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SWC - Q4 2013 Stillwater Mining Company Earnings Conference Call

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PRESENTATION

Operator

Welcome to the Stillwater Mining Company fourth-quarter 2013 results conference.

(Operator Instructions)

As a reminder, this conference is being recorded. I would now like to turn the conference over to Stillwater President and CEO, Mr. Mick McMullen. Please go ahead, sir.

Mick McMullen *- Stillwater Mining Company - President, CEO*

Thank you very much and thank you everyone for dialing in this morning and for waiting patiently while we managed to get everyone on the call. Today I'm talking about the fourth-quarter 2013 earnings and incorporated in that slide deck we have our 2014 updated guidance as well.

I'd like to refer everyone to the forward-looking statement in our presentation and we'll let you read that at your leisure. Our fourth quarter highlights, we had record total revenues in 2013 of $1.04 billion, which was a 29.9% increase from the previous year.

Mine production was just under 524,000 PGM ounces, which was up also from 514,000 ounces the previous year. We had a record 616,000 ounces of recycled PGM processed for the full year, which was a 38.5% increase from the previous year.

We took impairment charges on the Altar property in Argentina and the Marathon properties in Canada. We had adjusted after-tax consolidated net income attributable to common shareholders of $49.5 million, excluding the impairments.

We finished the year with a very strong liquidity position. Our cash plus short-term investments were $496 million.

If you move to the next slide, our fourth quarter results, I'll walk through the numbers for the fourth quarter, but you will see that we had a pretty strong end to the year. Our mine production was up 6.5% from the previous year, same period, to 141,000 ounces.

Our total cash cost mined net of by-product credits was $500 an ounce. Our corporate overheads were $7 million for the quarter, which was a 47% reduction from the same period to the previous year.

Our capital expenditures went up slightly to $38 million. And overall it was a very strong finish to the year for us.

Going over the page to our full year results, again as we mentioned on the first slide, our mine production was up slightly. Our total cash costs also went up slightly, but again, came down during the fourth quarter. The trend during the year for both production and cost was very positive.

Our corporate overheads during the year as a total went up slightly and much of that related to the first half of the year. Capital expenditures also went up slightly year-on-year.

And again, overall I would say that the year was a year of two halves. The second half of the year had a very strong trend for us in terms of costs, reduction, and also production going up.

Moving on to the accounting items slide. As we've announced previously, in the third quarter we took a $290 million before tax impairment charge at Altar. We reduced the Altar net book value to an estimated fair value of $102 million.

In the fourth quarter, we've now taken an impairment charge of $171.4 million before tax against the Marathon project and we've reduced Marathon to a net book value of $57.2 million. The after-tax effects on net income of both these impairments on 100% basis were reductions of $226.5 million, and $123.6 million respectively. Adjusted for these impairments, our after-tax consolidated net income attributable to common stockholders would have been approximately $49.5 million for the year.

Cash flow, we had a circa $32 million cash flow gain from working capital benefits. We did experience towards the end of the year some very abnormal weather conditions, very cold, lots of snow, and that led to delayed recycle deliveries which basically frees up working capital.

Over the page on our strategic initiatives progress update, we have stated very clearly and continue to remain focused on allocating capital based on projects with very strong payback. We're focused on reducing expenses in areas that do not impact operational or safety performance and we're looking to control the holding costs of our exploration projects while we retain optionality on their value.

Marathon -- the permitting process has been suspended while we optimize the feasibility study in order to provide a better economic outcome for shareholders. This project does fit within our Company's core strategy, which is to be focused on PGM mining in low risk jurisdictions. However, it does need to demonstrate adequate shareholder returns in order for us to justify the development there.

At Altar, it does have significant latent value. This is one of the largest undeveloped copper assets in the world. However, it is a non-core asset for us due to both the commodity and the location.

If you look at the graphs on the page here, we've updated the forecast spend on both these areas, from 2013 to 2014 in the marketing, G&A, research and development, exploration, we're estimating a circa 45% reduction in spend between 2013 to 2014. And on the projects, again, we're estimating about a 60% reduction in spend 2014 versus 2013.

This brings me on to operational improvements. So our core focus is clearly profitable PGM ounces in low-risk jurisdictions and our Montana operations, being the highest grade PGM mines in the world, clearly fit within that strategy.

Our focus is on maximizing high-margin ounces. We are measuring profitability against fully-loaded costs, including SG&A, maintenance, and capital expenditures. We're looking to improve worker productivity and align our resources to a more mining-focused work force.

We've got a strong focus on grade delivered to the mill and throughput, which is starting to show benefits, and I'll draw your attention to the two tables on this slide. You can see for the Stillwater Mine in January we were 9% above budget for tons milled. February, we were 19% above budget. The mill grade at that operation was 10% above budget in January and 1% above budget in February.

And at East Boulder we are significantly above budget in both tons and grade and that trend is continuing to increase. So we had a very strong end to the year last year and that trend is continuing during the course of this year.

We see some potential to increase mill recovery rates through optimization and minor capital programs. And we have a quite low attrition rate at the mine with their workforce which provides some opportunities to scale back our very successful recruiting programs and training while we manage our total workforce.

Again, in January when I provided the initial strategy update for shareholders, we provided some guidance, some big picture guidance as to where we thought the Company needed to go. We're now providing some detail on how we're achieving that and some of the results to date.

Going over the slides to our key performance indicators. This is the first time we're reporting all-in sustaining costs. This is one of the key performance indicators that the Company now uses to measure our performance.

The fourth quarter for 2013, the all-in sustaining cost was trending in the right direction. You can see from the graph here, you can see that mine production went up and our all-in sustaining costs came down after a trend during the course of the year when it had gone up each quarter.

We believe that what we're doing is sustainable on a long-term basis. Of course, we will have variability up and down from quarter to quarter but we believe that overall the trend will be heading in the right direction.

We have a disciplined approach to capital deployment and our focus on operational efficiencies will drive sustainable, all-in sustaining cost reductions. And given that we sell a basket of various PGMs, we put there that at the moment our current basket price is circa $900 an ounce. You can see from the table here that our all-in sustaining costs during the course of the year has been very good and we've actually managed to drive our cost down quarter-on-quarter from the previous year.

This brings us to the look-forward and the 2014 full year guidance. This table on slide 10, we have provided some guidance in January, we're now updating that guidance. In all instances, those metrics have improved and we've also put on the table here our 2013 actual performance.

So our production guidance for this year is now 520,000 to 535,000 ounces. Our total cash cost mines, net of credits, is sort of in the range of $540 to $590 an ounce. And all-in sustaining cost is in the range of $805 to $855.

You'll notice that there's been a substantial reduction in our guidance for corporate overhead, $35 million to $45 million. And again, our capital expenditure, we continue to reduce from the previous guidance and still slightly above last year's actuals. $145 million to $155 million is our guidance for the spend for this year.

And again, in terms of reporting, we're now splitting out sustaining capital expenditure versus project capital expenditure, so people can get a good feel for what our sustaining CapEx spend rate is going forward. You'll notice that of the $145 million to $155 million total CapEx, circa $100 million of that is sustaining capital and circa $50 million of that within a range is our project capital expenditure.

Coming over the page, I'd just like to remind people of our world class mineral assets we have here in Montana. We have two mines and mills on the J-M Reef, it's the world's highest grade PGM deposit. At this point, only around 9 miles of that 28 mile strike length has been developed.

We are updating our proven and probable reserves today. They now sit at 22 million-ounces of P&P, 78% of which are palladium, 22% are platinum or metal. And exploration beyond our reserve area suggests that there may be an additional 102 million tons of undeveloped mineralized material controlled by us at an average in-place grade of approximately 0.48-ounces per ton.

We'll draw people's attention to the forward-looking statement at the front here that under the SEC Guide 7 rules, they do not recognize mineralized material, but we believe that we have a substantial mineralized inventory here in this project. So again, despite producing over 0.5 million ounces last year, we've added to our P&P position slightly.

We have a very strong developed state of the mine. And we think that this Company is sitting on top of some world class PGM assets.

Coming on to our capital projects. If you'll remember, there's circa $50 million worth of project capital to be spent within the Company this year. I'll provide some color on what that money is being spent on.

There's approximately $1 million this year to be spent on the Graham Creek project. This is an 8,800-foot TBM drive, two new vent raises, it's essentially complete now. If the you look at the little graphic on the bottom, this opens up a substantial new strike length at the East Boulder mine.

It provides rail haulage which reduces travel time for manpower, supplies and ore. It also substantially improves our ventilation system out there and this sets up the East Boulder mine for a very good future, we feel.

The Blitz project is our main capital project. It's a [$98 million] budget for this year.

Again, if you look at the graphic on the bottom, this opens up a substantial strike length at the Stillwater Mine, approximately eight miles. And we've completed around about a mile of TBM advance so far.

We believe that this area will have lower cost production in the future because, again, you're on rail haulage. And it's in close proximity to the mill.

At the Stillwater Mine as well, we're expanding the Hertzler tailings storage facility. That's budgeted at $9.6 million for this year with a further $6 million next year. We're incurring those costs now. That provides us capacity out to the year 2030. Again, this is a true capital project.

Similarly at East Boulder, we're spending $4.6 million this year on tailing storage and water management facilities. Again, that takes us out to 2022 for tailing storage capacity. These projects are money that we're spending this year and partly next year, these set the mines up for a very long life.

Also at our recycle smelter business we are spending a bit of money this year in upgrading some facilities and some new facilities which will allow us to trade some different products. There's about a $7.2 million capital spend in 2014 for that.

So in summary, the fourth-quarter last year was a strong underlying quarter. Operationally. The full-year last year we saw record recycling results and mine production was ahead of plan. We are making early progress on our strategic initiatives.

We closed the year with a very strong liquidity position. Our all-in sustaining costs are moving in the right direction. We believe there's further work to do.

We're seeing encouraging production trends from last year continuing into early 2014. And we think that there's more room to improve those.

Our focus areas for this year really are operational efficiencies, driving down our all-in sustaining costs on a sustainable basis. We will continue to reduce corporate overheads. We will deliver our development projects in Montana which over time will reduce our costs.

We are looking to expand our recycling business. And we're controlling our costs on Altar and Marathon while we look to optimize value from both of those projects.

So that completes the formal presentation for today. And I guess we'd like to open up the floor to questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

John Bridges from JPMorgan.

John Bridges - *JPMorgan Chase & Co. - Analyst*

Congratulations on the results.

Mick McMullen - *Stillwater Mining Company - President, CEO*

Thank you.

John Bridges - *JPMorgan Chase & Co. - Analyst*

Just wondered, we saw a big pick-up in production from East Boulder. That presumably was related to the better ventilation from the first vent shaft. Is it reasonable to assume that we're going to have sequential ones there before the Graham Creek expansion proper is completed?

Mick McMullen - *Stillwater Mining Company - President, CEO*

At this stage we're looking to see production out of Graham Creek coming on in Q3 of this year. And I think that one of the reasons that the performance out of particularly East Boulder has been very good is that it has a very good developed state which has allowed the guys a lot of operational flexibility. The developed state of that mine is currently sitting around about 70 months of reserves, and there is potential to continue to expand on that production, particularly as Graham Creek comes on in Q3.

So I would say that there's been a lot of things that have been done over the last year to 18 months at that mine that have really set the platform for future growth and I wouldn't say it's any one thing. It's a combination of many things.

John Bridges - *JPMorgan Chase & Co. - Analyst*

Okay. What tonnage should we expect in Q3 and Q4 then?

Mick McMullen - *Stillwater Mining Company - President, CEO*

This year?

John Bridges - *JPMorgan Chase & Co. - Analyst*

Yes, as it ramps up.

Mick McMullen - *Stillwater Mining Company - President, CEO*

Well, I think we're not providing specific guidance on tonnage yet of any particular operation. I think if you look at our production guidance, we're not forecasting a huge jump in production. I think that's appropriate at this stage until we get a bit more development into Graham Creek and at that point we can revisit our guidance.

John Bridges - *JPMorgan Chase & Co. - Analyst*

Okay. And just as a follow-up, you mentioned benchmarking, it's something which I think has been looked at a few times at Stillwater in the past. Have you done anything formally there that you can put numbers to, is this something that's on your to-do list for this year?

Mick McMullen - *Stillwater Mining Company - President, CEO*

No, we have done some initial benchmarking against some of the other PGM mines around the world. And that indicates that, look, we do have some ability to improve productivity here on a worker -- ton per worker basis and we're currently working through that exercise as to making that a reality.

John Bridges - *JPMorgan Chase & Co. - Analyst*

Okay. Great. Well done. Thanks.

Operator

(Operator Instructions)

David Gagliano with Barclays.

David Gagliano - *Barclays Capital - Analyst*

I have a few questions. First of all, on the 2014 guidance, slide 10 for example, I was wondering if you could give us a little more detail just to bridge the year over year increase in the cash cost expectation which I know isn't new. It's actually lower than what we expected previously, but still, if you just look at 2014 versus 2013, volumes are actually up in 2014 but cash costs are up about 12%. Can you give us sort of the main buckets behind that increase. That's my first question.

Mick McMullen - *Stillwater Mining Company - President, CEO*

Sure. I think 2013 we did have a one-off sort of fairly large impact of the brick ounces which drove our cash cost down a bit, in a one-off fashion. We won't have the benefit of that during this year.

I think also that the guidance is based on the assumption that we probably will have some escalation of costs which is built into our budget. I think that it's still early days. I'm quite hopeful that we will do better than this guidance. But again, until I've actually got a firm plan of how we realize that, I think we need to stick with our guidance rules.

So there's a combination of two things, that one-off brick ounces in 2013 did push our cash costs down a bit. And also the assumption that in 2014 we will see some cost escalation for labor and supplies, which may not come to pass.

David Gagliano - *Barclays Capital - Analyst*

Okay. Makes sense. And then regarding the increase in the 2014 expectations over the last month or so, can you clarify, was that mainly driven by the higher grade so far this year? And if so, what part of the mine are those higher grades coming from and what gives you the confidence that that's sustainable moving forward?

Mick McMullen - *Stillwater Mining Company - President, CEO*

It was driven by two things which was basically the ton and grade performance we've seen out of the mines to date. You can see on one of the slides there we've had a pretty strong start to the year and that has been driven by a couple of things.

If you recall, in Q3 at the Stillwater Mine we did see the grade drop off a bit and that was a variety of factors but probably mainly due to extra dilution in the ore body. We've subsequently changed our mining practices with a bit more focus on grade control and how we mine the stuff.

So we've seen the grade has actually been above budget for the last few months and that appears to be a sustainable trend. We had a couple of stoping areas where probably in all honesty the grade was probably a bit lower than what it needed to be to be making a decent return, so we focused our mining activities in a slightly different area of the mine.

I would say the main impact on the improved performance has been better grade control practices and mining. We got some external help on that to get us back to where we needed to be.

In terms of the other area throughput, the tons milled going through the Stillwater mill has jumped up quite significantly over really in the past month. And again, that's been an internal project where we identified that that mill wasn't running at full capacity that it could be and for very few dollars again we had some -- an internal project group come together and actually significantly improve the mill throughput there.

They're probably the two main things that we've seen go forward. They're all sustainable on a long-term basis. We don't see that these are sort of things that we're just dragging out of the cupboard that are one-off items. These are things that we're going to continue to build on going forward.

David Gagliano - *Barclays Capital - Analyst*

Okay. That's very helpful. I just have a couple more quick ones. Next one, when should we expect that Q4 inventory build to reverse? Is it all in Q1 or spread over the next few quarters or how should we be thinking about that?

Mick McMullen - *Stillwater Mining Company - President, CEO*

Probably spread over a couple of quarters, I would think. I would have to say that looking out my window here, the cold, snowy weather hasn't really gone away and so I think really you're probably looking over a couple of quarters for that to unwind.

David Gagliano - *Barclays Capital - Analyst*

Okay, no problem. The last question, you mentioned I think in your prepared remarks and also in the press release about options that you're exploring to optimize value for Altar and Marathon. I was wondering if you could just tell us what those options are at this point.

Mick McMullen - *Stillwater Mining Company - President, CEO*

Sure, let me deal with Marathon first. As I've said several times now, our core business is profitable PGM mining in low political risk jurisdictions. Marathon does fit within that strategy.

We need to get it to a point where it provides an adequate return for shareholders to take that thing forward. The reality is, there's probably somewhere between 6 and 12 months worth of optimization work to be done on that which will include probably some drilling to identify additional mineralization I think.

So we're not actively looking at some sort of process with that asset. We think that if we can get the economics to where it needs to be, then that does make sense for us.

Altar, on the other hand, the commodity and probably the size of the asset doesn't really fit our core business. We're in no great rush to do something on that asset.

I think that our holding costs are circa $3 million a year. Some of that money is being spent on economic studies to really define the value as best as we can and we will look at different options which could be anywhere from a range of an outright sale to a joint venture to a spinout, a separate listing of the thing, but there's no great rush to do anything. I think it's in the shareholders' best interest for us to, if it costs us $3 million a year to sit on the thing and optimize it.

We do believe that this thing has significant value. We do believe at some point we can realize some reasonable value out of this thing.

David Gagliano - *Barclays Capital - Analyst*

All right. That's perfect. Thanks very much.

Operator

Daniel McConvey with Rossport Investments.

Daniel McConvey - *Rossport Investments - Analyst*

Congratulations on the trend of the costs. David asked my questions. But a bit of a thought a little bit on the reduction of the -- sorry, the increase in the grade you've gotten and the increase in the tons. You were saying that you were in an area where it didn't -- basically didn't meet cutoff and then you'd focused on another area. That is going to continue and there's enough of it, this is a question, there's enough of it in this area that it can offset the areas that you are leaving behind?

Mick McMullen - *Stillwater Mining Company - President, CEO*

Sure. And let me clarify that point. I would say the impact of that has been -- it has been there but very small. The main impact in terms of how the -- what we've done on the grade has been better grade control by far and away the better area -- the bigger impact.

So again, we have 22 million ounces of P&P here. We are not short of ounces to mine. One of the areas that I'm asking my management teams to focus on is to ensure that on an all-in basis every stope we mine makes a suitable margin for us.

And so again, this is where we're looking at each stoping area that we mine. The stope itself may make a lot of money, but if all the services and support and development needed to get to it mean that you're not making money then we're going to be looking at how we do the business differently.

Daniel McConvey - *Rossport Investments - Analyst*

Okay. What's impressive here, though, is that you're focusing on what the grade is but you've also increased the tons versus the budget which is probably only six months old. Even going away from those areas you've been able to be above budget in tons.

Mick McMullen - *Stillwater Mining Company - President, CEO*

Sure. And the management style that I have is that I like to challenge each area of the business, so the mining is one area, the processing is another area, the smelter is another area, to see where the bottlenecks in the production line are and then as we solve or fix each bottleneck then we move the bottleneck to another part of the business. And then we now challenge them to deliver more.

And so the key thing of getting more mill throughput at the Stillwater Mine, that had been the bottleneck. It's now no longer the bottleneck and now we'll be challenging the mine to deliver more tons to fill the mill.

Daniel McConvey - *Rossport Investments - Analyst*

Great. Thank you very much.

Operator

(Operator Instructions)

Sam Dubinsky with Wells Fargo.

Sam Dubinsky - *Wells Fargo Securities, LLC - Analyst*

I have a few quick ones. You have about $500 million of cash on your balance sheet, I believe. How much cash do you think you need to run your business? And is there a chance we see things like stock buybacks or special dividends?

Mick McMullen - *Stillwater Mining Company - President, CEO*

I'll answer the second bit first, if it's okay. Yes, look, I made a very clear statement that my goal is to be able to return something to shareholders in some form or another in the not too distant future.

So it's still too early for me to be able to give a firm timing of that and what form it may take. Clearly, a dividend or a special dividend or a buyback would clearly be options that we can pursue.

I think also that I tend to look at our liquidity position on a net liquidity basis, which is cash and liquid investments less debt. And so we obviously do have some debt on the balance sheet. It's long-term debt and can't be called but we still do have some debt.

I think it's probably a little early for me to start returning funding to shareholders immediately until we've actually got into the business plan and seen what we can do, what we can drive the business to. But certainly those options are all on the table for us.

Sam Dubinsky - *Wells Fargo Securities, LLC - Analyst*

Great. Sorry if I missed this but what do you think a good steady state figure for PGM production would be several years from now based on today's CapEx investments?

Mick McMullen - *Stillwater Mining Company - President, CEO*

We haven't actually given the long-term guidance and I think that the best I can do is stick to our 2014 guidance which is in that sort of 520,000 to 535,000 ounce range. Historically, the Company has provided some guidance which indicated that production would go up to the sort of circa 600,000 ounce range. That may well be the case.

However, the way that I'm driving the business now is that we want to be an increasing cash flow story as opposed to an increasing production story. It may well be that our production may go up.

However, again, the way we look at mining now is that we, I am challenging the management teams to ensure that every ounce we mine is a profitable ounce. That process is not yet complete.

But clearly projects like Graham Creek and Blitz, between the two of them open up I think an enormous strike length of the J-M Reef and we will have opportunities for increasing production in the future. But I think it's a little bit early in my tenure to give some firm production numbers out over the next four or five years.

Sam Dubinsky - *Wells Fargo Securities, LLC - Analyst*

Great. Just my last question. Could you just talk a little bit about the demand environment. It seems like global supply is pretty tight yet that has not translated to better pricing. Is it just a currency issue with the South African dollar or is there inventory in the channel or just what are your thoughts on high level on pricing and global supply demand.

Mick McMullen - *Stillwater Mining Company - President, CEO*

I would say that the palladium market is far tighter than the platinum market. Despite strikes in South Africa, there does appear to be ample platinum available to buy.

We have seen a difference in the way the metal is priced in terms of discounts versus premiums and we continue to see palladium as being quite tight over the short to medium term. And again, we think we're in a pretty good space there. I will note that we have made some changes to the way we sell our metal and that has been leading to superior pricing terms for us.

Sam Dubinsky - *Wells Fargo Securities, LLC - Analyst*

Great. Thank you very much.

Operator

Andy Shopick, private investor.

Andy Shopick - - *Analyst*

A couple of my questions were really just touched upon. I really wanted to ask you what you think the impact on the market is going to be from any continued labor strikes in South Africa as well as touching upon the Russian palladium stocking situation. Based on what I think I remember is that Johnson Matthey had forecast a palladium deficit of over 700,000 ounces for 2013. I don't know where things ended up. But any commentary about what that supply deficit might like look in the current year?

Mick McMullen - *Stillwater Mining Company - President, CEO*

Sure. Well, look, I'd like to preface this by saying that as a mining company, we're not in the business of providing metal price forecasts and the only thing I can guarantee is that of all the forecasts, none will be exactly right.

Having said that, we do see palladium is very tight in the marketplace. We do see very good demand on the palladium side, particularly. And declining production from palladium globally.

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The Russian stockpiles, depending on who you believe, but we believe are, if not exhausted, certainly much reduced. And that more than likely we're in a period of sustained deficits within the marketplace.

That would tell you from a macro view that more than likely palladium prices are likely to rise. And in fact, if you look at analysts forecasts, they're forecasting anywhere from modest to quite significant palladium price rises.

We don't plan our -- I certainly don't plan our business based on hopeful, hoping that prices are going to go up. We plan for the here and now and so our business is very much aimed at being profitable in the current pricing environment. But I would certainly say that the outlook for palladium in particular looks very strong.

The outlook for platinum also appears to be strong. I would also say that my experience has been that the South African is more than likely going to depreciate, probably just enough for the south African miners to keep sort of treading water, I suspect.

Andy Shopick - - *Analyst*

Okay. Thank you.

Operator

(Operator Instructions)

John Bridges with JPMorgan.

John Bridges - *JPMorgan Chase & Co. - Analyst*

Just a quick follow-up. What work did you do at the mill at Stillwater to debottleneck it?

Mick McMullen - *Stillwater Mining Company - President, CEO*

I'm not a metallurgist, although I have designed a few mills. I think that it was really just looking at the blend of ore feed that we had to optimize that. It was looking at a few -- just a few operational issues and how we manage it.

Mill throughput has been up quite consistently. And I don't think that anything we've done has been a sort of short-term one-off gain. I believe that what we've done has really got it back to where it sort of used to be.

So we haven't done any capital projects to sort of take it above where it used to be. It's really just been getting it back to where it used to run.

John Bridges - *JPMorgan Chase & Co. - Analyst*

I was thinking there should have been spec there anyway.

Mick McMullen - *Stillwater Mining Company - President, CEO*

You are right. We weren't utilizing it and we now are.

John Bridges - *JPMorgan Chase & Co. - Analyst*

Right, okay. You spoke about the developed state. What do you think the right developed state is of the mine, of the two mines? Do you think there's too much cushion there or what?

Mick McMullen - *Stillwater Mining Company - President, CEO*

This is a philosophical discussion we're having internally at this point in time. So it's not appropriate for me to sort of say that it's too much or too little because we haven't arrived at a landing on that.

I will say that of all the mines that I've worked at and visited as a consultant, having a 70 month and a 55 month developed state for the East Boulder and Stillwater Mine is a very, very healthy position. And that allows a substantial amount of operational flexibility, and effectively is cash in the bank for us that we can use as a buffer in the event of a sudden sharp drop in PGM prices. We have the ability to cut back on development and harvest ounces that effectively we have as money in the bank now.

So all I can say at this point is that we do have a very, very healthy developed state and East Boulder is probably a bit over and above where even the internal target is. The internal target is about a 60 month developed state and East Boulder is at around about 70 months. We have the ability to cut back slightly there if we wanted to.

John Bridges - *JPMorgan Chase & Co. - Analyst*

Has there been a bit of a cutback already, just thinking you've been increasing your tons but you've been having some better productivity numbers as well. So have you been eating into that developed state or are the miners working more efficiently and thus keeping your developed state where it is?

Mick McMullen - *Stillwater Mining Company - President, CEO*

No, in fact, East Boulder developed state has continued to increase. And the performance out of that mine has been stellar, actually.

The Stillwater Mine has been -- as I said, we had some issues in Q3 last year, but I can say that from November through to now, the performance out of that Stillwater Mine has also tracked well above budget. And I think that we just had a bit of a patch that we went through in Q3 that was a little difficult. And we're now well through that.

We're sitting at 55 months developed state at that mine. Our goal, and we are achieving this, is to take that back to 60 months.

John Bridges - *JPMorgan Chase & Co. - Analyst*

Okay. That was encouraging. Thanks a lot. Good luck.

Mick McMullen - *Stillwater Mining Company - President, CEO*

Thank you.

Operator

And at this time we have exhausted all questions in queue. Please continue.

Mick McMullen - *Stillwater Mining Company - President, CEO*

Okay. Well, look, I'd like to thank everybody for taking the time to dial in and for taking the time to have some questions with me. I'd like to thank all of our staff and management. It's been a very good Q4 for us, and as I said, the start of the year has been very encouraging and I'd like to keep people posted on our progress and I look forward to talking to everyone on the next call. Thank you.

Operator

Ladies and gentlemen, this conference will be available for replay after 12 noon Mountain Standard Time today through March 10th at midnight. You may access the AT&T teleconference replay system at any time by dialing 1-800-475-6701, and entering the access code 319541. International participants may dial 1-320-365-3844. Those numbers again are 1-800-475-6701 or 1-320-365-3844, with an access code of 319541.

That does conclude our conference for today. Thank you for your participation and for using AT&T executive teleconference. You may now disconnect. Speakers, you may remain on the line.