TEEKAY TANKERS LTD.

Moderator: Bruce Chan
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Operator: Welcome to Teekay Tankers Second Quarter 2013 Earnings Results conference call. During the call, all participants will be in a listen-only mode. Afterwards you will be invited to participate in a question and answer session. At that time, if you have a question, participants will be asked to press star 1 to register for a question. For assistance during the call, please press star 0 on your touch-tone phone. As a reminder, this call is being recorded. Now, for opening remarks and introduction, I would like to turn the call over to Mr. Bruce Chan - Teekay Tankers Limited Chief Executive Officer. Please go ahead sir.

Ryan Hamilton: Before Mr. Chan begins, I'd like to direct all participants to our website at www.teekaytankers.com where you will find a copy of the second quarter 2013 presentation. Mr. Chan will review this presentation during today's conference call. Please allow me to remind you that our discussion today contains forward looking statements. Actual results may differ materially from the results projected by those forward looking statements.

Additional information concerning factors that could cause actual results to materially differ from those in the forward looking statements is contained in the second quarter 2013 earnings release and earnings presentation available on our website. I'll now turn the call over to Mr. Chan to begin.

Bruce Chan: Thank you, (Ryan). Hello everyone, and thank you very much for joining us. With me here in Vancouver is Vince Lok - Teekay Tankers' Chief Financial Officer, Art Bensler - Teekay Tankers' Chairman and Director and Brian Forshey - Corporate Controller of Teekay Corporation. During today's call, I'll be taking you through Teekay Tankers Second Quarter Earnings Results presentation, which can be found on our website.

Beginning with our recent highlights on slide 3 of the presentation, Teekay generated cash available for distribution of seven cents per share in the second quarter - down slightly from the ten cents per share generated in the first quarter, mainly due to the change of employment of certain vessels from fixed rates to lower-spot rates on expiring of their Time Charter Out contracts. For the second quarter, we reported an adjusted net loss of 8 cents per share compared to our adjusted net loss of 4 cents per share reported in the first quarter.

The company declared a dividend of three cents per share for the second quarter - Teekay Tankers 23rd consecutive quarterly dividend which was paid on July 31 to all shareholders of record on July 19. Teekay Tankers dividend is currently fixed at an annual level of 12 cents per share payable quarterly. Our 50%-owned VLTC new building - the Hong Kong Spirit - delivered in June 2013 and is now employed on a five-year, fixed rate time charter contract with a major Chinese company at an attractive, above-market rate of $7,500 per day as well as an additional profit share if market rates are above 40,500 per day.

In addition to the Time Charter Out contract that we entered into in April for the Everest Spirit, we recently extended a fixed time charter contract on one our Aformax Tankers - the Canada Spirit - for an additional year securing more fixed rate business at a rate that is above the current spot market average. These two time charters will enable Teekay Tankers to maintain a fixed cover for approximately 40% for the 12 months commencing July 1, 2013.

During this period of cyclical weakness in the tanker markets, we continue to be very focused on managing our fleet employment mix to ensure we preserve cover from fixed rate charters to support and provide stability for our cash available for distribution and our cash dividend. On slide 4, we have provided an updated overview of Teekay Tankers fleet and employment mix and fixed rate coverage. Excluding our recent LR2 new building orders, Teekay Tankers fleet currently consists of 28 owned vessels and one time-chartered in Aformax.

As of August 1, 2013, 13 of the vessels - including our 50% VLTC new building - are trading over fixed rate time charter out contracts, while the remaining vessels are trading in the spot market within Teekay-managed commercial tonnage pools, except two of our MR product tankers which recently commenced trading in an externally managed pool following the expiration of their recent time charter contracts.

As I mentioned earlier, in the current week, spot tanker rate environment - opportunistically locking in fixed cover continues to be a major focus, as we expect the current spot market weakness and volatility to continue for at least the near term. Turning to slide 5, I will cover some of the recent developments in the spot tanker market. As shown by the chart on the slide, spot tanker rates softened during the Second Quarter due to a combination of structural and seasonal factors.

In the crew tanker market, a reduction in US crude oil imports - due to rising domestic production - put downward pressure on rates, particularly in the Suezmax segment. A weak VLTC market caused by a reduction in middle-east Opec production also affected Suezmax rates during the quarter. In addition to these structural factors, the conclusion of spring refinery turnarounds and the onset of a heavy North Sea maintenance season put further pressure on spot tanker rates.

Looking at the third quarter to date, Suezmax rates have undergone a recovery with spot earning at the end of July reaching highs for the year. This strength is largely due to an increase in volumes out of West Africa and a rebound in US light crude imports on the back of a narrowing spread between the price of Brent crude and US domestic crudes - such as WTI and Bockins Shale Oil. In the product market, LR2 rates softened during the course of the second quarter.

Despite the continued strong inflow of ((inaudible)) volumes from the west into Asia, the decision by some owners to switch vessels from the dirty trade to the clean trade led to an increase of available vessel supply, which outweighed the positive demand site developments and led to lower rates which have persisted into the third quarter. Turing to slide 6 - looking at the developments in crude tankers supply, the period of rapid crude tanker fleet growth is coming to an end.

A lack of ordering in recent years has reduced the size of the tanker order book to just 51 million deadweight tons - of which, approximately 20 million deadweight tons is crude tankers. New vessel ordering has been particularly low in the Suezmax uncoded Aformax segments, where the order book stands at just 42 and 43 vessels respectively. When expressed as a percentage of the fleet size, the Suezmax order book represents just 9% of the existing fleet versus 49% at the peak in 2010 while the uncoded Aformax order book represents just 5% of the fleet versus 31% at its peak.

As shown by the bars on the chart, the bulk of the remaining order book for midsize tankers is expected to be delivered by the first quarter of next year, with nothing to indicate anything other than very low fleet growth through the remainder of 2014 and 2015. In the Aformax sector, the fleet has actually shrunk since the start of the year since the scraping of old vessels has outpaced new vessel deliveries. Furthermore, a total of 110 Aformaxes are currently aged 15 years or older, with a further 50 vessels expected to reach 15 years by the end of 2015.

These vessels are coming under increasing pressure in the market place due to growing charter discrimination against ships greater than 15 years of age. In addition, the relatively high cost of dry-docking and maintaining older vessels compared to expected returns on the spot market may also encourage owners to scrap ships before the end of their useful life. As a result, we expect that the removal of older vessels will continue to outpace new vessel deliveries through the remainder of 2013 and also 2014 - leading to a tighter supply-demand balance over the next 18 months.

Slide 7 looks at the short-term outlook for crude tanker demand during the second half of this year, as well as some positive and negative factors for 2014. Crude tanker demand is expected to strengthen during the second half of the year, due to normal seasonal factors. As for estimates from the international energy agency, global oil demand is expected to average 1.5 million barrels per day higher during the second half of the year - reaching a peak just under 92 million barrels per day in Q4. In addition, we expect that the usual winter weather delays will continue to provide some upside to rates towards the end of the year - particularly towards the end of the fourth quarter when tanker rates typically spike in the northern hemisphere.

In addition to seasonally higher tanker demand, a narrowing of the spread between US crude oil prices and international prices such as Brent - could lead to an increase in US crude oil imports in the coming months. As I noted a moment ago, this has already had an impact on the Suezmax sector, in the form of stronger US Atlantic imports of West African crude in recent weeks. If this continues, we could see some additional strength in the crude tanker rates during the second half of the year.

Looking ahead to 2014, the current outlook for global oil demand is for growth of 1.2 million barrels per day. This is an improvement on the 0.9 million barrels per day expected in 2013 and should translate into stronger tanker demand growth. When combined with a lower expected fleet growth, we expect that crude tanker fleet utilization will improve in 2014, which should translate into a gradual improvement in rates.

However, a number of potential headwinds also exist, which could threaten a tanker market recovery - chief of which, is the continued increase in US crude oil production and possible corresponding decline in OPEC oil production that would weigh down on crew tanker demand. This - combined with the uncertainty of the health of the global economy - results in us remaining cautious on our outlook for the crude tanker market in 2014.

In the medium term, we believe there will be an improvement in crude tanker rates. The lower number of new buildings scheduled to be delivered should lead to a better supply picture - possibly even a shrinking tanker fleet. Therefore, any upside in the demand outlook such as the potential for US crude oil exports and/or increased Canadian sea ((inaudible)) exports, a healthier rebound in the US or world economy, or pricing developments that encourages more oil trading in and out of the US, all with spur of recovery in tanker rates.

Turning to slide 8, we look at developments in the product tanker market. Product tanker demand fundamentals remain positive - fueled by a significant increase in global refining capacity over the next five years. As shown by the chart in the top half of the slide, global refining capacity is set to grow over 9 million barrels per day by 2018, driven by additions in China, the Middle East, and Asia. At the same time, refining capacity is being rationalized in Europe and in OECD Asia as older less complex refineries struggle to remain competitive.

Accordingly, we expect that with significant expected growth in the global refined products trade in the coming years, more products will be shipped longer-haul on larger ships, which favors the LR2 fleet. Looking at supply, there has been a significant increase in new, product tanker orders during 2013 with 7.2 million deadweight tons of new vessels ordered since the start of the year. On an annualized basis, this is the highest level of new tanker orders since 2006, with most of the orders in the medium rang MR and LR2 vessel classes.

As a result, product tanker fleet growth is set to accelerate in 2014 in contrast to the crude fleet which is expected to show minimal growth. We remain optimistic that the product tanker fleet utilization will strengthen in the medium term, due to the strong demand fundamentals of expected growth in ton-mile demand. However, the sector could become overbuilt should the current pace of ordering be maintained over the next 12 to 18 months - a situation that needs to be monitored especially if some of the major new players continue to raise to equity capital to expand their fleets - or if we see private equity ((inaudible)) entering the currently in-vogue product tanker space.

Moving on to slide 9, I will take a moment to update you on our term loan-investments. Secured by two, 2010-built VLTCs. In July, in the two, 3-year, first-priority shipped mortgages matured without repayment. Certain affiliates of the borrowers filed for Chapter 11 Bankruptcy protection in June 2013 which does not include the special purpose entities that owned the two VLTC tankers securing our loans. With the borrowers' cooperation and consent, Teekay Tankers took over management of the vessels during the second quarter and we are working with the borrowers and the second mortgagees to realize the value of the loans.

Since the inception of these loans, T and K has earned 24.8 million dollars of interest received in cash. And despite recording a loss provision on the loan of 4.5 million in the second quarter of 2013, T and Ks loan investment principle receivable remains intact. Moving to slide 10 - now that we have assumed management of the vessels, we will be in a much better position to achieve our return objective. For each vessel-trading day, we are currently cash flow-positive, as T and K's cash breakeven for the VLTCs including Ofex and interest expense is approximately $10,000 per day compared to the current average VLTC spot rate of approximately 15,000 per day since May 2013, when T and K took over management of the vessels.

All amounts earned over our cash breakeven are for our account - bringing us closer to realizing the value of the loan. Regarding the latest status of the vessels, one of the VLTC vessels is actively trading and generating positive cash flows. The second vessel is currently being detained in Egypt - following an event which took place prior to T and K taking over management in which the vessel was accused of damaging a subsea cable. The vessel is fully insured and its PNI club insurers are in active discussion with the Egyptian authorities to negotiate a settlement to release the vessel - after which, it is expected that the vessel will commence trading.

In summary, while we work through the process with the borrowers and the second-mortgagees, our plan is to trade the ships and generate positive cash flow for our own account, bringing us closer to realizing the value of the load while providing us with time to evaluate options on how best to realize our investment in the loans.

Turning to slide 11, I will provide an update on the order we placed in early April with STX offshore and ship building in Korea for four LR2 new buildings. In late May, STX commenced the voluntary financial restructuring program with its lenders. At that time, all reviews of refund guarantee operations were suspended, pending the outcome of the restructuring process. Teekay Tankers installment payments were contingent on receiving these refund guarantees from the yard. And so, to date, we have made no installment payments. STX completed their restructuring on July 31, and its lenders will be restarted the review process for refund guarantees by mid-August.

The yard has been keeping us up-to-date and has provided assurances that they will be applying for refund guarantees for our order as soon as possible. Our primary concern is that due to recent orders at higher prices, the shipyard and/or their creditors might try to use this as an opportunity to renegotiate our order and related options. If we do not receive these refund guarantees, we will not proceed with the deal in its current form and can cancel the orders at any time prior to receiving the refund guarantees at our discretion.

Should we not receive the refund guarantees, we will consider legal recourse against the yard for damages. For now, we wait and will update you as new material information becomes available. Turning to slide 12, Teekay Tankers' total liquidity at June 30, 2013 was 256 million dollars, which excludes any estimated value for amounts we expect to recover on our VLTC term loan investments. Any amounts recovered would be additive to Teekay Tankers' available liquidity.

In addition, our move to a fixed-dividend policy in the first quarter will enable us to maintain a greater portion of our cash from operations as the market recovers, which can be applied to our future growth opportunities. In addition, our favorable debt amortization profile requires low principle repayments through to 2017, enabling us to maintain a greater portion of our operating cash flow for future growth. And lastly, our covenant-light debt facilities means that we have no financial covenant concerns like many of our shipping peers, providing us with considerable financial flexibility.

Wrapping up on slide 13, I will provide an earnings update for the third quarter. Based on a weighted average of approximately 50% of spot-revenues days books for Suezmax's and Aformax's, our third quarter spot rates have averaged approximately $10,000 - $10,600 per day and 14,500 per day respectively. But recent fixtures in the Suezmax market have been higher than our quarterly average to date. For our spot traded-product tanker fleet, based on approximately 65% of spot-revenue days booked for LR2s, third quarter spot rates have averaged approximately $10,900 dollars per day.

As a reminder, T and K currently has four conventional tankers that are scheduled to dry dock during the third quarter of 2013, resulting in approximately 104 lost revenue days during the quarter. The timing of our heavy dry dock schedule during the third quarter is timed to coincide with the seasonally weaker summer market, which ensures that our fleet will be fully operational and optimally exposed to a potential winter market rally. With that, Operator, we are now available to take questions.

Operator: Okay. Ladies and gentlemen, if you would like to ask a question, please press star 1 on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, please press star 1 to ask a question. And the first question comes from Michael Webber from Wells Fargo. Please go ahead.

Michael Webber: Thank you. Afternoon guys; how are you doing?

Male: Hey, Mike, how are you doing?

Michael Webber: Good. I wanted to kind of zero in on the STX orders - and then they've been kind of widely debated in the market. Just, from your own vantage point - I know you pretty much said all you can, but maybe from a macro perspective - you know, has the delivery window moved back for you guys to the point where if you guys were to walk away from these orders and look for growth elsewhere, is it likely coming in a later window? And then maybe if you could maybe walk us through a timeframe for how you think STX and this refund guarantee issue plays out. So...

Male: Yes, Mike. In terms of the delivery window, when we placed the order, I think we had said that we had put it out quite far because we always thought the recovery would be gradual and that as the recovery took place, we would be exposed to it. And so, I think we do have some cushion in there in terms of the delivery schedule. They weren't scheduled until late 15 and 16. And so that is still where new buildings that are ordered today would be delivered.

Michael Webber: Right. It was really the 15 deliveries is what I was - I'm basically getting at. Do you think that...

Bruce Chan: They were late - I think we said there were late 2015. And so, in terms of slippage, that's not something that we've - we're really that focused on.

Michael Webber: Gotcha. And in terms of kind of a timeframe around this, how are you guys thinking about it?

Bruce Chan: Yes, as we said in the prepared remarks, it's - the yard's latest correspondence with us is that they're going to be reapplying for them once the process has been finalized. But as we all know, in these processes it's so uncertain. So we're really just - we're really on their schedule more than anything that we can dictate.

Michael Webber: Gotcha. You talk in your prepared remarks - you gave a good review on the sector with product and crude and, you know, the risks - the product side gets a bit overbuilt over the next two to three years. And it seems you were a bit more positive on the crude supply side. Would there be a thought to potentially kind of diversifying a future order - kind of placing more growth towards the crude segment, given that you've got a bit more of a capacity risk growing in the product space right now?

Bruce Chan: Yes, I mean, we still like the LR2 sector because of the optionality of being able to go back and forth between crude and product. But certainly, we are looking at the product supply side - that it's more finely balanced as - than the crude. And while we still think the balance is still okay, we certainly will be watching like everyone whether people continue to expand in that sector - segment. That's - obviously that's - a supply of over-ordering in that segment would be concerning.

Michael Webber: Gotcha. Okay, that makes sense. One more from me and I'll turn it over and let someone touch on the Vs. this - from a growth perspective - you've got the new orders - new built orders - their still relatively fresh, I mean, those were replaced only a few months ago. If you kind of think about other avenues, your equity is grating well above an AV - you've got a strong brand in management and there are a bunch of distressed tank renters out there that would probably -

probably wouldn't mind having T and K and implicitly Teekay back-paper. Is M & A a realistic opportunity for you guys here?

Bruce Chan: I think we continue to look at different ways of growing but we're - you know, with our current fleet excluding the new building order, we still feel that we have a lot of good exposure to a rebound in rates. And as I said in my remarks and you mentioned, we think there is potential for some upside surprises in the medium term. And that's - we think we're fully exposed to that.

Michael Webber: Gotcha. Alright, thanks for the time.

Bruce Chan: Thanks, Mike.

Operator: Thank you. The next question comes from John Chappell from Evercore Partners. Please, go ahead.

John Chappell: Thank you. Morning, guys.

Bruce Chan: Hey, John, how are you doing?

John Chappell: Pretty good. Bruce, I just wanted to follow up on STX as well, maybe ask it a different way. Clearly we've seen from some orders place since you placed the original order in April - or talked about the original order and, I guess, never was really placed without a refund guarantee. But, asset prices have definitely gone up. So, how sensitive are you to STX potentially trying to mark the orders to what I guess would be market right now? And then, how do you compare that with - kind of on that last question you just said - your growth ambitions -because if the market is starting to recover, now still may be an opportune time ((inaudible)) rates - asset prices may be in a year or two.

Bruce Chan: Yes, man. Good question. In terms of STX and then looking at other orders at higher prices, that's certainly a concern of ours - certainly not unheard of for people to try to renegotiate contracts like that. I think what's different this time is most times when shipyards defaults on contracts, it's because they're failing or have failed. If STX survives, it's because they have support. And so there is a more solid shipyard to stand behind the contract, upon which we would enforce all of our legal remedies there.

So, that is our primary focus - is to still follow through with that - with that order. But, as you say, if that order had to be replaced at higher current values, then we'd have to see how that evolves. It's certainly been a lot of orders that have driven up the price of orders recently and whether that's sustainable is another question. So, we'll have the benefit of some time here to see how that market develops and make the appropriate decision.

John Chappell: Have you been in conversation with any other yards for kind of similar assets just so you have that to compare to what could be potentially a new price range from STX?

Bruce Chan: We certainly have the data because within the Teekay group - and as you heard (Peter) say on his earlier call - there's a lot of other activity going on with the yards from our other parts of the business. And so we constantly have a good pulse on what replacement orders would look like. But we're still primarily focused on resolving our current finding contract with STX.

John Chappell: Got it. And then, regarding the VLCTs, you know, this Egyptian arrest is somewhat new, I guess - or at least surprising - and I'm just trying to figure out what that means financially for you as the manager of that vessel now. Is there any liability for T and K even though this incident happened before you took management of it. And then also, if it's 10,000 a day, you know, kind of breakeven for the ship - I assume you're not getting any revenue off this vessel. You're still paying - on the hook for the operating costs for that vessel while it's arrested?

Bruce Chan: We'll I mean, the biggest downside is - you just touched on - is that every day it sits there, it's certainly not earning revenue. But in terms of the liability, the P and I insurers are actively engaged in this and are the ones actually negotiating the release. And so we're confident that that liability is insured and will be taken care of. So, it's really just a matter of expediting that process as much as you can in Egypt so that that ship can start trading.

Fortunately for the first ship, ((inaudible)) which has been trading, we've done pretty well in the timing for some of the contracts for that ship. And so, on average, we're still pretty close, if not at cash breakeven for the two ships combined.

John Chappell: So is there any - I forgot what my follow-up question was going to be on that. Maybe I'll come back to that in one second. My last question is just on the Ofex front - it's quite high - big sequential step-up in the second quarter. There was really no significant dry dockings to kind of explain that. Was there any timing issues in the second quarter and should we expect that to be the run rate going forward or might it be something kind of in between first and second quarter run rate.

Bruce Chan: Hi, John. Yes, the Ofex was a little bit higher than we had expected in the Q2. I can't pinpoint any one particular reason. It was a number of small items. And it was related to the heavy dry-dock schedule. Although we didn't have a lot of dry docks in Q2 specifically, there are four dry dockings happening in third quarter. And typically you do make more purchases in preparation for those dry docks. So we expect the run rate in Q3 to be somewhat similar to Q2, but we should see it maybe come back to more normal levels in Q4.

Michael Webber: And thanks, Vince. And since I have you - I did remember my follow up before. The provision that you took for the VLTCs, did that include the anticipated off-hire time of the second vessel while it's under arrest or is it strictly from the payments that you're basically writing off now from TMT on those ships.

(Vince): Yes, the loss provision takes into account our expected future cash flows and from operating the ships, so we have taken into account the fact that we can't trade that second vessel for the very near term. So that's already taken into consideration.

Michael Webber: Okay, great. Thanks, Vince. Thanks, Bruce.

Bruce Chan: Thanks, John.

Operator: Thank you. The next question comes from John - Justin Yagerman from Deutsche Bank. Please go ahead.

(Josh): High it's actually (Josh) ((inaudible)) I'm for Justin.

(Vince): Hi, Josh.

(Josh): Hey. I just wanted to switch maybe into just the product crude markets and just taking a look at your Suezmax rates in Q3 today, you mention that rates of West Africa have improved, but I guess they've remained a bit weaker in the Mediterranean, Black Sea, and the AG as well. Is that the reason for the weaker Suezmax rates so far?

(Vince): That's partly the reason. And also just time lag between that and then the reported fixtures. So I think you - I mean, based on where the market is today - that rate is certainly trending higher. Whether that holds for the rest of the quarter is up for debate, but it's certainly trending higher right now.

(Josh): Okay. And then with regard to fleet employment - you've mentioned maybe fixing up some more ships - how should we think about fleet employment going forward. Should we expect you to actually take ships out of the pools and into fixed-rate contracts, or is this just a renewal of expiring contracts?

(Vince): It's been a renewal so far of expiring contracts, but really - as our track record shows - it's really opportunistic fixing of these ships when the fixed-rate time charters present themselves. And that just happens when customers have new requirements. And so, we've been - we will pursue those when those become available. They're not readily available all the time or consistently through the year. And so we've - I think - demonstrated that as those opportunities come up, we pursue them. And that enables us to earn those higher fixed revenues over and above what the spot market would have provided.

(Josh) Got it. And I guess - switching back over to the VLTCs - you mentioned potentially disposing of the asset. Can you just maybe give us a little bit of insight into who's running that process - and I guess, who's determination that would be and maybe the role of the second-lien lender in this whole process as well?

Bruce Chan: Yes. I mean, we are, right now, still working through - as John mentioned earlier - the age of crisis and then - I'm sorry, the age of arrest - and then once that ship is released, then we'll be trading the ships and looking for opportunistic ways of selling it. But, I mean, as (Vince) mentioned, the impairment may move up or down depending on the cash flows and with a low breakeven, we've taken a view of what we can earn. But that may surprise us on the upside and in which case, the corresponding sale value will be higher; or conversely, it may be the other way.

So that process is something that's - it's really just evolving - and will depend on the outlook of the LLCs in the coming months.

(Josh): And then, I guess maybe to follow up with that, is - I guess that are there any concerns that these subsidiaries would be filed into the bankruptcy proceedings and what effect could that have.

Bruce Chan: You know, with any proceeding like this, it's uncertain. But, these entities are separate from the other business that's going on with the borrower. And so, the fact that we've been able to take over commercial and technical management is showing the ongoing cooperation and we're hopeful that this will continue to be amicably resolved.

(Josh): Okay and just one more before I turn it over. Just a quick - an accounting basis for these loans, I guess, the VLCs earnings will be counted as - will that be treated as revenue and ((inaudible)) expense?

(Vince): No, I think that requires a little bit of clarification. We haven't taken ownership of the vessels so therefore, the actual vessels are not on our balance sheet - we're not recording any revenues or Ofex. And so, we're essentially technical and commercial managers. And so the operating cash flows are essentially the going towards the pay - our accrued interest and to recover what's on our book value of the loans.

So from an accounting perspective, what we would expect is - what we would expect is - that we would just stop accruing the interest income in the third quarter and then the balance that's sitting on the balance sheet - about 123 million - that's dependent on, you know, what the cash flows we can get from the VLCCs.

(Josh): Oh, okay. So that - any sort of operating income or losses will, I guess, be - flow through some sort of the loss - your loss provision capitalization.

(Vince): Yes, so if the cash flows come in higher than what we projected, the loss provision part of that could be reversed.

(Josh): Well, I appreciate the time. Thank you.

(Vince): Thanks, (Josh).

Operator: Thank you. The next question comes from Matthias Detjen from Morgan Stantley. Please go ahead.

Matthias Detjen: Good afternoon gentlemen. So most of my questions were already answered; there was just one follow-up question I want to ask for the VLCCs. You said that you were looking to sell them; is there any - do you maybe see the possibility of taking them over onto your balance sheet as well, or are you definitely looking to sell the vessels?

(Vince): Well, I guess, the first - they're on our balance sheet as investment and loan right now. The cash breakeven is attractive at $10,000 a day and that provides us the optionality of seeing how the market evolves. We're certainly not going to be distressed sellers and we'll want to time the sale in an orderly fashion. But, if the market improves, that has an opportunity to generate some cash and provide a recovery on that loan.

So again, it's hard to precisely forecast how that's going to play out, but we're trying to leave all of our options open right now.

(Matthias Detjen): Okay, great. And then, just - you mentioned the - a change in trading path and it's due to the ((inaudible)) spread coming close together. I was wondering if you would maybe give us a bit more color on that just how they think Suezmax rates' going to develop and how long you think it's going to carry ongoing and what sort of changes in trade patterns you've seen there?

(Vince): Yes, I mean, it certainly has been a higher volume of fixtures for Suezmax's particularly in July - on of the highest months - I think the highest month number of fixtures in a month for the year and amongst the highest going back for a few years. And August is shaping up to be okay, but I think there's probably some downside risk in that as well if the VLCC rates are weak, you'll see some of those cargos maybe going - starting to go back on VLCCs East.

So again, in the short term, it's nice to have these - this volatility. And certainly no complaints on the higher fixtures we're seeing currently on the market but again, in the near term here, we do see some volatility over the sustainability of that trading pattern.

Matthias Detjen: Okay, great. That was very helpful. Thank you very much.

(Crosstalk)

Operator: Thank you. The next question comes from Chris Combe from JP Morgan. Please go ahead.

(Nishe Monie): Hey, good afternoon guys. This is actually (Nishe Monie) on for Chris - just wanted to ask a quick question about the dry docks. Could you give us a quick rundown, if possible, of which vessels are being held for repairs in third quarter?

Bruce Chan: Yes, for the third quarter we have four vessels that are dry docking; two of them are in the spot-traded fleet and then two of them in the fixed-rate fleet. And the spot shifts are the Kaveri Spirits and the Narmada Spirits and the fixed rate tankers are the Pinnacle Spirits and the Summit Spirit.

(Nishe Monie): Great, thank you so much. And then, just wanted to get a sense on - noticed that you had some void revenue and void expense both pick up in the quarter, which is opportunistic from vessels in the spot than pool trading - doing small voyages - or was it something else?

(Vince): Yes, we do have some ships that trade outside of the pool. And so that's where you would see some voyages expenses as opposed to net pool revenues. But I think - I guess, what's important is really just the total net revenues, which is revenue less voyage expenses.

(Nishe Monie): Right, and then picking up in the quarter as a result of increase voyage activity?

(Vince): Yes, so that's - so the increase in the voyage expenses or, I guess, they're fairly comparable actually, quarter on quarter - just we had some ships that were trading outside of the pool so that's why you see some voyage expenses directly.

(Nishe Monie): Okay, got it. That's actually it for me. Thank you so much.

Operator: Thank you. Ladies and gentlemen, as of reminder if you would like to ask a question, please press star 1 on your touch-tone phone. There are no further questions at this time; please continue.

Bruce Chan: Alright, thanks everyone for joining us and we look forward to speaking with you next quarter.

Operator: Ladies and gentlemen, this concludes the conference call for today. We thank you for your participation. You may now disconnect your line and have a great day.

END