Corporate Participants

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Star Bulk – CEO

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Simos Spyrou
Star Bulk – Co Chief Financial Officer

Christos Begleris
Star Bulk – Co Chief Financial Officer

Presentation

Operator:
Thank you for standing by, ladies and gentlemen. Welcome to the Star Bulk Carriers' conference call on the third quarter 2015 financial results. We have with us Mr. Petros Pappas, Chief Executive Officer; Mr. Hamish Norton, President; and Mr. Simos Spyrou and Mr. Christos Begleris, Co-Chief Financial Officers of the Company.

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

I must advise you that this conference is being recorded today Wednesday, November 18, 2015. And we'll now pass the floor to one of your speakers today, Mr. Pappas. Please go ahead sir.

Petros Pappas:
Thank you, operator. I'm Petros Pappas, Chief Executive Officer of Star Bulk Carriers, and I would like to welcome you to the Star Bulk Carriers' conference call regarding our financial results for the third quarter of 2015. Before, we begin, I kindly ask you to take a moment to read the Safe Harbor statement on slide number 2 of our presentation.

Turning to slide 3, our third quarter results have been impacted by the continued weakness in the dry bulk market. We recorded an adjusted net loss of $24.5 million or $0.11 per share and adjusted EBITDA of $6.1 million on net revenues of $49.1 million during the quarter.

Given the current challenging market, we're focusing on improving operating efficiency and taking all available actions to maintain our liquidity in order to get through this downturn. We're using four main levers to do that; increasing charter coverage as the market permits, further reducing OpEx and G&A expenses, managing our new building program, and disposing of vessels.

I will now pass the floor to my colleagues to explain in more detail the actions that are being taken to maintain and enhance the liquidity of the Company. Hamish, you have the floor.

Hamish Norton:
Thank you, Petros. So with very little availability of long-term charters, we have booked charters when we see opportunities in the short period market. From the beginning of Q3 onwards, we've increased our charter coverage by chartering 12 vessels for an average period of 7.5 months. We've been able to reduce the cost of operating our fleet significantly during 2015.

Operating expenses, now excluding pre-delivery expenses on the new buildings, for Q3, were $4,237 per vessel per day, which is down 12 percent from the same period last year. Our net cash G&A expense for the quarter continued to improve and was reduced to $1,097 per day per vessel, a reduction of 31.3 percent from last year's figure. These figures establish us as one of the lowest cost operators in the dry bulk industry.

During the year, we have actively been negotiating with our shipyards and we've managed to agree on some measures that benefit the Company's liquidity. In Q3, we agreed to defer the delivery of four new building vessels from the fourth quarter of 2015 to 2016, preserving our liquidity and at some point, increasing the vessel resale value as it's going to be one-year younger. In total, we've deferred $464 million of installments from 2015 into 2016, and shifted our new building vessel delivery schedule by an aggregate of 105 months across the fleet. And we continue to work with the yards to find measures that improve our liquidity in the near term.

Finally, during the third quarter, we sold three vessels; a modern Supramax and two 1990s built Panamaxes. Net sales proceeds for completed vessel sales were approximately $27.9 million in Q3. And we also received approximately $3.8 million of gross sales proceeds from the sale of an unlevered 1990s built Panamax, and we expect $11 million in net equity proceeds from the transfer of a new building, which proceeds will be received in 2016.

I would now like to pass the floor to one of our Co-Chief Financial Officers, Simos Spyrou, to walk you through our third quarter 2015 financial highlights.

Simos Spyrou:
Thank you, Hamish. Let us now turn to slide number 4 of the presentation for a summary of our third quarter 2015 financial highlights in comparison to last year's same period.

In the three months ending September 30, 2015, net revenues adjusted for non-cash items less voyage expenses amounted to $49.1 million, 94.5 percent higher than the $25.2 million for the same period in 2014. The revenue increase is attributable to the significant growth in the average number of vessels to 71.2 in the third quarter of 2015 from 31.5 in the third quarter of 2014.

Adjusted EBITDA for the third quarter of 2015 was $6.1 million versus $9.7 million in the third quarter of 2014. Excluding non-cash items and one-off expenses, our adjusted net loss for the third quarter amounted to $24.5 million or $0.11 loss per share versus $2.2 million adjusted net loss or $0.03 loss per share in the same quarter of 2014. Our time charter equivalent rate during this quarter was $8,702 per day compared to $11,159 last year, which is due to weaker rate environment in 2015.

Our average daily operating expenses, excluding $1.6 million of non-recurring pre-delivery expenses, were $4,237; a reduction of 12 percent compared to the third quarter of 2014 similarly adjusted figure of $4,816. Our average daily G&A expenses, excluding non-cash items and including any management fees that we pay to third-party managers, were $1,097 per vessel per day compared to $1,596 during the same period last year, representing a 31.3 percent reduction.

As of September 30, our total cash balance, including restricted and pledged cash, stood at $245.6 million. On the liability side, total debt as of September 30, 2015 stood at $1,013.5 million. Based on the above, our net debt was $768 million on September 30, 2015.

Both the reduction in our daily operating expenses and in our daily G&A are mostly the result of economies of scale from managing a larger fleet.

Having said that, I will now pass the floor back to Hamish for an update on chartering and our operational performance for the quarter.

Hamish Norton:
Thank you, Simos. Kindly turn to slide 5. On the chartering side, we've increased our coverage when we find opportunities in the market to book rates and terms that we find attractive.

We've taken advantage of a short-lived increase in rates in July and have chartered 12 vessels from Q3 onwards for an average minimum duration of approximately 7.5 months at an average fixed rate of $8,782 per day. We monitor the chartering market daily and will charter vessels on longer periods when we find offers at acceptable terms.

Please turn to slide 6, where we summarize our operational performance for the quarter. In a difficult market environment, low breakeven rates are vital, and we aim to continue being one of the lowest cost dry bulk operators going forward. We believe that managing our vessels in-house provides us with a distinct advantage in terms of quality and costs.

On the bottom left graph, you can see that we continued to improve our average daily OpEx per vessel in Q3 to $4,237 per vessel per day, a 12 percent reduction compared to one year ago. On the bottom right graph, you can see the evolution of our average daily net cash G&A expenses per vessel.

These are lower than the same quarter in 2014 by 31.3 percent at $1,097 per vessel per day, and this is another area where we have direct contributions to our bottom line from the fact that we spread the cost of our headquarters employees over a much larger fleet.

We're focused on maintaining the highest standards of vessel maintenance, safety and operation with over 88 percent of vessels that are managed by Star Bulk having a rating of five stars, the maximum rating by RightShip, the rating organization.

We expect that as we continue taking delivery of our new building vessels, many of which are sister ships to each other, we will have further synergies across our fleet that will enable us to further reduce our operating and G&A expenses. On a fully delivered basis with a fleet of 88 vessels, we expect we will have achieved approximately $39 million in annual cost savings from OpEx and G&A, relative to a cost structure that we had before the merger with Oceanbulk.

Slide 7 illustrates that Star Bulk is one of the lowest cost operators among US listed dry bulk peers based on first half 2015 publicly available information and nine months 2015 information for Star Bulk. Star Bulk has operating expenses, as we've said, of $4,325 per vessel per day, which is 17 percent lower than the industry average excluding Star Bulk of $5,245 per day.

Of course, we don't give up there. We continue to look for and find additional savings, and the process is not likely to stop soon as we believe eternal cost vigilance is the price of remaining competitive.

And now, I'll pass the floor to our Co-CFO, Christos Begleris, to continue with an update on our agreements with yards, and our vessel disposals.

Christos Begleris:
Thank you, Hamish. Please turn to slide 8 where we summarize the agreement with yards and their effect on the Company's liquidity. Overall, we've been in constant discussions with the yards building our vessels, to further improve the payment and delivery schedules. We maintain excellent relations and continue to constructively find measures that improve our liquidity in the near term.

Our agreements are summarized as follows. Firstly, deferral of $464 million of pre-delivery and delivery installments from 2015 to 2016. In total, we've shifted our new building vessel delivery schedule by 105 months in aggregate for an average of 5.2 months per vessel. Secondly, reassignment of two lease agreements for two new building vessels at no extra cost to the Company with equity savings of $23.2 million.

Thirdly, we've managed successfully negotiating with our builders purchase price adjustments on a number of our new buildings for a total of $25.8 million. A direct effect of these agreements is a delay in the delivery of 14 vessels from 2015 to 2016, has benefit of increasing the resale value of these vessels in today's price due to permanent one year reduction in age.

The graph on this page illustrates both the shift in CapEx payments as well as the reduction in the total amount the Company will need to pay to take delivery of its fleet. At the bottom of the page, you will see our updated CapEx schedule as of November 16, 2015 as well as the committed debt amount we have for these vessels.

Moving to slide 9, we want to provide an update on our fleet and the vessel sales we have executed. As of today, our fleet currently consists of 70 vessels on the water. We've continued to take delivery of our Eco new building vessels, adding two Newcastlemax and two Ultramax vessels in Q3. In October, we also took delivery of one more Ultramax new building. We now have 18 vessels remaining to be delivered, all by the end of 2016.

During the quarter, we sold three vessels, a modern Supramax and two 1990s built Panamax vessels. Net sale proceeds for completed vessel sales were approximately $27.9 million in Q3 and $71.6 million from December 2014 through to date. This includes the gross proceeds of $3.8 million received for the sale of Star Nicole in October 2015. We also have future contractual equity proceeds of approximately $11 million from the sale of a new building vessel to be received in 2016.

We currently have five unlevered basis, one Capesize, two Panamax, one Supramax and one Handymax vessel, which can be sold or financed if more liquidity is required.

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

Petros Pappas:
Thank you, Christos. Please turn to Slide 11 for a brief update of supply. During the first 10 months of 2015, approximately 28 million deadweight or 3.7 percent of the on-the-water fleet has been scrapped and/or committed for demolition. The Capesize fleet currently stands at similar levels to November 2014 with 98 vessels having been sold for scrap versus 85 vessels delivered during the same 12-month period.

Reported new dry bulk orders for 2015 year-to-date are at approximately 15 million dead-weight or 1.9 percent of the existing fleet. Ordering increased during the last two months in order to beat the 1 January, 2016 date, where new rules will increase the cost of vessel new building by $3 million to $5 million per vessel.

The order book has decreased from 25 percent to approximately 16.5 percent of the fleet during the last year, and a significant share of it will never be delivered as indicated by the increased conversion and consolidation activity that took place during this year.

Dry bulk fleet growth during the last 12 months is presently at 2.6 percent and expected to only marginally increase till the end of the year. Between 2016 and 2018, increased orders from other shipping sectors and consequent limited first tier yards capacity are expected to further limit dry bulk supply growth.

Let's now turn to slide 12 for a brief update of demand. Dry bulk trade growth during 2015 came to a halt mainly as the consequence of a slowdown in China's demand and the ongoing decline in commodity prices that entails stock depletions. China iron ore stockpiles have decreased by 20 million tons to last year, while coal stocks at major power plants have decreased by 25 million tons year-on-year. During the first 10 months of 2015, China imports of iron ore and coal decreased by 1 percent and 30 percent respectively.

On a positive note, China mining industry has also been affected from the correction of raw material prices. Between January and September 2015, China's production of iron ore and coal decreased by 9 percent and 6 percent respectively. It has been reported that over 80 percent of Chinese iron ore and coal mines are operating at a loss, whilst international miners have been assisted by favorable exchange rate movements.

According to Clarkson’s' latest report, total dry bulk trade for full 2015 is projected to be flat. Iron ore trade is projected to grow at 1 percent, mainly as a result of lower steel production and stocking. Coal trade is projected to decrease by 3 percent. The decrease in Chinese domestic coal production, weaker hydropower generation this season, and depletion of coal and iron ore stocks are viewed as mildly positive developments. Grain trade in ton-mile is projected to increase by 3 percent due to healthy import growth in the Pacific. Minor bulk trade will grow at approximately 2 percent during 2015.

Now looking into 2016, we expect that the first half may be especially challenging, which should ultimately be seen as a positive factor as it will encourage further scrapping and will largely discourage new building orders. The second half should start improving, and we expect that during 2016 as a whole, demand should start picking up in comparison to 2015.

To engage in a bit more of detail and in a macro sense, low oil and raw material prices should ultimately fuel the world economy and translate into increased GDP growth rates. According to the latest IMF forecast, global GDP growth for 2016 is projected at 3.6 percent, up from 3.1 percent for 2015.

Despite China' s GDP growing at a slower pace, the implementation of structural reforms and government incentives, as well as monetary stimulus in the form of fixed interest rate cuts are expected to support real estate and infrastructure investment. India's steel consumption growth is protected to accelerate to above 7 percent. The Asian Infrastructure Investment Bank plans to finance large-scale infrastructure projects, starting from 2016.

Coal ton-miles in the Pacific region should gradually improve due to Indonesian export substitution and stabilization of China's imports. Grain and minor bulk trade are expected to also benefit from the low commodity price environment, with Latin American exports receiving additional support from favorable exchange rate movements.

Finally, we highlight once again that the most important market improving factor is owners' supply response. Absence of ordering and increased demolition during 2015 have assisted to slowly cap fleet growth for the next couple of years. Owners' negative psychology and unavailability of yard space prior to the second quarter of 2018 will play an important role in further containing supply.

This is the most challenging market I have encountered in my 37 years in dry bulk shipping. We are nevertheless committed to take all necessary measures to maintain our liquidity in the short term and protect the value of the Company in the long term.

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

Operator:
If you wish to ask a question, please press star one on your telephone keypad, and wait for your name to be announced. From Deutsche Bank, your first question comes from the line of Amit Mehrotra, and your line is now open sir.

Amit Mehrotra:
Yes, thank you Operator. Good morning/afternoon, Petros or Hamish, can you just talk about the sale and purchase market? Are you seeing any acceleration in dry bulk vessels available for sale and more specifically, has Star Bulk recently increased its efforts to sell additional vessels as maybe a lever to further improve the runway and position of the Company?

Hamish Norton:
Selling vessels is obviously one of the things that we discussed as a way to improve our liquidity situation should it need improving, and I think you shouldn't be surprised that if we need extra liquidity, that would be one of the methods we would use. And we have a number of vessels that have maintained their value pretty well and have significant equity in case of a sale.

Petros Pappas:
And there are vessels in the market for sale, but I think most of them are vessels that are Chinese built.

Amit Mehrotra:
But you haven’t seen in the last three to four weeks, a step-up in the numbers of vessels on the market?

Petros Pappas:
Not really.

Amit Mehrotra:
OK. And then Christos and Simos, I just wanted to get your perspective on what the Company's ability is to weather another leg down in asset values, and I'm particularly interested in sort of loan to value covenants on both the existing debt on the balance sheet as well as the impact on the committed debt amount. And on the existing debt on the balance sheet, I just wanted to get an understanding of how the LTV test work and how often you have to conduct those and how much cushion do you think you have.

And then on the $583 million of committed debt financing, how much of that do you expect to actually draw down based on where the asset price environment is or may go over the next few months?

Christos Begleris:
On your first question, we have a corporate net debt to market value of the assets that is set at 80 percent and is tested on a quarterly basis. Net debt accounts for debt, less cash available for the Company. On the basis of valuations as of September, we are actually in the high-50s or low-60s. So there is obviously significant room there. And market value of assets is defined to include the book value of work in progress at the yards, correct.

Christos Begleris:
Correct.

Amit Mehrotra:
OK. And -- sorry, go ahead.

Christos Begleris:
Sorry, I was going to answer your second question, unless you have any more questions on that.

Amit Mehrotra:
No, no, that's very helpful. I was just going to follow up on the second question.

Christos Begleris:
So as per our presentation, there are $582 million of committed debt. Out of this figure, approximately $270 million is connected to bareboat leases, which are fixed to the contract price. And therefore, we are projected to draw down on the whole figure.

The remaining approximately $310 million has LTV tests at delivery of the vessel between 60 percent to 67 percent. Lately, if you ask us, we have been drawing down $1 million to $2 million less on the committed debt that we have had for specific vessels.

Amit Mehrotra:
One last question, housekeeping item. Can you give us the cash and gross debt balance as of November 16? And I just want to ask you because basically, you provided the capital commitments as of November 16, but I think the last time you updated us on the cash and gross debt balance was as of October 12.

That was the last presentation. So if you can just give us on a like-for-like basis so we can sort of compare the perspective cash outflows and inflows.

Christos Begleris:
The cash figure as of today is $237 million and the gross debt is $1,006 million and the net debt figure is close to $770 million.

Amit Mehrotra:
Right. OK. Thank you very much guys, good luck, appreciate it.

Operator:
Thank you very much indeed. Now from JP Morgan, your next question comes from Noah Parquette. Your line is now open.

Noah Parquette:
Oh thanks, I've a question -- I mean, obviously you guys are going through all of the options you have to serve liquidity and doing a great job. Has debt deferral been on the table? Is that something you had discussions with -- assuming the market pays debt for another year and we feel like 2009, 2010 where you can defer some of the term loan payments?

Hamish Norton:
You know, Noah, we have a great relationship with our banks, but as we've -- we've laid out a lot of ways we can improve our liquidity without taking that step. But if the market becomes such that that step is required, we probably will be able to have a very constructive discussion and reach a mutually beneficial agreement, but the market is not there at the moment and may or may not ever get there.

Noah Parquette:
Understood. OK. And moving on to the market, in the second half of this year, we saw a real slowdown in scrapping. Can you talk about what you think drove that? Was it just more hope among owners, was it lower scrap prices? And I guess looking forward, with the falling asset value in the last month or so, do you think there is a potential for scrapping to come back up to where it was?

Petros Pappas:
Hi Noah. Well, the first reason why scrapping slowed down -- we should remember that the first six months of the year it was about 21 million tons and right now, there is another 7 million tons for the 4.5 months of the second half. The reason for the slow down is because people expected the market go up, there is no question about that, that's one reason.

Also the fact that prices went down, scrap price went down, had also took its toll. And I think that also the weather conditions in India and Bangladesh and Pakistan during the second half of the year are usually not very conducive for scrapping. So it's a combination of the three. I think the major reason was, however, that people expected a stronger market in the second half.

Now for next year, personally, I foresee that we will see at least as much scrapping as we saw in the first half of this year, during the first half of next year. So I think that we're probably going to see 30 million tons this year. I think that will probably be the case for next as well, if not more.

People also get used to low prices. At the beginning, you'd see the low price and you'll say OK, I'm not going to do a scrap at (320) when I was scrapping (420) just two months ago. But then now, you're getting used to (320). So I'm sure that a number of owners, and especially private owners, will go that way.

Noah Parquette:
Yes. Now, that makes sense. So as that moves higher, you think it would -- it really spurs more scrapping. And then just really quickly a modeling question, the new build that you sold, was that the Star Chaucer?

Petros Pappas:
Can you repeat?

Noah Parquette:
Star Chaucer.

Petros Pappas:
Yes, that was it. Yes.

Operator:
Thank you very much then sir. Now from Morgan Stanley, your next question comes from the line of Fotis Giannakoulis. Your line is now open, sir.

Fotis Giannakoulis:
Petros, you mentioned that this is the worst downturn that you've seen in your long history of shipping. I want to ask you what is your view about the market recovery? Obviously, the scrapping is very high, but is not at the same levels as it was in 2012.

How long is your base case until the market goes back to the breakeven level so you can cover your debt service? And what are the risks of this is a prolonged recovery or something. Some people are talking about structural decline of the dry bulk market, given the situation, the oversupply in the steel industry and the coal industry.

Petros Pappas:
Fotis, many questions actually. I could be talking to you for the whole night. I think we definitely have a structural problem in two ways. First of all, there is no question that there is a slowdown in China and that steel production will be much slower -- growth of steel production will be much slower if not remaining around the same from where it is. So that's the one structural issue.

And the second structural issue is coal. There is also a trend therefore less use of coal. So in that sense, we have a structural issue.

Now in my view, we are starting a -- we're going to be having a new normal in this business. I'm not sure that's for a few years we will be seeing very high demand. This year demand is going to be about zero or thereabouts. We expect demand in next year perhaps to be around 2 percent or 2.5 percent. There's a number of reasons that I can discuss later on and if you need about that.

There is also cyclicality here. We are in a situation where most commodity prices are down. And one major problem is that there is backwardation in coal and iron ore, meaning coal prices and iron ore prices next year are cheaper than they are this year.

So that doesn't give much incentive for the users of these commodities to buy now, they can buy next year. Of course, at the same time, we have a steel price contango for next year, which really means that if you take the combination of the two, lower prices of commodity in the next year, but higher steel prices, this might help the market players to be profitable next year, the steel makers. So that's the demand side.

Now, on the supply side, we should not forget that we're having like 70 million tons of deadweight coming in next year and we also have about 20 million tons slippage from this year. So it's going to be in total 90 million tons for next year. Now, we expect that one-third of that, 30 million tons, is going to be scrapped.

And we also expect that one-third of that will slip over to 2017. So we think that supply is going to be about 30 million tons, which is about 4 percent. So we are going to be seeing a situation where we'll see a supply of about 4 percent and a demand -- potential demand of about 2 percent, 2.5 percent, somewhere there. Therefore -- and I think most of that is going to be coming during the first half of the year.

The good thing is that this market is cyclical and is seasonal as well besides being cyclical. Therefore, we might see a very slow market in the first six months. However, that will induce people to scrap, and it will probably be a stronger demand situation in the second half of the year. So I personally look at it as a positive thing.

We need to see a bit of blood in the streets so that people don't murder and people scrap. And we are not extremely far away from things standing around because in 2017, for example, our calculation is that net supply is going to be about 1.5 percent. In 2018, it's going to be above 1 percent. So if you ask me, I believe that we'll get to the point that you asked somewhere in 2017 onwards.

Fotis Giannakoulis:
Thank you Petros for this detailed analysis. I also want a follow-up on -- I mean, a question about the sale and purchase market. And obviously in times of a great distress, a lot of big forces are being made. At what point you think that it's time to buy more vessels?

And also in the sale and purchase market, how much interest there is from the traditional buyers in acquiring vessels? What is the situation there? Are there enough buyers out there at this point or they are just waiting for the market to go further down?

Petros Pappas:
I think that the best point in time to buy is going to be the first semester of next year. Whether there are a number of buyers, I think there are buyers around. They are bottom pickers. And I

think maybe there will be more coming in first half next year, but that is going to be the best time to buy in our view. We think that whoever invests during the first six months next year is going to do very well in these investments.

Fotis Giannakoulis:
And one last question regarding your sponsors, they've been quite supportive to the Company in growing its fleet base. Given the fact that there might be more opportunities next year, do you think that there is a possibility of additional capital coming from the sponsors that can be either to support further the liquidity or to grow, given the opportunity that might come?

Hamish Norton:
Basically, we have no idea what their intentions are in that regard. I would point out that Petros and I and the rest of management are very large shareholders of Star Bulk relative to our personal net worth, and that whatever we do with Star is going to be done so as to maximize the value that the shareholders get.

Fotis Giannakoulis:
Thank you very much, Hamish. Thank you very much for your answers.

Petros Pappas:
Thank you Fotis.

Operator:
Thank you very much. Now from Arctic Securities, your next question comes from Erik Stavseth. Your line is now open, sir.

Erik Stavseth:
Good morning guys. I'm looking at your cash position and looking at the freight rate that the (rate) curve indicates, and it does seems to me that you might be facing a running out of cash in late 2016, and you mentioned a series of raise to mitigate that problem. But do you find that equity issues also part of this solution potentially or is that the absolute last resort for you guys?

Hamish Norton:
Well, at the current equity price, it's certainly not an attractive option and there are other options that are more attractive. And we've pretty much described all of them I think at this point, but equity is last on our list.

Erik Stavseth:
Considering the fact that you're seeing the market not improving next year, maybe a little bit, and potential downside to your asset values is still -- I mean, that will clearly pressure your equity lower. So to the extent that --

Hamish Norton:
Well, I don't know that any particular market move is guaranteed to push our equity price lower. At this point, the equity price seems to have basically separated from underlying asset value and company prospect, but there are a lot of ways that we can raise cash and it obviously depends how bad the market is, how good the market is, when it turns up, but we can last a long time in a very bad market.

Erik Stavseth:
OK. And then my last question then relates to Q4. I mean, we've been hearing the (C3) now down to $8 per ton, the Brazil. We've been hearing people fixing $2,500 a day for a 90-day voyage. Do you see Q4 potentially ending up lower than Q3 for Star Bulk based on the achieved rates?

Petros Pappas:
This is possible, but we have another month and half to get to that. Also it's possible -- because China has basically run down their stocks, it's possible they might push imports into the first month or two of 2016. I'm not exactly a fortune teller. This has been, of course, a big surprise to everybody. I think in my very long history, I've never seen a Q4 which has been as bad as it is today. But as I said before, I see this as a positive thing because this market needs to get rid of some supply. So the more of this, the more of idle vessels scrapped, the quicker we'll get back on track.

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

Rob Perri:
I just had a quick market questions and then I'm going to follow up with something on the balance sheet. Given the fact that we've had, let's say, the problems in Brazil with the iron ore, I was wondering where you see Vale coming out saying they see about 3 million tons of lost production this year?

Are you seeing any -- is there other ore coming out of Brazil, or is that all being taken out of, let's say, Australia or anywhere else in the market from a ton-mile perspective? I'm just trying to sort it out.

Petros Pappas:
I think that -- I don't know if Vale has any additional stocks that they could export to replace. I'm not privy to this information. It's possible because I remember that earlier in the year, they did have some of that sort, but if not, then we'll unfortunately see it from Australia. However, this 30 million tons per annum, I think about more than half of it, like 65 percent of it, actually goes through the Atlantic.

So the problem is going to be the balance 35 percent, so 10 million tons, because if it goes through the Atlantic, this could actually even turn to be not so bad if they could import them -- if Europe could import them from somewhere else. But if all of this went to China, then it would be a huge problem. But it doesn't. So the problem would be to the tune of perhaps 10 million tons in my view.

Rob Perri:
Understood, thanks. And just quickly on the balance sheet stuff, I know you guys have some maturities coming up in the near term that -- not in the near term, let's say, in the next 18 months. Has there been any conversations or any appetite from some of the banks given some of your lenders that maybe there's opportunities there to take some of them at a bit of a discount?

Petros Pappas:
No, there is definitely no opportunity for us to take them at a discount, given that the banks believe in our credit and will not sell them at a discount at this moment. But we are in discussions to obtain financing for those maturities, and those are ongoing.

Rob Perri:
OK. Thank you.

Petros Pappas:
Thank you.

Operator:
Thank you very much indeed. And your next question from Seaport Global, comes from the line of Charles Rupinski. Your line is now open, sir.

Charles Rupinski:
Thank you Operator, and thank you everyone for taking my question. Thanks for the color on the industry, I got a lot out of that, and I appreciate it. I just wanted to know if there is any color on the -- whole Cape chartering pool, and how much of effect you might see that having over the next cycle in terms of getting traction there?

Petros Pappas:
Basically, it's not a pool. It's just a cooperation at this point in time. To be honest, it has benefitted us in information. I don't think, it has made much of a difference as far as incomes are concerned, but the information is always important for the long term. So when the market -- when there is a more supply -- much more supply than demand, a pool doesn't help us much.

When things will turn around at some point in the future, then it will make much more of a difference. And definitely of course, in my view, if this was a real pool with revenue sharing agreements, then it would have more of an impact. For now, it is just a cooperation between a few companies where we exchange information mostly.

Charles Rupinski:
OK. And just a follow-up on that, are there different scenarios in terms of how the market develops that would push it toward becoming more of a pool versus what it is now, would you have to see market conditions change or is that just something that is ongoing?

Petros Pappas:
I don't think it has to do a lot with the market. It might have more to do with the personalities of the people involved. It started among five friendly companies and we're getting to know each other's ways. So who knows about the future? I don't think we'll have to do much with the market. The market is as bad as it can be right now, anyway. So usually people go for pools when things are bad. When things are good, they get more individualistic.

Charles Rupinski:
I hear you. Well thanks for the color, it's very much appreciated.

Petros Pappas:
Thank you.

Operator:
Thank you very much indeed sir. And as there are no further questions at this time, gentleman, I should pass the floor back to you for closing remarks.

Petros Pappas:
We have no closing remarks except that we should be scrapping vessels continuously for this market to turn around.

Operator:
Thank you very much indeed. And with many thanks to all our speakers today, that does conclude the conference. Thank you for participating. You may now all disconnect. Thank you, Mr. Spyrou. Thank you, gentlemen.

Simos Spyrou:
Thanks.

END