JSC NAC Kazatomprom

2019 Results Investors Call

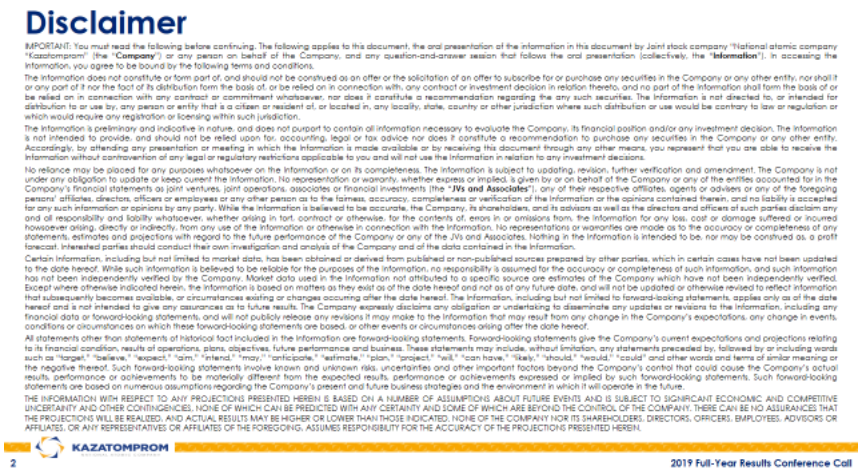
Conference Call Transcript

***Moderator**: Welcome to the Kazatomprom 2019 Operating and Financial Results conference call. All participants are in listen-only mode and this call is being recorded. The call will begin with a presentation, which will be followed by an opportunity for investors to ask questions. To join the question queue, you may press star, two on your telephone keypad. I would now like to turn the call over to Cory Kos, Director of Investor and Public Relations - please go ahead, Mr. Kos.*

Cory Kos: Thank you, operator. Good day everyone and thanks for joining us. Welcome to Kazatomprom's conference call to discuss our 2019 operating and financial results. Our press release, full version of the Operating and Financial Review, along with our audited 2019 financial statements, are available on Kazatomprom's website. Participating in today's call here at the company's headquarters in Nur-Sultan, Kazakhstan, we have Galymzhan Pirmatov, Chairman and Chief Executive Officer, Meirzhan Yussupov, Chief Financial Officer, and Riaz Rizvi, Chief Marketing Officer.

If you joined through the Kazatomprom website, note that there will be slides displayed during the remarks. These slides are also available for download in English and in Russian as PDFs, in a file called "2019 conference call slides" on the website.

This call is open to all stakeholders, with the question and answer portion being an opportunity for members of the investment community to ask their questions. Note that the interactive question and answer portion of the call is on the English line only. Those on the Russian speaking line are listen-only, with simultaneous translation of the English Q&A. If Russian-speaking investors have questions, please do follow-up with a call or email to the investor relations team after this call.



Please note that this conference call may include forward-looking statements. These statements include all matters that are not historical facts. By their nature, forward-looking statements involve risk and uncertainty, and they are not guarantees of future performance. The company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved.

So with that I will now turn it over to Galymzhan.

Galymzhan Pirmatov: Thank you Cory, and good morning, good afternoon and good evening everyone. Thank you for joining us today to discuss Kazatomprom's 2019 operating and financial results.

In February, we released our annual operational and sales results, and earlier today, we released our full 2019 financial results. Hopefully you have had a chance to review those documents, but if you didn't get through them yet, I believe I can effectively summarize 2019 using the themes we have consistently repeated since our IPO. Kazatomprom "delivered on commitments," and "created value".

In 2019, it is clear that we delivered on our guidance; production was as planned, maintaining a reduction of 20% below the subsoil use agreements for all 13 of our mining operations.

We were also, once again, the largest seller of natural uranium in the market, importantly, selling about a thousand tons more than we produced in 2019.

We sold material and delivered responsibly into a growing portfolio of contracts, with an increasingly diverse customer base. And, as a result of our sales team's success, we exceeded our uranium segment revenue expectations by about 20 billion Tenge.

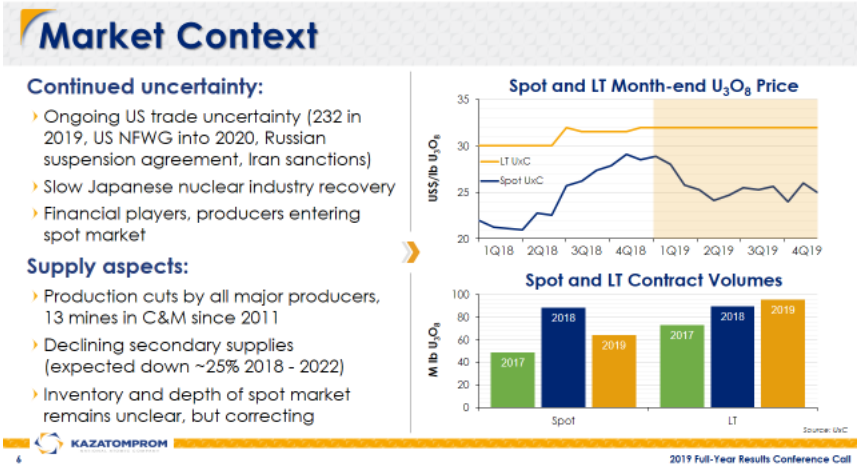
On the cost side, we further secured our place as one of the world's lowest cost producers and did better than expected, with C1 cash and all-in sustaining costs coming in at 9.3 U.S. dollars and 12 U.S. dollars respectively. Those results, which were below the guided ranges and about 20% lower than last year, were largely due to a weaker Kazakhstani Tenge, and continuouscost optimization efforts.

Taken all together, delivering on those commitments meant that we continued to create value. After adjusting for the one-time effects of our 2018 restructuring, adjusted annual net profit increased by 84% to 142 billion Tenge, while adjusted EBITDA was up 76% to 249 billion tenge, and adjusted EBITDA attributable to Kazatomprom increased by 55% to 217 billion tenge.

With those same themes in mind, we paid out our first dividend as a public company in June of 2019, meeting our promise to return a minimum of 200 million U.S. dollars to our shareholders. We expect to maintain that minimum 200 million dollar level for this year's dividend based on the 2019 results.

But the company's success in 2019 was not by chance – and it certainly wasn't because of a market recovery, a topic that I will get to in a moment. It would be appropriate to say "consistency" played a significant role in assuring that we delivered on those commitments and expectations, and the area where we have remained most consistent, is in the execution of our strategy; we've maintained our market discipline and lower-than-planned production levels. Our restructured marketing function has continued to expand into new markets, this year adding six new customers and two new countries that we now do business with. We also sold enriched uranium product for the first time in the company's history, supplying the IAEA Fuel Bank, as well as expanding into UF6 sales. You've seen us continue with a commitment to our core business of uranium mining, with further divestitures including the exit from the Uranium Enrichment Center JV, which will add about 100 million U.S. to our cash balance in 2020.

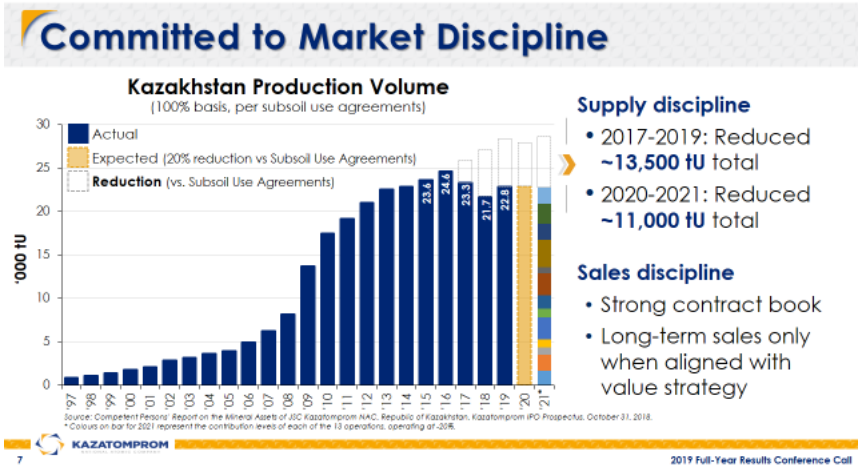
And throughout, we've maintained a diligent focus on the key areas of our Environment, Social and Governance impacts. Our strong environmental record remained intact and we have continued to emphasize safety. The reporting of near-miss incidents, that we started in 2018, increased by nearly 5 times. The identification and reporting of near misses is an important tool in improving safety culture and accident prevention. Robust corporate governance also remained top-of-mind to balance the interests of all our stakeholders. Our former Chairman, Jon Dudas, who played an important role in developing strong governance practices, was asked to join the Board of Samruk Kazyna, the National Welfare Fund of Kazakhstan, our majority shareholder. This speaks volumes for the quality of the policies and programs that have been developed at Kazatomprom. Although he will be missed, the independent representation on our board remains very strong with Mr. Longfellow taking over as Chairman, Mr. Banham our second independent director, and with the search underway for one or potentially two additional independent Directors ahead of our May AGM.



So overall, the company achieved excellent 2019 results, and we have stuck to our strategy…but that is not to say it was an easy year as a uranium producer. The fact is, the uranium market continues to be challenged. Just over 60 million pounds were transacted in the spot market, down from 90 million pounds in 2018. Concerns around a Section 232 investigation in the US was one of the key reasons why spot price declined over the first quarter from around $29/lb. to roughly $25 where it remained for much of 2019.

Although supply and demand were roughly in balance in 2018 and again in 2019, geopolitical and trade uncertainty, not limited to the 232 petition, but also concerning the Russian suspension agreement and Iran sanction waiver issues, continued to be major factors that kept utilities on the sidelines. Long-term market volumes in 2019 were similar to 2018, at about 90 million pounds – but that is still half of what is needed for replacement-rate contracting. Both spot and long-term prices remained well below where they need to be to incentivize a healthy future supply chain. What is of real concern is how the lack of contracting and price support today will drive medium to long-term uncertainty of supply – the longer it takes for prices to signal the need for a return of existing and new supply, the higher future price volatility is likely to be, with significant overshoots in price possible.

This was exactly what we saw last year in another part of the nuclear fuel supply chain, conversion, where weak price signals led to capacity closure, followed by inventories being absorbed, and delays in the return of capacity. Those conditions led to a five-fold increase in conversion prices, from $4.50/kg to $22.50/kg.



As we've said since our IPO, our value-focused, market-centric strategy is being applied not only to production, but to our sales activities as well. How, where and when to sell, are all considered within the context of a long term market recovery. At the end of 2016, Kazatomprom stopped selling to traders, and in 2020, we are not intending to offer any material into the spot market; our pipeline of contracts signed and being finalized for 2020 are expected to consume all of our planned production. We believe that our actions to reduce primary supply have brought the market into balance, but we will also continue to manage how we deliver that supply in support of our value strategy.

Looking Ahead – 2020 Guidance

(Exchange Rate Assumption KZT/USD = 390)		2019 Actual	2020 Guidance
Production volume (100% basis)[1]	tU	22,808	22,750 – 22,800
Production volume (attributable basis)[2]	tU	13,291	12,800 – 13,300
Group sales volume[3]	tU	16,044	15,500 – 16,500
KAP sales volume (incl. in Group)[3]	tU	14,148	13,500 – 14,500
Revenue (consolidated)[4]	KZT billions	502.3	490 – 510
Revenue from U_3O_8 sales (incl. in consolidated)[4]	KZT billions	424.8	400 – 440
C1 cash cost (attributable basis)*	$US/lb	$9.28	$10.00 – $11.00
All-in sustaining cash cost (attributable C1 + capital)*	$US/lb	$11.94	$13.50 – $14.50
Total capital expenditures (100% basis)[5]	KZT billions	67.0	80 – 90

1 Production volume (100% basis): Amounts represent the entirety of production of an entity in which the Company has an interest. It disregards that some portion of production may be attributable to the Group's JV partners or other third-party shareholders.
2 Production volume (attributable basis): Amounts represent the portion of production of an entity in which the Company has an interest corresponding only to the size of such interest. It excludes the portion attributable to the JV partners or other third-party shareholders, except for JV "Inkai" LLP, where attributable share is calculated in accordance with the formula described in Kazatomprom's IPO Prospectus. The Company anticipates that the share of production in JV "Inkai" LLP in 2020-2021 will be approximately 1300 tU. This change has been reflected in the 2020 guidance shown, which is now slightly lower than the attributable production guidance shown in the 4Q19 Operations and Trading Update (5 February 2020).
3 Group sales volume: Includes Kazatomprom's sales and those of its consolidated subsidiaries (companies that KAP controls by having (i) the power to direct their relevant activities that significantly affect their returns, (ii) exposure, or rights, to variable returns from its involvement with these entities, and (iii) the ability to use its power over these entities to affect the amount of the Group's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether KAP has power to control another entity).
4 KAP sales volume: Includes only the total external sales of KAP HQ and TNK. Intercompany transactions between KAP HQ and TNK are not included.
5 Revenue expectations are based on uranium prices taken at a single point in time from third-party sources. The prices used do not reflect any internal estimate from Kazatomprom, and 2020 revenue could be materially impacted by how actual uranium prices vary from the third-party estimates.
6 Total capital expenditures (100% basis): Includes only capital expenditures of the mining entities. * Note that the conversion of kgU to pounds U3O8 is 2.5998.

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Looking ahead to 2020, the theme for Kazatomprom is consistency and market leadership. We continue to focus our attention on preserving financial capacity in an uncertain market. As you've seen in our 2020 guidance, the upcoming year is expected to be similar to 2019 – We expect to deliver more than we produce. Our production will stay flat against 2019 levels, and our minus 20% cut against subsoil use agreements will be extended through 2021. Our guidance range for revenue increases modestly, while cost guidance will be influenced by the Tenge to US dollar exchange rate.

As is our practice, we do not provide estimates on future prices. Therefore our revenue guidance is based on external third-party uranium price estimates; and just as we did last year, we advise that to the extent actual uranium prices are higher or lower than that estimate, revenue could also be higher or lower. It's important to reiterate that the third-party price used is not necessarily our expectation.

With respect to the Coronavirus that is having a significant global impact on everything from travel, to supply chains, to the financial markets, we are keeping a close eye on the situation, but have seen very little impact to date in 2020. If the situation continues for a considerable amount of time or if it worsens, it could have an impact on our 2020 delivery schedule.

We're confident in the long-term fundamentals for the nuclear industry. It's widely believed that the next cycle of long-term contracting will drive market recovery – not a matter of if, but when.

Supply cuts have taken hold and inventories are trending down at each stage of the nuclear fuel cycle. As the market continues on a path to recovery and long-term, sustainable prices, Kazatomprom remains uniquely positioned to continue to generate strong margins for the benefit of all its stakeholders.

So with that, we are happy to take your questions.

Moderator: *We will now begin the question-and-answer session. Please limit yourself to two questions at a time. If you have additional questions, you are welcome to re-join the queue. To join the question queue, you may press star, two on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing any keys. Once again, INVESTORS on the call who wish to ask a question may press star, two at this time. We will now pause for a moment as callers join the queue, and to allow for simultaneous Russian translation on the second line.*

The first question we have is from Alexander Pearce from BMO Capital Markets. Alexander you are now unmuted. Please ask your question.

Alexander Pearce: Great, thank you. Good afternoon all. Perhaps you could just comment on the cost profile for production this year. So obviously you reported all-in sustaining costs well below your guidance last year but they, it suggested obviously they're going up a little bit more this year. So what's behind the increase?

Galymzhan Pirmatov: Thank you Alex. Definitely exchange rate played a role in 2019 actuals. So, we're being a little bit cautious, not trying to be too optimistic about our guidance and still those are good numbers. If anything changes, we'll be updating those guidelines but so far, I think that's a fair way to go.

Alexander Pearce: Okay. Thank you. And maybe if I ask a second question most of your guidance; so production, sales you provided previously, is the same but I did notice that your attributable production guidance has come down a little bit. I wondered what was behind that change as well. I think it went from 13 to 13.5 thousand tons, to 12.8 to 13.3.

Galymzhan Pirmatov: Yeah. It's in a little fine print. You can find all the detail, if you remember in February when we did the guidelines those numbers were different yes. And you'll notice a difference now those are down, that’s to do with our joint venture, our partner Cameco will be taking up a little bit more material, company ownership structure is going to stay the same. It’s just we will be taking up a little less material in 2020.

Alexander Pearce: Okay. Thank you.

Galymzhan Pirmatov: Thank you.

Moderator: *Thank you. Our next question comes from Ildar Davletshin from Wood & Company. Ildar, you are now unmuted. Please ask your question.*

Ildar Davletshin: Hello everyone. Thank you for the call and congratulations with a very good set of results. So, two questions from my side please. One on the dividends, it's great that you remain committed to 200-million-dollar dividend distributions, but I noticed that your net debt has actually decreased and the leverage is just at like 25 basis points quite low. And then we should be potential expecting proceeds from the sale in this Uranium Enrichment Facility for about a hundred million dollars which you announced earlier. So, do you see as the capacity to pay a little more dividend in 2020. That's really my first question.

And second is on your realized prices. So I noticed last year your dynamic of your realized prices was better than spot price for uranium. And so I'm wondering was whether it's just a one off effect in relation to your Yellowcake potentially deal in 2018 which could have reduced your realized price or whether this is more due to your marketing efforts. And so we should expect also outperformance of your realized price relative to spot potentially. Thank you.

Galymzhan Pirmatov: Yes. Thank you Ildar. With respect to dividends we will basically be following our dividend policy. And if you remember we committed for two years minimum of 200 million dollars just to give investors the comfort as we were just adapting to that dividend policy. So this year as you see we have very good results, very good operating cash flows. I think by even following that dividend policy we'll be coming up with a number that's higher than last year's number. I don't want to give the number before it's discussed at the board and approved by shareholders, but I can tell that based on our cash flows, I'm confident that dividend number will be better than last year. The 100 million dollars from the sale of UEC is yet to come, but likely to be part of the next year's dividend payout, getting into next year's calculation for the dividend payout according to our dividend policy.

With regard to spot price, you know we are heavily exposed to spot in our contracts and we feel comfortable as we are, as the expectation is price will move. So we're happy where we are we're not locking in any fixed prices in any big way. Hopefully we'll get to the point when we will be starting to lock in those high prices. But as of today, we're heavily exposed to spot and as you see in the sensitivity table our expectation heavily basically follows the spot price. So yes team works very hard to get every piece of margin on every trade, every sale. So we'll stick by our guidelines basically that we will be following spot more or less.

Ildar Davletshin: Thank you very much.

Galymzhan Pirmatov: Thank you.

Moderator: *Thank you. Our next question comes from Connor Rowley from Credit Suisse. Conor you are now unmuted, please ask you question.*

Connor Rowley: Hi there. Just a couple of questions; one on the market and one disclosure. Just on the market, I mean you've mentioned that you're still very confident the long-term fundamentals of the industry you say supply cuts have happened and inventories are trending down. I'm just trying to understand, you know, this has been the story for the last year and six months ago it was widely reported that these inventory levels were already at very low levels. And now that we've had sort of indications from Trump and the working group and his purchases. Just trying to understand when you say it's a matter of when rather

than if for the next round of contracting. In your mind, what at this stage it's still holding the utilities back? That would be my first question.

Galymzhan Pirmatov: Thank you Connor for the question. I guess the biggest question, you know, when market will move and what will trigger that. Yes, last year, half of the year we've been all watching petition 232, other sanctions possibilities, but you have to remember industry is being oversupplying market for so many years. It's going to be not one or two years before it clears up. Only in 2017 we really started making difficult decisions on the supply side. That's when we decided that we're not going to sell to traders. So, staying very disciplined on the supply side '18 and '19 year on year, pretty much in balanced. But you have to remember all those years of oversupply in the market and secondary supplies. So I guess it's going to take longer than some people might have thought, a year ago or a half a year ago, it's very difficult to say what's holding back utilities from coming in a big way. Although we're seeing more and more interest to discuss future rounds of contracts. So yes we believe it's a matter of when than if. But that's a big question when exactly it will happen. We do believe the next round of negotiations between utilities and suppliers will trigger that move. As I cannot imagine suppliers taking, locking in losses in the next long-term contract round.

Connor Rowley: Sure. And when you say the next round of negotiations is that, sort of, September this year or earlier in the year?

Galymzhan Pirmatov: If I know-

Connor Rowley: -Is there a key, is there a key seasonality in the market now I'm asking rather than necessarily what you're going to do? Or is it not that simple?

Galymzhan Pirmatov: I don't think it's going to be key seasonality. It could be element of behavioral element on the on the buyer side as well. So, very difficult to say. Hopefully, hopefully this year if not next year but as I say, we are being very disciplined, committed to our strategy. We are making money in this market. So we are very confident. We have very strong financial standing. We'll just continue with what we're doing.

Connor Rowley: OK. Second one just on disclosure you obviously had a very good cost performance, but I'm just wondering on your sales volumes, have you given the split anywhere of what constitutes those sales volumes your own production and what was third party. Because I think this is a big reason why you missed expectations at the half year. And I'm just trying to work out how the second half went in terms of what in the sales volumes is your production and what is third party.

Galymzhan Pirmatov: Yeah, thank you Connor. If I mean, we've been discussing this topic for a while. For the time being now we're not disclosing that information. As there's so many moving parts. I know it's not easy to try and model our business structure is quite complicated but we're going to stick with the current framework for the time being. So that's where we are Connor

Connor Rowley: OK. Thank you.

Moderator: *Thank you. Our next question comes from Oliver Grewcock from Berenberg. Oliver you are now unmuted, please ask your question.*

Oliver Grewcock: Hi, thank you. Just two quick questions. One could you give us a bit more on the nature of the swap deal was made in 2019 and also some colour on the spike in unsafe conditions, actions and near-miss reporting please?

Galymzhan Pirmatov: Thank you Oliver.

Riaz Rizvi: Galym would you like me to take the first one?

Galymzhan Pirmatov: Oh yeah. Why not Riaz. Please.

Riaz Rizvi: OK. So in terms of the swap deals done in 2019 essentially, they relate to location swaps where we need material in certain locations, namely Western converters. And so we, and this is quite typical for the industry, we enter into transactions where we receive material. On Western converters and then delivered back East at a later date at the same converters or sometimes we deliver physical material into other locations that our counter parties would like such as Russia or China. That largely, essentially covers the activity of last year though it should be pointed out that some of the material that we received in the back end of last year will only be delivering this year.

Oliver Grewcock: That's great. Thank you.

Galymzhan Pirmatov: Yeah, thank you Riaz. I was just pausing, because I didn't really understand your second question. But now with the help of the team I understand; what's happening Oliver is we're really focusing on changing the safety culture at the company. So 2018 was the first year when we actually formally started to register and address near misses, so formally defined what it is, working with the team and staff, did a lot of training. So 2018 was the first year when we started in 2019 it was a really a second year. So that's why there was a big spike. So 2017 we really didn't have that kind of procedure in place.

Oliver Grewcock: OK, that makes sense. Thank you very much.

Moderator*: Thank you. Our next question comes from Anna Antonova from JP Morgan. Anna you are now unmuted. Please go ahead.*

Anna Antonova: Yes hello. Thank you very much for the presentation. A quick question from our side. So last year your total CapEx one hundred percent basis mine was around 20 percent, I think, below your last year's guidance. So our question is if current market conditions persist do you see some downside risks to your CapEx for 2020 as well. Thank you.

Galymzhan Pirmatov: Thank you Anna. Not really, as you see in our 2018 and 19 numbers. It's clear that staying disciplined, putting more capital into preparing more well fields and preparing more pounds to be produced wasn't our priority. We're quite confident that 2020, 2021 we'll be producing, as we were guiding the market. So some of the decisions we are basically timing of those CapEx but make no mistake, we are not saving on a capital that is essential to stay in good shape and be ready when market moves. This is more or less drilling and piping and infrastructure, preparing new well fields for production. So as we've been in a holding back production levels we are deferring some of the CapEx and our guide line is going to be as you noted. If there will be some more decisions to be made we'll probably make it. But at this stage we're planning to follow through with those CapEx as guided.

Anna Antonova: Understood. Thank you.

Galymzhan Pirmatov: Thank you.

Moderator: *Thank you. Our next question comes from Anton Fedotov from Bank of America. Anton you are now unmuted. Please go ahead.*

Anton Fedotov: Thank you very much for the presentation. If the market conditions continue to be under pressure for the next few months or so, would you be positioned to reduce supply even further from the amounts announced previously. Thank you.

Galymzhan Pirmatov: Thank you Anton. I don't think so. We are the largest and cheapest producer and we've been holding back production quite significantly. If you look at 2017-18-19, and expected '20 and '21, those numbers add up to one full year of Kazatomprom [Kazakhstan's] peak production in 2016. So we're doing quite a bit and we'll continue to do so as you see in our sales guidance, we're planning to sell again about 1000 tons more than we produce. So if market conditions continue like this, we'll have to think about inventory levels and maybe some other stuff. But in terms of production we will be following through with the production volumes as guided.

Moderator: *Thank you. Next question comes from Phillip Chafee. Philip you are now unmuted please ask your question. This is Philip from Energy Intelligence.*

Phillip Chafee: Hey, I have two questions for you. One just in terms of your uranium sales by region. I noticed the introduction of both Russia and Canada. I wonder if those are one offs or if you expect to be supplying customers in those regions for a while.

And secondly I'm just curious if you could give an update about progress on the fuel fabrication plant at ULBA, the joint project with CGN. Thanks.

Galymzhan Pirmatov: Thank you Philip. Canada, if you remember we started consolidating JV Inkai in '18 so that the Cameco share of material that they buy from Inkai. So that's part of our group consolidated sales volumes.

And Russia was a one-off transaction last year. Going forward we don't really plan to, but if there is a good reason to do a deal, we will be prepared to do deals with all our counterparties.

In terms of fuel fabrication plant; it is moving along. We've completed the construction part last year. Now what we're doing is we're in the process of installing equipment. And in the installation of the equipment, specialists, professionals from few countries are involved as we purchased key pieces of equipment in France, in China, some other places. Hopefully this Coronavirus isn't really going to delay that process very much. And the plan is as we finish installing equipment we'll start the process with our partners in France to certify the plant and as part of its certification process, we'll be starting to make our first fuel bundles. And all along this plan the goal is end of 2021 to make our first delivery to China.

Phillip Chafee: Thanks.

Galymzhan Pirmatov: Thank you Philip.

Moderator: *Thank you. This brings us to the end of the current question queue. Investors if you would like to ask a question please press star two on your telephone keypad at this time.*

We have Philip Chafee from Energy Intelligence with another question, Philip you are now unmuted, please go ahead.

Phillip Chafee: Just one more question, since no-one else is asking. On China it looks like you yourself picked up a bit in 2019 over 2018. Do you have any sense in 2020 what Chinese demand is looking like?

Galymzhan Pirmatov: Yeah. If you look at '17 even in a higher the number. So, China it continuing, will continue to be a big part of our deliveries. Riaz, do you have any numbers in terms of what do we expect this year.

Riaz Rizvi: I don't think that we're going to see much of a change from China this year, relative to last year. The Chinese are a little bit behind in terms of their reactor builds. They had a target for this year, which I think they're going to fall a little bit short of. But we continue to consider the Chinese market to be the probably largest market for our material. Looking out over this year and the next few years as well.

Phillip Chafee: Thanks.

Moderator: *Thank you. We have a question from Dale Hessel who is a Private Investor. Dale you are now unmuted. Please go ahead.*

Dale Hessel: Yes, I was wondering have you guys considered buying in the spot market to drive up the spot price a little bit like Cameco is doing and Peninsula and UR Energy and Energy Fuels?

Galymzhan Pirmatov: Hi Dale. Thank you. No, not really. We are a long-term player. We have a very long-term view, yes as the largest producer and the largest seller we can make short term spikes or short-term noise, but that's not what we're looking for. We're really looking for a sustainable change in the market. So no, we're not really doing it to spike up the spot price in the short term.

Dale Hessel: Well Cameco is a long-term, long-term supplier as well. Obviously they want the new contracts to be signed at a higher price, like a 5-handle instead of a 4-handle for instance right. But I don't know. I'm just wondering what the difference between Cameco and Kazatomprom in terms of their long-term vision.

Galymzhan Pirmatov: I think the vision is the same. We are confident in the long-term prospects of uranium. I can't really speak to what Cameco is doing or not doing in a spot market Dale.

Dale Hessel: OK.

Riaz Rizvi: Just to kind of add a little bit more colour in terms of our activity in the spot market what Galymzhan was saying is absolutely right in terms of the motivation. We do have a trading arm sitting in Switzerland and opportunistically, when they see a distressed seller in the market, they're very happy to buy incremental volumes for their own trading book. And likewise, when they find buyers who are interested in doing slightly different structure to those that headquarter is typically enter in to, which are essentially long-term deals, then the trading arm can also execute on those. So I would say we've seen quite a difference in the way that the uranium spot market operates ever since THK launch with a lot, let's say, extreme short term volatility and really kind of maybe a, maybe a little bit more disciplined or market rational behavior in the spot market. So that's really where THK plays a role, in terms of adding a little bit of liquidity to the market and a little bit of price transparency.

Dale Hessel: OK.

Moderator: *Thank you Dale. Our next question Andrew Wong from RBC Capital Markets. Andrew you are now unmuted. Please go ahead.*

Andrew Wong: Hi. Thanks for having me on. When do you have to make a decision on 2022 production. And if demand were to come back faster than expected, how quickly could you raise production back to your prior levels. Thank you.

Galymzhan Pirmatov: Thank you Andrew. 2022, sometime this year we will have to make a decision. If you really want to be diligent you want to do that make that decision before your budgeting starts for 2021, that's when you have to really decide how much drilling and piping, you're going to be committing to in 2021 to prepare for 2022 production. But that decision can also be taken a little later toward the end of the year as well.

In terms of how quickly we can come back, on the existing production, within 12 to 18 months we can be beefing up production in a significant way. If you're talking about Greenfield, which we also have a capability to do and have reserves ready to do, we'll probably need three years, with a little bit of capital. And Andrew as you know how this market operates in terms of long term contracting, we can find contracts today for five to 10-year delivery, starting deliveries from three to four years or five years from today. That's the normal practice in the industry. So when we have those contract portfolio growing, we will know ahead of time our delivery commitments with enough time to prepare and produce those pounds when we need. So we're not really worried about being ready when the market picks up.

Andrew Wong: OK. Thank you for that. And then just on the 2022 decision have you talked to any of your JV partners about that yet, have those discussions started, and what are the issues, where the concerns are, what's the feedback that you're getting from them? Thank you.

Galymzhan Pirmatov: It's been four years now when Kazakhstan is producing minus 20 percent and actually have to thank all of my partners for agreeing to do so. As you know we have different partners with different agendas and different goals. And overall you can expect that all of them want pounds from Kazakhstan, because they are the cheapest. So it's not an easy discussion with some of my partners, but yet we haven't really started specifically to discuss that, but we constantly meet and discuss operational matters with our partners and when the time will come how we how we go about it, Andrew, we do not really discuss with them before we make our internal decision. So we first make in-house decision by Kazatomprom what we think is right and then we go out and start negotiating because we don't want to be really was to be the largest producer discussing with our partners, “what if” kind of scenarios. So we don't really go and talk to them about 2022 until we make our house decision and announced it. Exactly that's what we did end of 2017 that's what we did last year in August. And that's how we're going to continue in the future if we end up deciding that that's the right way to go about it.

Andrew Wong: OK. Thank you very much.

Moderator: *Thank you. That was our final question in the question queue. This concludes the question-and-answer session. I will now turn the conference back to Mr. Pirmatov.*

Galymzhan Pirmatov: Thank you. As the market leader, we are committed to continue delivering on our commitments and creating value for all our stakeholders. Thank you all for joining us today and have a great day!

Moderator: *Thank you. This now concludes today’s call. We thank you all for joining. You may now disconnect.*

[End of transcript]