

Eagle Bulk Shipping Inc.
Form 10-Q
August 08, 2018

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended June 30, 2018

OR

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

For the transition period from to

Commission File Number 001-33831

EAGLE BULK SHIPPING INC.

(Exact name of Registrant as specified in its charter)

Republic of the Marshall Islands

98-0453513

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

300 First Stamford Place, 5th floor

Stamford, Connecticut 06902

(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (203) 276-8100

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Emerging growth company

Non-Accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Number of shares of registrant's common stock outstanding as of August 6, 2018: 73,037,457

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed

by a court. Yes No

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the period ended June 30, 2018 (the "Quarterly Report on Form 10-Q") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995, and are intended to be covered by the safe harbor provided for under these sections. These statements may include words such as "believe," "estimate," "project," "intend," "expect," "plan," "anticipate," and similar expressions in connection with any discussion of the timing or nature of future operating or financial performance or other events. Forward-looking statements reflect management's current expectations and observations with respect to future events and financial performance.

Where we express an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed, projected, or implied by those forward-looking statements. The principal factors that affect our financial position, results of operations and cash flows include, charter market rates, which have declined significantly from historic highs, periods of charter hire, vessel operating expenses and voyage costs, which are incurred primarily in U.S. dollars, depreciation expenses, which are a function of the cost of our vessels, significant vessel improvement costs and our vessels' estimated useful lives, and financing costs related to our indebtedness. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors which could include the following: (i) changes in demand in the dry bulk market, including, without limitation, changes in production of, or demand for, commodities and bulk cargoes, generally or in particular regions; (ii) greater than anticipated levels of dry bulk vessel newbuilding orders or lower than anticipated rates of dry bulk vessel scrapping; (iii) changes in rules and regulations applicable to the dry bulk industry, including, without limitation, legislation adopted by international bodies or organizations such as the International Maritime Organization and the European Union or by individual countries; (iv) actions taken by regulatory authorities including without limitation the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"); (v) changes in trading patterns significantly impacting overall dry bulk tonnage requirements; (vi) changes in the typical seasonal variations in dry bulk charter rates; (vii) changes in the cost of other modes of bulk commodity transportation; (viii) changes in general domestic and international political conditions; (ix) changes in the condition of the Company's vessels or applicable maintenance or regulatory standards (which may affect, among other things, our anticipated drydocking costs); (x) significant deteriorations in charter hire rates from current levels or the inability of the Company to achieve its cost-cutting measures; and (xi) the outcome of legal proceeding in which we are involved; and other factors listed from time to time in our filings with the Securities and Exchange Commission (the "SEC"). This discussion also includes statistical data regarding world dry bulk fleet and orderbook and fleet age. We generated some of this data internally, and some were obtained from independent industry publications and reports that we believe to be reliable sources. We have not independently verified this data nor sought the consent of any organizations to refer to their reports in this Quarterly Report on Form 10-Q. We disclaim any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements

EAGLE BULK SHIPPING INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets as of June 30, 2018 and December 31, 2017
(Unaudited)

	June 30, 2018	December 31, 2017
ASSETS:		
Current assets:		
Cash and cash equivalents	\$76,881,117	\$56,251,044
Accounts receivable	13,072,691	17,246,540
Prepaid expenses	2,797,648	3,010,766
Short-term investment	—	4,500,000
Inventories	11,911,398	14,113,079
Vessel held for sale	10,354,855	9,316,095
Other current assets	2,540,427	785,027
Total current assets	117,558,136	105,222,551
Noncurrent assets:		
Vessels and vessel improvements, at cost, net of accumulated depreciation of \$113,539,571 and \$99,910,416, respectively	686,424,065	690,236,419
Advance for vessel purchase	—	2,201,773
Other fixed assets, net of accumulated amortization of \$432,225 and \$343,799, respectively	580,020	617,343
Restricted cash	74,917	74,917
Deferred drydock costs, net	11,584,365	9,749,751
Deferred financing costs - Super Senior Facility	285,342	190,000
Other assets	55,815	57,181
Total noncurrent assets	699,004,524	703,127,384
Total assets	\$816,562,660	\$808,349,935
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$8,123,778	\$7,470,844
Accrued interest	1,733,278	1,790,315
Other accrued liabilities	7,602,898	11,810,366
Fair value of derivatives	461,993	73,170
Unearned charter hire revenue	4,901,453	5,678,673
Current portion of long-term debt	19,812,713	4,000,000
Total current liabilities	42,636,113	30,823,368
Noncurrent liabilities:		
Norwegian Bond Debt, net of debt discount and debt issuance costs	186,381,482	189,950,329
New First Lien Facility, net of debt discount and debt issuance costs	52,353,586	63,758,185
Ultraco Debt Facility, net of debt discount and debt issuance costs	63,263,797	59,975,162
Other liabilities	216,924	177,846
Fair value below contract value of time charters acquired	2,159,062	2,500,012
Total noncurrent liabilities	304,374,851	316,361,534
Total liabilities	347,010,964	347,184,902
Commitments and contingencies		
Stockholders' equity:		

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Preferred stock, \$0.01 par value, 25,000,000 shares authorized, none issued as of June 30, 2018 and December 31, 2017, respectively	—	—
Common stock, \$0.01 par value, 700,000,000 shares authorized, 70,516,466 and 70,394,307 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	705,165	703,944
Additional paid-in capital	893,294,942	887,625,902
Accumulated deficit	(424,448,411)	(427,164,813)
Total stockholders' equity	469,551,696	461,165,033
Total liabilities and stockholders' equity	\$816,562,660	\$808,349,935

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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EAGLE BULK SHIPPING INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2018 and 2017
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenues, net	\$74,938,700	\$53,631,224	\$154,309,309	\$99,486,281
Voyage expenses	17,204,964	13,379,664	39,719,556	26,733,011
Vessel expenses	20,577,116	19,308,802	41,655,773	37,264,321
Charter hire expenses	10,108,258	6,445,580	20,376,322	10,318,912
Depreciation and amortization	9,272,460	8,020,597	18,548,875	15,513,405
General and administrative expenses	8,895,505	8,589,979	18,809,469	16,368,800
Gain on sale of vessels	(105,073)	(1,805,785)	(105,073)	(1,897,899)
Total operating expenses	65,953,230	53,938,837	139,004,922	104,300,550
Operating income/(loss)	8,985,470	(307,613)	15,304,387	(4,814,269)
Interest expense	6,387,011	6,858,716	12,648,080	13,303,747
Interest income	(111,952)	(185,641)	(207,228)	(375,439)
Other income	(740,356)	(1,092,222)	(639,977)	(785,663)
Total other expense, net	5,534,703	5,580,853	11,800,875	12,142,645
Net income/(loss)	\$3,450,767	\$(5,888,466)	\$3,503,512	\$(16,956,914)
Weighted average shares outstanding:				
Basic	70,515,320	70,329,050	70,484,240	67,996,330
Diluted	72,086,980	70,329,050	71,560,775	67,996,330
Per share amounts:				
Basic income/(loss)	\$0.05	\$(0.08)	\$0.05	\$(0.25)
Diluted income/(loss)	\$0.05	\$(0.08)	\$0.05	\$(0.25)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

EAGLE BULK SHIPPING INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income/(Loss)
for the Three and Six Months Ended June 30, 2018 and 2017

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net income/(loss)	\$3,450,767	\$(5,888,466)	\$3,503,512	\$(16,956,914)
Comprehensive income/(loss)	\$3,450,767	\$(5,888,466)	\$3,503,512	\$(16,956,914)

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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EAGLE BULK SHIPPING INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity
For the Six Months Ended June 30, 2018 and 2017
(Unaudited)

	Common Stock	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2017	70,394,307	\$ 703,944	\$ 887,625,902	\$(427,164,813)	\$ 461,165,033
Cumulative effect of accounting change (Note 2) *	—	—	—	(787,110)	(787,110)
Net income	—	—	—	3,503,512	3,503,512
Issuance of shares due to vesting of restricted shares and exercise of options	122,159	1,212	(1,212)	—	—
Cash received due to exercise of stock options	—	9	4,856	—	4,865
Cash used to settle net share equity awards	—	—	(255,114)	—	(255,114)
Stock-based compensation	—	—	5,920,510	—	5,920,510
Balance at June 30, 2018	70,516,466	\$ 705,165	\$ 893,294,942	\$(424,448,411)	\$ 469,551,696

* The opening accumulated deficit has been adjusted on January 1, 2018 in connection with adoption of Accounting Standards Update 2014-09 ("ASC 606"). Please refer to Note 2 "Recently Adopted Accounting Pronouncements" to the condensed consolidated financial statements.

	Common Stock	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
Balance at January 1, 2017	48,106,827	\$ 481,069	\$ 783,369,698	\$(383,368,128)	\$ 400,482,639
Net loss	—	—	—	(16,956,914)	(16,956,914)
Issuance of shares for private placement, net of issuance costs	22,222,223	222,222	95,807,781	—	96,030,003
Stock-based compensation	—	—	4,648,751	—	4,648,751
Balance at June 30, 2017	70,329,050	\$ 703,291	\$ 883,826,230	\$(400,325,042)	\$ 484,204,479

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

EAGLE BULK SHIPPING INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2018 and 2017
(Unaudited)

	Six Months Ended	
	June 30, 2018	June 30, 2017
Cash flows from operating activities:		
Net income/(loss)	\$3,503,512	\$(16,956,914)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:		
Depreciation	16,049,334	13,538,266
Amortization of deferred drydocking costs	2,499,541	1,975,139
Amortization of debt issuance costs	970,352	2,901,948
Amortization of fair value below contract value of time charter acquired	(340,950)	(375,833)
Payment-in-kind interest on debt	—	4,977,219
Net unrealized gain on fair value of derivative instruments	(234,988)	(736,609)
Stock-based compensation expense	5,920,510	4,648,751
Drydocking expenditures	(4,632,000)	(341,350)
Gain on sale of vessels	(105,073)	(1,897,899)
Fees paid on time charter termination	—	(1,500,000)
Changes in operating assets and liabilities:		
Accounts receivable	4,173,849	(6,172,147)
Other current and non-current assets	(333,715)	(1,125,809)
Prepaid expenses	213,117	28,848
Inventories	2,201,681	(1,693,827)
Accounts payable	652,934	705,907
Accrued interest	(57,037)	(15,217)
Other accrued and other non-current liabilities	(3,332,732)	(3,593,657)
Unearned revenue	(2,360,838)	369,955
Net cash provided by/(used in) operating activities	24,787,497	(5,263,229)
Cash flows from investing activities:		
Purchase of vessels and vessel improvements	(20,301,806)	(121,331,815)
Advance paid for purchase of vessel	—	(20,863,466)
Proceeds from redemption of Short-term investment	4,500,000	—
Proceeds from sale of vessels	9,719,013	10,586,500
Purchase of other fixed assets	(50,933)	(204,348)
Net cash used in investing activities	(6,133,726)	(131,813,129)
Cash flows from financing activities:		
Repayment of term loan under First Lien Facility	—	(5,293,250)
Repayment of revolver loan under New First Lien Facility	(5,000,000)	—
Proceeds from Ultraco Debt Facility	8,600,000	40,000,000
Proceeds from the common stock private placement, net of issuance costs	—	96,030,003
Cash received from exercise of stock options	4,865	—
Cash used to settle net share equity awards	(255,114)	—
Financing costs paid to the lender - Ultraco Debt Facility	—	(918,000)
Other financing costs	(1,373,449)	(575,000)

Net cash provided by financing activities	1,976,302	129,243,753
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Net increase/(decrease) in cash and cash equivalents and restricted cash	20,630,073	(7,832,605)
Cash and cash equivalents and restricted cash at beginning of period	56,325,961	76,591,027
Cash and cash equivalents and restricted cash at end of period	\$76,956,034	\$68,758,422

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid during the year for interest	\$11,734,765	\$5,338,742
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The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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EAGLE BULK SHIPPING INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Basis of Presentation and General Information

The accompanying condensed consolidated financial statements include the accounts of Eagle Bulk Shipping Inc. and its wholly-owned subsidiaries (collectively, the "Company," "we," "our" or similar terms). The Company is engaged in the ocean transportation of dry bulk cargoes worldwide through the ownership, charter and operation of dry bulk vessels. The Company's fleet is comprised of Supramax and Ultramax dry bulk carriers which are considered to be Handymax class of vessels and the Company operates its business in one business segment.

As of June 30, 2018, the Company owned and operated a modern fleet of 47 oceangoing vessels, including 35 Supramax and 12 Ultramax vessels with a combined carrying capacity of 2,693,430 deadweight tonnage ("dwt") and an average age of approximately 8.6 years. Additionally, the Company charters-in a 61,400 dwt, 2013 built Ultramax vessel for a remaining period of approximately three years. In addition, the Company charters-in third-party vessels on a short to medium term basis.

For the three and six months ended June 30, 2018 and 2017, the Company's charterers did not individually account for more than 10% of the Company's gross charter revenue during those periods.

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), and the rules and regulations of the SEC which apply to interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes normally included in consolidated financial statements prepared in conformity with U.S. GAAP. They should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2017 Annual Report on Form 10-K, filed with the SEC on March 12, 2018.

The accompanying condensed consolidated financial statements are unaudited and include all adjustments (consisting of normal recurring adjustments) that management considers necessary for a fair presentation of its condensed consolidated financial position and results of operations for the interim periods presented.

The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the entire year.

We adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09" or "ASC 606") as of January 1, 2018 utilizing the modified retrospective method of transition. ASC 606 impacted the timing of recognition of revenues from certain ongoing spot voyage charters as well as timing of recognition of certain voyage related expenses. Under ASC 606, revenue is recognized beginning from the commencement of loading until the completion of discharge at the discharge port instead of recognizing revenue from the discharge of the previous voyage so long as an agreed non-cancellable charter between the Company and the charterer is in existence, the charter rate is fixed and determinable, and collectability is reasonably assured.

With the adoption of ASC 606, we recognize as an asset any costs incurred prior to commencement of loading because these costs are incurred to fulfill a contract and are directly related to a contract or an anticipated contract that we can specifically identify. These costs are amortized over the term of the contract on a straight-line basis as the performance obligations are met.

We recorded an adjustment of approximately \$0.8 million to increase our opening accumulated deficit and increase our unearned revenue and other current assets on our Condensed Consolidated Balance Sheet on January 1, 2018. Please refer to Note 2 "Recently Adopted Accounting Pronouncements" for further information.

The preparation of condensed 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 disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates and assumptions of the Company are residual value of vessels, the useful lives of vessels, the value of stock-based compensation and the fair value of derivatives. Actual results could differ from those estimates.

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Note 2. Recently Adopted Accounting Pronouncements

Revenue Recognition

Our shipping revenues are principally generated from time charters and voyage charters. In a time charter contract, the vessel is hired by the charterer for a specified period of time in exchange for consideration which is based on a daily hire rate. The charterer has the full discretion over the ports visited, shipping routes and vessel speed. The contract/charter party generally provides typical warranties regarding the speed and performance of the vessel. The charter party generally has some owner protective restrictions such that the vessel is sent only to safe ports by the charterer, subject always to compliance with applicable sanction laws, and carry only lawful or non hazardous cargo. In a time charter contract, the Company is responsible for all the costs incurred for running the vessel such as crew costs, vessel insurance, repairs and maintenance and lubes. The charterer bears the voyage related costs such as bunker expenses, port charges, canal tolls during the hire period. The performance obligations in a time charter contract are satisfied over the term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to the Company. The charterer generally pays the charter hire in advance of the upcoming contract period. The time charter contracts are considered operating leases and therefore do not fall under the scope of ASC 606 because (i) the vessel is an identifiable asset (ii) the Company does not have substantive substitution rights and (iii) the charterer has the right to control the use of the vessel during the term of the contract and derives the economic benefits from such use.

Voyage charters

In a voyage charter contract, the charterer hires the vessel to transport a specific agreed-upon cargo for a single voyage which may contain multiple load ports and discharge ports. The consideration in such a contract is determined on the basis of a freight rate per metric ton of cargo carried or occasionally on a lump sum basis. The charter party generally has a minimum amount of cargo. The charterer is liable for any short loading of cargo or "dead" freight. The voyage contract generally has standard payment terms of 95% freight paid within three days after completion of loading. The voyage charter party generally has a "demurrage" or "despatch" clause. As per this clause, the charterer reimburses the Company for any potential delays exceeding the allowed laytime as per the charter party clause at the ports visited which is recorded as demurrage revenue. Conversely, the charterer is given credit if the loading/discharging activities happen within the allowed laytime known as despatch resulting in a reduction in revenue. In a voyage charter contract, the performance obligations begin to be satisfied once the vessel begins loading the cargo. The Company determined that its voyage charter contracts consist of a single performance obligation of transporting the cargo within a specified time period. Therefore, the performance obligation is met evenly as the voyage progresses, and the revenue is recognized on a straight line basis over the voyage days from the commencement of the loading of cargo to completion of discharge.

The voyage contracts are considered service contracts which fall under the provisions of ASC 606 because the Company as the shipowner retains the control over the operations of the vessel such as directing the routes taken or the vessel speed. The voyage contracts generally have variable consideration in the form of demurrage or despatch. The amount of revenue earned as demurrage or despatch paid by the Company for the three and six months ended June 30, 2018 is not material.

The following table shows the revenues earned from time charters and voyage charters for the three and six months ended June 30, 2018:

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Time charters	\$37,355,472	\$66,678,691
Voyage charters	37,583,228	87,630,618
	\$74,938,700	\$154,309,309

Contract costs

In a voyage charter contract, the Company bears all voyage related costs such as fuel costs, port charges and canal tolls. These costs are considered contract fulfillment costs because the costs are direct costs related to the performance of the contract and are expected to be recovered. The costs incurred during the period prior to commencement of loading the cargo, primarily bunkers, are deferred as they represent setup costs and recorded as a current asset and are amortized on a straight-line basis as the related performance obligations are satisfied.

In May 2014, the FASB issued ASU 2014-09, which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. Under ASC 606, an entity is required to perform the following five steps: (1) identify the contract(s) with a customer; (2) identify the performance obligations of the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfied a performance obligation. Additionally, the guidance requires improved disclosures as to the nature, amount, timing and uncertainty of revenue that is recognized.

We adopted the provisions of ASC 606 on January 1, 2018 using the modified retrospective approach. As such, the comparative information has not been restated and continues to be reported under the accounting standards in effect for periods prior to January 1, 2018. Under the modified retrospective approach, the Company recognized the cumulative effect of adopting this standard as an adjustment amounting to \$0.8 million to increase the opening balance of Accumulated Deficit as of January 1, 2018. The Company recognized \$0.8 million of deferred costs which represents the costs such as bunker expenses and charter hire expenses on chartered-in vessels, incurred prior to commencement of loading are recorded in other current assets and \$1.6 million of unearned charter hire revenue which represents the Company's obligation to satisfy performance obligations under the contract for which the Company has received consideration from the customer.

The adoption of ASC 606 impacted the timing of recognition of revenue for certain ongoing spot voyage charter contracts, related voyage expenses and charter hire expenses. Under ASU 2014-09, revenue is recognized from when the vessel commences loading through the completion of discharge at the discharge port instead of recognizing revenue from the discharge of the previous voyage provided an agreed non-cancellable charter between the Company and the charterer is in existence, the charter rate is fixed and determinable, and collectability is reasonably assured. Any expenses incurred during the ballast portion of the voyage (time spent by the vessel traveling from discharge port of the previous voyage to the load port of the subsequent voyage) such as bunker expenses, canal tolls and charter hire expenses for chartered-in vessels are deferred and are recognized on a straight-line basis over the charter period as the Company satisfies the performance obligations under the contract.

Further, the adoption of ASC 606 impacted the accounts receivable and unearned revenue on our Condensed Consolidated Balance Sheet as of June 30, 2018. Under ASC 606, receivables represent an entity's unconditional right to consideration, billed or unbilled. The Company determined that the performance obligations on its spot voyage charters do not begin to be satisfied unless the vessel arrives at the load port and commences loading the cargo. This impacted the amount of accounts receivable and unearned revenue recorded in our Condensed Consolidated Balance Sheet.

The following table presents the impact of the adoption of ASC 606 on our Condensed Consolidated Balance Sheet at June 30, 2018:

	As of June 30, 2018		
	As Reported	Balances without Adoption of ASC 606	Effect of Change
Assets			
Accounts receivable	\$ 13,072,691	\$ 13,982,571	\$(909,880)

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Other current assets	2,540,427	2,178,304	362,123
Liabilities			
Unearned charter hire revenue	4,901,453	4,709,434	192,019

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The following table presents the impact of the adoption of ASC 606 on our Condensed Consolidated Statement of Operations:

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	As Reported	Balances without Adoption of ASC 606	Effect of Change	As Reported	Balances without Adoption of ASC 606	Effect of Change
Revenue, net	\$74,938,700	\$75,293,766	\$(355,066)	\$154,309,309	\$153,827,542	\$481,767
Voyage expenses	17,204,964	17,236,431	31,467	39,719,556	39,505,136	(214,420)
Charter hire expenses	10,108,258	10,128,774	20,516	20,376,322	20,161,169	(215,153)
Net income	3,450,767	3,753,850	(303,083)	3,503,512	3,451,318	52,194
Basic income per share	\$0.05	\$0.05	\$0.00	\$0.05	\$0.05	\$0.00
Diluted income per share	\$0.05	\$0.05	\$0.00	\$0.05	\$0.05	\$0.00

The cumulative effect of changes made to our opening Consolidated Balance Sheet on January 1, 2018 for the adoption of ASC 606:

	December 31, 2017	Effect of Adoption of ASC 606	January 1, 2018
Assets			
Other current assets ⁽¹⁾	\$ 785,027	\$ 796,508	\$ 1,581,535
Liabilities			
Unearned charter hire revenue ⁽²⁾	5,678,673	1,583,618	7,262,291
Stockholders' equity			
Accumulated deficit	(427,164,813)	(787,110)	(427,951,923)

⁽¹⁾ Under ASC 606, the contract fulfillment costs are deferred as a current asset and amortized as the related performance obligations are satisfied. The adjustment to other current assets includes bunker expenses of \$0.6 million incurred to arrive at the load port for the voyages in progress as of January 1, 2018 and \$0.2 million of charter hire expenses on third party chartered-in vessels which were chartered-in to fulfill the performance obligations under the voyage contract.

⁽²⁾ Under ASC 606, unearned charter hire revenue represents the consideration received for undelivered performance obligations. The Company recorded \$1.5 million as the unearned revenue on voyages in progress as of January 1, 2018. The Company recognized this revenue in the first quarter of 2018 as the performance obligations are met.

The adoption of ASC 606 had no impact on net cash provided by operating activities, investing activities and financing activities for the three and six months ended June 30, 2018.

In November 2016, the FASB issued ASU 2016-18. The amendments in ASU 2016-18 require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts described as restricted cash and restricted cash equivalents. Therefore, the restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We adopted this accounting standard as of January 1, 2018 and retrospectively applied to the six months ended June 30, 2017, and \$74,917 of restricted cash has been aggregated with cash and cash equivalents in both the beginning-of-period and end-of-period line items at the bottom of the statements of cash flows

for each period presented.

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Note 3. Vessels

Vessel and Vessel Improvements

As of June 30, 2018, the Company's owned operating fleet consisted of 47 dry bulk vessels.

On December 19, 2017, the Company, through its subsidiary Eagle Bulk Ultraco LLC, signed a memorandum of agreement to acquire a 2015 built Ultramax vessel for \$21.3 million. The Company took delivery of the vessel, the New London Eagle on January 9, 2018.

On August 30, 2017, the Company signed a memorandum of agreement to sell the vessel Avocet for \$9.6 million after brokerage commissions and associated selling expenses. The vessel was delivered to the buyers in the second quarter of 2018. The Company recorded a gain of \$0.1 million in its condensed statement of operations for the three and six months ended June 30, 2018.

On March 23, 2018, the Company signed a memorandum of agreement to sell the vessel Thrush for \$10.9 million after brokerage commissions and associated selling expenses. The vessel is expected to be delivered to the buyers in the third quarter of 2018. The Company expects to recognize a gain of \$0.4 million. As of June 30, 2018, the Company reported the carrying amount of the vessel as a current asset in its condensed consolidated balance sheet.

On July 20, 2018, the Company, through its subsidiary Eagle Bulk Holdco LLC, signed a memorandum of agreement to acquire a 2014 built Ultramax vessel for \$21.3 million. The Company is expected to take delivery of the vessel, Hamburg Eagle in the fourth quarter of 2018.

Vessel and vessel improvements consist of the following:

Vessels and Vessel Improvements, at December 31, 2017	\$690,236,419
Advance paid for purchase of New London Eagle at December 31, 2017	2,201,773
Purchase of Vessels and Vessel Improvements	20,301,806
Transfer to Vessels held for sale	(10,354,855)
Vessel depreciation expense	(15,961,078)
Vessels and Vessel Improvements, at June 30, 2018	\$686,424,065

Note 4. Debt

	June 30, 2018	December 31, 2017
Norwegian Bond Debt	\$200,000,000	\$200,000,000
Debt discount and debt issuance costs - Norwegian Bond Debt	(5,618,518)	(6,049,671)
Less:Current portion of Norwegian Bond Debt	(8,000,000)	(4,000,000)
Norwegian Bond Debt, net of debt discount and debt issuance costs	186,381,482	189,950,329
New First Lien Facility *	60,000,000	65,000,000
Debt discount and debt issuance costs - New First Lien Facility	(1,196,414)	(1,241,815)
Less:Current portion of New First Lien Facility	(6,450,000)	—
New First Lien Facility, net of debt issuance costs and debt discount	52,353,586	63,758,185
Ultraco Debt Facility	69,800,000	61,200,000
Debt discount and debt issuance costs - Ultraco Debt Facility	(1,173,490)	(1,224,838)
Less:Current portion of Ultraco Debt Facility	(5,362,713)	—
Ultraco Debt Facility, net of debt issuance costs and debt discount	63,263,797	59,975,162
Total long-term debt	\$301,998,865	\$313,683,676

* Includes loan balances on term loan and revolver loan facility under the New First Lien Facility as of December 31, 2017. The revolver loan of \$5.0 million under the New First Lien Facility was repaid in the first quarter of 2018.

Norwegian Bond Debt

On November 28, 2017, Eagle Bulk Shipco LLC, a wholly-owned subsidiary of the Company ("Shipco" or "Issuer") issued \$200,000,000 in aggregate principal amount of 8.250% Senior Secured Bonds (the "Bonds" or the "Norwegian Bond Debt"), pursuant to those certain bond terms (the "Bond Terms"), dated as of November 22, 2017, by and between the Issuer and Nordic Trustee AS, as the Bond Trustee. After giving effect to an original issue discount of approximately 1% and deducting offering expenses of \$3.1 million, the net proceeds from the issuance of the Bonds were approximately \$195.0 million. These net proceeds from the Bonds, together with the proceeds from the New First Lien Facility and cash on hand, were used to repay all amounts outstanding including accrued interest under various debt facilities outstanding at that time and to pay expenses associated with the refinancing transactions. Shipco incurred \$1.3 million in other financing costs in connection with the transaction.

The Norwegian Bond Debt is guaranteed by the limited liability companies that are subsidiaries of the Issuer and the legal and beneficial owners of 28 security vessels (the "Shipco Vessels") in the Company's fleet, and are secured by mortgages over such security vessels, a pledge granted by the Company over all of the shares of the Issuer, a pledge granted by the Issuer over all the shares in the Vessel Owners, certain charter contract assignments, certain assignments of earnings, a pledge over certain accounts, an assignment of insurances covering security vessels, and assignments of intra-group debt between the Company and the Issuer or its subsidiaries.

Pursuant to the Bond Terms, interest on the Bonds will accrue at a rate of 8.250% per annum on the nominal amount of each of the Bonds from November 28, 2017, payable semi-annually on May 29 and November 29 of each year (each, an "Interest Payment Date"), commencing May 29, 2018. The Bonds will mature on November 28, 2022. On each Interest Payment Date from and including November 29, 2018, the Issuer must repay an amount of \$4,000,000, plus accrued interest thereon. Any outstanding Bonds must be repaid in full on the Maturity Date at a price equal to 100% of the nominal amount, plus accrued interest thereon.

The Issuer may redeem some or all of the outstanding Bonds at any time on or after the Interest Payment Date in May 2020 (the "First Call Date"), at the following redemption prices (expressed as a percentage of the nominal amount), plus accrued interest on the redeemed amount, on any business day from and including:

Period	Redemption Price
First Call Date to, but not including, the Interest Payment Date in November 2020	104.125%
Interest Payment Date in November 2020 to but not including, the Interest Payment Date in May 2021	103.3%
Interest Payment Date in May 2021 to, but not including, the Interest Payment Date in November 2021	102.475%
Interest Payment Date in November 2021 to, but not including, the Interest Payment Date in May 2022	101.65%
Interest Payment Date in May 2022 to, but not including, the Maturity Date	100%

Prior to the First Call Date, the Issuer may redeem some or all of the outstanding Bonds at a price equal to 100% of the nominal amount of the Bonds plus a "make-whole" premium and accrued and unpaid interest to the redemption date.

If the Company experiences a change of control, each holder of the Bonds will have the right to require that the Issuer purchase all or some of the Bonds held by such holder at a price equal to 101% of the nominal amount, plus accrued interest.

The Bond Terms contain certain financial covenants that the Issuer's leverage ratio defined as the ratio of outstanding bond amount and any drawn amounts under the Super Senior Facility less consolidated cash balance to the aggregate book value of the Shipco Vessels must not exceed 75% and its and its subsidiaries' free liquidity must at all times be at least \$12,500,000. Shipco is in compliance with its financial covenants as of June 30, 2018.

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The Bond Terms also contain certain events of default customary for transactions of this type, including, but not limited to, those relating to: a failure to pay principal or interest; a breach of covenants, representation or warranty; a cross default to other indebtedness; the occurrence of certain bankruptcy and insolvency events; and the impossibility or unlawfulness of performance of the finance documents.

The Bond Terms also contain certain exceptions and qualifications, among other things, limit the Company's and the Issuer's ability and the ability of the Issuer's subsidiaries to do the following: make distributions; carry out any merger, other business combination, demerger or corporate reorganization; make substantial changes to the general nature of their respective businesses; incur certain indebtedness; incur liens; make loans or guarantees; make certain investments; transact with affiliates; enter into sale and leaseback transactions; engage in certain chartering-in of vessels; dispose of shares of Vessel Owners; or acquire the Bonds.

The Bonds were listed for trading on the Oslo Stock Exchange on May 15, 2018.

New First Lien Facility

On December 8, 2017, Eagle Shipping LLC, a wholly-owned subsidiary of the Company ("Eagle Shipping") entered into the New First Lien Facility, which provides for (i) a term loan facility in an aggregate principal amount of up to \$60,000,000 (the "Term Loan") and (ii) a revolving credit facility in an aggregate principal amount of up to \$5,000,000 (the "Revolving Loan"). Outstanding borrowings under the New First Lien Facility bear interest at LIBOR plus 3.50% per annum. Eagle Shipping paid \$1.0 million to the lenders and incurred \$0.4 million of other financing costs in connection with the transaction.

The New First Lien Facility matures on the earlier of (i) five years from the initial borrowing date under the Credit Agreement and (ii) December 8, 2022. With respect to the Term Loan, Eagle Shipping is required to make quarterly repayments of principal of \$2.15 million beginning January 15, 2019, with a final balloon payment to be made at maturity. With respect to the Revolving Loan, Eagle Shipping must repay the aggregate principal amount of all borrowings outstanding on the maturity date. Accrued interest on amounts outstanding under the Term Loan and the Revolving Loan must be paid on the last day of each applicable interest period. Interest periods are for three months, six months or any other period agreed between Eagle Shipping and the Lenders. Finally, Eagle Shipping must prepay certain specified amounts outstanding under the New First Lien Facility if an Eagle Shipping Vessel (as defined below) is sold or becomes a total loss or if there is a change of control with respect to the Company, Eagle Shipping or any Guarantor.

Eagle Shipping's obligations under the New First Lien Facility are secured by, among other items, a first priority mortgage on the nine vessels in Eagle Shipping's fleet as identified in the Credit Agreement and such other vessels that it may from time to time include with the approval of the Lenders (the "Eagle Shipping Vessels"), an assignment of certain accounts, an assignment of certain charters with terms that may exceed 12 months, an assignment of insurances, an assignment of certain master agreements, and a pledge of the membership interests of each of Eagle Shipping's vessel-owning subsidiaries. In the future, Eagle Shipping may grant additional security to the Lenders from time to time.

The New First Lien Facility contains financial covenants requiring Eagle Shipping to maintain minimum liquidity of \$500,000 in respect of each Eagle Shipping Vessel and to maintain a consolidated interest coverage ratio beginning for the fiscal quarter ending on June 30, 2019, of not less than a range varying from 1.50 to 1.00 to 2.50 to 1.00. In addition, the New First Lien Facility also imposes operating restrictions on Eagle Shipping and the Guarantors, including limiting Eagle Shipping's and the Guarantors' ability to, among other things: pay dividends; incur additional indebtedness; create liens on assets; sell assets; dissolve or liquidate; merge or consolidate with another person; make investments; engage in transactions with affiliates; and allow certain changes of control to occur. Eagle Shipping is in

compliance with its financial covenants as of June 30, 2018.

The New First Lien Facility also includes customary events of default, including those relating to: a failure to pay principal or interest; a breach of covenant, representation or warranty; a cross-default to other indebtedness; the occurrence of certain bankruptcy and insolvency events; the occurrence of certain ERISA events; a judgment default; the cessation of business; the impossibility or unlawfulness of performance of the loan documents; the ineffectiveness of any material provision of any loan document; the occurrence of a material adverse effect; and the occurrence of certain swap terminations.

During the first quarter of 2018, Eagle Shipping repaid \$5.0 million of the Revolving Loan.

As of June 30, 2018, the availability under the Revolving Loan is \$5.0 million.

Super Senior Facility

On December 8, 2017, Shipco entered into the Super Senior Revolving Facility Agreement (the "Super Senior Facility"), by and among Shipco as borrower, and ABN AMRO Capital USA LLC, as original lender, mandated lead arranger and agent, which provides for a revolving credit facility in an aggregate amount of up to \$15,000,000. The proceeds of the Super Senior Facility, which are currently undrawn, are expected, pursuant to the terms of the Super Senior Facility, to be used (i) to acquire additional vessels or vessel owners and (ii) for general corporate and working capital purposes of Shipco and its subsidiaries. The Super Senior Facility matures on August 28, 2022. Shipco incurred \$285,342 as other financing costs in connection with the transaction.

As of June 30, 2018, the availability under the Super Senior Facility is \$15,000,000.

The outstanding borrowings under the Super Senior Facility will bear interest at LIBOR plus 2.00% per annum and commitment fees of 40% of the applicable margin on the undrawn portion of the facility. For each loan that is requested under the Super Senior Facility, Shipco must repay such loan along with accrued interest on the last day of each interest period relating to the loan. Interest periods are for three months, six months or any other period agreed between Shipco and the Super Senior Facility Agent. Additionally, subject to the other terms of the Super Senior Facility, amounts repaid on the last day of each interest period may be re-borrowed.

Shipco's obligations under the Super Senior Facility are guaranteed by the limited liability companies that are subsidiaries of Shipco and the legal and beneficial owners of 28 vessels in the Company's fleet (the "Eagle Shipco Vessel Owners"), and will be secured by mortgages over such vessels, a pledge granted by the Company over all of the shares of Shipco, a pledge granted by Shipco over all the shares in the Eagle Shipco Vessel Owners, certain charter contract assignments, certain assignments of earnings, a pledge over certain accounts, an assignment of insurances covering security vessels, and assignments of intra-group debt between the Company and Shipco or its subsidiaries. The Super Senior Facility ranks super senior to the Bonds with respect to any proceeds from any enforcement action relating to security or guarantees for both the Super Senior Facility and the Bonds.

The Super Senior Facility contains certain covenants that, subject to certain exceptions and qualifications, among other things, limit Shipco's and its subsidiaries' ability to do the following: make distributions; carry out any merger, other business combination, or corporate reorganization; make substantial changes to the general nature of their respective businesses; incur certain indebtedness; incur liens; make loans or guarantees; make certain investments; transact other than on arm's-length terms; enter into sale and leaseback transactions; engage in certain chartering-in of vessels; or dispose of shares of Eagle Shipco Vessel Owners. Additionally, Shipco's leverage ratio must not exceed 75% and its subsidiaries' free liquidity must at all times be at least \$12,500,000. Also, the total commitments under the Super Senior Facility will be cancelled if (i) at any time the aggregate market value of the security vessels for the Super Senior Facility is less than 300% of the total commitments under the Super Senior Facility or (ii) if Shipco or any of its subsidiaries redeems or otherwise repays the Bonds so that less than \$100,000,000 is outstanding under the Bond Terms. Shipco is in compliance with its financial covenants as of June 30, 2018.

The Super Senior Facility also contains certain events of default customary for transactions of this type, including, but not limited to, those relating to: a failure to pay principal or interest; a breach of covenants, representation or warranty; a cross default to other indebtedness; the occurrence of certain bankruptcy and insolvency events; the cessation of business; the impossibility or unlawfulness of performance of the finance documents for the Super Senior Facility; and the occurrence of a material adverse effect.

Ultraco Debt Facility

On June 28, 2017, Eagle Bulk Ultraco LLC, a wholly-owned subsidiary of the Company ("Ultraco"), entered into a credit agreement (the "Ultraco Debt Facility"), by and among Ultraco, as borrower, certain wholly-owned vessel-owning subsidiaries of Ultraco, as guarantors (the "Ultraco Guarantors"), the lenders thereunder (the "Ultraco Lenders"), the swap banks party thereto, ABN AMRO Capital USA LLC, as facility agent and security trustee for the Ultraco Lenders, ABN AMRO Capital USA LLC, DVB Bank SE and Skandinaviska Enskilda Banken AB (publ), as mandated lead arrangers, and ABN AMRO Capital USA LLC, as arranger and bookrunner. The Ultraco Debt Facility provides for a multi-draw senior secured term loan facility in an aggregate principal amount of up to the lesser of (i) \$61,200,000 and (ii) 40% of the lesser of (1) the purchase price of the nine Ultramax vessels ("Greenship Vessels") to be acquired by Ultraco and the Ultraco Guarantors pursuant to a previously disclosed framework agreement, dated as of February 28, 2017, with Greenship Bulk Manager Pte. Ltd., as Trustee-Manager of Greenship Bulk Trust, and (2) the fair market value of the Greenship Vessels. The proceeds of the Ultraco Debt Facility were used for the purpose of financing, refinancing or reimbursing a part of the acquisition cost of the Greenship Vessels. The outstanding borrowings under the Ultraco Debt Facility bear interest at LIBOR plus 2.95% per annum. The Ultraco Debt Facility also provides for the payment of certain other

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fees and expenses by Ultraco. Ultraco incurred \$0.9 million to the lenders and \$0.5 million as deferred financing costs in connection with the transaction.

On December 29, 2017, Ultraco entered into a First Amendment (the "First Amendment") to the Ultraco Debt Facility to increase the commitments for the purpose of financing the acquisition of an additional vessel by New London Eagle LLC, a wholly owned subsidiary of Ultraco and additional guarantor under the Ultraco Debt Facility. The increase in the commitments was \$8.6 million. Ultraco took delivery of the vessel in January 2018 and drew down \$8.6 million. The Company paid \$0.1 million as financing costs to the lender in connection with the transaction. The Company paid a deposit of \$2.2 million for the purchase of the vessel as of December 31, 2017.

As of June 30, 2018, Ultraco has drawn \$69.8 million of the credit facility relating to the acquisition of the 10 Ultramax vessels.

The Ultraco Debt Facility matures on the earlier of (i) five years after the delivery of the last remaining Greenship Vessel to occur and (ii) October 31, 2022. There are no fixed repayments until January 2019 (the "First Repayment Date"). Ultraco is required to make quarterly repayments of principal in an amount of \$1,787,571 beginning in the first quarter of 2019 with a final balloon payment to be made at maturity. The Ultraco Debt Facility allows for increased commitments, subject to the satisfaction of certain conditions and the obtaining of certain approvals, in an aggregate principal amount as of June 30, 2018, of up to the lesser of (i) \$30,200,000 and (ii) 40% of the aggregate fair market value of any additional vessels to be financed with such incremental commitment.

Ultraco's obligations under the Ultraco Debt Facility are secured by, among other items, a first priority mortgage on each of the ten Ultramax vessels ("Ultraco Vessels") and such other vessels that it may from time to time include with the approval of the Ultraco Lenders, an assignment of earnings of the Ultraco Vessels, an assignment of all charters with terms that may exceed 12 months, an assignment of insurances, an assignment of certain master agreements, and a pledge of the membership interests of each of Ultraco's vessel-owning subsidiaries. In the future, Ultraco may grant additional security to the Ultraco Lenders from time to time.

The Ultraco Debt Facility contains financial covenants requiring Ultraco, among other things: (1) to ensure that the aggregate market value of the Ultraco Vessels (plus the value of certain additional collateral) is at all times not less than 150% of the aggregate principal amount of debt outstanding (subject to certain adjustments); (2) to maintain cash or cash equivalents not less than (a) a liquidity reserve of \$600,000 in respect of each Ultraco Vessel and (b) a debt service reserve of \$600,000 in respect of each Ultraco Vessel, a portion of which may be utilized to satisfy the obligations under the Ultraco Debt Facility upon satisfaction of certain conditions; however, taking into account the requirements of 2(a) and 2(b), the cash or cash equivalents cannot be less than the greater of (i) \$7.5 million or (ii) 12% of the consolidated total debt of Ultraco and its subsidiaries; (3) to maintain at all times a ratio of consolidated tangible net worth to consolidated total assets of not less than 0.35 to 1.00; (4) to maintain a consolidated interest coverage ratio beginning after the second anniversary of June 28, 2017, of not less than a range varying from 2.00 to 1.00 to 2.50 to 1.00; and (5) to maintain a ballast water treatment systems reserve of \$4,550,000, which may be released upon the satisfaction of certain conditions. In addition, the Ultraco Debt Facility also imposes operating restrictions on Ultraco and the Ultraco Guarantors, including limiting Ultraco's and the Ultraco Guarantors' ability to, among other things: pay dividends; incur additional indebtedness; create liens on assets; sell assets; dissolve or liquidate; merge or consolidate with another person; make investments; engage in transactions with affiliates; and allow certain changes of control to occur.

As a result of the receipt of extensions from the United States Coast Guard (the "USCG") regarding compliance with a USCG approved ballast water treatment systems ("BWMS"), the funds held in the ballast water treatment system reserve account were released for Ultraco's use in the third quarter of 2017.

The Ultraco Debt Facility also includes customary events of default, including those relating to: a failure to pay principal or interest; a breach of covenant, representation or warranty; a cross-default to other indebtedness; the occurrence of certain bankruptcy and insolvency events; the occurrence of certain ERISA events; a judgment default; the cessation of business; the impossibility or unlawfulness of performance of the loan documents; the ineffectiveness of any material provision of any loan document; the occurrence of a material adverse effect; and the occurrence of certain swap terminations.

Interest Rates

For the three and six months ended June 30, 2018, the interest rate on the Norwegian Bond Debt was 8.25%. The weighted average effective interest rate including the amortization of debt discount and debt issuance costs for these periods was 8.79%.

For the three months ended June 30, 2018, the interest rate on the New First Lien Facility was 5.55% including a margin

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over LIBOR applicable under the terms of the New First Lien Facility and commitment fees of 40% of the margin on the undrawn portion of the revolver credit facility of the New First Lien Facility. The weighted average effective interest rate including the amortization of debt discount for this period was 6.18%.

For the six months ended June 30, 2018, interest rates on the New First Lien Facility ranged from 4.91% to 5.55% including a margin over LIBOR applicable under the terms of the New First Lien Facility and commitment fees of 40% of the margin on the undrawn portion of the revolver credit facility of the New First Lien Facility. The weighted average effective interest rate including the amortization of debt discount for this period was 5.82%.

For the three months ended June 30, 2018, the interest rate on the Ultraco Debt Facility was 5.25% including a margin over LIBOR and commitment fees of 40% of the margin on the undrawn portion of the facility. The weighted average effective interest rate for this period was 5.83%.

For the six months ended June 30, 2018, interest rates on the Ultraco Debt Facility ranged from 4.64% to 5.25% including a margin over LIBOR and commitment fees of 40% of the margin on the undrawn portion of the facility. The weighted average effective interest rate for this period was 5.56%.

For the three months ended June 30, 2017, interest rates on the First Lien Facility ranged from 4.98% to 5.15% including a margin over LIBOR applicable under the terms of the First Lien Facility and commitment fees of 40% of the margin on the undrawn portion of the facility. The weighted average effective interest rate including the amortization of debt discount for this period was 5.58%.

For the six-month period ended June 30, 2017, interest rates on our outstanding debt under the First Lien Facility ranged from 4.77% to 5.15%, including a margin over LIBOR and commitment fees of 40% of the margin on the undrawn portion of the facility. The weighted average effective interest rate was 5.41%.

For the three and six-month periods ended June 30, 2017, the interest rate on the Ultraco Debt Facility was 4.08% including a margin over LIBOR applicable under the terms of the Ultraco Debt Facility which was entered into on June 28, 2017.

For the three and six-month periods ended June 30, 2017, the payment-in-kind interest rate on our Second Lien Facility was 15% including a margin over LIBOR. The weighted average effective interest rate on our Second Lien Facility including the amortization of debt discount for these periods was 17.05%.

Interest Expense consisted of:

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2018	2017	2018	2017
First Lien Facility	\$—	\$2,745,748	\$—	\$5,410,923
Norwegian Bond Debt	4,079,166	—	8,204,167	—
New First Lien Facility	859,229	—	1,676,193	—
Amortization of Debt issuance costs	480,257	1,456,986	970,352	2,901,948
Payment in kind interest on Second Lien Facility	—	2,642,327	—	4,977,219
Ultraco Debt Facility	938,026	13,655	1,737,701	13,657
Super Senior Facility - commitment fees	30,333	—	59,667	—
Total Interest Expense	\$6,387,011	\$6,858,716	\$12,648,080	\$13,303,747

Interest paid amounted to \$11,734,765 and \$5,338,742 for the six months ended June 30, 2018 and 2017, respectively.

First Lien Facility

On March 30, 2016, Eagle Shipping as borrower, and certain of its subsidiaries that were guarantors of the Company's obligations under the Company's senior secured credit facility (the "Exit Financing Facility"), as guarantors, entered into the First Lien Facility (defined below) with the lenders thereunder and ABN AMRO Capital USA LLC, as agent and security trustee for the lenders. The First Lien Facility amended and restated the Exit Financing Facility in its entirety, provided for Eagle Shipping to be the borrower in the place of the Company, and further provided for a waiver of any and all events of default occurring as a result of the voluntary OFAC Disclosure (as defined in "Note 6. Commitments and Contingencies - Legal Proceedings" to the condensed consolidated financial statements). The First Lien Facility provided for a term loan in the amount of \$201,468,750 after giving effect to the entry into the First Lien Facility and the Second Lien Facility as well as a \$50,000,000 revolving credit facility (the "First Lien Facility"). The outstanding borrowings under the First Lien Facility bore interest at LIBOR plus 4.0% per annum.

Eagle Shipping prepaid \$5,651,000 of the term loan during the year ended December 31, 2016 and \$13,021,000 of the term loan for the year ended December 31, 2017 pursuant to the terms of the First Lien Facility relating to mandatory prepayments upon sales of vessels. Additionally, Eagle Shipping also repaid \$5,000,000 of the revolving credit facility in the third quarter of 2017. On December 8, 2017, Eagle Shipping repaid the outstanding balance of the term loan of \$171,078,000 and the outstanding balance of the revolver loan of \$20,000,000 and discharged the debt under the First Lien Facility in full.

Second Lien Facility

On March 30, 2016, Eagle Shipping, as borrower, and certain of its subsidiaries that were guarantors of the Company's obligations under the Exit Financing Facility, as guarantors, entered into a Second Lien Facility with certain lenders (the "Second Lien Lenders") and Wilmington Savings Fund Society, FSB as agent for the Second Lien Lenders (the "Second Lien Agent"). The Second Lien Facility provided for a term loan in the amount of \$60,000,000 (the "Second Lien Facility"), and scheduled to mature on January 14, 2020. The term loan under the Second Lien Facility bore interest at a rate of LIBOR plus 14.00% per annum with a 1.0% LIBOR floor paid in kind quarterly in arrears. The payment-in-kind interest represents a non-cash operating and financing activity on the consolidated statements of cash flows for the three-month period ended March 31, 2017.

On December 8, 2017, in connection with the refinancing defined above, Eagle Shipping repaid the outstanding debt and accumulated payment-in-kind interest aggregating \$77.4 million, and discharged the debt under the Second Lien Facility in full.

Scheduled Debt Maturities

The following table presents the scheduled maturities of principal amounts of our debt obligations, excluding the impact of any future vessel sales, for the next five years.

	Norwegian Bond Debt	New First Lien Facility	Ultraco Debt Facility	Total
Six months ended December 31, 2018	\$4,000,000	\$—	\$—	\$4,000,000
2019	8,000,000	10,750,000	8,937,855	27,687,855
2020	8,000,000	8,600,000	7,150,285	23,750,285
2021	8,000,000	8,600,000	7,150,285	23,750,285
2022	172,000,000	32,050,000	46,561,575	250,611,575
	\$200,000,000	\$60,000,000	\$69,800,000	\$329,800,000

Note 5. Derivative Instruments and Fair Value Measurements

Forward freight agreements and bunker swaps

The Company trades in forward freight agreements (“FFAs”) and bunker swaps, with the objective of utilizing these markets as economic hedging instruments that reduce the risk of specific vessels to changes in the freight market. The Company’s FFAs and bunker swaps have not qualified for hedge accounting treatment. As such, unrealized and realized gains and losses are recognized

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as a component of other expense in the Condensed Consolidated Statement of Operations and Other current assets and Fair value of derivatives in the Consolidated Balance Sheets. Derivatives are considered to be Level 2 instruments in the fair value hierarchy.

The effect of non-designated derivative instruments on the condensed consolidated statements of operations is as follows:

Derivatives not designated as hedging instruments	Location of (gain)/loss recognized	Amount of (gain)/loss			
		For the Three Months Ended		For the Six Months Ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
FFAs	Other income	\$36,625	\$(1,049,363)	\$82,432	\$(788,715)
Bunker Swaps	Other income	(776,981)	(42,859)	(722,409)	3,052
Total		\$(740,356)	\$(1,092,222)	\$(639,977)	\$(785,663)

Derivatives not designated as hedging instruments	Balance Sheet location	Fair Value of Derivatives	
		June 30, 2018	December 31, 2017
FFAs	Fair value of derivatives	\$461,993	\$73,170
FFAs	Other current assets	117,360	—
Bunker Swaps	Other current assets	635,258	128,845

Cash Collateral Disclosures

The Company does not offset fair value amounts recognized for derivatives by the right to reclaim cash collateral or the obligation to return cash collateral. The amount of collateral to be posted is defined in the terms of respective master agreement executed with counterparties or exchanges and is required when agreed upon threshold limits are exceeded. As of June 30, 2018 and December 31, 2017, the Company posted cash collateral related to derivative instruments under its collateral security arrangements of \$891,344 and \$178,836, respectively, which is recorded within other current assets in the condensed consolidated balance sheets.

Fair Value Measurements

The following methods and assumptions were used to estimate the fair value of each class of financial instrument: Cash, cash equivalents and restricted cash—the carrying amounts reported in the condensed consolidated balance sheets for interest-bearing deposits approximate their fair value due to the short-term nature thereof.

Debt—the carrying amounts of borrowings under the Norwegian Bond Debt, the New First Lien Facility and the Ultraco Debt Facility (prior to application of the discount and debt issuance costs) including the Revolving Loan approximate their fair value, due to the variable interest rate nature thereof.

The Company defines fair value, establishes a framework for measuring fair value and provides disclosures about fair value measurements. The fair value hierarchy for disclosure of fair value measurements is as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Our Level 1 non-derivatives include cash, money-market accounts, certain short-term investments and restricted cash accounts.

Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable. Our Level 2 non-derivatives include our short-term investments and debt balances under the Norwegian Bond Debt, the New First Lien Facility and the Ultraco Debt Facility.

Level 3 – Inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

	Carrying Value	Fair Value	
		Level 1	Level 2
June 30, 2018			
Assets			
Cash and cash equivalents ⁽¹⁾	\$76,956,034	\$76,956,034	\$ —
Liabilities			
Norwegian Bond Debt *	194,381,482	—	205,250,000
New First Lien Facility **	58,803,586	—	60,000,000
Ultraco Debt Facility **	68,626,510	—	69,800,000

* The fair value of the Bonds is based on the last trade on May 24, 2018 on Bloomberg.com.

** The fair value of the New First Lien Facility and the Ultraco Debt Facility is based on the required repayment to the lenders if the debt was discharged in full on June 30, 2018.

	Carrying Value	Fair Value	
		Level 1	Level 2
December 31, 2017			
Assets			
Cash and cash equivalents ⁽¹⁾	\$56,325,961	\$56,325,961	\$ —
Short-term investment	4,500,000		4,500,000
Liabilities			
Norwegian Bond Debt ⁽²⁾	193,950,329	—	200,990,000
New First Lien Facility	63,758,185	—	65,000,000
Ultraco Debt Facility	59,975,162	—	61,200,000

⁽¹⁾ Includes non-current restricted cash aggregating \$74,917 at June 30, 2018 and December 31, 2017.

⁽²⁾ The fair value of the Bonds is based on the last trade on December 21, 2017.

Note 6. Commitments and Contingencies

Legal Proceedings

The Company is involved in legal proceedings and may become involved in other legal matters arising in the ordinary course of its business. The Company evaluates these legal matters on a case-by-case basis to make a determination as to the impact, if any, on its business, liquidity, results of operations, financial condition or cash flows.

In November 2015, the Company filed a voluntary self-disclosure report with OFAC regarding certain apparent violations of U.S. sanctions regulations in the provision of shipping services for third party charterers with respect to the transportation of cargo to or from Myanmar (formerly Burma) (the “OFAC Disclosure”). At the time of such apparent violations, the Company had a different senior operational management team. Notwithstanding the fact that the apparent violations took place under a different senior operational management team and although the Company’s new Board of Directors and management have implemented robust remedial measures and significantly enhanced its compliance safeguards, there can be no assurance that OFAC will not conclude that these past actions warrant the imposition of civil penalties and/or referral for further investigation by the U.S. Department of

Justice. The report was provided to OFAC for the agency's review, consideration and determination regarding what action, if any, may be taken in resolution of this matter. The Company will continue to cooperate with the agency regarding this matter and cannot estimate when such review will be concluded. While the ultimate impact of these matters cannot be determined, there can be no assurance that the impact will not be material to the Company's financial condition or results of operations.

Other Commitments

On July 28, 2011, the Company entered into an agreement to charter in a 37,000 dwt newbuilding Japanese vessel that was delivered in October 2014 for seven years with an option for an additional one year. The hire rate for the first to seventh year is \$13,500 per day and \$13,750 per day for the eighth year option. On May 10, 2017, the Company signed an agreement to cancel this existing time charter contract. The Company agreed to pay a lump sum termination fee of \$1.5 million relating to the cancellation. At the same time, the Company entered into an agreement with the same lessor, effective April 28, 2017 to charter in a 61,400 dwt, 2013 built Japanese vessel for approximately three years (having the same redelivery dates as the aforementioned cancelled charter) with options for two additional years. The hire rate for the first three years is \$12,800 per day and the hire rate for the first optional year is \$13,800 per day and \$14,300 per day for the second optional year.

On May 4, 2018, the Company entered into an agreement to charter-in a 61,425 dwt 2013 built Ultramax vessel for three years with an option for an additional two years. The hire rate for the first three years is \$12,700 per day and \$13,750 per day for the 1st year option and \$14,750 per day for the second year option. The Company expects to take delivery of the vessel in the third quarter of 2018.

On July 20, 2018, the Company, through its subsidiary Eagle Bulk Holdco LLC, signed a memorandum of agreement to acquire a 2014 built Ultramax vessel for \$21.3 million. The Company is expected to take delivery of the vessel, to be named Hamburg Eagle, in the fourth quarter of 2018.

Note 7. Income/(loss) Per Common Share

The computation of basic net income/(loss) per share is based on the weighted average number of common shares outstanding for the three and six months ended June 30, 2018 and 2017. Diluted net income/(loss) per share gives effect to stock awards, stock options and restricted stock units using the treasury stock method, unless the impact is anti-dilutive. Diluted net income per share as of June 30, 2018 does not include 1,452 stock awards, 352,000 stock options and 152,266 warrants, as their effect was anti-dilutive. Diluted net loss per share for the three months ended June 30, 2017 does not include 1,843,211 stock awards, 1,865,865 stock options and 152,266 warrants, as their effect was anti-dilutive.

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Net income/(loss)	\$3,450,767	\$(5,888,466)	\$3,503,512	\$(16,956,914)
Weighted Average Shares - Basic	70,515,320	70,329,050	70,484,240	67,996,330
Dilutive effect of stock options and restricted stock units	1,571,660	—	1,076,535	—
Weighted Average Shares - Diluted	72,086,980	70,329,050	71,560,775	67,996,330
Basic income/(loss) per share	\$0.05	\$(0.08)	\$0.05	\$(0.25)
Diluted income/(loss) per share	\$0.05	\$(0.08)	\$0.05	\$(0.25)

Note 8. Stock Incentive Plans

On December 15, 2016, the Company's shareholders approved the 2016 Equity Compensation Plan (the "2016 Plan") and the Company registered 5,348,613 shares of common stock, which may be issued under the 2016 Plan. The 2016 Plan replaced the post-emergence Management Incentive Program (the "2014 Plan") and no other awards will be granted under the 2014 Plan. Outstanding awards under the 2014 Plan will continue to be governed by the terms of the 2014 Plan until exercised, expired, otherwise terminated, or canceled. As of December 31, 2016, 24,644 shares of common stock were subject to outstanding awards under the

2014 Plan. Under the terms of the 2016 Plan, awards for up to a maximum of 3,000,000 shares may be granted under the 2016 Plan to any one employee of the Company and its subsidiaries during any one calendar year, and awards in the form of options and stock appreciation rights for up to a maximum of 3,000,000 shares may be granted under the 2016 Plan. The total number of shares of common stock with respect to which awards may be granted under the 2016 Plan to any non-employee director during any one calendar year shall not exceed 500,000, subject to adjustment as provided in the 2016 Plan. Any director, officer, employee or consultant of the Company or any of its subsidiaries (including any prospective officer or employee) is eligible to be designated to participate in the 2016 Plan.

On January 4, 2018, the Company granted 948,500 restricted shares as a company wide grant to all employees. The fair value of the grant based on the closing share price on January 4, 2018 was \$4.5 million. The shares will vest in equal installments over a three year term. Amortization of this charge utilizing the graded method of vesting, which is included in General and administrative expenses, for the three months ended March 31, 2018, was \$0.6 million.

Additionally, the Company granted 30,000 common shares to its board of directors. The fair value of the grant based on the closing share price on January 10, 2018 was \$0.1 million. The shares vested immediately.

As of June 30, 2018 and December 31, 2017, stock awards covering a total of 2,519,805 and 1,716,928 of the Company's common shares, respectively, are outstanding under the 2014 Plan and 2016 Plan. The vesting terms range between one to three years from the grant date. The Company is amortizing to stock-based compensation expense included in general and administrative expenses the fair value of non-vested stock awards at the grant date.

As of June 30, 2018 and December 31, 2017, options covering 2,290,211 and 2,301,046 of the Company's common shares, respectively, are outstanding with exercise prices ranging from \$4.28 to \$505.00 per share. The options vest and become exercisable in four equal installments beginning on the grant date. All options expire within seven years from the effective date.

Stock-based compensation expense for all stock awards and options included in General and administrative expenses:

For the For the Three Months Ended		For the For the Six Months Ended	
June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017

Stock awards /Stock Option Plans \$2,409,599 \$2,478,051 \$5,920,510 \$4,648,751

The future compensation to be recognized for all the grants issued for the six month period ending December 31, 2018, and the years ending December 31, 2019 and 2020 will be \$3,337,906, \$2,585,709 and \$648,078, respectively.

Note 9. Subsequent Events

On July 20, 2018, the Company, through its subsidiary Eagle Bulk Holdco LLC, signed a memorandum of agreement to acquire a 2014 built Ultramax vessel for \$21.3 million. The Company is expected to take delivery of the vessel, to be named Hamburg Eagle, in the fourth quarter of 2018.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of the Company's financial condition and results of operations for the three and six months ended June 30, 2018 and 2017. This section should be read in conjunction with the condensed consolidated financial statements included elsewhere in this report and the notes to those financial statements and the audited consolidated financial statements and the notes to those financial statements for the fiscal year ended December 31, 2017, which were included in our Form 10-K, filed with the SEC on March 12, 2018. The following discussion contains "forward-looking statements" that reflect our future plans, estimates, beliefs and expected performance. We caution that assumptions, expectations, projections, intentions or beliefs about future events may, and often do, vary from actual results and the differences can be material. Please see "Cautionary Statement Regarding Forward-Looking Statements."

Overview

We are Eagle Bulk Shipping Inc., a Marshall Islands corporation incorporated on March 23, 2005 and headquartered in Stamford, Connecticut. We own one of the largest fleets of Supramax/Ultramax dry bulk vessels in the world. Supramax dry bulk vessels range in size from approximately 50,000 to 59,000 dwt and Ultramax dry bulk vessels range in size from 60,000 to 65,000 dwt. Supramax and Ultramax vessels are equipped with cranes and grabs, which are used to load and discharge cargo. They are considered a sub-category of the Handymax segment typically defined as 40,000 to 65,000 dwt. We transport a broad range of major and minor bulk cargoes, including but not limited to coal, grain, ore, petcoke, cement and fertilizer, along worldwide shipping routes. As of June 30, 2018, we owned and operated a modern fleet of 47 Supramax/Ultramax dry bulk vessels. We chartered-in a 61,400 dwt, 2013 built Japanese vessel for approximately three years with options for two additional years. In addition, the Company charters-in third-party vessels on a short to medium term basis.

We are focused on maintaining a high quality fleet that is concentrated primarily in Supramax/Ultramax dry bulk carriers. These vessels have the cargo loading and unloading flexibility of on-board cranes while offering cargo carrying capacities approaching that of Panamax dry bulk vessels, which range in size from 72,000 to 83,000 dwt and rely on port facilities to load and offload their cargoes. We believe that the cargo handling flexibility and cargo carrying capacity of the Supramax/Ultramax class vessels make them attractive to cargo interests and vessel charterers. The Company's owned operating fleet consisted of 47 dry bulk vessels, with an aggregate carrying capacity of 2,693,430 dwt with an average age of approximately 8.6 years as of June 30, 2018.

We carry out the commercial and strategic management of our fleet through our indirectly wholly-owned subsidiary, Eagle Bulk Management LLC, a Marshall Islands limited liability company, which maintains its principal executive offices in Stamford, Connecticut. We own each of our vessels through a separate wholly-owned Marshall Islands limited liability company.

Corporate Information

We maintain our principal executive offices at 300 First Stamford Place, 5th Floor, Stamford, Connecticut 06902. Our telephone number at that address is (203) 276-8100. Our website address is www.eagleships.com. Information contained on or accessible through our website does not constitute part of this Quarterly Report on Form 10-Q.

Strategy

Our financial performance is based on the following key elements of our business strategy:

- concentration in one vessel category: Supramax/Ultramax dry bulk vessels, which we believe offer certain size,
- (1) operational and geographical advantages relative to other classes of dry bulk vessels, such as Handy, Panamax and Capesize vessels,
 - an active owner-operator model where we seek to operate our own fleet and develop contractual relationships directly with cargo interests. These relationships and the related cargo contracts have the dual benefit of providing greater operational efficiencies and act as a balance to the Company's naturally long position to the market.
- (2) Notwithstanding the focus on voyage chartering, we consistently monitor the dry bulk shipping market and, based on market conditions, will consider taking advantage of long-term time charters at higher rates when appropriate, and
- (3) maintain high quality vessels and improve standards of operation through improved standards and procedures, crew training and repair and maintenance procedures.

We believe that this structure provides significant visibility to our future financial results and allows us to take advantage of the relatively stable cash flows and high utilization rates that are associated with medium-term time charters, while at the same time providing us with the revenue upside potential from the short-term time charters or voyage charters. We regularly monitor the dry bulk shipping market and based on market conditions we may consider taking advantage of long-term charter rates.

We have employed all of our vessels in our operating fleet on time and voyage charters. The following table represents certain information about our revenue earning charters with respect to our operating fleet as of June 30, 2018:

Vessel	Year Built	Dwt	Charter Expiration	Daily Charter Hire Rate
Bittern	2009	57,809	Oct 2018	\$13,250
Canary	2009	57,809	Jul 2018	\$17,500
Cardinal	2004	55,362	Jul 2018	\$12,250
Condor	2001	50,296	Jul 2018	Voyage
Crane	2010	57,809	Sep 2018	\$12,000
Crested Eagle	2009	55,989	Jul 2018	\$11,750
Crowned Eagle	2008	55,940	Aug 2018	\$12,250
Egret Bulker	2010	57,809	Jul 2018	\$15,000
Fairfield Eagle	2013	63,301	Drydock	(1)
Gannet Bulker	2010	57,809	Jul 2018	\$11,250
Greenwich Eagle	2013	63,301	Aug 2018	Voyage
Golden Eagle	2010	55,989	Jul 2018	Voyage
Goldeneye	2002	52,421	Jul 2018	\$4,650 (2)
Grebe Bulker	2010	57,809	Aug 2018	\$12,500
Groton Eagle	2013	63,200	Drydock	\$—
Hawk I	2001	50,296	Jul 2018	\$9,300

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Ibis Bulker	2010	57,775	Jul 2018	Voyage
Imperial Eagle	2010	55,989	Jul 2018	Voyage
Jaeger	2004	52,248	Jul 2018	Voyage
Jay	2010	57,802	Jul 2018	Voyage
Kestrel I	2004	50,326	Dec 2018	\$10,250
Kingfisher	2010	57,776	Jul 2018	\$20,900
Madison Eagle	2013	63,303	Jul 2018	Voyage
Martin	2010	57,809	Jul 2018	\$12,750
Merlin	2001	50,296	Jul 2018	\$9,500
Mystic Eagle	2013	63,301	Aug 2018	\$14,650
New London Eagle	2015	63,140	Jul 2018	Voyage
Nighthawk	2011	57,809	Jul 2018	\$11,400
Oriole	2011	57,809	Jul 2018	\$16,750
Osprey I	2002	50,206	Jul 2018	Voyage
Owl	2011	57,809	Jul 2018	Voyage
Petrel Bulker	2011	57,809	Jul 2018	\$14,000
Puffin Bulker	2011	57,809	Jul 2018	\$8,750
Roadrunner Bulker	2011	57,809	Jul 2018	\$11,000
Rowayton Eagle	2013	63,301	Jul 2018	\$15,000
Sandpiper Bulker	2011	57,809	Oct 2018	\$13,500
Singapore Eagle	2017	61,530	Aug 2018	\$7,800 (3)
Shrike	2003	53,343	Sep 2018	\$14,250
Skua	2003	53,350	Aug 2018	Voyage
Southport Eagle	2013	63,301	Aug 2018	\$15,000

Stamford Eagle 2016 61,530 Aug 2018 \$3,750 (4)

Stellar Eagle 2009 55,989 Jul 2018 Voyage

Stonington Eagle 2012 63,301 Oct 2019 \$11,650

Tern 2003 50,200 Jul 2018 \$10,500

Thrasher 2010 53,360 Aug 2018 \$9,500

Thrush 2011 53,297 Aug 2018 Voyage (5)

Westport Eagle 2015 63,344 Jul 2018 Voyage

(1) The vessel is in drydock as of June 30, 2018 and was contracted to perform a time charter after the completion of drydock.

(2) The vessel is contracted to continue the existing time charter at an increased charter rate of \$11,750 after July 6, 2018.

(3) The vessel is contracted to continue the existing time charter at an increased charter rate of \$13,000 after August 8, 2018.

(4) The vessel is contracted to continue the existing time charter at an increased charter rate of \$12,500 after August 13, 2018 and \$13,750 after August 23, 2018.

On March 23, 2018, the Company signed a memorandum of agreement to sell the vessel Thrush for \$10.9 million (5) after brokerage commissions and associated selling expenses. The vessel is expected to be delivered to the buyers in the third quarter of 2018.

Fleet Management

The management of our fleet includes the following functions:

• **Strategic management.** We locate and obtain financing and insurance for, the purchase and sale of vessels.

• **Commercial management.** We obtain employment for our vessels and manage our relationships with charterers.

• **Technical management.** We have established an in-house technical management function to perform day-to-day operations and maintenance of our vessels.

Commercial and Strategic Management

We carry out the commercial and strategic management of our fleet through our indirectly wholly-owned subsidiary, Eagle Bulk Management LLC, a Marshall Islands limited liability company, which maintains its principal executive offices in Stamford, Connecticut. We have offices in Singapore and Hamburg, Germany, through which we provide round the clock management services to our owned and chartered-in fleet. We currently have 88 shore based personnel, including our senior management team and our office staff, who either directly or through these subsidiaries, provide the following services:

• commercial operations and technical supervision;

• safety monitoring;

• vessel acquisition; and

• financial, accounting and information technology services.

Technical management includes managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory and classification society compliance, supervising the maintenance and general efficiency of vessels, arranging our hire of qualified officers and crew, arranging and supervising drydocking and repairs, purchasing supplies, spare parts and new equipment for vessels, appointing supervisors and technical consultants and providing technical support.

Value of Assets and Cash Requirements

The replacement costs of comparable new vessels may be above or below the book value of our fleet. The market value of our fleet may be below book value when market conditions are weak and exceed book value when market conditions are strong. Customary with industry practice, we may consider asset redeployment, which at times may include the sale of vessels at less than their book value. The Company's results of operations and cash flow may be significantly affected by future charter markets.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations is based upon our interim unaudited condensed consolidated financial statements, which have been prepared in accordance with U.S. GAAP and the rules and regulations of the SEC which apply to interim financial statements. The preparation of those financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues, expenses and warrants and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions.

Critical accounting policies are those that reflect significant judgments of uncertainties and potentially result in materially different results under different assumptions and conditions. As the discussion and analysis of our financial condition and results of operations are based upon our interim unaudited condensed consolidated financial statements, they do not include all of the information on critical accounting policies normally included in consolidated financial statements. Accordingly, a detailed description of these critical accounting policies should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 12, 2018. There have been no material changes from the "Critical Accounting Policies" previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 12, 2018 except for the new accounting pronouncements adopted as of January 1, 2018. Please refer to Note 2 "Recently Adopted Accounting Pronouncements" to the condensed consolidated financial statements for further discussion.

Use of Estimates: The preparation of 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 disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates and assumptions of the Company are residual value of vessels, the useful lives of vessels, the value of stock-based compensation and the fair value of derivatives. Actual results could differ from those estimates.

Results of Operations for the three and six months ended June 30, 2018 and 2017:

Fleet Data

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

	Three Months		Six Months	
	Ended		Ended	
	June 30,	June 30,	June 30,	June 30,
	2018	2017	2018	2017
Ownership Days	4,294	3,878	8,606	7,564
Chartered in Days	867	744	1,811	1,258
Available Days	5,020	4,515	10,182	8,649
Operating Days	4,992	4,498	10,105	8,603
Fleet Utilization (%)	99.4 %	99.6 %	99.2 %	99.5 %

In order to understand our discussion of our results of operations, it is important to understand the meaning of the following terms used in our analysis and the factors that influence our results of operations.

Ownership days: We define ownership days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during a period.

Chartered-in under operating lease days: We define chartered-in under operating lease days as the aggregate number of days in a period during which we chartered-in vessels. Periodically, the Company charters in vessels on a single trip basis.

Available days: We define available days as the number of our ownership days and chartered-in days less the aggregate number of days that our vessels are off-hire due to vessel familiarization upon acquisition, repairs, vessel upgrades or special surveys. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues. During the six months ended June 30, 2018, the Company completed drydock for six vessels and two vessels was still in drydock as of June 30, 2018. During the six months ended June 30, 2017, the Company drydocked one vessel.

Operating days: We define operating days as the number of available days in a period less the aggregate number of days that our vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

Fleet utilization: We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning. Our fleet continues to perform at high utilization rates.

Time Charter and Voyage Revenue

Shipping revenues are highly sensitive to patterns of supply and demand for vessels of the size and design configurations owned and operated by a company and the trades in which those vessels operate. In the dry bulk sector of the shipping industry, rates for the transportation of dry bulk cargoes such as ores, grains, steel, fertilizers, and similar commodities, are determined by market forces such as the supply and demand for such commodities, the distance that cargoes must be transported, and the number of vessels expected to be available at the time such cargoes need to be transported. The demand for shipments is significantly affected by the state of the global economy and in discrete geographical areas. The number of vessels is affected by newbuilding deliveries and by the removal of existing vessels from service, principally because of scrapping.

The mix of charters between spot or voyage charters and mid-term time charters also affects revenues. Because the mix between voyage charters and time charters significantly affects shipping revenues and voyage expenses, vessel revenues are benchmarked based on net charter hire income. Net charter hire income comprises revenue from vessels operating on time charters, and voyage revenue less voyage expenses from vessels operating on voyage charters in the spot market and charter hire expenses. Net charter hire serves as a measure of analyzing fluctuations between financial periods and as a method of equating revenue generated from a voyage charter to time charter revenue.

The following table represents Net charter hire income for the three and six months ended June 30, 2018 and 2017.

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenues, net	\$74,938,700	\$53,631,224	\$154,309,309	\$99,486,281
Less: voyage expenses	17,204,964	13,379,664	39,719,556	26,733,011
Less: charter hire expenses	10,108,258	6,445,580	20,376,322	10,318,912
Net charter hire income	\$47,625,478	\$33,805,980	\$94,213,431	\$62,434,358

% Net charter hire from

Time charters	62	% 66	% 57	% 63	%
Voyage charters	38	% 34	% 43	% 36	%
Commercial pool	—	% —	% —	% 1	%

Revenues

Our revenues are derived from time and voyage charters. As is common in the shipping industry, we pay commissions ranging from 1.25% to 5.50% of the total daily charter hire rate of each charter to unaffiliated ship brokers associated with the charterers, depending on the number of brokers involved with arranging the charter.

Net time and voyage charter revenues for the three months ended June 30, 2018, were \$74,938,700 compared with \$53,631,224 recorded in the comparable quarter in 2017. The increase in revenue was primarily attributable to the improving dry bulk market resulting in higher charter rates as well as an increase in available days due to an increase in our owned fleet and chartered in vessels.

Net time and voyage charter revenues for the six months ended June 30, 2018 and 2017 were \$154,309,309 and \$99,486,281, respectively. The increase in revenue was primarily due to an increase in the owned fleet with the purchase of 11 Ultramax vessels partially offset by the sale of five vessels since the second quarter of 2017, along with an increase in chartered in vessels as well as higher charter rates due to an improving dry bulk market.

Voyage Expenses

To the extent that we employ our vessels on voyage charters, we will incur expenses that include bunkers, port charges, canal tolls and cargo handling operations, as these expenses are borne by the vessel owner on voyage charters. Bunkers, port charges, and canal tolls primarily increase in periods during which vessels are employed on voyage charters because these expenses are for the vessel's account. Voyage expenses for the three months ended June 30, 2018 were \$17,204,964, compared to \$13,379,664 in the comparable quarter in 2017. The increase was mainly attributable to an increase in the fleet size, an increase in the number of voyage charters performed in the current quarter compared to the comparable quarter in the prior year as well as increased bunker prices year over year.

Voyage expenses for the six months ended June 30, 2018 and 2017 were \$39,719,556 and \$26,733,011, respectively. The increase was primarily due to an increase in the fleet size as well as the number of voyage charters performed in the current period compared to the comparable period in the prior year. The increase in bunker prices year over year contributed to the increase in voyage expenses as well.

Vessel Expenses

Vessel expenses for the three months ended June 30, 2018 were \$20,577,116 compared to \$19,308,802 in the comparable quarter in 2017. The increase in vessel expenses is attributable to the increase in the owned fleet after the acquisition of 11 Ultramax vessels during 2017 and 2018 which was partially offset by vessel sales in 2017 and 2018. The Company sold the vessel Redwing in the first quarter of 2017, the Sparrow in the second quarter of 2017, the Woodstar in the third quarter of 2017 and the Wren in the fourth quarter of 2017. The vessel Avocet was sold in the second quarter of 2018. The ownership days for the three months ended June 30, 2018 and 2017 were 4,294 and 3,878, respectively.

Vessel expenses for the six months ended June 30, 2018 and 2017 were \$41,655,773 and \$37,264,321, respectively. The increase in vessel expenses is primarily attributable to an increase in the owned fleet after the acquisition of 11 Ultramax vessels during 2017 and 2018 which was partially offset by vessel sales. The ownership days for the six months ended June 30, 2018 and 2017 were 8,606 and 7,564, respectively.

We believe daily vessel operating expenses are a good measure for comparative purposes in order to take into account all of the expenses that each vessel in our fleet will incur over a full year of operation.

Average daily vessel operating expenses for our fleet for the three months ended June 30, 2018 and 2017 were \$4,792 and \$4,979, respectively. The decrease in daily average vessel operating expenses is primarily due to savings in repairs expense incurred on vessels sold.

Average daily vessel operating expenses for our fleet for the six months ended June 30, 2018 and 2017 were \$4,840 and \$4,927, respectively.

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores and related inventory, tonnage taxes, pre-operating costs associated with the delivery of acquired vessels including providing the newly acquired vessels with initial provisions and stores, and other miscellaneous expenses.

Other factors beyond our control, some of which may affect the shipping industry in general, may cause vessel operating expenses to increase, including, for instance, developments relating to market prices for crew, insurance and petroleum-based lubricants and supplies.

Charter hire expenses

The charter hire expenses for the three months ended June 30, 2018 were \$10,108,258 compared to \$6,445,580 in the comparable quarter in 2017. The increase in charter hire expenses was principally due to an increase in the number of chartered in vessels on a short-term basis as we expand on our owner-operator platform as well as an increase in the average charter hire expense per day. The total chartered in days for the three months ended June 30, 2018 were 867 compared to 744 for the comparable quarter in the prior year. The Company currently charters in one Ultramax vessel on a long term basis.

The charter hire expenses for the six months ended June 30, 2018 and 2017 were \$20,376,322 and \$10,318,912, respectively. The increase in charter hire expenses was primarily due to an increase in the number of chartered in vessels as well as an increase in the average charter hire expense per day due to improvement in the drybulk market. The total chartered in days for the six months ended June 30, 2018 and 2017 were 1,811 and 1,258, respectively.

Depreciation and Amortization

For the three months ended June 30, 2018 and 2017, total depreciation and amortization expense was \$9,272,460 and \$8,020,597, respectively. Total depreciation and amortization expense for the three months ended June 30, 2018 includes \$7,975,981 of vessel and other fixed asset depreciation and \$1,296,479 relating to the amortization of deferred drydocking costs. Comparable amounts for the three months ended June 30, 2017 were \$7,027,531 of vessel and other fixed asset depreciation and \$993,066 of amortization of deferred drydocking costs. The increase in depreciation was primarily due to the purchase of 10 Ultramax vessels during 2017 and one in January 2018 offset by the sale of two vessels during the second half of 2017, one vessel in the second quarter of 2018 and one vessel classified as held for sale since the first quarter of 2018. The amortization of drydock expense increased in the current quarter compared to the comparable quarter in the prior year primarily due to the completion of three drydockings in 2017 and six in the first half of 2018.

For the six months ended June 30, 2018 and 2017, total depreciation and amortization expense was \$18,548,875 and \$15,513,405, respectively. Total depreciation and amortization expense for the six months ended June 30, 2018 includes \$16,049,334 of vessel and other fixed asset depreciation and \$2,499,541 relating to the amortization of deferred drydocking costs. Comparable amounts for the six months ended June 30, 2017 were \$13,538,266 of vessel and other fixed asset depreciation and \$1,975,139 of amortization of deferred drydocking costs. The increase in depreciation was primarily due to the purchase of 10 Ultramax vessels during 2017 and one in January 2018 offset by the sale of two vessels in the second half of 2017 and one vessel in the second quarter of 2018 and one vessel classified as held for sale since the first quarter of 2018. The amortization of drydock expense increased in the current period compared to the comparable period in the prior year primarily due to the completion of three drydockings in 2017 and six in the first half of the 2018.

The cost of all vessels is depreciated on a straight-line basis over the expected useful life of each vessel. Depreciation is based on the cost of the vessel less its estimated residual value. We estimate the useful life of our vessels to be 25 years from the date of initial delivery from the shipyard to the original owner. Furthermore, we estimate the residual values of our vessels to be \$300 per lightweight ton, which we believe is common in the dry bulk shipping industry. Drydocking relates to our regularly scheduled maintenance program necessary to preserve the quality of our vessels as well as to comply with international shipping standards and environmental laws and regulations. Management anticipates that vessels are to be drydocked every two and a half years for vessels older than 15 years and every five years for vessels younger than 15 years, accordingly, these expenses are deferred and amortized over that period.

General and Administrative Expenses

Our general and administrative expenses include onshore vessel administration related expenses such as legal and professional expenses and administrative and other expenses including payroll and expenses relating to our executive officers and office staff, office rent and expenses, directors' fees, and directors and officers insurance. General and administrative expenses also include non-cash compensation expenses.

General and administrative expenses for the three months ended June 30, 2018 and 2017 were \$8,895,505 and \$8,589,979, respectively. These general and administrative expenses include a stock-based compensation component of \$2,409,599 and \$2,478,051 for 2018 and 2017, respectively. The increase in general and administrative expenses was mainly attributable to increases in compensation expense relating to incremental staff hired in connection with the increased fleet size under our owner-operator business model.

General and administrative expenses for the six months ended June 30, 2018 and 2017 were \$18,809,469 and \$16,368,800, respectively. These general and administrative expenses include a stock-based compensation expense of \$5,920,510 and \$4,648,751 for 2018 and 2017, respectively. The increase is primarily attributable to higher stock-based compensation expense and compensation expense offset by savings in advisors' fees.

Interest Expense

Our interest expense for the three months ended June 30, 2018 and 2017 was \$6,387,011 and \$6,858,716, respectively. The decrease in interest expense is mainly due to the decrease in amortization of debt discount and debt issuance costs by \$1.0 million resulting from the debt refinancing in December 2017 where the high interest bearing Second Lien Facility was repaid in full, offset by an increase in the interest expense of \$0.9 million on the Ultraco Debt Facility, which was used for the acquisition of 10 Ultramax vessels.

The interest expense for the six months ended June 30, 2018 and 2017 was \$12,648,080 and \$13,303,747, respectively. The decrease in interest expense is mainly due to the decrease in amortization of debt discount and debt issuance costs by \$1.9 million resulting from the debt refinancing in December 2017 where the high interest bearing Second Lien Facility was repaid in full offset by increase in the interest expense of \$1.7 million on the Ultraco Debt Facility and \$0.4 million due to increase in the LIBOR rate year over year.

Amortization of debt issuance costs is included in interest expense. These financing costs relate to costs associated with the Norwegian Bond Debt, the New First Lien Facility and the Ultraco Debt Facility. The Company incurred \$6.2 million in debt discount and debt issuance costs for the Norwegian Bond Debt, \$1.3 million for the New First Lien Facility and \$1.5 million for the Ultraco Debt Facility. For the three months ended June 30, 2018 and 2017, the amortization of debt issuance costs was \$480,257 and \$1,456,986, respectively. For the six months ended June 30, 2018 and 2017, the amortization of debt issuance costs was \$970,352 and \$2,901,948, respectively.

Effects of Inflation

We do not believe that inflation has had or is likely, in the foreseeable future, to have a significant impact on vessel operating expenses, drydocking expenses or general and administrative expenses.

Liquidity and Capital Resources

	For the Six Months Ended	
	June 30, 2018	June 30, 2017
Net cash provided by/(used in) operating activities	\$24,787,497	\$(5,263,229)
Net cash used in investing activities	(6,133,726)	(131,813,129)
Net cash provided by financing activities	1,976,302	129,243,753
Net increase in cash and cash equivalents and restricted cash	20,630,073	(7,832,605)
Cash and cash equivalents and restricted cash at beginning of period	56,325,961	76,591,027
Cash and cash equivalents and restricted cash at end of period	\$76,956,034	\$68,758,422

Net cash provided by operating activities during the six months ended June 30, 2018 was \$24,787,497 compared to net cash used in operating activities during the six months ended June 30, 2017, of \$5,263,229. The cash flows from operating activities improved over the prior year primarily due to an increase in charter hire rates driven by improvement in the dry bulk market and positive working capital change as compared to the corresponding period in the prior year, partially offset by higher drydocking expenditures of \$4.6 million in 2018 compared to \$0.3 million in the comparable period in the prior year.

Net cash used in investing activities during the six months ended June 30, 2018 and 2017 was \$6,133,726 and \$131,813,129, respectively. The Company purchased one Ultramax vessel in the first quarter of 2018 for \$21.3 million out of which the Company paid a deposit of \$2.2 million as of December 31, 2017. The Company redeemed a short-term certificate of deposit amounting to \$4.5 million during the first quarter of 2018. The Company sold the vessel Avocet in the second quarter of 2018 for net proceeds of \$9.7 million. During the six months ended June 30, 2017, the Company purchased seven Ultramax vessels for \$120.9 million and paid \$20.9 million as an advance towards purchase of the additional three Ultramax vessels which were delivered in the third quarter of 2017. Please refer to "Note 3. Vessels" to the condensed consolidated financial statements.

Net cash provided by financing activities during the six months ended June 30, 2018 was \$1,976,302 compared with \$129,243,753 during the corresponding six months ended June 30, 2017. The Company drew down \$8.6 million under the Ultraco Debt Facility in connection with the purchase of one Ultramax vessel, offset by repayment of \$5.0 million for the Revolving Loan under the New First Lien Facility. The Company paid \$1.4 million of debt issuance costs on the three existing debt facilities and \$0.3 million towards shares withheld for taxes due to vesting of restricted shares. In the six months ended June 30, 2017, the Company received net proceeds of \$96.0 million in a common stock private placement that closed on January 20, 2017. The Company received \$40.0 million from the Ultraco Debt Facility and paid \$1.5 million of other financing costs. Additionally, the Company repaid \$5.3 million of its Term Loan under the First Lien Facility from the proceeds of the sale of the vessels Redwing and Sparrow.

Our principal sources of funds are operating cash flows, long-term bank borrowings and borrowings under our revolving credit facility. Our principal use of funds is capital expenditures to establish and grow our fleet, maintain the quality of our vessels, comply with international shipping standards and environmental laws and regulations, fund working capital requirements and repayments of interest and principal on our outstanding loan facilities.

Norwegian Bond Debt

On November 28, 2017, Eagle Bulk Shipco LLC, a wholly-owned subsidiary of the Company ("Shipco" or "Issuer") issued \$200,000,000 in aggregate principal amount of 8.250% Senior Secured Bonds (the "Bonds" or the "Norwegian Bond Debt"), pursuant to those certain bond terms (the "Bond Terms"), dated as of November 22, 2017, by and between the Issuer and Nordic Trustee AS, as the Bond Trustee. After giving effect to an original issue discount of approximately 1% and deducting offering expenses of \$3.1 million, the net proceeds from the issuance of the Bonds were approximately \$195.0 million. These net proceeds from the Bonds, together with the proceeds from the New First Lien Facility and cash on hand, were used to repay all amounts outstanding including accrued interest under various debt facilities outstanding at that time, and to pay expenses associated with the refinancing transactions. Shipco incurred \$1.2 million in other financing costs in connection with the transaction.

Please refer to "Note 4. Debt" to the condensed consolidated financial statements.

New First Lien Facility

On December 8, 2017, Eagle Shipping LLC, a wholly-owned subsidiary of the Company ("Eagle Shipping") entered into the New First Lien Facility, which provides for (i) a term loan facility in an aggregate principal amount of up to \$60,000,000 (the "Term Loan") and (ii) a revolving credit facility in an aggregate principal amount of up to \$5,000,000 (the "Revolving Loan"). Outstanding borrowings under the New First Lien Facility bear interest at LIBOR plus 3.50% per annum.

As of June 30, 2018, our availability under the Revolving Loan was \$5.0 million.

Please refer to "Note 4. Debt" to the condensed consolidated financial statements.

Ultraco Debt Facility

On June 28, 2017, Eagle Bulk Ultraco LLC, a wholly-owned subsidiary of the Company ("Ultraco"), entered into a credit

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agreement (the "Ultraco Debt Facility"), by and among Ultraco, as borrower, certain wholly-owned vessel-owning subsidiaries of Ultraco, as guarantors (the "Ultraco Guarantors"), the lenders thereunder (the "Ultraco Lenders"), the swap banks party thereto, ABN AMRO Capital USA LLC, as facility agent and security trustee for the Ultraco Lenders, ABN AMRO Capital USA LLC, DVB Bank SE and Skandinaviska Enskilda Banken AB (publ), as mandated lead arrangers, and ABN AMRO Capital USA LLC, as arranger and bookrunner. The Ultraco Debt Facility provides for a multi-draw senior secured term loan facility in an aggregate principal amount of up to the lesser of (i) \$61,200,000 and (ii) 40% of the lesser of (1) the purchase price of the nine Greenship Vessels to be acquired by Ultraco and the Ultraco Guarantors pursuant to a previously disclosed framework agreement, dated as of February 28, 2017, with Greenship Bulk Manager Pte. Ltd., as Trustee-Manager of Greenship Bulk Trust, and (2) the fair market value of the Greenship Vessels. The proceeds of the Ultraco Debt Facility were used for the purpose of financing, refinancing or reimbursing a part of the acquisition cost of the Greenship Vessels. The outstanding borrowings under the Ultraco Debt Facility bear interest at LIBOR plus 2.95% per annum.

Please refer to "Note 4. Debt" to the condensed consolidated financial statements.
Super Senior Facility

On December 8, 2017, Shipco entered into the Super Senior Revolving Facility Agreement (the "Super Senior Facility") by and among Shipco, as borrower, and ABN AMRO Capital USA LLC, as original lender, mandated lead arranger and agent, which provides for a revolving credit facility in an aggregate amount of up to \$15,000,000. The proceeds of the Super Senior Facility, which are currently undrawn, are expected, pursuant to the terms of the Super Senior Facility, to be used (i) to acquire additional vessels or vessel owners and (ii) for general corporate and working capital purposes of Shipco and its subsidiaries.

As of June 30, 2018, the availability under the Super Senior Facility is \$15.0 million.

We believe that our current financial resources, together with the undrawn revolving credit facility and cash generated from operations will be sufficient to meet our ongoing business needs and other obligations over the next twelve months. Our ability to generate sufficient cash depends on many factors beyond our control including, among other things, continuing to improve the profitability of its operations and future cash flows, which contemplates an improvement in charter rates.

As of June 30, 2018, our cash and cash equivalents balance was \$76,881,117, compared to a cash and cash equivalents balance of \$56,251,044 at December 31, 2017. Also recorded as restricted cash is an amount of \$74,917, which collateralizes letters of credit relating to our office leases.

As of June 30, 2018, the Company's debt consisted of \$200,000,000 in outstanding bonds under the Norwegian Bond Debt, net of \$5,618,518 of debt discount and debt issuance costs, the New First Lien Facility of \$60,000,000, net of \$1,196,414 of debt discount and debt issuance costs and the Ultraco Debt Facility of \$69,800,000, net of \$1,173,490 of debt discount and debt issuance costs.

Capital Expenditures

Our capital expenditures relate to the purchase of vessels and capital improvements to our vessels, which are expected to enhance the revenue earning capabilities and safety of these vessels.

In addition to acquisitions that we may undertake in future periods, the other major capital expenditures include funding the Company's program of regularly scheduled drydocking necessary to comply with international shipping standards and environmental laws and regulations. Although the Company has some flexibility regarding the timing of its drydocking, the costs are relatively predictable. The Company anticipates that vessels are to be drydocked every five years for vessels younger than 15 years and every two and a half years for vessels older than 15 years, accordingly, these expenses will be deferred and amortized over that period. Funding of these requirements is anticipated to be met with cash from operations. We anticipate that this process of recertification will require us to reposition these vessels from a discharge port to shipyard facilities, which will reduce our available days and operating days during that period.

Drydocking costs incurred are deferred and amortized to expense on a straight-line basis over the period through the date of the next scheduled drydocking for those vessels. In the six months ended June 30, 2018, six of our vessels

completed drydock and two vessels are still in drydock as of June 30, 2018 and we incurred expenditures of \$4,632,000. In the six months ended June 30, 2017, one vessel was drydocked. The following table represents certain information about the estimated costs for anticipated vessel drydockings in the next four quarters, along with the anticipated off-hire days:

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Quarter Ending	Off-hire Days ⁽¹⁾	Projected Costs ⁽²⁾
September 30, 2018 (3)	57	\$3.2 million
December 31, 2018	—	—
March 31, 2019	84	\$2.8 million
June 30, 2019	25	\$1.0 million

(1) Actual duration of drydocking will vary based on the condition of the vessel, yard schedules and other factors.

(2) Actual costs will vary based on various factors, including where the drydockings are actually performed.

(3) During the third quarter of 2018, the vessel Westport Eagle is undergoing repairs at a yard in China. The main engine crankshaft failed in service and is being replaced by the engine manufacturer. The cost of the repair is covered by hull and machinery insurance less the deductible of \$100,000. The cause of the failure is unknown at this time and is being investigated by technical and scientific experts in the fields of strength of materials, metal fatigue and torsional analysis. The vessel is expected to be out of service for an estimated 70 days, and to return to service around September 15, 2018.

Off-balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Other Contingencies

We refer you to “Note 6. Commitments and Contingencies - Legal Proceedings” to our condensed consolidated financial statements for a discussion of our contingencies related to claim litigation. If an unfavorable ruling were to occur in these matters, there exists the possibility of a material adverse impact on our business, liquidity, results of operations, financial position and cash flows in the period in which the ruling occurs. The potential impact from legal proceedings on our business, liquidity, results of operations, financial position and cash flows could change in the future.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes from the market risk disclosure set forth in the section entitled “Quantitative and Qualitative Disclosures about Market Risk” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 12, 2018.

Item 4. Controls and Procedures

Effectiveness of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) of the Exchange Act, that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of June 30, 2018, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2018.

Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1 - Legal Proceedings

From time to time, we are involved in various disputes and litigation matters that arise in the ordinary course of our business, principally personal injury and property casualty claims. Those claims, even if lacking merit, could result in the expenditure by us of significant financial and managerial resources. Information about legal proceedings is set forth in "Note 6. Commitments and Contingencies – Legal Proceedings" to the condensed consolidated financial statements and is incorporated by reference herein.

Item 1A – Risk Factors

There have been no material changes from the "Risk Factors" previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 12, 2018. The risks described in the Annual Report on Form 10-K for the year ended December 31, 2017 are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3 - Defaults Upon Senior Securities

None.

Item 4 – Mine Safety Disclosures

None.

Item 5 - Other Information

None.

Item 6 – Exhibits

EXHIBIT INDEX

31.1* Sarbanes-Oxley Section 302 Certification of Principal Executive Officer.

31.2* Sarbanes-Oxley Section 302 Certification of Principal Financial Officer.

32.1** Section 1350 Certification of Principal Executive Officer.

32.2** Section 1350 Certification of Principal Financial Officer.

The following materials from Eagle Bulk Shipping Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets (unaudited) as of June 30, 2018 and December 31, 2017, (ii) Condensed Consolidated Statements of Operations (unaudited) for the three and six months ended June 30, 2018 and 2017, (iii)

101* Condensed Consolidated Statements of Comprehensive Income/(Loss) (unaudited) for the three and six months ended June 30, 2018 and 2017, (iv) Condensed Consolidated Statements of Stockholders' Equity (unaudited) for the six months ended June 30, 2018 and 2017, (v) Condensed Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2018 and 2017, and (vi) Notes to Condensed Consolidated Financial Statements (unaudited).

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

EAGLE BULK SHIPPING INC.

By: /s/ Gary Vogel

Gary Vogel
Chief Executive Officer
(Principal executive officer of the registrant)

Date: August 8, 2018

By: /s/ Frank De Costanzo

Frank De Costanzo
Chief Financial Officer
(Principal financial officer of the registrant)

Date: August 8, 2018