TEEKAY LNG PARTNERS' FIRST QUARTER 2017 EARNINGS RESULTS

Conference Call Transcript

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Time: 11.00 EST

Operator: Good day and welcome to the Teekay LNG Partners First Quarter 2017 Earnings Results Conference Call. During the call, all participants will be in a listen-only mode. Afterwards, we will be invited to participate in a question-and-answer session. And at that time, if you have a question, participants will be asked to press star one to register for a question. For assistance during the call, please press star zero on your touchtone phone. As a reminder, this call is being recorded.

Now, for opening remarks and introductions, I would like to turn the call over to Mr Mark Kremin, Teekay LNG Partners' President and Chief Executive Officer. Please go ahead, sir.

Ryan Hamilton: Before Mr Kremin begins, I'd like to direct all participants to our website at www.teekaylng.com, where you will find a copy of the first quarter 2017 earnings presentation. Mr Kremin 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 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 first quarter 2017 earnings release and earnings presentation available on our website.

I will now turn the call over to Mr Kremin to begin.

Mark Kremin: Thank you, Ryan. Good morning, everyone, and thank you for joining us on the first quarter of 2017 investor conference call for Teekay LNG Partners. I'm joined today by Brody Speers, Teekay Gas Group's CFO.

Turning to slide 3 of the presentation, I will review some of Teekay LNG's recent highlights. For the first quarter of 2017, the Partnership generated distributable cash flow, or DCF, of $43 million, and cash flow from vessel operations, or CFVO, of $109 million. The Partnership's results for the quarter were in line with our expectations, including a one-month contribution from the delivery of our third MEGI LNG carrier newbuilding, the Torben Spirit, which commenced its charter contract with a major energy company in early March. We generated DCF per limited partner common unit of $0.54 per unit, resulting in a strong distribution coverage ratio of 3.8 times.

Since reporting earnings last quarter, we have completed or are nearing completion of financing for all the Partnership's committed growth projects delivering over the next 12 months. This includes $640 million in long-term financing, of which $355 million is for the two of the Partnership's MEGI LNG carriers which will commence its charters to Shell upon delivery from the Daewoo Shipyard in 2017 and 2018. The $285 million balance is long-term financing for our first two 50% owned Yamal ARC7 Ice-Class LNG carriers. With these financings nearly complete, we are turning our attention to completing the financings of our projects that we'll deliver in the next 12 to 24 months window. Brody will provide more detail on these financings later in the presentation.

During the quarter, we took delivery of our third MEGI LNG carrier, the Torben Spirit, named after Teekay's late founder, Torben Karlshoej. Shortly after delivery, this vessel began its 10-month plus one year option charter to a major energy company. In addition, our 50% owned Exmar LPG joint venture took delivery of its ninth midsized LPG carrier newbuilding, Kallo, in late March. This vessel will operate as part of the joint ventures portfolio, which includes time charter contracts, a contract of affreightment and short-term trading. Lastly, in April, the Partnership added some new growth from the opportunistic acquisition of two

LPG carriers, one midsized newbuilding through our 50% owned Exmar LPG joint venture and one on the water ethylene carrier in which the Partnership acquired a 100% interest, which I will touch on in more detail later in the presentation.

Turning to slide 4, I will provide an update on certain vessels within our LNG fleet. As I mentioned in my opening remarks, during the first quarter, we took delivery of our third MEGI LNG carrier, the Torben Spirit, which began its charter contract to a major energy company in early March. In addition, I'm pleased to report that the Partnership, through its 52% owned MALT joint venture with Marubeni Corporation, has secured an 18-month charter contract plus one year option for the Methane Spirit with the delivery window beginning in Q4 2018. This charter contract with a major Japanese utility company adds some forward coverage to our MALT joint venture and reflects the market sentiment that the LNG shipping market is expected to tighten in the period from 2018 to 2020.

Next, I will provide an update on the Partnership's two vessels, bareboat chartered to Awilco LNG as part of a purchase leaseback transaction we did a number of years ago. Unfortunately, as a result of the weak short-term LNG shipping market over the past few years, Awilco LNG is experiencing financial challenges and has approached the Partnership to extend the charters and associated vessel purchase obligations and to defer a portion of the charter hire. These discussions remain ongoing and we will provide an update once they are finalised.

Finally, it is encouraging to see a recent uptick in tendering activity in the LNG shipping sector both for near-term and forward-starting chartering opportunities. The Partnership is actively pursuing several opportunities and sees the recent uptick as a positive for the market as a whole.

Turning to slide 5, I will provide an update of our LPG fleets. In April, the Partnership's 50/50 Exmar LPG joint venture opportunistically acquired a midsized LPG carrier newbuilding which will deliver from Hyundai Heavy Industries in Korea in Q3 2018. The acquisition is consistent with the joint venture's stated strategy of fleet renewal to preserve its market share and contract of affreightment, or COA, franchise with its customers in both the Ammonia and LPG trades. In addition to being attractively priced, this countercyclical vessel acquisition was an existing newbuild order and so did not add to the order book. In addition to this newbuilding acquisition, the Exmar LPG joint venture also took delivery in late March of a midsized LPG carrier newbuilding from Hanjin Heavy Industries in the Philippines. While this vessel will be deployed in the short-term market, we note that the Partnership's Exmar LPG joint venture is now approximately 70% fixed for the remainder of 2017.

Finally, in April, in lieu of receiving cash on a portion of the charter hire on six LPG carriers on charter to I.M. Skaugen, the Partnership took over Skaugen's 35% ownership interest in a 2003-built ethylene carrier, the Norgas Sonoma, which will continue to trade in the Norgas pool. As part of this transaction, the Partnership also acquired the remaining 65% ownership in the vessel from the other shareholders for a total purchase price of approximately $13 million, which includes Skaugen's 35% ownership interest that was transferred to the Partnership.

Turning to slide 6, I will provide a brief update on two of our growth projects, the Yamal LNG project and the Bahrain regasification terminal and associated floating storage unit or FSU. The Yamal LNG project, which will be partially serviced by six ARC7 LNG carrier newbuildings through our 50/50 joint venture with China LNG and one wholly-owned MEGI LNG carrier newbuilding, continues to derisk with the successful completion of the ice trials on the first ARC7 LNG carrier in February of this year. We have included a photograph at the bottom of the slide, which was taken aboard the Sovcomflot-owned first ARC7 LNG carrier, the Christophe de Margerie, during ice trials.

In addition, this past quarter, I visited the project first-hand and was amazed at the progress they have made and the scope of resources that has gone into this. This project currently has a labour force of approximately 31,000 construction workers. 81 production wells have already been drilled and all 78 modules for LNG Train 1 have been installed and are at various stages of testing. Train 1 of the project continues to be on track for the second half of 2017 and is 91% complete with the full three Train projects being 80% complete. Finally, as Brody will discuss shortly, Teekay LNG's 50% owned joint venture with

China LNG has made significant progress on the sale leaseback financing on our first two ARC7 vessels which will deliver in 2018.

Turning to the Bahrain regasification terminal where the Partnership owns a 30% interest in the terminal and a 100% interest in the FSU charter to the project, I am pleased to report that the terminal is now almost 25% complete and remains on time and on budget for its start-up in early 2019. As previously reported, this terminal project is fully financed and will be operated by Teekay LNG.

I will now turn the call over to Brody to provide an update on the Partnership's financing activities.

Brody Speers: Thank you, Mark, and hello, everyone. Turning to slide 7, I will provide a brief update on our progress in securing long-term financing for our growth projects. I'm pleased to report that we have now completed or are nearing completion of all long-term financings for our vessel deliveries through mid-2018. In addition, we continue to make significant progress on the financings for our remaining projects delivering through 2020. As highlighted in previous quarters, we continue to see strong interest from financing institutions for our projects, particularly out of Asia, and are progressing our remaining committed growth financings on a parallel track.

I won't cover all the financings on the slide. Instead, I will focus on the updates since we reported earnings in February. Starting at the top of the slide, the Partnership has recently completed two sale leaseback transactions for total financing of approximately 355 million to finance both the pre-delivery and post-delivery period of two MEGI LNG carriers which will commence charters with Shell upon their delivery in 2017 and 2018. The financing for our remaining two MEGI LNG carrier newbuildings delivering in early 2019 which are employed on long-term chartered contracts to BP and the Yamal LNG project are both progressing well. One of these vessels has a credit approved term sheet and has begun documentation and the other vessel is in the final stages of term sheet negotiations.

Moving down the list, as mentioned last quarter, we completed the long-term financing for our 30% owned Bahrain regasification terminal, which was a major milestone for the project. This allowed us to progress the financing of our 100% owned FSU newbuilding which will go on charter to the Bahrain LNG project for 20 years. We are currently in the final stages of term sheet negotiation for the newbuilding FSU.

Together with our 50/50 joint venture partner, China LNG Shipping or CLNG, we made significant progress and are nearing completion of the financing for our first two ARC7 LNG carrier newbuilding vessels delivering in 2018. We expect this transaction to be completed shortly which will mark a major milestone for our joint venture and provide momentum to then complete the financing for our remaining four ARC7 LNG carriers for which we have assigned term sheet with a major Chinese bank and have now begun documentation.

Overall, we are pleased with the progress we have made since we last updated you in February on our newbuilding financings and continue to project that we will complete the remaining 1.4 billion of financings within the second half of 2017.

Thank you all for joining us on the call today. Operator, we are now available to take questions.

Operator: Thank you. As a reminder, if you'd like to ask a question, please press star one on your telephone keypad. If you're using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. And again, that is star one for questions at this time.

Our first question comes from Michael Webber from Wells Fargo. Please go ahead.

Michael Webber: Hey, good morning guys. How are you?

Mark Kremin: Good morning, Mike.

Michael Webber: Hey, so just a couple of quick ones. First on the Methane Spirit and that charter and then we make sure that that asset is in the spot market and it's not that far up on the age curve, I think it's eight or nine years old. So I'm just curious around the contract structure, they're assigning something for 18 – to 18 months to, you know, two-and-half years, starting at the end of 2018. I'm just curious, you've been giving away some – you know, some potential[?] offside[?] in terms of the market firming in that period and kind of weaving and it's still exposed to a weaker current spot market, I'm just curious kind of how you weighed up those relative economics or whether you can give us any kind of incremental colour around how – you know, how you guys kind of came to that decision and how you guys are compensated for that.

Mark Kremin: Sure, Mike. Well, we do have already relatively limited exposure to the market right now. So we have four ships owned by our joint venture with Marubeni. We own 52% of four ships that are in the spot market right now. But regardless, we thought it would be useful to have some cover and with having a Japanese partner, it was -- I think aided us a little bit to get the Japanese utility business starting 2018. So it was a portfolio decision in the most part. But the good news is that it does reflect, as we said in the remarks, sentiment that the market is going up. The rate is higher than the forward picture that we're aware of in early 2018. So we can see through other fixtures and around[?] us steadily increasing the charter rates. But again, it's more of a portfolio coverage decision that our joint venture made.

Michael Webber: Got you, okay. Around Awilco and they – and they just announced this morning that they're looking at doing a private placement and that they'd secured a prolonged and more flexible agreement with TGP extending those bareboats to the end of 2019. I know you guys are still on discussions and I think they just announced something formally this morning, so I'm not going to play gotcha but just considering that it is out in the market, can you kind of give any colour around that rate extending – the rate on that extension? I think it's still contingent on them getting that private placement done, but just any colour around that would be helpful.

Mark Kremin: We can't provide, I think, at this point, Mike, too much information on the amount of the deferral. The period we forecast is until the end of 2019 on both vessels, so the purchase obligations will come due then instead of 2018 and the deferral will be included in those purchase obligations. But I think at this point, we're not able to comment much further on how much could be deferred.

Michael Webber: Got you, that's fair. And then finally, just from a higher level and from a more strategic standpoint, and I know you guys have – you know, you've been tacking on the occasional LPG vessel as part of that JV and taking out Skaugen's[?] remaining interest and there are some relatively small checks in the grand scheme of things for TGP, but the crux of an equity story here longer term is the ability to reinstate a dividend and kind of redeployment of cash or the return of capital to shareholders. So I'm curious, in terms of that capital outlay and reinforcing your position within that kind of that Exmar LPG JV, when you say you're doing that to reinforce the CoA tonnage and kind of reinforce that fleet, is there an actual kind of like a vintage prerequisite or anything along those lines that's kind of forcing your hand to kind of double down within that LPG space to add that tonnage? I'm just trying to think about how you – you know, how you're prioritising the use of that capital versus some of the other kind of – some of the other uses that might get a bit more investor focus right now?

Mark Kremin: Well, as you say, Mike, they are relatively small checks for TGP in the grand scheme. It doesn't matter much too much to our distribution thoughts or otherwise. So when we looked at it, it was – the price was attractive, as we mentioned. And in terms of – it wasn't necessarily trying to protect vintage ships or whatever that might be. Both valuations and particularly on the midsized, I think we're almost at distress levels on the midsized. So it's just something that we didn't want to pass up and it will have no impact really on our distribution discussions. In fact, it will be fully funded on the MGC side by the JV itself, so there's no capital required by TGP into that JV for that ship.

Michael Webber: Is there a requirement or desire to further extend or expand within the LPG space in the next year or two or is it just more fleet maintenance?

Mark Kremin: it – again, it wasn't necessarily maintenance entirely. It was an – there was a level pricing. As you know, it was innovation and resell. If that opportunity came up again I think we would definitely consider it again but those are limited opportunities. We're not talking about adding to the order book at current pricing for new builds. We're talking about I think an opportunity that came to us and we took it. I don't know how much it's going to be, how often we'll see those opportunities.

Michael Webber: Okay, that's it. I will turn it over. Thanks for your time, guys.

Mark Kremin: Thanks, Mike.

Operator: Our next question comes from Noah Parquette from JP Morgan. Please go ahead.

Noah Parquette: Thanks, I just want to talk a little bit about the use of sale leasebacks just particularly the ones that you arranged for the MEGIs, can we think of those as similar to the Oak Spirit, the Oak Spirit in terms of like ten years, roughly 5% to 5.5% interest?

Brody Speers: Yeah, hi, it is Brody here. Yeah, that's right. The recent sale-leasebacks on the two MEGIs are very similar terms to the previous ones we've done on the Creole and Oak Spirit and the other Shell vessels so it is ten-year tenor and kind of an all-in rate of about 5%.

Noah Parquette: And are these non-recourse or –

Brody Speers: No, these are – these are recourse.

Noah Parquette: Can you – can you maybe just talk a little bit about how you view these funding structures versus typical bank debt? Is it – what is so attractive to you? Is it the leverage you can put on? Is it just the availability? Or maybe talk a little bit why this is I mean your preferred source.

Brody Speers: Yes, sure. So we have been doing the sale leasebacks mainly for our new building order book so we had about $3 billion as you know of funding that we needed to raise for the order book and we saw these terms from Chinese lessors as more attractive to the commercial bank market just in terms of pricing, tenor, and repayment profile. So that was one reason. The other reason is with the amount of capital to raise it would have used up a lot of capacity with our existing commercial bank relationships so going the route with these sale leasebacks keeps that capacity open with our existing commercial lenders.

Noah Parquette: Okay, that's all I have. Thank you.

Operator: Your next question comes from Spiro Dounis from UBS Securities. Please go ahead.

Spiro Dounis: Hey. Good morning, gentlemen. Thanks for taking the question. Just wanted to start off on growth, Mark, and I mentioned last call that you are not precluding growth here but that there wasn't anything that compelling out in the market at the time but I noticed obviously on this call you mentioned those tenders or tendering activity picking up. Just kind of curious, is that something that is now interesting to you? Could we see you going after some of those tenders?

Mark Kremin: It is, we are starting to see a bit of an uptake and you're right about last quarter. We weren't seeing as much as we are now. I will say, however, that at this time our bidding continues to probably remain focussed on our vessels that are open with Marubeni joint venture and also the Torben Spirit which could be redelivered as early as next year so that's our priority. On the other hand, we are starting to see new building requirements coming out for 2019 and 2020 so it does look like there is positive things starting to happen in here in terms of requirements.

Spiro Dounis: Okay, that's good to hear. And then just in terms of maybe the contract structures that you're seeing, I don't know if there's a noticeable difference versus last year this year, I don't know if you can comment on. Have the terms come down since last year or any sort of move in the rates, are you seeing a lot of help in that market?

Mark Kremin: We're seeing I think a bit longer term than we had seen previously. We saw a lot of people sitting on the sidelines in previous quarters looking for multi month or one year or two year charters until 2018 or 2019 when the markets should – is expected to rebalance so the new charters that we're seeing starting at that time frame are longer. They're – they're anywhere from seven or ten or more years so what we're bidding on right now actually ranges from 3 to more than 20 years. So I think yes, over the last few quarters the term periods – from periods have begun to return to a norm.

Spiro Dounis: Okay, I appreciate that and then just last one for me. Brody made a pretty good dent on the project financing this quarter, sounds like everything is still on track for everything by year-end. Didn't hear a whole lot around the 2018 refinancing, I know some of that's back end weighted but when do you think you will be able to give us some updates on refinancing 2018 debt?

Brody Speers: Yeah, we are I guess starting to look at the 2018 refinancing's now especially in light of the Awilco situation we mentioned because those two ships are two of the maturities we have next year. So, we're looking at a possible extension on those two loans which could happen this year instead of next year. And then the remaining 2018 refinancing, are kind of in three other buckets. There's $300 million for three Spanish LNG carriers that are in long-term charters to Shell and Gas Natural. And then there is about $100 million of maturities relating to vessels that have what we consider low LTVs. And then of course we have $150 million NOK bond maturity in September of next year. So we are starting to look at them now and I think that the first one we will look at is the Awilco maturities in light of the current situation.

Spiro Dounis: Got it, okay. Sorry one last one as a follow up on the last point. You mentioned some of these are low LTV. So if you assume, it could actually be a cash positive event with some of these refinancing?

Brody Speers: Well, it depends on the charter situation. So two of them for example are the Arctic and Polar Spirit and those will be redelivered to TGP from Teekay in April of next year. So a lot of it will depend on the charter situation but I'd say we're comfortable with the current balloon maturities that we have on those low LTV ships.

Spiro Dounis: Got it, appreciate the colour. Thanks, guys.

Operator: Our next question comes from Randy Giveans from Jefferies. Please go ahead.

Randy Giveans: Hey guys, thanks for the time. So looking at the distribution do you have a timeframe for increases or really are there any key metric targets in terms of remaining CapEx, getting below certain thresholds, or getting a leverage ratios to particular level?

Mark Kremin: Yes, we do have a thought process on what some of the metrics might be but as per our previous guidance, increasing distributions at the appropriate time and in a sustainable manner is obviously priority for TGP. And we're going to have to continue to have this topic discussed with our Board over the course of 2017 so with that said we do not anticipate a distribution increase in 2017. Some of the things that we will be discussing with our Board, it obviously requires or I shouldn't say obviously, but in our mind, it requires the completing of all the new building finance for which we remain on track for the end of 2017.

And the second thing that we want to complete is to get sufficient comfort on refinancing our $735 million of debt refinancing in 2018. So those things are obviously things we want to get out of the way before we meaningfully have a discussion on the distribution increase.

Randy Giveans: Sure, okay, and then on the comment recent uptick in tendering opportunities on the LNG side for 2018 onwards, is that more on new builds for certain projects? Are you seeing those for even current outstanding LNG carriers on the water?

Mark Kremin: We're seeing them from both. We are starting to see some age limits come into the arena. So things like ten years or older starting at startup. And this typically does preclude steamships but certainly for TFTEs and two strokes including MEGIs, the existing ships are being included in what's considered for offer. At the same time there are new building projects that will come out and ships like our Torben Spirit might well compete against those.

Randy Giveans: Sure, alright, that's all I got. Thank you so much.

Operator: And our next question comes from Fotis Giannakoulis from Morgan Stanley. Please go ahead.

Fotis Giannakoulis: Yes. How are you doing? Thank you for the opportunity to ask a question.

I just want to follow-up on the last question about the dividend. I understand you mentioned that the refinancing of your maturing debt of the last facilities, one of the prerequisite – I just wanted to understand if you would be willing to increase your dividend distribution ahead of the delivery of the Yamal vessels and the BG vessels or we should expect first this cash flow to start coming in before we see any increase in the distribution?

Mark Kremin: So our first Yamal vessel will deliver in January of 2018. So having just discussed that we don't anticipate a distribution in 2017, I can't imagine us being able to increase distributions prior to Yamal. Again, this is going to be something we're going to be discussing over the next couple of quarters with you guys as we see the financings for the new builds and the refinancing in 2018 get sorted out. So, I think we'll have more colour on that next quarter.

Fotis Giannakoulis: Have you already started the discussions about this refinancing? Is there are any timeframe that you can give us about this refinancing?

Brody Speers: Yeah. Hi, Fotis.

As I mentioned, the only ones we've really started discussions on at the moment are the Awilco ships in light of the contract discussions that we're having right now on those. So we would expect something to happen there this year. But the other ones, we haven't really spent a lot of our energy on at the moment because we're mainly focussing on putting in place all the new building financings right now.

Fotis Giannakoulis: Thank you. One last question about the overall market. We've seen a lack of off-take activity the last year and a half with the exception of a couple of long-term tenders. At the same time, there are a number of projects in North America that they are looking to reach FID. What is your view about the ability of these projects to get off-takes and secure financing? Are there any particular projects that you see that they might reach FID even without off takes? And how do you view also the announcement of Qatar to lift moratorium on the North Field?

Mark Kremin: So on the off takes. As we mentioned last quarter, at least my personal opinion is that these FIDs are going to require going for [inaudible] fashion. They are going to require off-take agreements. So that's at least my view.

In terms of the project and I'll just mention one, it might be there. I think, for instance, ENI in Mozambique. In my understanding, the CNPC has approved the agreement for BP to off take that entire 3.3 million. So that might be one of the projects that we can see next in terms of coming online.

You asked an additional question at the end. I'm sorry I can't quite recall what it was.

Fotis Giannakoulis: I asked about the North Field moratorium in Qatar?

Mark Kremin: Oh, yeah. Okay.

So, obviously, I think it's very positive for shipping. When we were in Russia a couple months ago, Russia did claim that they would be one of the larger or maybe the largest LNG exporters in due course. So I think it's positive that Qatar is coming back online and with Iran opening up a little bit and more technology perhaps going to Iran, there might be a little bit more concern about the [inaudible] and the ability for them to liquefy.

So I think it's positive that Qatar will come online or I think the moratorium is still several years out in terms of us seeing actual LNG coming from that. It is going to take a little while.

Fotis Giannakoulis: And following up, do you have a view about the timing that buyers will be back in the market? I am asking about new FIDs in North America. At what point do you think that we should start seeing some activity and some thermo stakes[?] and FIDs?

Mark Kremin: I'm not sure, I'm certainly not an expert in the area. I think it correlates closely to oil prices, which have obviously been plateaued at a relatively low level in terms of LNG FIDs. But I'm not sure.

Fotis Giannakoulis: Thank you very much for your answers.

Operator: Your next question comes from Naqi Raza from Citi. Please go ahead.

Naqi Raza: Thank you guys, just a couple of quick cleanup items.

In terms of what you laid out in your financing plan on slide 7, what are the – what are the odds that 1.3 billion or almost 1.4 billion in process that financing could require a little bit more equity?

Brody Speers: Yeah. Hi, there.

As you can see at the bottom, the remaining CapEx we have is about 2.6 billion as of 31st March, and our completed and undrawn financing is just about 1.3 billion. So the difference there of about 1.3 billion or

1.4 billion, we do expect that we can raise debt financing for that full amount. So we view these new buildings as fully equity-funded at this point.

Naqi Raza: Okay, but there is not a chance that you could be asked to put on more equity in any of these cases?

Brody Speers: I think we're sufficiently far enough along with the in-process debt financings that we have pretty good comfort on the amount of leverage we're going – we're going to get there.

Naqi Raza: Okay, fair enough. And I mean, just generally talking about, you know, the market's appetite for more preferred, I mean do you think there's still interest?

Brody Speers: Yes, I think, you know, we did a 125 million preferred offering in October of last year and we were happy with that. And yes, we've seen others go recently in the market as well. So yeah, I think there is still appetite for that or TGP could access that market if we need it to.

Naqi Raza: Okay, fair enough. And then I guess my last question is regarding the Norgas. Did you guys disclose and I apologise if I missed this, but did you guys disclose the actual acquisition amount for the CapEx number, the dollar amount paid or any contracts details associated with this as well?

Mark Kremin: Yes, I think we did disclose that. It is $13 million acquisition for 100% of the carriers.

Naqi Raza: Okay, and as $13 million and that does assume any assumed debt or just all in?

Mark Kremin: No, that is debt free. It does include the 35% interest that we got from Skaugen, but that's debt free, just [inaudible].

Naqi Raza: Got you. And then in terms of the contract associated with this, is there any sort of colour on that?

Mark Kremin: It's in the Norgas pool, so it's earning pool rates and that's how we expect that to continue.

Naqi Raza: Okay, fair enough, I see that. Thank you guys.

Operator: And this does conclude our question-and-answer session. I would like to turn it back to Mark Kremin for any additional or closing remarks.

Mark Kremin: Well, thank you very much, everyone, for your time today. We look forward to discussing our continued project execution and financing progress and, hopefully, improved markets on our call next quarter. So, thanks again.

Operator: And this does conclude our conference for today. Thanks for your participation. You may disconnect.