges of holders of common stock are subject to the rights of the holders of any shares of preferred stock which Star Bulk may issue in the future.

On November 30, 2007, the date of consummation of the Redomiciliation Merger, Star Bulk had outstanding 41,564,569 shares of common stock. This included the 12,537,645 shares of common stock that had been issued to TMT in connection with the Master Agreement (Note 1). On July 17, 2008 the Company issued 803,481 shares out of additional stock consideration of 1,606,962 of common stock of Star Bulk to TMT. The remaining 803,481 shares of Star Bulk's common stock were issued to TMT on April 28, 2009 (Note 1).The stock consideration was measured based on the fair market value of the shares at the time the vessels were delivered (Note 5) amounting to $175,955 for the initial 12,537,645 shares issued in 2007. The additional stock consideration of 1,606,962 common shares (Note 1) was determined to be $18,946 and was measured based on the Company's share price on March 7, 2008 when TMT completed its performance under the Master Agreement by delivering Star Iota, the lost vessel in the initial fleet (Note 5).

For the year ended December 31, 2008, Star Bulk repurchased under the share and warrant repurchase program announced on January 24, 2008, a total of 1,247,000 of its common shares at an aggregate purchase price of $7,976.

Warrants:

Each warrant entitles the registered holder to purchase one share of common stock at a price of $8.00 per share, subject to adjustment as discussed below. The warrants were initially scheduled to expire on December 16, 2009. In November 2009, the Company extended the expiration date of its 5,916,150 outstanding warrants to March 15, 2010.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

8. Preferred, Common stock and Additional paid in capital-(continued):

There is no cash settlement option for the Warrants.

Star Bulk may call the warrants for redemption:

- in whole and not in part;
- at a price of $0.01 per warrant at any time after the warrants become exercisable;
- upon not less than 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the reported last sale price of the common stock equals or exceeds $14.25 per share, for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders.

During the years ended December 31, 2007 and 2008, warrant holders exercised their right to purchase shares of the Company's common stock and the Company received a total of $7,534, and $94,236 respectively, representing 951,864 and 11,769,486 warrants respectively, at $8.00 per warrant exercised. Following the exercise of 951,864 and 11,769,486 warrants in 2007 and 2008 respectively, 19,048,136 and 5,916,150 warrants remained outstanding as of December 31, 2007 and 2008, respectively. During the year ended December 31, 2009 no warrants were exercised.

Share and Warrant re-purchase plan: Following the consummation of the Redomiciliation Merger in 2008, the Company announced a repurchase plan of common shares and warrants of up to an aggregate value of $50,000. As at December 31, 2008, 1,247,000 of common shares and 1,362,500 of warrants had been repurchased. The Company paid $7,976 for the shares and $5,473 for the above mentioned warrants. Under the terms of the waiver agreements (Note 7) with the Company's lenders, any share and warrant repurchase are subject to their prior written consent. During the year ended December 31, 2009 there were no warrant or share repurchases.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

8. Preferred, Common stock and Additional paid in capital-(continued):

Transfer of Shares and Warrants from Directors: On March 24, 2008, Mr. Tsirigakis, our President and Chief Executive Officer transferred in a private transaction an aggregate of 2,473,893 of his Star Bulk shares and 300,000 of his Star Bulk warrants to Mr. Petros Pappas, the Company's Chairman.

On March 24, 2008, Mr. George Syllantavos, our Chief Financial Officer and Secretary transferred in a private transaction an aggregate of 981,524 of his shares and 102,500 of his Star Bulk warrants to Mr. Petros Pappas, the Company's Chairman.

Declaration of dividends: On February 14, 2008, the Company declared dividends amounting to $4,599 or $0.10 per share paid on February 28, 2008, to the stockholders of record as of February 25, 2008. On April 16, 2008, the Company declared dividends amounting to $18,844 or $0.35 per share paid on May 23, 2008, to the stockholders of record as of May 16, 2008.

On July 29, 2008, the Company declared dividend amounting to $19,371 or $0.35 per share paid on August 18, 2008, to the stockholders of record as of August 8, 2008.On November 17, 2008, the Company declared a cash dividend ($0.18 per share), amounting to $9,800, and stock dividend (4,255,002 shares issued) on Star Bulk's common stock totaling $0.36 equivalent per common share for the quarter ended September 30, 2008. This cash dividend was paid and shares were issued on December 5, 2008 to stockholders of record on November 28, 2008. The number of newly issued shares was based on the volume weighted average price of Star Bulk's shares on the Nasdaq Global Market during the five trading days before the ex-dividend date or November 25, 2008. The stock dividend issue of 4,255,002 shares was valued at $7,659, fair value based on the date shares were issued, on December 5, 2008. This equity value was deducted from the retained earnings and included in the additional paid in capital and common stock as indicated in the Consolidated Statements of Shareholders Equity. On January 20, 2009, management and the directors reinvested the cash portion of their dividend for the quarter ended September 30, 2008, declared on November 17, 2008, and amounting to $1,886, into 818,877 newly-issued shares in a private placement.

Under the terms of the waiver agreements dated in March 2009 (Note 7) with the Company's lenders, any dividend payments are subject to their prior written consent. On June 25 and November 16, 2009, the Company declared cash dividends on its common stock amounting $0.05 per share. The dividends were paid on or about July 14, and December 4, 2009 to stockholders on record as of July 7 and November 27, 2009, respectively.

The Company received written consent from each of its lenders for the declaration and payment of these two dividends.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

9. Earnings/Losses per Share:

The Company calculates basic and diluted earnings/loss per share as follows:

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009
Income/Loss:			
Net income / (loss)	$ 3,411	$ 133,738	$ (58,415)
Basic earnings / (loss) per share:			
Weighted average common shares outstanding, basic	$ 30,065,923	$ 52,477,947	$ 60,873,421
Basic earnings / (loss) per share	$ 0.11	$ 2.55	$ (0.96)
Effect of dilutive securities:			
Dilutive effect of Warrants and non-vested shares	$ 6,751,693	$ 1,970,038	$ -
Weighted average common shares outstanding, diluted	36,817,616	54,447,985	60,873,421
Diluted earnings / (loss) per share	$ 0.09	$ 2.46	$ (0.96)

During the years ended December 31, 2007 and 2008 951,864 and 11,769,486 (Note 8) warrants were exercised, respectively. As of December 31, 2008 and 2009, a total of 5,916,150 warrants were outstanding, respectively for both years, at an exercise price of $8 per warrant. The exercise price of warrants was below the average market price of the Company's shares during the year ended December 31, 2008. Consequently, the Company's warrants were dilutive and included in the computation of the diluted weighted average common shares outstanding based on the treasury stock method. The weighted average diluted common shares outstanding for the year ended December 31, 2008 includes the effect of 1,255,000 (Note 10) of non-vested shares, as their effect was dilutive.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

10. Equity Incentive Plan:

On February 8, 2007 the Company's board of directors adopted a resolution approving the terms and provisions of the Company's Equity Incentive Plan (the "Plan"). The Plan 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 a propriety interest in the success of the Company, maximize their performance and enhance the long-term performance of the Company.
Under the Plan, officers, key employees, directors and consultants of Star Bulk 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. Star Bulk has reserved a total of 2,000,000 shares of common stock for issuance under the plan, subject to adjustment for changes in capitalization as provided in the Plan.

i) On December 3, 2007, the Company granted to Mr. Tsirigakis, Chief Executive Officer, and Mr. Syllantavos, Chief Financial Officer, 90,000 and 75,000 non-vested shares of Star Bulk common stock, respectively. The fair value of each share was $15.34, which is equal to the market value of the Company's common stock on the grant date. The shares vest in three equal installments on July 1, 2008, 2009 and 2010. All 165,000 shares granted under this Plan were issued during 2008.

ii) On March 31, 2008, the Company concluded an agreement with Company's Director Mr. P. Espig. Under this agreement, which is part of Company's Equity incentive plan, Mr. Espig received 150,000 non-vested shares of Star Bulk common stock. The fair value of each share was $11.39 which is equal to the market value of the Company's common stock on the grant date. The shares vest in two equal installments on April 1, 2008 and 2009. All 150,000 shares granted under this Plan were issued during 2008.

iii) On December 5, 2008, pursuant to the terms of the Plan the Company authorized the issuance of an aggregate of 130,000 non-vested common shares to all of our employees and an aggregate of 940,000 restricted non-vested common shares to the members of board of directors. The fair value of each share was $1.80 which is equal to the market value of the Company's common stock on the grant date. These shares were issued on January 20, 2009 and were vested on January 31, 2009.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

10. Equity Incentive Plan-(continued):

All non-vested shares are conditional upon the grantee's continued service as an employee of the Company, or as a director until the applicable vesting date. The grantee does not have the right to vote such non-vested shares until they vest or exercise any right as a shareholder of these shares, however, the non-vested shares will accrue dividends as declared and paid which will be retained by the Company until the share vest at which time they are payable to the grantee. For the years ended December 31, 2008 and 2009, the Company paid dividends on non-vested shares which amounted to $206 and $6, respectively. As non-vested share grantees retained dividends on awards that are expected to vest, such dividends were charged to retained earnings.

The Company estimates the forfeitures of non-vested shares to be immaterial.

For the years ended December 31, 2007, 2008 and 2009, stock based compensation was $184, $3,986 and $1,832, respectively and is included in the general and administrative expenses in the accompanying consolidated statement of operations and the deferred compensation costs from non-vested stock have been classified as a component of paid-in capital in accordance with guidance related to Stock Compensation.

A summary of the status of the Company's non-vested shares as of December 31, 2009, and during the year ended December 31, 2009, is presented below.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

10. Equity Incentive Plan-(continued):

	Number of shares	Weighted Average Grant Date Fair Value
Non-vested as at January 1, 2009	1,255,000	$3.56
Granted	-	-
Vested	(1,200,000)	3.02
Non-vested as at December 31, 2009	55,000	$15.34

As of December 31, 2009, there was $163 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 0.5 years. The total fair value of shares vested during the years ended December 31, 2008 and 2009 was $1,484 and $2,732, respectively.

11. Accrued liabilities

The amounts shown in the accompanying consolidated balance sheets are analyzed as follows:

	2008	2009
Audit fees	$644	$321
Legal fees	64	127
Other professional fees	90	187
Operating and voyage expenses	1,764	1,324
General and administrative expenses	168	8
Loan interest and financing fees	566	326
Totals:	$3,296	$2,293

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

12. Income Taxes:

a) Taxation on Marshall Islands registered companies

Under the laws of the countries where (i) the Company and its subsidiaries are incorporated and (ii) the Company's vessels are registered, the Company and its subsidiaries are not subject to tax on international shipping income. However, they are subject to registration and tonnage taxes, which have been included in vessel operating expenses.

b) Taxation on US source income – shipping income

The Company believes that it and its subsidiaries are exempt from the 4% U.S. federal income tax on U.S. source shipping income, 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 is primarily and regularly traded on an established securities market in the United States, as defined by the Internal Revenue ("IRS") Code 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 and value, is listed on the market and is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year; and (ii) the aggregate number of shares of stock traded during the taxable year is at least 10% of the average number of shares of the stock outstanding during the taxable year.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

12. Income Taxes-(continued):

c) Taxation on US source income – pre-Redomiciliation Merger

The provision of income taxes for Star Maritime, prior to merging into Star Bulk (Note 1) consists of the following:

		2007
Current-Federal	$	9
Current-State and Local		-
Deferred-Federal		-
Deferred-State and Local		-
Total	$	9

13. Commitments and Contingencies:

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 commenced an arbitration proceeding as claimant against Oldendorff Gmbh & Co. KG of Germany ("Oldendorff"), seeking damages resulting from Oldendorff's repudiation of a charter relating to Star Beta. Star Beta had been time chartered by a subsidiary of the Company to Industrial Carriers Inc. of the Marshall Islands ("ICI"). Under that time charter, ICI was obligated to pay a gross daily charter hire rate of $106,500 until February 2010. In January 2008, ICI sub-chartered the vessel to Oldendorff for one year at a gross daily charter hire rate of $130,000 until February 2009. In October 2008, ICI assigned its rights and obligations under the sub-charter to one of our subsidiaries in exchange for ICI being released from the remaining term of the ICI charter. According to press reports, ICI subsequently filed an application for protection from its creditors in a Greek insolvency proceeding which was dismissed.

In January 2009, the Company made a written submission to its appointed arbitrator asserting claims against Oldendorff and alleged damages in the amount of approximately $14,709. The Company believes that the assignment was valid and that Oldendorff has erroneously repudiated the sub-charterter.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

13. Commitments and Contingencies-(continued):

Arbitration proceedings have commenced pursuant to disputes that have arisen with the charterers of Star Alpha. The disputes relate to vessel performance characteristics and hire. Star Bulk is seeking damages for repudiations of the charter due to early redelivery of the vessel as well as unpaid hire of $2,096, while the charterers are seeking contingent damages resulting from the vessel's off-hire. Claim, counterclaim and defense submissions have been filed by parties with the arbitration panel. Arbitration proceedings, before a common panel, are also running between third parties that sub-chartered the vessel. In the first quarter of 2009 the vessel underwent unscheduled repairs which resulted in a 25 day off-hire period. Following the completion of the repairs, the Star Alpha was redelivered to the Company by its charterers approximately one month prior to the earliest redelivery date allowed under the time charter agreement.

Arbitration proceedings commenced against TMT seeking damages resulting from TMT's repudiation of the charter of Star Ypsilon due to the nonpayment of charterhire of $2,606 related to this vessel. An award for such nonpayment of charterhire and an award for the loss of charterhire for the remaining period of the charterparty are being pursued. Claim submissions have been filed.

The Company has commenced arbitration proceedings against the previous charterer of Star Epsilon and Star Kappa for repudiatory breach of the charter party due to the nonpayment of charter hire related to these vessels. The Company will pursue an interim award for such nonpayment of charterhire and an award for the loss of charterhire for the remaining period of the charterparties. Claim submissions have been filed.

The Company accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying consolidated financial statements. Up to $1 billion of the liabilities associated with the individual vessels' actions, mainly for sea pollution, are covered by the Protection and Indemnity (P&I) Club Insurance.

In May 2007, the Company entered into a one-year cancelable operating lease for its office facilities that terminated in May 2008. In May 2008, the Company extended the operating lease for its office facilities until August 2008. In April 2008 the company entered into a twelve-year cancelable operating lease for its new office facilities that will be terminated in April 2020. For the years ended December 31, 2008 and 2009, monthly lease payments were $21.3 and 21.9, respectively. The obligation's calculation is adjusted annually to the inflation rate plus 2% and it is estimated to be 5%.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

13. Commitments and Contingencies-(continued):

Rental expense for the year ended December 31, 2007, 2008 and 2009 was $11, $179 and $245, respectively.

Future rental commitments were payable as follows:

Years ending December 31,	Amount
2010	$277
2011	291
2012	305
2013	321
2014	337
2015 and thereafter	2,103
Total	$3,634

Future minimum contractual charter revenue, based on vessels committed to noncancelable, long-term time charter contracts as of December 31, 2009 will be:

Years ending December 31,	Amount*
2010	$84,564
2011	42,678
2012	13,908
2013	13,870
Total	$155,020

*These amounts do not include any assumed off–hire.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

14. Voyage and Vessel Operating Expenses:

The amounts in the accompanying consolidated statements of operations are analyzed as follows:

	2007	2008	2009
Voyage expenses			
Port charges	$7	$660	$1,940
Bunkers	3	571	3,637
Commissions paid – third parties	33	1,824	1,460
Commissions paid – related parties	-	396	1,472
Chartered-in vessel expenses	-	-	6,732
Miscellaneous	-	53	133
Total voyage expenses	$43	$3,504	$15,374
Vessel operating expenses			
Crew wages and related costs	$417	$10,350	$13,342
Insurances	40	2,225	2,198
Maintenance, Repairs, Spares and Stores	126	6,037	9,671
Lubricants	-	2,147	2,456
Tonnage taxes	35	120	123
Upgrading expenses	-	4,580	1,526
Miscellaneous	4	739	852
Total vessel operating expenses	$622	$26,198	$30,168

15. Fair value disclosures:

The guidance related to Fair Value Measurements 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.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

15. Fair value disclosures-(continued):

The Company trades in the FFAs and bunker swap markets with an objective to utilize those instruments as economic hedge instruments 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. FFAs and bunker swap trading do not qualify for cash flow hedges for accounting purposes, therefore resulting gains or losses are recognized in the accompanying consolidated statements of operations.

Dry bulk shipping FFAs generally have the following characteristics: they cover periods from several days and months to one year; they can be based on time charter rates or freight rates on specific quoted routes; they are executed between two parties. All of the Company's FFA's are cleared transactions.

As all of the Company's FFAs are settled on a daily basis through LCH, the fair value of these instruments as of December 31, 2009 was $0. There is also a margin maintenance requirement based on marking the contract to market.

Bunker swaps are agreements between two parties to exchange cash flows at a fixed price on bunkers, where volume, time period and price are agreed in advance. The Company's swaps are traded as a derivative on the over-the-counter (OTC) market. During 2009, the Company entered into four bunker swap contracts for 18,000 metric tons of fuel oil up to December 31, 2011.

The cash margin requirement for future trades (of both FFAs and Bunkers swaps) was $5,753 and is classified as short-term restricted cash in the accompanying consolidated balance sheets as of December 31, 2009.

As of December 31, 2009, fair value of the Company's investments in bunkers swaps contracts are determined through Level 2 of the fair value hierarchy as defined in the related guidance and are derived principally from or corroborated by observable market data and other items that allow value to be determined.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

15. Fair value disclosures-(continued):

For the year ended December 31, 2009, losses recognized on FFA and bunker swap contracts amounted to $2,154 and are included under Gain/ Loss on derivative instruments in the accompanying consolidated statements of operations.

	Amount of Gain / (Loss) Recognized on Derivatives Year ended December 31, 2008	2009
FFAs	$251	$(2,436)
Bunker swaps	-	282
	$251	$(2,154)

As of December 31, 2009 no fair value measurements for assets or liabilities under Level 1 and 3 were recognized in the Company's consolidated financial statements.

Description		Total December 31, 2009	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)
Assets					
Bunker swaps	Current	128	-	128	-
	Non-current	154	-	154	-

The carrying value of cash and cash equivalents, trade accounts receivable, accounts payable and current accrued liabilities approximates their fair value due to the short term nature of these financial instruments. The fair values of long-term variable rate bank loans approximate the recorded values, due to their variable interest rate.

STAR BULK CARRIERS CORP.
Notes to Consolidated Financial Statements
December 31, 2008 and 2009

(Expressed in thousands of United States Dollars - except for share and per share data, unless otherwise stated)

16. Subsequent Events:

a. On January 18, 2010, the Company entered into a Memorandum of Agreement for the sale of Star Beta to a third party for a sales price of $22,000 and expects to deliver the vessel to the buyers in the second quarter of 2010. Vessel's net book value as of December 31, 2009 was $55,306.

b. On February 18, 2010, the Company entered into a Memorandum of Agreement for the acquisition of the vessel Nord-Kraft (to be re-named Star Aurora) for a sales price of $42,500. The vessel is expected to be delivered between the third quarter of 2010 and the first quarter of 2011.

c. On February 23, 2010, the Company declared a dividend of $0.05 per share, which is payable on March 11, 2010, to stockholders of record as of March 8, 2010.

d. On February 23, 2010, the Company adopted a resolution approving the terms and provisions of the Company's new Equity Incentive Plan (the 2010 Plan). Under the 2010 Plan, officers, employees, directors and consultants of Star Bulk 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. The Company has reserved a total of 2,000,000 shares of common stock for issuance under the 2010 plan, subject to adjustment for changes in capitalization as provided in the 2010 Plan. All provisions of the 2010 Plan are similar with the 2007 Plan provisions described in Note 10.

   Pursuant to Company's 2010 and 2007 Equity Incentive Plans, the Company issued the following securities:

   On February 4, 2010, an aggregate of 115,600 non-vested common shares to all Company's employees subject to applicable vesting of 69,360 common shares on June 30, 2010 and 46,240 common shares on June 30, 2011.

   On February 24, 2010, an aggregate of 980,000 non-vested common shares to the members of Company's Board of Directors subject to applicable vesting of 490,000 common shares on each of June 30 and September 30, 2010.

e. On February 23, 2010, the Company's Board of Directors adopted a new stock repurchase plan for up to $30,000 to be used for repurchasing the Company's common shares until December 31, 2011. All repurchased common shares shall be cancelled and removed from the Company's share capital. We expect the plan to be effective when our lenders remove the relevant covenant from our loan agreements.

F-53