Eagle Bulk Shipping Inc.
Form 10-Q
August 09, 2016

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2016

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	(I.R.S. Employer
incorporation or organization)	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__**X**__ NO

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

YES_X___ NO

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

Accelerated Filer _X___ Non-accelerated Filer ___ Smaller reporting company___

Large accelerated Filer ____

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

YES____ NO __X

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_X___ NO____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value $0.01 per share, 18,804,203 shares outstanding as of August 9, 2016.

TABLE OF CONTENTS

Part 1: FINANCIAL INFORMATION

Item 1: Financial Statements

EAGLE BULK SHIPPING INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015

(Unaudited)

	June 30, 2016	December 31, 2015
ASSETS:		
Current assets:		
Cash and cash equivalents	$11,874,047	$24,896,161
Accounts receivable	5,563,156	7,076,528
Prepaid expenses	2,811,833	3,232,763
Vessel held for sale	3,212,200	-
Inventories	6,846,985	5,574,406
Other assets	687,738	245,569
Total current assets	30,995,959	41,025,427
Noncurrent assets:		
Vessels and vessel improvements, at cost, net of accumulated depreciation of $62,955,218 and $49,148,080, respectively	701,052,452	733,960,731
Other fixed assets, net of accumulated depreciation of $223,135 and $159,827, respectively	578,229	220,509
Restricted cash	74,917	141,161
Deferred drydock costs	11,794,150	11,146,009
Other assets	769,247	109,287
Total noncurrent assets	714,268,995	745,577,697
Total assets	**$745,264,954**	**$786,603,124**
LIABILITIES & STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$7,896,872	$8,216,473
Accrued interest	-	401,232
Other accrued liabilities	10,788,233	10,827,075
Fair value below contract value of time charters acquired	820,313	1,283,926
Unearned charter hire revenue	3,597,123	1,560,402
Fair value of derivative instrument	294,150	-
Current portion of long-term debt	-	15,625,000
Total current liabilities	23,396,691	37,914,108
Noncurrent liabilities:		
First Lien Facility, net of debt issuance costs	197,086,411	225,577,491

Second Lien Facility, net of debt issuance costs	59,320,719	-
Payment-in-kind interest on Second Lien Facility	2,123,333	-
Fair value below contract value of time charters acquired	4,306,639	4,094,122
Other liabilities	795,334	672,941
Total noncurrent liabilities	263,632,436	230,344,554
Total liabilities	$287,029,127	$268,258,662
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value, 150,000,000 shares authorized, 2,254,989 and 1,883,303 shares issued and outstanding, respectively*	22,550	18,833
Additional paid-in capital*	679,833,213	678,171,322
Accumulated deficit	(221,619,936)	(159,845,693)
Total stockholders' equity	458,235,827	518,344,462
Total liabilities and stockholders' equity	**$745,264,954**	**$786,603,124**

*Adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of trading on August 5, 2016, see Note 1.

F-1

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

EAGLE BULK SHIPPING INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2016 and 2015

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**
Revenues, net of commissions	$25,590,434	$22,657,372	$46,868,722	$48,988,538
Voyage expenses	7,450,149	3,156,304	16,694,196	8,338,479
Vessel expenses	18,594,587	20,182,731	39,075,222	40,631,437
Charter hire expenses	1,668,239	1,233,132	3,156,757	2,449,096
Depreciation and amortization	9,654,129	10,898,049	19,050,830	21,455,220
General and administrative expenses	4,874,719	5,844,165	10,206,062	12,279,168
Refinancing expenses	239,390	-	5,873,650	-
Vessel impairment	-	-	6,167,262	-
Loss on vessel held for sale	115,000	-	115,000	-
Loss on sale of vessels	286,210	5,696,675	286,210	5,696,675
Total operating expenses	42,882,423	47,011,056	100,625,189	90,850,075
Operating loss	(17,291,989)	(24,353,684)	(53,756,467)	(41,861,537)
Interest expense	4,902,857	2,986,817	7,720,503	6,148,983
Interest income	(58)	-	(3,512)	(2,955)
Other expense	300,785	167,799	300,785	167,799
Total other expense, net	5,203,584	3,154,616	8,017,776	6,313,827
Net loss	$(22,495,573)	$(27,508,300)	$(61,774,243)	$(48,175,364)
Weighted average shares outstanding *:				
Basic	2,254,665	1,881,968	2,073,068	1,879,175
Diluted	2,254,665	1,881,968	2,073,068	1,879,175
Per share amounts*:				
Basic net loss	$(9.98)	$(14.62)	$(29.80)	$(25.64)
Diluted net loss	$(9.98)	$(14.62)	$(29.80)	$(25.64)

*Adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of trading on August 5, 2016, see Note 1.

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

EAGLE BULK SHIPPING INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Loss

For the Three and Six Months Ended June 30, 2016 and 2015

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net loss	$(22,495,573)	$(27,508,300)	$(61,774,243)	$(48,175,364)
Other comprehensive income:				
Change in unrealized gain/(loss) on investment	-	172,976	-	(186,576)
Total other comprehensive income (loss)	-	172,976	-	(186,576)
Comprehensive loss	$(22,495,573)	$(27,335,324)	$(61,774,243)	$(48,361,940)

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

EAGLE BULK SHIPPING INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Stockholders' Equity

For the Six Months Ended June 30, 2016

(Unaudited)

	Common Shares*	Common Shares Amount*	Additional Paid-in Capital*	Net Loss	Accumulated Deficit	Total Stockholders' Equity
Balance at December 31, 2015	**1,883,303**	**$ 18,833**	**$678,171,322**		**$(159,845,693)**	**$518,344,462**
Net loss	—	—	—	$(61,774,243)	(61,774,243)	(61,774,243)
Issuance of shares in connection with the entry into the Second Lien Loan Agreement	371,276	3,713	(3,713)		—	—
Vesting of restricted shares withheld for employee tax	410	4	(2,942)		—	(2,938)
Non-cash compensation	—	—	1,668,546		—	1,668,546
Balance at June 30, 2016	**2,254,989**	**$ 22,550**	**$679,833,213**		**$(221,619,936)**	**$458,235,827**

*Adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of trading on August 5, 2016, see Note 1.

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, 2016 and 2015

(Unaudited)

	Six Months Ended	
	June 30, 2016	**June 30, 2015**
Cash flows from operating activities:		
Net loss	$(61,774,243)	$(48,175,364)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	17,661,150	20,523,130
Amortization of deferred drydocking costs	1,389,680	932,090
Amortization of debt issuance costs	799,648	1,256,313
Amortization of fair value below contract value of time charter acquired	(251,096)	(792,173)
Payment-in-kind interest on Second Lien Facility	2,123,333	-
Loss on sale of vessels	286,210	5,696,675
Loss on vessel held for sale	115,000	-
Impairment of vessels	6,167,262	-
Realized loss from investment	-	167,799
Non-cash compensation expense	1,668,546	2,207,579
Drydocking expenditures	(2,037,821)	(8,505,455)
Changes in operating assets and liabilities:		
Accounts receivable	1,513,372	3,193,475
Other assets	(1,102,129)	1,616,634
Prepaid expenses	420,930	329,290
Inventories	(1,272,579)	(548,385)
Unrealized loss on derivatives	294,150	-
Accounts payable	(319,601)	(2,206,668)
Accrued interest	(401,232)	(146,123)
Other accrued liabilities	83,551	2,132,527
Unearned revenue	2,036,721	(1,009,845)
Net cash used in operating activities	(32,599,148)	(23,328,501)
Cash flows from investing activities:		
Vessels and vessel improvements	(237,235)	(1,407,801)
Purchase of other fixed assets	(421,028)	-
Proceeds from sale of vessels	5,767,000	4,235,542
Restricted cash	66,244	-
Proceeds from sale of investment	-	5,807,917
Net cash provided by investing activities	5,174,981	8,635,658
Cash flows from financing activities:		
Proceeds from Second Lien Facility	60,000,000	-
Proceeds from Revolver Loan Facility under First Lien Facility	5,158,500	15,000,000

Repayment of Term Loan	(17,659,000)	(11,812,500)
Repayment of Revolver Loan	(30,158,500)	-
Deferred financing costs	(2,336,009)	-
Financing cost paid to lender	(600,000)	-
Cash used to settle net share equity awards	(2,938)	(1,285,506)
Net cash provided by financing activities	14,402,053	1,901,994
Net decrease in cash and cash equivalents	(13,022,114)	(12,790,849)
Cash and cash equivalents at beginning of period	24,896,161	39,975,287
Cash and cash equivalents at end of period	$11,874,047	$27,184,438

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

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” or “our”). The Company is engaged in the ocean transportation of dry bulk cargoes worldwide through the ownership, chartering and operation of dry bulk vessels. The Company's fleet is comprised of Supramax and Handymax dry bulk carriers and the Company operates its business in one business segment.

As of June 30, 2016, the Company owned and operated a modern fleet of 42 oceangoing vessels comprised of 41 Supramax vessels and 1 Handymax vessel with a combined carrying capacity of 2,302,855 dwt and an average age of approximately 8.7 years. The Company chartered in a Handylog beginning October 2, 2015 for a period of seven years and a 63,000 dwt newbulding vessel that was delivered in May 2016 for a period of nine to fourteen months.

The following table represents certain information about the Company's charterers that individually accounted for more than 10% of the Company's revenue during the periods indicated:

% of Revenue	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Charterer				
Charterer A*	-	27%	-	28%

*Charter revenue from a pool in which the Company participated.

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 Securities and Exchange Commission (“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 2015 Annual Report on Form 10-K, filed with the SEC on March 31, 2016.

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 consolidated financial position and results of operations for the interim periods presented. We have made a reclassification adjustment to conform the prior period amounts to the current period’s presentation in the Condensed Consolidated Statement of Operations. This change in classification had no effect on the previously reported Condensed Consolidated Statement of Operations and on total operating expenses. For the three and six months ended June 30, 2015, we have reclassified the technical management costs of $1.5 million and $3.0 million respectively, from Vessel expenses to General and administrative expenses to closely align the Company’s presentation to that of many of its peers.

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

Effective as of the opening of trading on August 5, 2016, the Company completed a 1 for 20 reverse stock split as previously approved by the Company's board of directors and shareholders. Proportional adjustments were made to the Company's issued and outstanding common stock and to its common stock underlying stock options and other common stock-based equity grants outstanding immediately prior to the effectiveness of the reverse stock split as well as the applicable exercise price. In addition, proportional adjustments were made to the number of shares of common stock issuable upon exercise of the warrants exercisable and the exercise price of the warrants pursuant to the terms thereof. No fractional shares were issued in connection with the reverse stock split, as shareholders who would otherwise hold a fractional share of common stock will receive a cash payment in lieu of that fractional share. All references herein to common stock and per share data for all periods presented in these consolidated financial statements and notes thereto, have been retrospectively adjusted to reflect the reverse stock split.

Unless otherwise indicated, share amounts presented do not reflect the issuance of shares of common stock in connection with the Second Lien Loan Agreement. See Note 4.

We adopted the provisions of the Accounting Standard Update 2015-03 issued by the FASB (“Financial Accounting Standards Board”) relating to presentation of debt issuance costs. Accordingly, we have reclassified previously reported deferred financing costs of $435,816 as of December 31, 2015 as a reduction of the long-term debt balance retrospectively.

F-6

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 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 useful lives of fixed assets and intangibles, the period of amortization, the allowances for bad debt, and the fair value of warrants and stock-based compensation.

Note 2. New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update, (“ASU”) No. 2014-09, Revenue from Contracts with Customers (“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. The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, and shall be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. In May 2016, the FASB issued Accounting Standards Update No. 2016-12, Revenue from Contracts with customers. This update further provides guidance on applying collectability criterion to assess whether the contract is valid and represents a substantive transaction on the basis whether a customer has the ability and intention to pay the promised consideration. This update also permits an entity as accounting policy election, to exclude amounts collected from customers for all sales taxes. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, “Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.” This ASU establishes specific guidance to an organization's management on their responsibility to evaluate whether there is substantial doubt about the organization's ability to continue as a going concern. The provisions of this ASU are effective for interim and annual periods ending after December 15, 2016. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements.

In August 2015, the FASB issued ASU 2015-15, "Interest—Imputation of Interest: Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements." The Company adopted this accounting standard on January 1, 2016. Accordingly, $435,816 previously classified in other assets was retrospectively classified as a reduction of the long-term debt balance as of December 31, 2015.

In July 2015, the FASB issued ASU No. 2015-11, “Simplifying the Measurement of Inventory”. The new guidance specifies that inventory be measured at the lower of cost and net realizable value. The amendment would apply prospectively and would be effective for annual reporting periods beginning after December 15, 2016 and interim reporting periods within annual reporting periods beginning after December 15, 2017. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases. ASU 2016-02 is intended to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In order to meet that objective, the new standard requires recognition of the assets and liabilities that arise from leases. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Accounting by lessors will remain largely unchanged from current U.S. generally accepted accounting principles. The new standard is effective for public companies for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. The Company is currently evaluating the effect that adopting this standard will have on our consolidated financial statements and related disclosures.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Stock Compensation. The new guidance is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The standard is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. The Company is evaluating the potential impact of the adoption of this standard on its consolidated financial statements.

Note 3. Vessels

Vessels and Vessel Improvements

At June 30, 2016, the Company's owned operating fleet consisted of 42 dry bulk vessels.

As of December 31, 2015, we determined that the future undiscounted cash flows did not exceed the net book value on six of our vessels. This is a result of our intention to divest six of our older vessels in the short-term period. As a result, we reduced the carrying value of each vessel to its fair market value as of December 31, 2015 and recorded an impairment charge of $50,872,734.

As of March 31, 2016, due to further reduction in asset value during the first quarter of 2016, we determined that the future undiscounted cash flows of six of our vessels did not exceed their net book value. As a result, we reduced the carrying value of each vessel to its fair market value as of March 31, 2016 and recorded an impairment charge of $6,167,262.

On April 26, 2016, the Company sold the vessel Peregrine for $2.6 million, after brokerage commissions and associated selling expenses, and recorded a net loss of approximately $150,000 in the second quarter of 2016. A portion of the proceeds was used towards repayment of the term loan under the First Lien Facility.

On June 16, 2016, the Company sold the vessel Falcon for $3.2 million, after brokerage commissions and associated selling expenses, and recorded a net loss of approximately $140,000 in the second quarter of 2016. A portion of the proceeds was used towards repayment of the term loan under the First Lien Facility.

As of June 30, 2016, the Company determined that all the held for sale criteria have been met for the vessel Harrier and reviewed its carrying amount in the books compared to the fair market value less the selling expenses. The review indicated that such carrying amount is in excess of the fair market value less the selling expenses. Therefore, the Company recorded a loss of $115,000 in its Condensed Consolidated Statement of Operations and classified the carrying amount of the vessel as a current asset in its Condensed Consolidated Balance Sheet. On July 13, 2016, the Company sold the vessel Harrier for $3.2 million, after brokerage commissions and associated selling expenses. The vessel was delivered to the buyers on the same day. A portion of the proceeds was used towards repayment of the term loan under the First Lien Facility.

On August 2, 2016, the Company signed a memorandum of agreement to sell the vessel Kittiwake for $4.2 million after brokerage commission and associated selling expenses. The vessel is expected to be delivered in the third quarter of 2016.

Vessels and vessel improvements:

Vessels and vessel improvements, at December 31, 2015	$733,960,731
Purchase of vessel improvements	237,235
Disposal of vessels	(6,053,210)
Depreciation expense	(17,597,842)
Transfer to vessel held for sale	(3,327,200)
Vessel impairment charge	(6,167,262)
Vessels and Vessel Improvements, at June 30, 2016	$701,052,452

Note 4. Debt

Debt consists of the following:

	June 30, 2016	December 31, 2015
First Lien Facility / Exit Financing Facility	$202,716,000	$245,375,000
Debt issuance costs First Lien / Exit Financing Facility	(5,629,589)	(4,172,509)
First Lien Facility / Exit Financing Facility net of debt issuance costs	197,086,411	241,202,491
Second Lien Facility	60,000,000	-
Debt issuance Costs Second Lien	(679,281)	-
Second Lien Facility, net of Debt issuance costs	59,320,719	-
Less: Current Portion Exit Financing Facility	-	(15,625,000)
Total debt	$256,407,130	$225,577,491

Corporate Reorganization and Refinancing

On March 30, 2016, we entered into the Contribution Agreement pursuant to which the Company transferred, assigned and contributed to Eagle Shipping, and Eagle Shipping received, accepted and assumed, all of the tangible and intangible assets of the Company (other than the membership interests in Eagle Shipping owned by the Company and certain deposit accounts held by the Company, which deposit account balances were transferred) and all of the liabilities of the Company, including all of the Company’s rights and obligations under the Exit Financing Facility. Immediately following the Contribution, Eagle Shipping became the direct parent company of each of the Company’s previously directly-owned subsidiaries. The Contribution was part of the transactions contemplated by the agreements also entered into on March 30, 2016 and described below, which transactions were consummated on March 30, 2016, after the fulfillment of certain conditions precedent.

First Lien Facility

On March 30, 2016, Eagle Shipping, as borrower, and certain of its subsidiaries that are guarantors under the Exit Financing Facility, as guarantors, entered into an Amended and Restated First Lien Loan Agreement (the “A&R First Lien Loan Agreement”) with the lenders thereunder (the “First Lien Lenders”) and ABN AMRO Capital USA LLC, as agent and security trustee for the lenders. The A&R First Lien Loan Agreement amends and restates the Exit Financing Facility in its entirety, providing for Eagle Shipping to be the borrower in the place of the Company, and further provides for a waiver of any and all events of default occurring as a result of the voluntary OFAC Disclosure (as defined below under Note 6 “Commitments and Contingencies - Legal Proceedings”). The A&R First Lien Loan Agreement provides for a term loan outstanding as of March 30, 2016, in the amount of $201,468,750 as well as a $50,000,000 revolving credit facility, of which $10,000,000 was undrawn prior to the refinancing (the term loan, together with the revolving credit facility, the “First Lien Facility”). The First Lien Facility matures on October 15, 2019. An aggregate fee of $600,000 was paid to the Agent and First Lien Lenders in connection with the First Lien Facility.

As of June 30, 2016, our total availability in the revolving credit facility under the First Lien Facility was $35,000,000 and our cash balance as of June 30, 2016 was $11,874,047.

Eagle Shipping’s obligations under the First Lien Facility are secured by a first priority mortgage on each of the vessels currently in the Company’s fleet and such other vessels that it may from time to time include with the approval of the First Lien Lenders, a first assignment of its earnings account, its liquidity account and its vessel-owning subsidiaries’ earnings accounts, a first assignment of all charters with terms that may exceed 18 months, freights, earnings, insurances, requisition compensation and management agreements with respect to the vessels and a first priority 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 First Lien Facility contains financial covenants requiring Eagle Shipping, among other things, to ensure that the aggregate market value of the vessels in the Company's fleet (plus the value of certain additional collateral) at all times on or after July 1, 2017 does not fall below 100% in the third and fourth quarters of 2017, 110% in 2018 and 120% in 2019 of the aggregate principal amount of debt outstanding (subject to certain adjustments) under the First Lien Facility and maintain minimum liquidity of not less than the greater of (i) $8,140,000 and (ii) $185,000 per vessel in the Company's fleet. In addition, the First Lien Facility also imposes operating restrictions on Eagle Shipping including limiting Eagle Shipping's ability to, among other things: pay dividends; incur additional indebtedness; create liens on assets; acquire and sell capital assets (including vessels); and merge or consolidate with, or transfer all or substantially all of Eagle Shipping's assets to, another person. Upon entering into the First Lien Facility, Eagle Shipping made a principal payment with respect to the term loan of $11,718,750. For the fiscal quarters ending June 30, 2017 and June 30, 2018 and the fiscal years ending December 31, 2017 and 2018, Eagle Shipping is obligated to repay the First Lien Facility semi-annually in an amount equal to 75% of Eagle Shipping's excess cash flow for the preceding semi-annual period, as defined in the First Lien Facility, subject to a cap of such mandatory prepayments of $15,625,000 in any fiscal year. Thereafter, Eagle Shipping will make payments of $3,906,250 on January 15, 2019, April 15, 2019, and July 15, 2019, and a final balloon payment equal to the remaining amount outstanding under the First Lien Facility on October 15, 2019.

The Company has prepaid $2,034,000 in the second quarter of 2016 pursuant to the terms of the loan agreement relating to the mandatory prepayment upon sale of vessels. The repayment schedule mentioned above has been changed to reflect the prepayment made in second quarter of 2016. As of June 30, 2016, the Company is required to make the payments of $3,831,769 on January 15, 2019, April 15, 2019, July 15, 2019, and a final balloon payment equal to the remaining amount outstanding under the First Lien Facility on October 15, 2019. This prepayment schedule does not reflect the mandatory prepayments to be made upon sale of the vessel MV Kittiwake. See Note 3.

The 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 and non-compliance with security documents. Further, there would be a default if any event occurs or circumstances arise in light of which, in the First Lien Lenders' judgment, there is significant risk that Eagle Shipping is or would become insolvent. Eagle Shipping is not permitted to pay dividends. Indebtedness under the First Lien Facility may also be accelerated if Eagle Shipping experiences a change of control.

Second Lien Facility

On March 30, 2016, Eagle Shipping, as borrower, and certain of its subsidiaries, as guarantors, entered into a Second Lien Loan Agreement (the "Second Lien Loan Agreement") 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 Lenders include certain of the Company's existing shareholders as well as other investors. The Second Lien Loan Agreement provides for a term loan in the amount of $60,000,000 (the "Second Lien Facility"), and matures on January 14, 2020 (91 days after the original stated maturity of the First Lien Facility). The term loan under the Second Lien Facility bears interest at a rate of LIBOR plus 14.00% per annum (with a 1.0% LIBOR floor) or the Base Rate (as defined in the Second Lien Loan Agreement) plus 13.00% per annum, paid in kind quarterly in arrears. The Company used the proceeds from the Second Lien Facility to pay down amounts outstanding in respect of the revolving credit facility under the Exit Financing Facility, pay three quarters of amortization payments under the Exit Financing Facility, pay transaction fees in connection with the entry into the A&R First Lien Loan Agreement and the Second Lien Loan Agreement, and add cash to the balance sheet, which cash would be deposited in an account subject to the security interest and control of the First Lien Lenders and the Second Lien Lenders.

Eagle Shipping's obligations under the Second Lien Facility are secured by a second priority lien on the same collateral securing Eagle Shipping's obligations under the First Lien Facility, subject to the terms of the Intercreditor Agreement (as defined below). Eagle Shipping may grant additional security to the Second Lien Lenders from time to time in the future, subject to the terms of the Intercreditor Agreement.

The Second Lien Facility contains financial covenants substantially similar to those in the First Lien Facility, subject to standard cushions, requiring Eagle Shipping, among other things, to ensure that the aggregate market value of the vessels in the Company's fleet (plus the value of certain additional collateral) at all times on or after July 1, 2017 does not fall below 100% in the third and fourth quarters of 2017, 110% in 2018 and 120% in 2019 of the aggregate principal amount of debt outstanding (subject to certain adjustments) under the Second Lien Facility (provided that Eagle Shipping will not be required to comply with such covenant until the First Lien Facility has been paid in full) and to maintain a minimum liquidity of not less than the greater of (i) $6,512,000 and (ii) $148,000 per vessel in Eagle Shipping's fleet. In addition, the Second Lien Facility also imposes operating restrictions on Eagle Shipping including limiting Eagle Shipping's ability to, among other things: pay dividends; incur additional indebtedness; create liens on assets; acquire and sell capital assets (including vessels); and merge or consolidate with, or transfer all or substantially all of Eagle Shipping's assets to, another person. Eagle Shipping may not prepay the Second Lien Facility while amounts or commitments under the First Lien Facility remain outstanding.

The Second 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 and non-compliance with security documents. Further, there would be a default if any event occurs or circumstances arise in light of which, in the Second Lien Lenders' judgment, there is significant risk that Eagle Shipping is or would become insolvent. Eagle Shipping is not permitted to pay dividends. Indebtedness under the Second Lien Facility may also be accelerated if Eagle Shipping experiences a change of control.

In connection with the entry into the Second Lien Loan Agreement, on March 30, 2016, the Company agreed to issue 16,889,828 shares of common stock (adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of trading on August 5, 2016, see Note 1) to the Second Lien Lenders pro rata based on their participation in the Second Lien Facility, which Second Lien Lenders received shares equivalent to approximately 90% of the outstanding common stock of the Company after such issuance. The issuance of the shares of common stock was made pursuant to the exemption from registration under Section 4(a)(2) of the Securities Act.

In a first step, the Company issued and delivered 371,276 shares of common stock (adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of trading on August 5, 2016, see Note 1), representing approximately 19.4% of the Company's pre-transaction outstanding shares of common stock, to the Second Lien Lenders. In a second step, approved by the Company's shareholders at a special meeting held on August 2, 2016, the Company issued and delivered an additional 16,420,098 shares of common stock (adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of trading on August 5, 2016, see Note 1), to the Second Lien Lenders and an additional 98,454 shares of common stock (Adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of trading on August 5, 2016, see Note 1), to the Chairman and Chief

Executive Officer, both of whom participated as Second Lien Lenders.

Intercreditor Agreement

Concurrently with Eagle Shipping's entry into the A&R First Lien Loan Agreement and the Second Lien Loan Agreement, and in connection with the granting of security interest in the collateral under those agreements, Eagle Shipping entered into an Intercreditor Agreement, dated as of March 30, 2016 (the "Intercreditor Agreement") among Eagle Shipping, the First Lien Agent and the Second Lien Agent. The Intercreditor Agreement governs the relative rights and priorities of the secured parties in respect of liens on the assets of Eagle Shipping and its subsidiaries securing the First Lien Facility and the Second Lien Facility.

For the three months ended June 30, 2016, interest rates on the First Lien Facility ranged from 3.94% to 4.53% 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 5.44%.

For the three months ended June 30, 2015, interest rate on the Exit Financing Facility ranged from 4.05% to 4.08% including a margin over LIBOR applicable under the terms of the Exit Financing 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 5.24%.

For the six months ended June 30, 2016, interest rates on the First Lien Facility ranged from 3.86% to 4.53% 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 5.48%.

For the six months ended June 30, 2015, interest rates on the Exit Financing Facility ranged from 4.04% to 4.08%, including a margin over LIBOR applicable under the terms of the Exit Financing 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 5.41%.

Interest Expense consisted of**:**

	Three Months Ended		**Six Months Ended**	
	June 30, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**
First Lien Facility Interest	$2,288,380	$ 2,454,928	$4,797,522	$4,892,670
Payment in Kind interest on Second Lien Facility	2,123,333	-	2,123,333	-
Amortization of Debt issuance costs	491,144	531,889	799,648	1,256,313
Total Interest Expense	$4,902,857	$ 2,986,817	$7,720,503	$6,148,983

Interest paid amounted to $4,999,476 and $5,038,792, for the six months ended June 30, 2016 and 2015 respectively.

Note 5. Derivative Instruments and Fair Value Measurements

Forward freight agreements

The Company trades in forward freight agreements ("FFAs"), with the objective of utilizing this market as economic hedging instruments that reduce the risk of specific vessels to changes in the freight market. The Company's FFAs have not qualified for hedge accounting treatment. As such, unrealized and realized gains are recognized as a component of other expense in the Condensed Consolidated Statement of Operations.

The effect of non-designated derivative instruments on the Condensed Consolidated Statements of Operations:

Derivatives not designated as hedging instruments	Location of Loss Recognized	Amount of Loss **Three Months Ended**		Amount of Loss **Six Months Ended**	
		June 30, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**
FFAs	Other expense	$(300,785)	$ -	$(300,785)	$ -
Total		$(300,785)	$ -	$(300,785)	$ -

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. As of June 30, 2016, the Company posted cash collateral related to derivative instruments under its collateral security arrangements of $558,075, which it recorded as other current assets in the Condensed Consolidated Balance Sheet.

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 their short-term nature thereof.

Debt—the carrying amounts of borrowings under the revolving credit agreement 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 and restricted cash accounts. Our Level 1 derivatives include FFAs.

Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable. Our Level 2 non-derivatives include our term loan account, asset impairment and asset held for sale.

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

In the first quarter of 2016, as discussed in Note 3, the Company recorded a vessel impairment of $6,167,262 to its recorded vessel value as a result of a further reduction in asset value since December 31, 2015 coupled with management's intention to divest of six of its vessels in the short-term period. Prior to the impairment, such vessels had a recorded value of $25,317,262. In the fourth quarter of 2015, the Company recorded an impairment of $50,872,734 on the above noted vessels. Prior to the impairment, such vessels had a recorded value of $76,332,734.

Note 6. Commitments and Contingencies

Legal Proceedings

In November 2015, the Company filed a voluntary self-disclosure report with the U.S. Treasury Department's Office of Foreign Assets Control ("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 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 9, 2016, the Company entered into an agreement to charter-in a 63,000 dwt newbuilding Chinese vessel that was delivered on May 20, 2016 for a period of nine to fourteen months. The hire rate for the term is $6,000 per day.

On July 12, 2016, the Company entered into an agreement to charter-in a 61,000 dwt Japanese vessel that was delivered in July 2016 for a period of eleven to thirteen months. The hire rate for the term is $6,000 per day.

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.

Note 7. Loss Per Common Share

The computation of basic net loss per share is based on the weighted average number of common shares outstanding for the periods ended June 30, 2016 and June 30, 2015. Diluted net 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 loss per share as of June 30, 2016 does not include 30,385 unvested stock awards, 68,640 stock options and 152,266 warrants as their effect was anti-dilutive. Diluted net loss per share as of June 30, 2015 does not include 12,478 stock awards, 26,766 stock options and 152,266 warrants as their effect was anti-dilutive.

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Net loss	$(22,495,573)	$(27,508,300)	$(61,774,243)	$(48,175,364)
Weighted Average Shares – Basic*	2,254,665	1,881,968	2,073,068	1,879,175
Dilutive effect of stock options and restricted stock units	-	-	-	-
Weighted Average Shares – Diluted*	2,254,665	1,881,968	2,073,068	1,879,175
Basic Loss Per Share*	$(9.98)	$(14.62)	$(29.80)	$(25.64)
Diluted Loss Per Share*	$(9.98)	$(14.62)	$(29.80)	$(25.64)

*Adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of trading on August 5, 2016, see Note 1.

Note 8. Stock Incentive Plans

Effective as of the opening of trading on August 5, 2016, the Company completed a 1 for 20 reverse stock split as previously approved by the Company's shareholders. Proportional adjustments were made to the Company's issued and outstanding common stock and to its common stock underlying stock options and other common stock-based equity grants outstanding immediately prior to the effectiveness of the reverse stock split. No fractional shares were issued in connection with the reverse stock split, as shareholders who would otherwise hold a fractional share of common stock received a cash payment in lieu of that fractional share. All references herein to common stock and per share data for all periods presented in these condensed consolidated financial statements and notes thereto, have been retrospectively adjusted to reflect the reverse stock split.

2014 Management Incentive Plan

On October 15, 2014, the date the Company completed its balance sheet restructuring and emerged from Chapter 11 bankruptcy proceedings (the “Effective Date”), in accordance with the Company’s prepackaged plan of reorganization filed with and approved by the United States Bankruptcy Court for the Southern District of New York, the Company adopted the post-emergence Management Incentive Plan, which provides for the distribution of New Eagle MIP Primary Equity in the form of shares of common stock of the Company, and New Eagle MIP Options, to the participating senior management and other employees of the reorganized Company with 2% of the Company’s common stock (on a fully diluted basis) on the Effective Date, and two tiers of options to acquire 5.5% of the Company’s common stock (on a fully diluted basis) with different strike prices based on the equity value for the reorganized Company and a premium to the equity value, each of the foregoing to vest generally over a four year schedule through 25% annual installments commencing on the first anniversary of the Effective Date. The New Eagle MIP Primary Equity is subject to vesting, but the holder thereof is entitled to receive all dividends paid with respect to such shares as if such New Eagle MIP Primary Equity had vested on the grant date (subject to forfeiture by the holder in the event that such grant is terminated prior to vesting unless the administrator of the Management Incentive Program determines otherwise). The New Eagle MIP Options will contain adjustment provisions to reflect any transaction involving shares of the Company’s common stock, including as a result of any dividend, recapitalization, or stock split, so as to prevent any diminution or enlargement of the holder’s rights under the award.

As of June 30, 2016, stock awards covering a total of 30,384 of the Company’s shares are outstanding. The stock awards vest ratably over four years. The Company is amortizing to non-cash compensation expense, included in general and administrative expenses, the fair value of the non-vested stock awards at the grant date.

As of June 30, 2016, options covering 68,640 of the Company’s common shares are outstanding with exercise prices ranging from $78.4 to $505 per share (the market prices at the dates of grants). The options granted to members of the Company's management under the Management Incentive Plan vest and become exercisable in four equal annual installments beginning on the grant date. All options expire within seven years from the effective date.

For the three months ended June 30, 2016 and 2015, the Company has recorded non-cash compensation charges included in General and administrative expenses of $841,933 and $323,128, respectively. For the six months ended June 30, 2016 and 2015, the Company has recorded non-cash compensation charges included in General and administrative expenses of $1,668,546 and $2,207,579, respectively. The future compensation anticipated to be recognized for the aforementioned restricted stock and options for the six months ending December 31, 2016 and for the years ending December 31, 2017 and 2018 will be $1,287,441, $1,479,655 and $605,779, respectively.

Note 9. <u>Subsequent Events</u>

Common Stock Private Placements

On July 1, 2016 and July 10, 2016, respectively, the Company entered into Common Stock Purchase Agreements (collectively, the "Common Stock Purchase Agreements"), with certain purchasers (the "Common Stock Purchasers"). The Common Stock Purchasers include certain of our existing shareholders, who held approximately 70% of our outstanding equity prior to entry into the Common Stock Purchase Agreements and prior to giving effect to the delivery of all of the shares of common stock issued in connection with the Second Lien Loan Agreement, as well as our Chairman and Chief Executive Officer. The Common Stock Purchase Agreements provide for the issuance and sale by the Company to the Common Stock Purchasers of an aggregate amount of $88 million of common stock, at an initial price per share of $0.15, which amount per share was increased to $3 per share based on the reverse stock split ratio of 1-for-20 (as described below) (the "Reverse Stock Split Ratio"). The reverse stock split did not affect the aggregate purchase price paid by each of the Common Stock Purchasers and the gross proceeds to the Company. The proceeds are expected to contribute to the Company's financial capacity and flexibility and to be used for acquisition of dry bulk vessels and general corporate purposes.

The shares of common stock issued under the Common Stock Purchase Agreements will amount to 29,333,318 (based on the Reverse Stock Split Ratio, as described in more detail below), which will have the effect of diluting our existing shareholders. The Private Placement Common Shares will be issued pursuant to the private placement exemption from registration under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act.

The closing of the transactions under the Common Stock Purchase Agreements is expected to close in the near term, as the closing conditions have been satisfied.

Special Meeting of Shareholders

On August 2, 2016, the Company's shareholders voted to approve the following:

the ratification of the issuance of shares of common stock in connection with the Second Lien Loan Agreement in an amount equal to or greater than 20% of the common stock outstanding before such issuance and the issuance of shares of common stock to certain officers and directors pursuant to the Second Lien Loan Agreement, pursuant to NASDAQ Listing Rules 5635(d) and 5635(c), respectively;

an amendment to the Company's Articles of Incorporation described below to increase the number of authorized shares of common stock;

an amendment to the Company's Articles of Incorporation, described in more detail below to effect a reverse stock split of the Company's common stock by a ratio of between 1-for-10 and 1-for-50, inclusive;

an amendment to the Company's Articles of Incorporation to authorize 25,000,000 shares of preferred stock, par value $0.01; and

the issuance of shares of common stock in connection with the Common Stock Purchase Agreements in an amount equal to or greater than 20% of the common stock outstanding before such issuance and the issuance of shares of common stock to certain officers and directors pursuant to the Second Lien Loan Agreement, pursuant to NASDAQ Listing Rules 5635(d) and 5635(c), respectively.

Increase in Authorized Shares of Common Stock

Effective upon the filing of an amendment to the Company's Articles of Incorporation with the Registrar of Corporations of the Republic of the Marshall Islands on August 2, 2016, as approved by the Company's shareholders at the special meeting of shareholders on August 2, 2016, the number of shares of common stock authorized to be issued by the Company was increased from 150,000,000 to 700,000,000.

Reverse Stock Split

Effective as of the opening of trading on August 5, 2016, the Company completed a 1 for 20 reverse stock split as previously approved by the Company's shareholders. Proportional adjustments were made to the Company's issued and outstanding common stock and to its common stock underlying stock options and other common stock-based equity grants outstanding immediately prior to the effectiveness of the reverse stock split. No fractional shares were issued in connection with the reverse stock split, as shareholders who would otherwise hold a fractional share of common stock received a cash payment in lieu of that fractional share. All references herein to common stock and per share data for all periods presented in these consolidated financial statements and notes thereto, have been retrospectively adjusted to reflect the reverse stock split. See Note 1.

Preferred Stock Private Placement

On May 26, 2016, the Company entered into a Preferred Stock Purchase Agreement (the “Preferred Stock Purchase Agreement”) with certain investors named therein, including certain of our existing shareholders and our Chairman and Chief Executive Officer (the “Purchasers”), pursuant to which the Company agreed to issue to the Purchasers in a private placement (the “Private Placement”) pursuant to the private placement exemption from registration under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act, shares of the Company’s 15% Cumulative Nonparticipating Redeemable Series A Preferred Stock, par value $0.01 per share (the “Series A Preferred Stock”), at a purchase price of $1,000.00 per share with a 1.0% original issue discount, for aggregate gross proceeds expected to amount to approximately $6.3 million. The proceeds are expected to contribute to the Company’s financial capacity and flexibility and to be used for general corporate purposes and business initiatives, including the procurement of chartered tonnage to supplement the owned fleet.

The closing of the transaction and the issuance of the shares of the Series A Preferred Stock is subject to customary closing conditions set forth in the Purchase Agreement, as well as the approval by the Company’s shareholders of an amendment to the Second Amended and Restated Articles of Incorporation (the “Articles of Incorporation”) to specify the total number of shares of preferred stock that the Company is authorized to issue as required by Section 28(e) of the Business Corporations Act (“BCA”) of the Republic of the Marshall Islands (the “Articles Amendment”). On July 19, 2016, the Company and the Purchasers amended the Preferred Stock Purchase Agreement to amend the optional termination date of the Purchase Agreement by changing such date from August 1, 2016 to September 1, 2016. The shareholders of the Company approved the Articles Amendment at the special meeting of shareholders held on August 2, 2016, and the Articles Amendment became effective upon filing with the Registrar of Corporations of the Republic of the Marshall Islands on August 2, 2016.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following is a discussion of the Company's financial condition and results of operation for the three and six-month periods ended June 30, 2016 and 2015. 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, 2015, which were included in our Form 10-K, filed with the Securities and Exchange Commission on March 31, 2016.

This discussion contains forward-looking statements within the meaning of Section 27A of 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 new building 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; (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, (xi) the outcome of legal proceedings in which we are involved; and other factors listed from time to time in our filings with the Securities and Exchange Commission. 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. We have not independently verified this data nor sought the consent of any organizations to refer to their reports in this Quarterly Report. 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. If we update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

Overview

Eagle Bulk Shipping Inc. is a Marshall Islands corporation headquartered in Stamford, Connecticut. We own one of the largest fleets of Supramax dry bulk vessels in the world. Supramax dry bulk are vessels which are constructed with on-board cranes, ranging in size from approximately 50,000 to 65,000 dwt and considered a sub-category of the Handymax segment; typically defined as 40,000-65,000 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, 2016, we owned and operated a modern fleet of 41 Supramax and 1 Handymax dry bulk vessels. We charter-in a 37,000 dwt newbuilding Japanese vessel that was delivered in October 2014 for seven years with an option for one additional year. We also chartered-in a 63,000 dwt newbulding vessel that was delivered in May 2016 for nine to fourteen months.

We are focused on maintaining a high quality fleet that is concentrated primarily in one vessel type – Supramax 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 class vessels make them attractive to cargo interests and vessel charterers. The 42 owned vessels in our operating fleet, with an aggregate carrying capacity of 2,302,855 dwt, have an average age of 8.7 years as of June 30, 2016. In addition to our owned vessels, as of June 30, 2016, as mentioned above, the Company chartered-in two vessels with an aggregate carrying capacity of 100,000 dwt.

We own each of our vessels through a separate wholly owned Republic of the Marshall Islands limited liability company.

On June 20, 2016, the Company announced that it plans to expand its global commercial presence with the establishment of a new office in Hamburg, Germany, and operate through a new subsidiary, Eagle Bulk Europe GmbH, which commenced operations in August of 2016.

Preferred Stock Private Placement

On May 26, 2016, the Company entered into a Preferred Stock Purchase Agreement (the "Preferred Stock Purchase Agreement") with certain investors named therein, including certain of our existing shareholders and our Chairman and Chief Executive Officer (the "Purchasers"), pursuant to which the Company agreed to issue to the Purchasers in a private placement (the "Private Placement") pursuant to the private placement exemption from registration under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act, shares of the Company's 15% Cumulative Nonparticipating Redeemable Series A Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock"), at a purchase price of $1,000.00 per share with a 1.0% original issue discount, for aggregate gross proceeds expected to amount to approximately $6.3 million. The proceeds are expected to contribute to the Company's financial capacity and flexibility and to be used for general corporate purposes and business initiatives, including the procurement of chartered tonnage to supplement the owned fleet.

The closing of the transaction and the issuance of the shares of the Series A Preferred Stock is subject to customary closing conditions set forth in the Purchase Agreement, as well as the approval by the Company's shareholders of an amendment to the Second Amended and Restated Articles of Incorporation (the "Articles of Incorporation") to specify the total number of shares of preferred stock that the Company is authorized to issue as required by Section 28(e) of the Business Corporations Act ("BCA") of the Republic of the Marshall Islands (the "Articles Amendment"). On July 19, 2016, the Company and the Purchasers amended the Preferred Stock Purchase Agreement to amend the optional termination date of the Purchase Agreement by changing such date from August 1, 2016 to September 1, 2016. The shareholders of the Company approved the Articles Amendment at the special meeting of shareholders held on August 2, 2016, and the Articles Amendment became effective upon filing with the Registrar of Corporations of the Republic of the Marshall Islands on August 2, 2016.

Common Stock Private Placements

On July 1, 2016 and July 10, 2016, respectively, the Company entered into Common Stock Purchase Agreements (collectively, the "Common Stock Purchase Agreements"), with certain purchasers (the "Common Stock Purchasers"). The Common Stock Purchasers include certain of our existing shareholders, who held approximately 70% of our outstanding equity prior to entry into the Common Stock Purchase Agreements and prior to giving effect to the delivery of all of the shares of common stock issued in connection with the Second Lien Loan Agreement, as well as our Chairman and Chief Executive Officer. The Common Stock Purchase Agreements provide for the issuance and sale by the Company to the Common Stock Purchasers of an aggregate amount of $88 million of common stock, at an initial price per share of $0.15, which amount per share was increased to $3 per share based on the reverse stock split ratio of 1-for-20 (as described below) (the "Reverse Stock Split Ratio"). The reverse stock split did not affect the aggregate purchase price paid by each of the Common Stock Purchasers and the gross proceeds to the Company. The proceeds are expected to contribute to the Company's financial capacity and flexibility and to be used for acquisition of dry bulk vessels and general corporate purposes.

The shares of common stock issued under the Common Stock Purchase Agreements will amount to 29,333,318 (based on the Reverse Stock Split Ratio, as described in more detail below), which will have the effect of diluting our existing shareholders. The Private Placement Common Shares will be issued pursuant to the private placement exemption from registration under Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated under the Securities Act.

The closing of the transactions under the Common Stock Purchase Agreements is expected to close in the near term, as the closing conditions have been satisfied.

Corporate Reorganization and Refinancing

On March 30, 2016, we entered into a contribution agreement (the "Contribution Agreement") with a newly-formed wholly-owned subsidiary, Eagle Shipping LLC, a limited liability company organized under the laws of the Marshall Islands ("Eagle Shipping") pursuant to which the Company transferred, assigned and contributed to Eagle Shipping, and Eagle Shipping received, accepted and assumed, all of the tangible and intangible assets of the Company (other than the membership interests in Eagle Shipping owned by the Company and certain deposit accounts held by the Company, which deposit account balances were transferred) and all of the liabilities of the Company (the "Contribution"), including all of the Company's rights and obligations under the Exit Financing Facility. Immediately following the Contribution, Eagle Shipping became the direct parent company of each of the Company's previously directly-owned subsidiaries. The Contribution was part of the transactions contemplated by the agreements also entered into on March 30, 2016 and described below, which transactions were consummated on March 30, 2016, after the fulfillment of certain conditions precedent.

First Lien Facility

On March 30, 2016, Eagle Shipping, as borrower, and certain of its subsidiaries that are guarantors under the Exit Financing Facility, as guarantors, entered into an Amended and Restated First Lien Loan Agreement (the "A&R First

Lien Loan Agreement") with the lenders thereunder (the "First Lien Lenders") and ABN AMRO Capital USA LLC, as agent and security trustee for the lenders. The A&R First Lien Loan Agreement amends and restates the Exit Financing Facility in its entirety, providing for Eagle Shipping to be the borrower in the place of the Company, and further provides 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 our Condensed Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report). The A&R First Lien Loan Agreement provides for a term loan outstanding as of March 30, 2016, in the amount of $201,468,750 as well as a $50,000,000 revolving credit facility, of which $10,000,000 was undrawn prior to the refinancing (the term loan, together with the revolving credit facility, the "First Lien Facility"). The First Lien Facility matures on October 15, 2019. An aggregate fee of $600,000 was paid to the Agent and First Lien Lenders in connection with the First Lien Facility.

As of June 30, 2016, our total availability in the revolving credit facility under the First Lien Facility was $35,000,000 and our cash balance as of June 30, 2016 was $11,874,047.

Eagle Shipping's obligations under the First Lien Facility are secured by a first priority mortgage on each of the vessels currently in the Company's fleet and such other vessels that it may from time to time include with the approval of the First Lien Lenders, a first assignment of its earnings account, its liquidity account and its vessel-owning subsidiaries' earnings accounts, a first assignment of all charters with terms that may exceed 18 months, freights, earnings, insurances, requisition compensation and management agreements with respect to the vessels and a first priority 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 First Lien Facility contains financial covenants requiring Eagle Shipping, among other things, to ensure that the aggregate market value of the vessels in the Company's fleet (plus the value of certain additional collateral) at all times on or after July 1, 2017 does not fall below 100% in the third and fourth quarters of 2017, 110% in 2018 and 120% in 2019 of the aggregate principal amount of debt outstanding (subject to certain adjustments) under the First Lien Facility and maintain minimum liquidity of not less than the greater of (i) $8,140,000 and (ii) $185,000 per vessel in the Company's fleet. In addition, the First Lien Facility also imposes operating restrictions on Eagle Shipping including limiting Eagle Shipping's ability to, among other things: pay dividends; incur additional indebtedness; create liens on assets; acquire and sell capital assets (including vessels); and merge or consolidate with, or transfer all or substantially all of Eagle Shipping's assets to, another person. Upon entering into the First Lien Facility, Eagle Shipping made a principal payment with respect to the term loan of $11,718,750. For the fiscal quarters ending June 30, 2017 and June 30, 2018 and the fiscal years ending December 31, 2017 and 2018, Eagle Shipping is obligated to repay the First Lien Facility semi-annually in an amount equal to 75% of Eagle Shipping's excess cash flow for the preceding semi-annual period, as defined in the First Lien Facility, subject to a cap of such mandatory prepayments of $15,625,000 in any fiscal year. Thereafter, Eagle Shipping will make payments of $3,906,250 on January 15, 2019, April 15, 2019, and July 15, 2019, and a final balloon payment equal to the remaining amount outstanding under the First Lien Facility on October 15, 2019.

The Company has prepaid $2,034,000 in the second quarter of 2016 pursuant to the terms of the loan agreement relating to the mandatory prepayment upon sale of vessels. The repayment schedule mentioned above has been changed to reflect the prepayment made in second quarter of 2016. As of June 30, 2016, the Company is required to make the payments of $3,831,769 on January 15, 2019, April 15, 2019, July 15, 2019, and a final balloon payment equal to the remaining amount outstanding under the First Lien Facility on October 15, 2019. This prepayment schedule does not reflect the mandatory prepayments to be made upon sale of the vessel MV Kittiwake. See Note 3.

The 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 and non-compliance with security documents. Further, there would be a default if any event occurs or circumstances arise in light of which, in the First Lien Lenders' judgment, there is significant risk that Eagle Shipping is or would become insolvent. Eagle Shipping is not permitted to pay dividends. Indebtedness under the First Lien Facility may also be accelerated if Eagle

Shipping experiences a change of control.

Second Lien Facility

On March 30, 2016, Eagle Shipping, as borrower, and certain of its subsidiaries, as guarantors, entered into a Second Lien Loan Agreement (the "Second Lien Loan Agreement") 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 Lenders include certain of the Company's existing shareholders as well as other investors. The Second Lien Loan Agreement provides for a term loan in the amount of $60,000,000 (the "Second Lien Facility"), and matures on January 14, 2020 (91 days after the original stated maturity of the First Lien Facility). The term loan under the Second Lien Facility bears interest at a rate of LIBOR plus 14.00% per annum (with a 1.0% LIBOR floor) or the Base Rate (as defined in the Second Lien Loan Agreement) plus 13.00% per annum, paid in kind quarterly in arrears. The Company used the proceeds from the Second Lien Facility to pay down amounts outstanding in respect of the revolving credit facility under the Exit Financing Facility, pay three quarters of amortization payments under the Exit Financing Facility, pay transaction fees in connection with the entry into the A&R First Lien Loan Agreement and the Second Lien Loan Agreement, and add cash to the balance sheet, which cash would be deposited in an account subject to the security interest and control of the First Lien Lenders and the Second Lien Lenders.

Eagle Shipping's obligations under the Second Lien Facility are secured by a second priority lien on the same collateral securing Eagle Shipping's obligations under the First Lien Facility, subject to the terms of the Intercreditor Agreement (as defined below). Eagle Shipping may grant additional security to the Second Lien Lenders from time to time in the future, subject to the terms of the Intercreditor Agreement.

The Second Lien Facility contains financial covenants substantially similar to those in the First Lien Facility, subject to standard cushions, requiring Eagle Shipping, among other things, to ensure that the aggregate market value of the vessels in the Company's fleet (plus the value of certain additional collateral) at all times on or after July 1, 2017 does not fall below 100% in the third and fourth quarters of 2017, 110% in 2018 and 120% in 2019 of the aggregate principal amount of debt outstanding (subject to certain adjustments) under the Second Lien Facility (provided that Eagle Shipping will not be required to comply with such covenant until the First Lien Facility has been paid in full) and to maintain a minimum liquidity of not less than the greater of (i) $6,512,000 and (ii) $148,000 per vessel in Eagle Shipping's fleet. In addition, the Second Lien Facility also imposes operating restrictions on Eagle Shipping including limiting Eagle Shipping's ability to, among other things: pay dividends; incur additional indebtedness; create liens on assets; acquire and sell capital assets (including vessels); and merge or consolidate with, or transfer all or substantially all of Eagle Shipping's assets to, another person. Eagle Shipping may not prepay the Second Lien Facility while amounts or commitments under the First Lien Facility remain outstanding.

The Second 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 and non-compliance with security documents. Further, there would be a default if any event occurs or circumstances arise in light of which, in the Second Lien Lenders' judgment, there is significant risk that Eagle Shipping is or would become insolvent. Eagle Shipping is not permitted to pay dividends. Indebtedness under the Second Lien Facility may also be accelerated if Eagle Shipping experiences a change of control.

In connection with the entry into the Second Lien Loan Agreement, on March 30, 2016, the Company agreed to issue 16,889,828 shares of common stock (adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of trading on August 5, 2016, see Note 1) to the Second Lien Lenders pro rata based on their participation in the Second Lien Facility, which Second Lien Lenders received shares equivalent to approximately 90% of the outstanding common stock of the Company after such issuance. The issuance of the shares of common stock was made pursuant to the exemption from registration under Section 4(a)(2) of the Securities Act.

In a first step, the Company issued and delivered 371,276 shares of common stock (adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of trading on August 5, 2016, see Note 1), representing approximately 19.4% of the Company's pre-transaction outstanding shares of common stock, to the Second Lien Lenders. In a second step, approved by the Company's shareholders at a special meeting held on August 2, 2016, the Company issued and delivered an additional 16,420,098 shares of common stock (adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of trading on August 5, 2016, see Note 1), to the Second Lien Lenders and an additional 98,454 shares of common stock (adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of trading on August 5, 2016, see Note 1), to the Chairman and Chief Executive Officer, both of whom participated as Second Lien Lenders.

Intercreditor Agreement

Concurrently with Eagle Shipping's entry into the A&R First Lien Loan Agreement and the Second Lien Loan Agreement, and in connection with the granting of security interest in the collateral under those agreements, Eagle Shipping entered into an Intercreditor Agreement, dated as of March 30, 2016 (the "Intercreditor Agreement") among Eagle Shipping, the First Lien Agent and the Second Lien Agent. The Intercreditor Agreement governs the relative rights and priorities of the secured parties in respect of liens on the assets of Eagle Shipping and its subsidiaries securing the First Lien Facility and the Second Lien Facility.

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.

Strategy

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

(1) concentration in one vessel category: the Supramax class of Handymax dry bulk vessels, which we believe offer size, operational and geographical advantages over Panamax and Capesize vessels;

(2) Eagle's chartering strategy has historically been to time charter the Vessels on short- to medium-term charter, often with vessel operators. However, under its new management team, the Company is in the midst of a transition to an active operating model where it is entering into a higher percentage of voyage charters and developing 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. Notwithstanding the focus on voyage chartering, Eagle consistently monitors the dry bulk shipping market and, based on market conditions, will consider taking advantage of long-term time charters at higher rates when appropriate;

(3) maintain high quality vessels and improve standards of operation through improved environmental procedures, crew training and maintenance and repair procedures; and

(4) maintain a balance between purchasing vessels as market conditions and opportunities arise and maintaining prudent financial ratios (e.g. leverage ratio).

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, 2016:

Vessel	Year Built	Dwt	Charter Expiration (1)	Daily Charter Hire Rate	
Avocet	2010	53,462	Sep 2016	$ 5,750	
Bittern	2009	57,809	Aug 2016	$ 1,500	(1)
Canary	2009	57,809	Jul 2016	$ 12,000	
Cardinal	2004	55,362	Aug 2016	Voyage	
Condor	2001	50,296	Aug 2016	$ 4,900	
Crane	2010	57,809	Jul 2016	Voyage	
Crested Eagle	2009	55,989	Jul 2016	$ 6,750	
Crowned Eagle	2008	55,940	Jul 2016	Voyage	
Egret Bulker	2010	57,809	Jul 2016	Voyage	
Gannet Bulker	2010	57,809	Aug 2016	$ 2,000	(2)
Golden Eagle	2010	55,989	Sep 2016	$ 5,250	
Goldeneye	2002	52,421	Jul 2016	$ 5,400	

Grebe Bulker	2010	57,809	Jul 2016	Voyage	
Harrier	2001	50,296	Jul 2016	$ 7,250	(6)
Hawk I	2001	50,296	Aug 2016	$ 7,250	
Ibis Bulker	2010	57,775	Jul 2016	Voyage	
Imperial Eagle	2010	55,989	Jul 2016	$ 6,250	
Jaeger	2004	52,248	Aug 2016	$ 1,950	(3)
Jay	2010	57,802	Jul 2016	Voyage	

5

Kestrel I	2004	50,326	Sep 2016	Voyage	
Kingfisher	2010	57,776	Aug 2016	$ 7,750	
Kittiwake	2002	53,146	Jul 2016	Voyage	(7)
Martin	2010	57,809	Jul 2016	Voyage	
Merlin	2001	50,296	Aug 2016	Voyage	
Nighthawk	2011	57,809	Jul 2016	$ 9,250	
Oriole	2011	57,809	Jul 2016	$ 1,300	(4)
Osprey I	2002	50,206	Jul 2016	$ 3,900	
Owl	2011	57,809	Jul 2016	$ 6,000	
Petrel Bulker	2011	57,809	Jul 2016	$ 1,500	
Puffin Bulker	2011	57,809	Aug 2016	$ 9.000	
Redwing	2007	53,411	Aug 2016	Voyage	
Roadrunner Bulker	2011	57,809	Jul 2016	$ 5,250	
Sandpiper Bulker	2011	57,809	Aug 2016	$ 5,300	
Shrike	2003	53,343	Jul 2016	Voyage	
Skua	2003	53,350	Jul 2016	Voyage	
Sparrow	2000	48,225	Aug 2016	$ 8,000	
Stellar Eagle	2009	55,989	Jul 2016	$ 5,800	
Tern	2003	50,200	Jul 2016	$ 5,900	
Thrasher	2010	53,360	Sep 2016	Voyage	
Thrush	2011	53,297	Sep 2016	$ 1,950	(5)
Woodstar	2008	53,390	Jul 2016	$ 5,500	
Wren	2008	53,349	Aug 2016	$ 9,000	

(1) The vessel is contracted to continue the existing time charter at a daily charter rate of $5,500 after August 3, 2016

(2) The vessel is contracted to continue the existing time charter at a daily charter rate of $5,600 after August 16, 2016

(3) The vessel is contracted to continue the existing time charter at a daily charter rate of $5,500 after August 1, 2016

(4) The Vessel is contracted to continue the existing time charter at a daily charter rate of $5,500 after July 1, 2016.

(5) The vessel is contracted to continue the existing time charter at a daily charter rate of $5,500 after July 26, 2016.

(6) As of June 30, 2016, the Company determined that all the held for sale criteria have been met for the vessel Harrier and reviewed its carrying amount in the books compared to the fair market value less the selling expenses.The review indicated that such carrying amount is in excess of the fair market value less the selling expenses. Therefore, the Company recorded a loss of $115,000 in its Condensed Consolidated Statement of Operations and classified the vessel as current asset in its Condensed Consolidated Balance Sheet. On July 13, 2016, the vessel was sold for net proceeds of $3.2 million.

(7) On August 2, 2016, the Company signed a memorandum of agreement to sell the vessel Kittiwake for net proceeds of $4.2 million.

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 wholly owned subsidiaries, Eagle Shipping International (USA) LLC, a Republic of the Marshall Islands limited liability company that maintains its principal executive offices in Stamford, CT, Eagle Bulk Pte. Ltd, a Singapore company. We currently have a total of seventy shore-based personnel, including our senior management team and our office staff, who either directly or through these subsidiaries, provides the following services:

- commercial operations and technical supervision;
- safety monitoring;
- vessel acquisition; and
- financial, accounting and information technology services.

Technical Management

We have established in-house technical management capabilities, through which we provide technical management services to our vessels. On August 24, 2015, the Company provided three months' notice to V. Ships Limited, a third party unaffiliated technical manager, to terminate the technical management contract. As of June 30, 2016, there is one vessel managed by V. Ships, which was sold in July 2016.

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 markets 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 is 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 Reports on Form 10-K. 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, 2015, filed with the SEC on March 31, 2016.

Use of Estimates

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 stock-based compensation, the useful lives of fixed assets and intangibles, the period of drydock amortization, the allowances for bad debt, and the fair value of warrants.

Results of Operations for the three and six month periods ended June 30, 2016 and 2015:

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

	Three Months Ended	Six Months Ended

	June 30, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**
Ownership Days	3,924	4,040	7,928	8,090
Chartered in Days	200	91	351	181
Available Days	4,102	3,949	8,199	7,969
Operating Days	4,064	3,850	8,094	7,754
Fleet Utilization	99.1 %	97.5 %	98.7 %	97.3 %

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. Ownership days for the six-month period ended June 30, 2016 were 7,928 compared to 8,090 in the corresponding period in the prior year due to the sale of the vessels Peregrine and Falcon in the second quarter of 2016 compared to the sale of the vessel Kite during the second quarter of 2015.

- 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.

- Available days: We define available days as the number of our ownership days less the aggregate number of days that our vessels are off-hire due to vessel familiarization upon acquisition, scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels. 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-month period ended June 30, 2016, the Company completed drydocking of six vessels. During the six-month period ended June 30, 2015, the Company completed drydocking fourteen vessels while one other vessel was still in drydocking as of June 30, 2015.

- Operating days: We define operating days as the number of our 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.

8

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 5.00% 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 revenues during the quarter ended June 30, 2016 and 2015, were $25,590,434 and $22,657,372, respectively. The increase in revenue is attributable to increased number of freight voyages as well as available days due to chartered in vessels.

Net revenues during the six-month periods ended June 30, 2016 and 2015, were $46,868,722 and $48,988,538, respectively. The decrease in revenue is attributable to lower charter rates earned by the fleet offset by an increase in available days due to chartered in vessels.

Voyage Expenses

To the extent that we employ our vessels on voyage charters, we incur expenses that include bunkers, port charges, canal tolls, cargo handling operations and brokerage commissions, as these expenses are borne by the vessel owner on voyage charters. Bunkers, port charges, and canal toll expenses primarily increase in periods during which vessels are employed on voyage charters because these expenses are for the account of the owner. Voyage expenses for the three-month period ended June 30, 2016 were $7,450,149, compared to $3,156,304 in the comparable quarter in 2015. Voyage expenses for the six-month period ended June 30, 2016 were $16,694,196, compared to $8,338,479 in the comparable period in 2015. Voyage expenses have primarily increased due to increased number of freight voyages performed in the current year compared to prior year.

Vessel Expenses

Vessel expenses for the three-month period ended June 30, 2016 were $18,594,587, compared to $20,182,731 in the comparable quarter in 2015. The decrease is attributable primarily to the lower number of owned vessels and savings achieved due to in-house management of the vessels. The Company had 42 owned vessels at the end of second quarter of 2016 compared to 44 vessels at the end of comparable quarter in 2015.

Vessel expenses for the six-month period ended June 30, 2016 were $39,075,222, compared to $40,631,437 in the comparable quarter in 2015. The decrease is attributable primarily due to lower number of owned vessels.

Vessel 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.

Depreciation and Amortization

For the three-month periods ended June 30, 2016 and 2015, total depreciation and amortization expense was $9,654,129 and $10,898,049, respectively. Total depreciation and amortization expense for the three-month period ended June 30, 2016 includes $8,758,221 of vessel and other fixed assets depreciation, and $895,908 relating to the amortization of deferred drydocking costs. Comparable amounts for the three-month period ended June 30, 2015 were $10,251,355 of vessel and other fixed assets depreciation and $646,694 of amortization of deferred drydocking costs.

For the six-month periods ended June 30, 2016 and 2015, total depreciation and amortization expense was $19,050,830 and $21,455,220, respectively. Total depreciation and amortization expense for the six-month period ended June 30, 2016 includes $17,661,150 of vessel and other fixed assets depreciation, and $1,389,680 relating to the amortization of deferred drydocking costs. Comparable amounts for the six-month period ended June 30, 2015 were $20,523,130 of vessel and other fixed assets depreciation and $932,090 of amortization of deferred drydocking costs.

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. 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.

Amortization of debt issuance costs is included in interest expense. These financing costs relate to costs associated with the First Lien and Second Lien Loan Facilities and Exit Financing Facility. The Company paid $2,936,009 in connection with the First and Second Lien Loan facilities and $6,575,000 for the Exit Financing Facility, which is recorded as debt issuance costs that amortize over the term of the related Loan. For the three-month periods ended June 30, 2016 and 2015, the amortization of debt issuance costs was $491,145 and $531,889, respectively. For the six-month periods ended June 30, 2016 and 2015, the amortization of debt issuance costs was $799,648 and $1,256,313, respectively. The Company adopted the new accounting standard issued by FASB ASU 2015-03 on presentation of deferred financing costs on January 1, 2016 and accordingly, we have reclassified previously reported deferred financing costs of $435,816 as of December 31, 2015 as a reduction of the long-term debt balance retrospectively.

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 and external technical management fees.

General and administrative expenses for the three-month periods ended June 30, 2016 and 2015, were $4,874,719 and $5,844,165, respectively. These general and administrative expenses include a non-cash compensation component of $841,933 and $323,128, respectively. The decrease in general and administrative expenses for the three-month period ended June 30, 2016 compared to the comparable period in 2015 is primarily attributable to a decrease in professional fees offset by an increase in non cash compensation expense.

General and administrative expenses for the six-month periods ended June 30, 2016 and 2015, were $10,206,062 and $12,279,168, respectively. These general and administrative expenses include a non-cash compensation component of $1,668,546 and $2,207,579, respectively. The decrease in general and administrative expenses for the six-month period ended June 30, 2016 compared to the comparable period in 2015, is primarily attributable to decrease in professional fees.

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

Net cash used by operating activities during the six-month period ended June 30, 2016 was $32,599,148, compared with net cash used by operating activities of $23,328,501 during the corresponding six-month period ended June 30, 2015. The increase in cash used by operating activities is primarily due to lower charter rates on time charter renewals.

Net cash provided by investing activities during the six-month period ended June 30, 2016 was $5,174,981, compared with net cash provided by investing activities of $8,635,658 during the corresponding six-month period ended June 30, 2015. The decrease during the six-month period ended June 30, 2016 compared to the prior year is mainly due to proceeds from sale of investments in 2015 offset by higher proceeds from sales of vessels.

Net cash provided by financing activities during the six-month period ended June 30, 2016 was $14,402,053, compared with $1,901,994 during the corresponding six-month period ended June 30, 2015. The increase in cash from financing activities is due to $60,000,000 received from our Second Lien Loan facility and $5,158,500 from the Revolving Loan Facility offset by repayment of $17,659,000 of our term loan and $30,158,500 of our revolver loan. The Company also paid $2,936,009 in deferred financing costs.

As of June 30, 2016, our cash balance was $11,874,047, compared to a cash balance of $24,896,161 at December 31, 2015. Also recorded in Restricted Cash is an amount of $74,917, which collateralizes letters of credit relating to our office lease.

At June 30, 2016, the Company's debt consisted of $202,716,000 in term loans, net of $5,629,589 debt issuance costs and the Second Lien Facility of $60,000,000 net of $679,281 debt issuance costs.

Liquidity

As a result of the very challenging market conditions in the dry bulk shipping sector in recent years, the Company has incurred significant losses since 2012, and negative operating cash flow since 2013. In 2014, the Company filed for bankruptcy and emerged from bankruptcy in October 2014. Since emerging from bankruptcy, the Company has continued to incur significant losses. The rate environment continues to be low, and the Company had certain events of default under its credit facility for which its lenders agreed to forbearance agreements pursuant to a forbearance agreement, as amended regarding such defaults. In March 2016, the Company completed the refinancing discussed below, which mitigated the liquidity issues facing the Company. After the refinancing, the Company's credit line as part of the First Lien Facility, as defined herein, will be available for working capital needs of the Company.

On July 1, 2016 and July 10, 2016, respectively, the Company entered into Common Stock Purchase Agreements (collectively, the "Common Stock Purchase Agreements"), with certain purchasers (the "Common Stock Purchasers"). The Common Stock Purchasers include certain of our existing shareholders, who held approximately 70% of our outstanding equity prior to entry into the Common Stock Purchase Agreements and prior to giving effect to the delivery of all of the shares of common stock issued in connection with the Second Lien Loan Agreement, as well as our Chairman and Chief Executive Officer. The Common Stock Purchase Agreements provide for the issuance and sale by the Company to the Common Stock Purchasers of an aggregate amount of $88 million of common stock, at an initial price per share of $0.15, which amount per share was increased to $3 per share based on the reverse stock split ratio of 1-for-20. The proceeds are expected to contribute to the Company's financial capacity and flexibility and to be used for acquisition of dry bulk vessels and general corporate purposes.

First Lien Facility

On March 30, 2016, Eagle Shipping, as borrower, and certain of its subsidiaries that are guarantors under the Exit Financing Facility, as guarantors, entered into an Amended and Restated First Lien Loan Agreement (the "A&R First Lien Loan Agreement") with the lenders thereunder (the "First Lien Lenders") and ABN AMRO Capital USA LLC, as agent and security trustee for the lenders. The A&R First Lien Loan Agreement amends and restates the Exit Financing Facility in its entirety, providing for Eagle Shipping to be the borrower in the place of the Company, and further provides for a waiver of any and all events of default occurring as a result of the voluntary OFAC Disclosure. The A&R First Lien Loan Agreement provides for a term loan outstanding as of March 30, 2016, in the amount of $201,468,750 as well as a $50,000,000 revolving credit facility, of which $10,000,000 was undrawn prior to the refinancing (the term loan, together with the revolving credit facility, the "First Lien Facility"). The First Lien Facility matures on October 15, 2019. An aggregate fee of $600,000 was paid to the Agent and First Lien Lenders in connection with the First Lien Facility.

As of June 30, 2016, our total availability under the revolving credit facility included in the First Lien Facility was $35,000,000 and our cash balance as of June 30, 2016 was $11,874,047.

Eagle Shipping’s obligations under the First Lien Facility are secured by a first priority mortgage on each of the vessels currently in the Company’s fleet and such other vessels that it may from time to time include with the approval of the First Lien Lenders, a first assignment of its earnings account, its liquidity account and its vessel-owning subsidiaries’ earnings accounts, a first assignment of all charters with terms that may exceed 18 months, freights, earnings, insurances, requisition compensation and management agreements with respect to the vessels and a first priority 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 First Lien Facility contains financial covenants requiring Eagle Shipping, among other things, to ensure that the aggregate market value of the vessels in the Company’s fleet (plus the value of certain additional collateral) at all times on or after July 1, 2017 does not fall below 100% in the third and fourth quarters of 2017, 110% in 2018 and 120% in 2019 of the aggregate principal amount of debt outstanding (subject to certain adjustments) under the First Lien Facility and maintain minimum liquidity of not less than the greater of (i) $8,140,000 and (ii) $185,000 per vessel in the Company’s fleet. In addition, the First Lien Facility also imposes operating restrictions on Eagle Shipping including limiting Eagle Shipping’s ability to, among other things: pay dividends; incur additional indebtedness; create liens on assets; acquire and sell capital assets (including vessels); and merge or consolidate with, or transfer all or substantially all of Eagle Shipping’s assets to, another person. Upon entering into the First Lien Facility, Eagle Shipping made a principal payment with respect to the term loan of $11,718,750. For the fiscal quarters ending June 30, 2017 and June 30, 2018 and the fiscal years ending December 31, 2017 and 2018, Eagle Shipping is obligated to repay the First Lien Facility semi-annually in an amount equal to 75% of Eagle Shipping’s excess cash flow for the preceding semi-annual period, as defined in the First Lien Facility, subject to a cap of such mandatory prepayments of $15,625,000 in any fiscal year. Thereafter, Eagle Shipping will make payments of $3,906,250 on January 15, 2019, April 15, 2019, and July 15, 2019, and a final balloon payment equal to the remaining amount outstanding under the First Lien Facility on October 15, 2019.

The Company has prepaid $2,034,000 in the second quarter of 2016 pursuant to the terms of the loan agreement relating to the mandatory prepayment upon sale of vessels. The repayment schedule mentioned above has been changed to reflect the prepayment made in second quarter of 2016. As of June 30, 2016, the Company will make payments of $3,831,769 on January 15, 2019, April 15, 2019, July 15, 2019, and a final balloon payment equal to the remaining amount outstanding under the First Lien Facility on October 15, 2019. This prepayment schedule does not reflect the mandatory prepayments to be made upon sale of the vessel MV Kittiwake. See Note 3.

The 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 and non-compliance with security documents. Further, there would be a default if any event occurs or circumstances arise in light of which, in the First Lien Lenders' judgment, there is significant risk that Eagle Shipping is or would become insolvent. Eagle Shipping is not permitted to pay dividends. Indebtedness under the First Lien Facility may also be accelerated if Eagle Shipping experiences a change of control.

Second Lien Facility

On March 30, 2016, Eagle Shipping, as borrower, and certain of its subsidiaries, as guarantors, entered into a Second Lien Loan Agreement (the "Second Lien Loan Agreement") 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 Lenders include certain of the Company's existing shareholders as well as other investors. The Second Lien Loan Agreement provides for a term loan in the amount of $60,000,000 (the "Second Lien Facility"), and matures on January 14, 2020 (91 days after the original stated maturity of the First Lien Facility). The term loan under the Second Lien Facility bears interest at a rate of LIBOR plus 14.00% per annum (with a 1.0% LIBOR floor) or the Base Rate (as defined in the Second Lien Loan Agreement) plus 13.00% per annum, paid in kind quarterly in arrears. The Company used the proceeds from the Second Lien Facility to pay down amounts outstanding in respect of the revolving credit facility under the Exit Financing Facility, pay three quarters of amortization payments under the Exit Financing Facility, pay transaction fees in connection with the entry into the A&R First Lien Loan Agreement and the Second Lien Loan Agreement, and add cash to the balance sheet, which cash would be deposited in an account subject to the security interest and control of the First Lien Lenders and the Second Lien Lenders.

Eagle Shipping's obligations under the Second Lien Facility are secured by a second priority lien on the same collateral securing Eagle Shipping's obligations under the First Lien Facility, subject to the terms of the Intercreditor Agreement (as defined below). Eagle Shipping may grant additional security to the Second Lien Lenders from time to time in the future, subject to the terms of the Intercreditor Agreement.

The Second Lien Facility contains financial covenants substantially similar to those in the First Lien Facility, subject to standard cushions, requiring Eagle Shipping, among other things, to ensure that the aggregate market value of the vessels in the Company's fleet (plus the value of certain additional collateral) at all times on or after July 1, 2017 does not fall below 100% in the third and fourth quarters of 2017, 110% in 2018 and 120% in 2019 of the aggregate principal amount of debt outstanding (subject to certain adjustments) under the Second Lien Facility (provided that Eagle Shipping will not be required to comply with such covenant until the First Lien Facility has been paid in full) and to maintain a minimum liquidity of not less than the greater of (i) $6,512,000 and (ii) $148,000 per vessel in Eagle Shipping's fleet. In addition, the Second Lien Facility also imposes operating restrictions on Eagle Shipping including limiting Eagle Shipping's ability to, among other things: pay dividends; incur additional indebtedness; create liens on assets; acquire and sell capital assets (including vessels); and merge or consolidate with, or transfer all or substantially all of Eagle Shipping's assets to, another person. Eagle Shipping may not prepay the Second Lien Facility while amounts or commitments under the First Lien Facility remain outstanding.

The Second 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 and non-compliance with security documents. Further, there would be a default if any event occurs or circumstances arise in light of which, in the Second Lien Lenders' judgment, there is significant risk that Eagle Shipping is or would become insolvent. Eagle Shipping is not permitted to pay dividends. Indebtedness under the Second Lien Facility may also be accelerated if Eagle Shipping experiences a change of control.

In connection with the entry into the Second Lien Loan Agreement, on March 30, 2016, the Company agreed to issue 16,889,828 shares of common stock (adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of the trading on August 5, 2016, see Note 1) to the Second Lien Lenders pro rata based on their participation in the Second Lien Facility, which Second Lien Lenders received shares equivalent to approximately 90% of the outstanding common stock of the Company after such issuance. The issuance of the shares of common stock was made pursuant to the exemption from registration under Section 4(a)(2) of the Securities Act.

In a first step, the Company issued and delivered 371,276 shares of common stock (adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of the trading on August 5, 2016, see Note 1), representing approximately 19.4% of the Company's pre-transaction outstanding shares of common stock, to the Second Lien Lenders. In a second step, approved by the Company's shareholders at a special meeting held on August 2, 2016, the Company issued and delivered an additional 16,420,098 shares of common stock (Adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of the trading on August 5, 2016, see Note 1), to the Second Lien Lenders and an additional 98,454 shares of common stock (adjusted to give effect for the 1 for 20 reverse stock split that became effective as of the opening of the trading on August 5, 2016, see Note 1), to the Chairman and Chief Executive Officer, both of whom participated as Second Lien Lenders.

Intercreditor Agreement

Concurrently with Eagle Shipping’s entry into the A&R First Lien Loan Agreement and the Second Lien Loan Agreement, and in connection with the granting of security interest in the collateral under those agreements, Eagle Shipping entered into an Intercreditor Agreement, dated as of March 30, 2016 (the “Intercreditor Agreement”) among Eagle Shipping, the First Lien Agent and the Second Lien Agent. The Intercreditor Agreement governs the relative rights and priorities of the secured parties in respect of liens on the assets of Eagle Shipping and its subsidiaries securing the First Lien Facility and the Second Lien Facility.

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 are 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. Six vessels completed drydocking in the six months ended June 30, 2016 and we incurred $2,037,821 in drydocking related costs. Fourteen vessels completed drydocking in the six months ended June 30, 2015 and we incurred $8,505,455 in drydocking related costs.

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:

Quarter Ending	**Off-hire Days[(1)]**	**Projected Costs[(2)]**

September 30, 2016 (million)	66	$1.95
December 31, 2016 (million)	22	$0.65
March 31, 2017	None	None
June 30, 2017	None	None

(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.

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 in Part I, Item 1 of this Quarterly Report 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, 2015, filed with the SEC on March 31, 2016.

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, 2016, 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 and were operating at a reasonable assurance level as of June 30, 2016.

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.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls.

The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of the effectiveness of controls to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

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 to the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report 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, 2015, filed with the SEC on March 31, 2016.

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

During the period covered by this report, the Company sold securities without registration under the Securities Act, as previously disclosed on a Current Report on Form 8-K.

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	Rule 13a-14(d) / 15d-14(a)_Certification of Principal Executive Officer.
31.2	Rule 13a-14(d) / 15d-14(a) Certification of Principal Financial Officer.
32.1	Section 1350 Certification of Principal Executive Officer.
32.2	Section 1350 Certification of Principal Financial Officer.
101.	The following materials from Eagle Bulk Shipping Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets (unaudited) as of June 30, 2016 and December 31, 2015, (ii) Condensed Consolidated Statements of Operations (unaudited) for the six months ended June 30, 2016 and 2015, (iii) Condensed Consolidated Statements of Comprehensive Loss (unaudited) for the six months ended June 30, 2016 and 2015, (iv) Condensed Consolidated Statements of Stockholders' Equity (unaudited) for the six months ended June 30, 2016 and 2015, (v) Condensed Consolidated Statements of Cash Flows (unaudited) for the six months ended June 30, 2016 and 2015, and (vi) Notes to Condensed Consolidated Financial Statements (unaudited).

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 9, 2016

By: /s/ Adir Katzav

Adir Katzav

Chief Financial Officer

(Principal financial officer of the registrant)

Date: August 9, 2016