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EDITED TRANSCRIPT

SWC - Q2 2015 Stillwater Mining Co Earnings Call

EVENT DATE/TIME: JULY 31, 2015 / 4:00PM GMT

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PRESENTATION

Operator

Greetings and welcome to the Stillwater Mining Company second-quarter results conference call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation.

(Operator Instructions)

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

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

Thank you very much and thank you everyone for dialing in for our second quarter 2015 results presentation. I'll run through the presentation firstly and then I'll open the floor to questions. I'm joined here by Chris Bateman, our Chief Financial Officer; and Mike Beckstead, our Head of Investor Relations. We have a deck that's online.

And I would like to draw people's attention to the forward-looking statements on slide 2, in particular, that we intend to make forward-looking statements, including our 2015 mine production and cost estimates; maintaining a disciplined approach to operational efficiencies; additional opportunities for future savings; adding a third TBM crew in August; receiving our Benbow Portal permit by year; encouraging results from Graham Creek area; clear and concise action to protect shareholder interest; expected reduction in development rates; anticipated savings from headcount reductions and anticipated reorganization costs; and positioning the Company to withstand all phases of the PGM pricing cycle.

All of those statements are subject to the statutory Safe Harbors and investors are cautioned not to put undue reliance on these forward-looking statements. We disclaim any obligation to update these forward-looking statements. We do encourage all investors to consider all of the disclosures made in the Company's annual report on Form 10-K.

With that, I might move into the body of the presentation on slide 3 for the second quarter highlights. We did process 151,600 ounces of palladium, platinum and rhodium in the quarter, which was just under 13% increase over the prior year. We had a record month in June, the highest ever, both ounces and tons, that we processed through the facility.

We had a net loss of $27.3 million, or $0.23 a share; that compared to $17.9 million, or $0.14 a share of earnings in the prior-year period. That does include a $34.3 million after-tax impairment on our Marathon property in Canada. We produced from the mines, 127,300 PGM ounces, up slightly from the prior year and again, as I've said before, whenever we talk about a PGM ounce, it's a mix of palladium and platinum.

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The ratio at -- for this year is running at about 3.5 palladium to 1 platinum. We did have a major maintenance program underway at the Stillwater Mine in the month of June which negatively impacted our production. And our AISC was a bit higher than we expected or would like to see at $785 announced, lower than the corresponding period in the prior-year; again, very much driven by that large maintenance shutdown we had at the Stillwater Mine.

We ended the quarter with $531 million of cash and cash equivalents plus liquid investments and I'm pleased to report that we had a very strong safety performance, with a 9.2% reduction in our incidence rate from the previous year. Safety is very critical for us and giving all the things that were going on at the operations, including the large maintenance shutdown that we had and the work that was done, it's a very pleasing result to see a significant improvement in safety.

Turning to slide 4, just running through the results. As I've said, production was up 0.5% on the prior year; our total cash costs for our mine ounces were down about 3.6%. That's net of credits and we are seeing a byproduct credits go down as a result of falling copper and nickel prices. All-in sustaining costs were down slightly on the previous year; our general and administration costs were actually up by 20%, driven very much by a $1.7 million increase in our medical costs that were received during the quarter.

Sustaining CapEx, relatively flat on the prior year; project capital up slightly, really driven by Blitz and our (inaudible) dam expansion and overall, our total capital, after about 10% on the prior year. As I said earlier, our recycling ounces was up to 151,000 ounces for the quarter; volume was up significantly over the prior year. Going to hand over to Chris Bateman for the next two slides to discuss the financial matters.

Chris Bateman - *Stillwater Mining Company - CFO*

As Mick just mentioned, we had a reported loss of $27.3 million, and the after-tax impairment charge on our Marathon property in Canada was $34.3 million. This wrote the Marathon property down to a fair value of $8.6 million; the other major driver in terms of earnings is the declining price environment compared to the corresponding period last year. Moving on to cash flow, a similar -- this is the first quarter for quite some time that we haven't had a cash although as we've said previously, building recycling capital signals a strengthening of the recycling business. We added $11 million in recycling capital.

We actually hold a lot more material than the quarter than we previously had but we did see a strengthening of the purchased material market in the quarter which led to more inventories there. Capital spending was right in line with our guidance at $30.3 million so as a result, the reduction in cash balance could be explained by the increase in recycling. Turning to slide 7, where we look at the cost per tons performance for each operation and consolidated. Again, despite a large reduction in our all-in sustaining costs, we did see continued reduction in our mining sites of costs. If you look at the Stillwater Mine, our cost per ton, again, came down to $227 a ton from the prior quarter.

I do -- will point out that our milling costs were quite a bit higher than the previous periods. That's because we expensed a mill motor replacement there which is the equivalent of around about $9 a ton so adjusting for that; it's broadly in line with the previous periods. Our mining cost per ton continued to trend down after we had seen a little bit of a tick up in the previous quarter. You can see volumes despite a fairly extended shutdown; in June, milled volumes were still reasonable but again, we'd like to see them higher. The East Boulder continued a good cost performance, again, after we saw a tick up in mining costs in Q1, we saw that downward trend of the mining costs; again, strong performance on the milling costs and the downstream costs. So I'd say, overall, reasonably good cost control at both sites. We'd still like to do better than that but an extended shutdown at that Stillwater Mine in June did drive that increase of costs there.

Turning to slide 8. For this quarterly period, we broke down the all-in sustaining costs by month in the production just so that people can understand the impact of that shutdown we had at the Stillwater Mine. You can see from this graph here that the blue part of the bar is the production of the East Boulder Mine, relatively stable throughout the quarter, month on month. The green portion of those bars is the production at the Stillwater Mine, and combined, we were producing in order of 47,000 ounces, 48,000 ounces a month in April and May, respectively.

Production in June was 31,600 ounces and again, that was really driven by that extended shutdown at the Stillwater Mine. This was a major maintenance shutdown; we planned it to be a week. We took the underground pressure out from underground; replaced it. We did a significant upgrade on the production hoist, which was extended by eight days over plan and we also changed out the mill motor at the same time.

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This is the first time each of those things have been done in the history of the mine. We don't expect these to be recurring events in the short term but it did have a significant impact on the production and therefore, the costs.

You can see that for the April and May periods, very strong cost performance on the all-in sustaining costs; the average of those two months is around about $716 an ounce. Unfortunately, with the low volume in June that drove out costs for that month up to $994 an ounce; therefore, driving the average for the quarter up to $785. I think the performance in April and May does demonstrate that we can get to our goal of the low $700s.

June, I think, demonstrates that we need to do it consistently in order to get where we need to be, as a Company, going forward. Production in July looks like being closer to May's performance, and all of those maintenance items appear to be operating normally at this stage.

Going to slide 9 on the all-in sustaining costs, we were down $7 an ounce year on year. I've touched on the increased medical claims; that did drive that G&A quite a bit higher for the quarter. We'd like to think that's not a recurring item. But again, there is an increase in trend in the US for higher medical costs.

We are maintaining a very disciplined approach to capital deployment and operational efficiencies. We're reducing supplier cost and material inventory; we've had some very good success at reducing some of our input costs. Some of those new contracts start early next year; some of it have started already.

But again, this is the period in which we need to be very focused on cost. Our all-in sustaining costs guidance for this year now has been amended to $725 to $775 and again, if you look at the table on that slide, you can see there that our -- when you look at our cash costs, our recycling income credit is down; our SG&A was up and our capital, sustaining capital was up slightly on the period before.

Going to slide 10 on the met complex in our recycling business. We did continue to achieve very good growth in that recycling business and I think I noticed some commentary this morning about our revenue was down in our recycling business.

And that is true; however, our volumes were up significantly and really, what drives that revenue reduction is the fact that the whole market for this business is changing to more of a tolling model. And when we toll the material, we don't look at its revenue. We just book the net income from that tonnage that goes through.

So I would say that a year ago, we were maybe doing 15% of our business was tolling; today, I would suggest that over half of our business would be tolled and therefore, you have a similar reduction in our topline revenue but our earnings line stays pretty similar. We continue to move the business from short-term contracts to long-term supply agreements, either with a fixed volume or exclusion of arrangements. That's been very successful for us.

We did have delivery starting from two new contracts during the first -- was signed in the first quarter that started early in the second quarter. As I said earlier, the processing for June was the highest on record in the history of the Company. We processed well over 60,000 ounces from recycling in that month alone.

We did have a positive working capital impact from the shift to toll material. As Chris noted earlier, we have actually also increased our purchase material as well which has led to an overall increase in working capital but if all of our business from recycle was only in purchased, that working capital position would be much larger than it currently is today.

Because of the way the business works, the profit that we report on this will lag the volumes by two to three months due to the upturn terms on the metal price. So much of the volume, the profit that we will report from the volume we saw in Q2 will actually turn up in Q3. And we've been quite successful with expanding our market share despite a very challenging market backdrop.

I think that it's been a very good effort by our team. I think that we've won a significant amount of business due to I guess, a trust factor, in this business. And we're trying to provide a service for people where they know they can rely on us for a long period of time.

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Going to slide 11 to our development projects in Montana. Blitz is our large development project. The tunnel boring machine is just under 8,000 feet into the project out of a 23,000 planned feet. The parallel drive above that, which is being mined by conventional methods, is quite a bit further ahead at 12,000 feet.

We have increased the staffing on the TBM. We expect to add another crew to that in August. We did have significant slowdown in the advance rate in Q1 of this year due to really difficult ground conditions. We're through those now. The TBM is advancing much closer to plant rates now.

And we do expect to see some increase in the proven and probable reserves rates from the drilling we're doing on the conventional drive relatively limited drilling at this stage but as that drive continues to push out further, that will allow us to get more and more drilling done and hopefully add more to our reserve base. The other component of that Blitz project is the Benbow Portal, which is at the far end; we're still in the permitting process for that.

We do expect to get the permit by the end of this year. Graham Creek is our other project; it's in production already. The results from the first phase of mining of that have been really, really positive. That led us to accelerate the drill out of the next ramp system there and that's continued to provide very encouraging results and we're pushing on with the drill out planning and then hopefully, the development of that as quickly as we possibly can.

Turning to slide 12, I'm just going to talk about the PGM market briefly, which typically, we don't provide a lot of commentary but I think in light of the price falls, it's worthwhile providing some views on this. We do see some significant headwinds facing the PGM mining industry.

Our second quarter basket price of $842 was the lowest price that we've had for 10 quarters. The current basket price as of yesterday for our mine ounces was the lowest since the third quarter of 2010. In 2010, the full-year basket price was $721 and it's important to note that our all-in sustaining costs was $589 per mined ounce in that year.

The current basket price is clearly lower than our second quarter all-in sustaining costs. And you can see from the graph there, the quite precipitous fall in the platinum price over the last year and in the more recent period, a fairly steep fall in the palladium price as well and the green line is our average basket price and you can see over the last two to three months what's happened to that.

On the next slide, slide 13, we do see a bit of a difference between the platinum and palladium markets. In the platinum market, we've seen a 34% decline in the price in the last 12 months. There is a fairly significant jewelry component to the demand for platinum, and it's been quite soft in Asia, particularly in China, which is a large part of the market.

We also know that there are fairly large above ground stocks of platinum and they've been coming back to the marketplace. Many of these stocks are not just with us but with hedge funds and investors and I would suggest that we probably are in an oversupply of platinum market given that the South African producers have ramped up to their pre-2014 strike levels and then some.

Palladium, we're still seeing pretty strong demand despite a little bit of softening. I would say auto demand remains very robust and auto demand accounts for about three-quarters of the NG use for palladium. We believe that the palladium market remains in deficit. There has been some liquidation of above ground palladium stocks that have come onto the marketplace, again from investors.

And it would appear, again depending on whose research you read but it would appear that the recent sharp falls in the palladium price are mostly driven by investors selling more than end-user demand; we're not seeing a significant slowdown in end-user demand. The end-user demand still appears to be relatively strong.

We believe that the industry needs some supply discipline from loss makers. There appears to be some movements there as economics begin to dictate actions, again, depending on whose research you believe or you read, somewhere between 50% and 75% of PGM produced is a loss making at current prices. Many of those have got stressed balance sheets and we believe that this is not a sustainable situation for the medium to long term.

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Turning to slide 14, we began to make significant operational improvements last year. We started reallocating resources at the Stillwater Mine in the third quarter of last year to really focus on mining profitable ounces. That's continued into the first quarter this year.

We've seen a very strong performance at the East Boulder Mine with production and cost consistency, which I think provides a benchmark for the Stillwater operation. East Boulder, it has to be said, is a very consistent operation and if we can deliver that consistency across our business, we will significantly improve our performance.

Despite the ore grades at the Stillwater Mine being in the order of 40% higher than the East Boulder Mine, the Stillwater Mine has significantly higher costs. In the second quarter of this year, the cash funding costs for the Stillwater Mine were around about $279 an ounce higher than for the East Boulder Mine. We see the consistent productivity outperformance at East Boulder. When we measure it in tons milled per employee, it's around about 66% higher than for the Stillwater Mine.

The geology is easier at East Boulder but we do believe that the East Boulder Mine provides a benchmark for the Stillwater Mine. We think that the current market environment demands further action now to improve the cost structure of the Company as a whole and at the Stillwater Mine specifically.

So going to slide 15, in terms of securing the future of the business, clearly, there's been a fairly substantial reduction in PGM prices during Q2 and that's continued into the third quarter. We are, therefore, taking clear and concise action to protect shareholder interest and it's imperative to position the Company to withstand all phases of the PGM pricing cycle and secure the long-term future of the business.

We have announced today that we've updated our guidance which is based on an updated Stillwater Mine plan to, again, focus on mining the most profitable stopes in the lower-price environment. We will be dialing back our development from the current rates and the development rates that we've had at the Company have consistently been above budget for the last two years.

We've got the highest developed state in the Company's history and the highest reserve position in the Company's history. We have a very large amount of money invested in the developed state of the business and we now have the ability to pull back on some of that development to allow us to reduce our cost structure. We are anticipating reducing our headcount, which will result in annual labor savings of between $10 million to $15 million and we anticipate taking reorganization costs of $1.5 million to $3.1 million in the third quarter of this year as a result of those changes.

Moving to slide 16 on our guidance that we've updated. The first line you can see we've taken our production guidance down to a range of 500,000 to 515,000 ounces from the previous range of 520,000 to 535,000 ounces.

We've increased our total cash cost slightly by about $10 an ounce but we've reduced our all-in sustaining costs down by about $5 an ounce. Our G&A costs would lift up as per the previous guidance. We've reduced our explorations slightly to a range of $3 million to $5 million and we've reduced our sustaining capital expenditures to a range of $71 million to $76 million which draws that reduction in the all-in sustaining costs.

Project capital is the same. Overall capital, we expect now to be in a range of $113 million to $123 million from the previous range of $125 million to $135 million. We believe that with the new mine plan, the reductions in the sustaining capital leave us in a very good position still. We are not cutting back into the developed state of the mine significantly.

We are still continuing to invest in the capital in the mine that is necessary to reduce our cost profile. But we think this is a better plan for the current pricing environment that we find ourselves in today.

So in summary, I think our second-quarter results were impacted by the PGM price declines and also, our planned maintenance shut down of the Stillwater Mine. We have had some really good progress in our recycling business; that's done very well.

Really, the strong mine production during the first two months of the quarter was offset by that maintenance shutdown in June. That has delayed some production so again, we've seen a pick-up in July. We've got a very strong balance sheet; very good liquidity profile, $531 million in cash and liquids, liquid investments.

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I think it puts us in a really strong position in the business; it gives us a lot of optionality in the current market environment. And the reorganization plan that we're putting in place is very much aimed about trying to have the best plan for the current price environment that we find ourselves in. We've updated our guidance and with that, I'm happy to open the floor up to any questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

David Gagliano with BMO.

David Gagliano - *BMO Capital Markets - Analyst*

Thanks for taking my questions. Regarding the changes to the profile and then considering the obviously, weak pricing environment, I'm wondering would you continue to run at a lower rate in 2016, i.e., defer capital spending? How should we be thinking about the production profile for 2016?

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

Sure, David. Look, as you know, we don't give out our guidance for the next year yet. So I can't really going to the details but I think the current plan that we're implementing now is a plan that we'd expect to be in place for the next year or two, at least. So as we've said previously before, we expect to see modest increases in production between now and when Blitz hopefully comes online around about 2018. So I think our current guidance is a pretty reasonable view for the next year or so.

David Gagliano - *BMO Capital Markets - Analyst*

Okay, all right. That's helpful. And then it just in terms of the decline in unit cost moving forward. Can you just give us a bit of a sense as to how we should be thinking about that in terms of the timing? It's a rather steep decline from the second quarter reported numbers. I'm wondering how quickly that will come into play.

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

Well, we're rolling out the changes as we speak and so, again, if you look at where we ended up in the second quarter, stripping out June where the Stillwater Mine was down for two weeks out of the month effectively. I think if we can just get some consistency, we can deliver on those numbers quite readily. But the changes in terms of the capital spend, they're being rolled out now as we speak.

David Gagliano - *BMO Capital Markets - Analyst*

Okay, great and then last question. On slide 8, I appreciate the color on the decline in East Boulder in June -- I'm sorry, in Stillwater in June. If I look at the slide though for East Boulder, it also looks like there was a -- I mean, if I just eyeball it, it looks like there was about a rather significant decline from April to June about a 15% to maybe 20% decline in monthly production; is that just monthly variability or is there anything else going on there?

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

No and it wasn't quite that large. April was a really strong month; really strong.

David Gagliano - *BMO Capital Markets - Analyst*

Okay. Thanks.

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

I think I can say that the East Boulder Mine continues to perform above budget month in, month out. The only variable is how much it outperforms budget by.

Operator

John Bridges with JPMorgan.

John Bridges - *JPMorgan - Analyst*

Good morning, Mick, everybody. I was just wondering what you could say about the situation on the labor negotiations; where do you see things going from here?

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

Sure. Thanks, John. Well as we've announced we believe we've reached the impasse on the negotiations and which means the union has proposed and the committee has recommended twice the same deal. and their members have voted that down both times. And we, therefore, we believe we've reached the impasse so that the impasse enables us to implement our last best and final offer.

We'd obviously like the workforce to continue working they are -- continue working at this stage. But I think this is a very difficult pricing environment. You can see, in terms of the cost structure at the Stillwater Mine, changes need to be made. And as new information comes to hand, we will be in a position to announce that. But as of this morning, the workforce is working under the expired agreement.

John Bridges - *JPMorgan - Analyst*

I recognize it's a difficult situation probably for both parties. Just wondered the hoist problem, what happened to lead to the extended outage?

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

One of the maintenance parts that was supplied by a manufacturer was incorrectly manufactured. And it's a credit to our teams actually that they managed to get the thing running with only an extra eight days, quite frankly. So that was the main issue was that when they went to replace the part, one of the main parts, it actually turned out to have been incorrectly manufactured

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John Bridges - *JPMorgan - Analyst*

And then given the long pipeline between your mine and money getting into your checking account, just wondered could you have frame the rates at which the change in the PGM price is going to work its way into your income statement?

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

Chris, I'll hand it over to you.

Chris Bateman - *Stillwater Mining Company - CFO*

You're looking typically at two to three months between it. But in terms of when the price hit, the price hits in the current month because we sell based on an average price for the month. In terms of how long from when we produce something, it's about two to three months before it's our turn. But the price in July will hit our income statement because that's what we'll have sold the mine ounces, a small premium to the average price.

John Bridges - *JPMorgan - Analyst*

I'm just wondering if given the rapid change in price, whether there's a concentrated adjustment type factor that could come in and surprise us?

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

No. It's not like -- sorry, John. It's not like where you have a provisional pricing and then a final settlement where for instance, in the base metal world, if you have a rapid fall in copper price, for instance, you get -- you can sometimes owing the smelter money that they've overpaid you for; that's not the way we sell the stuff.

John Bridges - *JPMorgan - Analyst*

Okay, great. Best of luck guys. I recognize this is a difficult time. Good luck guys.

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

Thanks John.

Operator

Thank you.

(Operator Instructions)

Matthew Griffiths with Bank of America.

Matthew Griffiths - *BofA Merrill Lynch - Analyst*

Thanks for taking my question. I just wanted to go back to the notification to the union that the negotiations have reached impasse. And you mentioned just a moment ago that this allows you to implement your last best and final offer and I was wondering if you've actually done that or if you need a third-party like the labor board to agree with you that an impasse has been reached?

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

There's a notification period and as the press release says, the union was notified yesterday. So we just go through a process now.

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Matthew Griffiths - *BofA Merrill Lynch - Analyst*

Okay and so on the union side, what is the kind of the way forward there? Their options, I would imagine would be, that they could join work under the last best and final offer or not. Just can you walk me through what might happen on their end?

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

Well, Matt, I don't think it's really up to me to speculate as to what someone else may or may not do so I can't really comment on that.

Matthew Griffiths - *BofA Merrill Lynch - Analyst*

So are they in a position, whether they do or not, where they could call for a strike?

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

Yes, they are.

Matthew Griffiths - *BofA Merrill Lynch - Analyst*

Okay. And you would be under no obligation to be just held to hiring or using those people as workers, you would be able to go out and hire others if that occurred?

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

Well, I think again, rather than getting into speculating about what circumstances may or may not occur, I can't really go into details.

Matthew Griffiths - *BofA Merrill Lynch - Analyst*

Okay. I'm just wondering like legally, if you were prohibited from hiring now that the contract has expired, if you were prohibited from hiring others?

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

Well, again, I don't think it's useful to speculate on an earnings call what may or may not happen based on (multiple speakers) --

Matthew Griffiths - *BofA Merrill Lynch - Analyst*

Okay, fair enough. Okay and just to -- I had another question, if I may. On the -- you mentioned that the basket price using like the spot prices today is still below the all-in sustaining cost. Is there any kind of level at which you could kind of shrink Stillwater and make it the costs be below the basket price?

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

Well, I think we put updated guidance out and that's where we think the costs will come in but I do point out to you that if you look at slide 8, I think it was. We have, at times, been below $700 on our all-in sustaining costs. I think that if we can get the operations running consistently and we continue to see improvements in some of our cost-saving measures we may well get there but that's not where we're guiding today.

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I would say, as I've said sometimes in the past, the key to running a business, such as this, is consistency. We've shown that on occasions, we can get the cost down to where we would be making money today. We're not doing it consistently today.

Chris Bateman - *Stillwater Mining Company - CFO*

It's probably also worth we are still focused on keeping our developed state, so while we've cut sustaining capital in line with the reduced production. There has been times in the past where the Company has looked at reducing the developed state for a short period of time to weather down cycles in the pricing. We haven't done that at this point in time. But that's obviously an option at some point in time as well as looking at some of the project capital expenditure.

Matthew Griffiths - *BofA Merrill Lynch - Analyst*

Okay. All right. Thank you very much guys.

Operator

(Operator Instructions)

Daniel McConvey, Rossport Investments.

Daniel McConvey - *Rossport Investments LLC - Analyst*

Yes, good day, Mick and everyone. Mick, you implied the planning you're doing in the low-priced environment, I'm wondering hopefully PGM prices are coming towards the bottom but let's say they did drop another 20%, 25%. You have a net cash situation which is where you want to be and I'm sure you want to preserve that net cash position. Is there -- do you have other contingency plans to cut back further and wait out the period of extremely low metal prices should that happen?

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

Sure and again, it's speculating as to what may or may not happen but in the event that prices were to fall significantly from these levels and I'm not so sure they could for an extended period of time, just given where the cost scope support is in the industry but as Chris Bateman noted earlier, the plan we have at the moment is actually to maintain the developed state that we have and to continue on with all of our development projects.

And our capital -- development capital this year, the midpoint of guidance, is around about $45 million a year. Clearly, if things got very, very tough, you could delay, defer or slow down or suspend altogether that project capital. And you could also, if you wanted to, defer or reduce your sustaining capital spend which would have you eating into your developed state.

But again, if you were in a, let's just call it, a survival situation and you wanted to maintain a very strong cash balance, that would always be an option as a next step plan. We're not there yet, but absolutely, we have a very, very strong balance sheet. I think probably one of the best in the PGM space. And we do have lots of options left to go to do some other stuff.

Daniel McConvey - *Rossport Investments LLC - Analyst*

Okay.

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

And look, the developed state is that it's the strongest it's ever been in the history of the Company. So it's effectively, money in the bank that if we needed to, we could actually cut back significantly on development and start eating into that now. You could do that for a period of a couple years with no impact on production and then if you wanted to ramp back up on production you'd need to catch up on that but as I've said earlier, we consistently see that we can do more development then we budget for year in, year out. So that's always an option if you need to. We're not there today.

Daniel McConvey - *Rossport Investments LLC - Analyst*

Okay. Great. Good answer. Thanks Mick.

Operator

Thank you. This concludes the question-and-answer session. I'd like to turn the floor back over to Mr. McMullen for closing remarks.

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

Thank you and look, I thank everyone for dialing in and their thoughtful questions. We look forward to speaking to everyone again at the next quarterly results. Thank you.

Operator

Thank you. This concludes today's teleconference. You may disconnect your lines and thank you for your participation.

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