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EDITED TRANSCRIPT

SWC - Q4 2015 Stillwater Mining Co Earnings Call

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PRESENTATION

Operator

Greetings and welcome to the Stillwater Mining Company fourth-quarter 2015 results conference call. At this time all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. (Operator Instructions).

I would now like to turn the conference over to your host, Mick McMullen, President and CEO. Thank you, you may now begin.

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

Thank you very much and thank you everyone for dialing in, you got myself, and Chris Bateman, our Chief Financial Officer, on the line. And we will run through our presentation, which is available for our fourth-quarter and full-year 2015 results.

So starting on that presentation, if people would go to slide 2 and read the forward-looking statements, if you could read that at your leisure that would be good. Moving to slide 3 to discuss our fourth-quarter highlights, we had a very strong fourth quarter of last year, all in sustaining cost, which is the key metric we measure our business on, apart from cash. Came in at $613 per mine ounce of platinum and palladium, which was approximately a 15% reduction from the same period in the prior year.

Cash and cash equivalents plus highly liquid investments grew slightly in the fourth quarter to approximately $464 million. That was an increase of $3.5 million from the previous quarter, and that came, in spite of all the capital works we did plus buying our joint venture partner at Marathon.

Mine production of platinum and palladium was quite good at 132,400 ounces. It was down slightly from the same period in the fourth quarter of 2014, which in itself was a very, very strong quarter for us.

Recycling continues to grow, we are up approximately 12% over the previous year, and came in at just under 130,000 ounces of palladium, platinum and rhodium.

Our SG&A costs continue to fall. They came in at $6.4 million for the quarter, which was a 9.5% reduction from the same period in the prior year.

We had consolidated net income attributable to common stockholders of $4.4 million, or $0.04 per diluted share, and I think that was a stellar performance, just given the fall in the receive basket price down to $667 which was a 24% decrease from the prior year.

Turning to slide 4, we look at the full-year results, we achieved or exceeded all of our 2015 guidance metrics. And we managed to do that and achieve the best safety results in the history of the Company. We managed to reduce our reportable incidents rate by 8.5% from 2014. I think that was a great result, given the many changes that we implemented during the course of the last year, and I think it's a testament to our people that

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they managed to get through all the changes and work very safely. We are still seeing continuing improvement in safety during the course of 2016 and our incidence rate has continued to fall.

All in sustaining cost for the year came in at $709 of mined ounce of platinum and palladium which was down just under 10% from the previous year, but again when we discuss that in detail later on you will be able to see that the trajectory of those costs have really accelerated to the downside in the last few quarters. The mine's palladium and platinum production was 520,800 ounces, which was a small increase from the previous year. That was done in spite of the restructuring that we did during the force of the business year and I think, again, was a very strong result.

We saw recycling continue to grow, it was up [17%] year-on-year. We do have a loss for the year of $11.9 million, which included a $46.8 million before tax impairment on the Marathon properties and $4 million of before tax net loss on the repurchase of some of our convertible debentures.

If we look at underlying earnings attributable to common stockholders, came in at $26.1 million after we make adjustments for those -- for those abnormal items. And I think again was a very good result, given the better price environment we are in.

I think importantly as well we managed to get a labor contract ratified at the East Boulder Mine towards the end of last year, and earlier in this year we also got the Stillwater mine in Columbus processing facilities contract ratified and was good to have that behind us now.

Going to slide 5, if we look at the results in the table format, you can see there again a strong performance year on year for the quarter. I will note that our sustaining capital expenditure was down approximately 46% year on year for the same quarter. We'll talk about that in some more detail later on.

But I want to make it clear that the sustaining CapEx spend that we are having at the moment is the amount that's required to sustain the business on a long-term basis. We have not cut back into sustaining CapEx to a level that doesn't maintain our developed stake.

On slide 6, again, the standout items there are that obviously our realized price was down 17% year on year, we did see good performance in reducing the cash costs, we did see the all-in sustaining costs come down well and, again, sustaining CapEx was down, we saw project CapEx go up slightly as we started to ramp up our blitz project, and overall total capital expenditure was down to around about $107 million.

The recycling PGM ounces continues to grow which I think is a very strong performance against a fairly weak market backdrop for recycling. Really driven by very low scrap steel prices which is sort of reduced the overall volume in that marketplace. Despite that, we've actually managed to grow market share.

Turning to slide 7, delivery on guidance, I believe this is very important for a company to be able to deliver onto guidance and you can see there that we managed to deliver on all of the guidance that we set in the middle of the year. And in fact, we even managed to deliver on the guidance that we said at the start of the year for production, which was based on a larger mine plan.

Very importantly, I think we managed to come in very, very strongly on the cash costs in all in sustaining costs. And you people have been following the Company for some time, you will note that from January 2014 when I rolled out the new strategy for the business it was very focused on cost, as opposed to producing ounces for the sake of producing ounces. I think that's been the correct strategy, and even when prices were very strong, we were cutting costs. And I think that's proven to be a very prudent move for the Company just given the way metal prices have gone to, it set us up for the future. It's put us in a sustainable position, and costs will continue to be our primary focus along the safety and preserving a social license.

So I think, overall, we delivered on all the metrics that we set forth during the course of the year, and I would like to say that that's the second year in a row that we've managed to deliver on all their guidance metrics.

Turning to slide 8, I'm going to hand over for a couple of slides to our CFO, Chris Bateman, to discuss the financial metrics.

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Chris Bateman - *Stillwater Mining Company - CFO*

Thanks, Mick. As Mick has said in his opening statements, we've seen a rapid drop in the price, in fact, five quarters ago we were sitting just under $1,000 and the PGM ounce went out to $667. Notwithstanding that, we delivered $4.4 million of net income in the fourth quarter. And this was driven by very strong fourth-quarter cost performance, even on the back of the restructuring in quarter 3.

Moving to slide 9, the balance sheet, we are sitting on a very strong balance sheet as you will be aware. In Q3 we repurchased $63.3 million of convertible debt to $61 million, so that was a discount to face value. In Q4 we have added cash to that balance. Again the strong cost performance drove this notwithstanding the lower prices. In addition we had a very focused effort on managing our working capital. And we've seen a shift in the recycle business to more [tolled] ounces with some of the big contracts that we've signed.

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

Thanks, Chris. If we just turn to slide 10, I've talked at length in various calls about productivity. And really we felt that productivity was the key structural issue that needed to be addressed within the business. This graph on slide 10 I think highlights some of the improvements that we've made, and what you can see in green is the ounce per employee per month -- of non-project employee, that is -- and in blue the East Boulder for the same metric.

You can see going back to 2012 that the two mines were broadly the same, East Boulder was slightly higher, and I will note that the reserve grade for the Stillwater mine is approximately 40% higher than East Boulder. Despite that, East Boulder sort of managed to have approximately the same ounce per employee per month outcome. And then, going through 2013 and 2014, we saw -- and 2015 in the first half -- we saw quite a divergence with East Boulder becoming a significantly stronger performer in terms of productivity.

Again, despite the significantly lower grade at East Boulder.

In 2014 you can see the impact of bringing Graham Creek online had; if you recall we brought that online ahead of schedule, it added approximately 20,000 to 25,000 ounces per annum into the East Boulder production profile. And that really drove a significant increase in the ounce metric that we look at.

We have spent a lot of time at the Stillwater mine looking at improving the operations there, looking at how we do things better. As Chris alluded to, we went through a restructuring process here during the Q3, we've got a new incentive system in place here, and that incentive system now has a metric that is part of that, that is based on a sitewide cost per ounce target.

We've now seen a significant improvement in the green line which is the Stillwater mine productivity, and it's rapidly closing the gap with the East Boulder mine, and I think the changes that we've made during the course of the last 12 months have really driven that change. I think our team here outside done a great job at driving the improvements, and not only has the gap closed, but the overall absolute number of the two mines has gone up quite significantly.

So we are now sitting at a -- we're up about 22% on productivity from where we were in 2013. It's the highest it's been in many years, and that's been achieved not through trying to chase high-grade ounces but just fixing the underlying structural issue of the business which has been low productivity.

You can see from that trend line that we've got some very good momentum at the moment, and you're starting to see that come through in the all-in sustaining costs, as we improve productivity, that continues to drive our cost base down. So very pleasing results, and a lot of hard work has gone into this by our team.

If we go to slide 11, and this is sort of a standard slide we have now, which sort of shows the cost in great detail and the cost per ton basis, and you can see that we have continued to drive costs down not quite as much on a cost per ton basis, but I think on a cost per ounce basis, we have seen a significant jump down in our cost basis, really driven by our better mining practices I think. You can see on that for the Stillwater mine that our

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milling costs actually were quite low in Q4 of last year, that was when we restructured the business and we've also moved the Stillwater mill onto a 10-day on, four-day off roster which is what East Boulder runs at, and that has driven a reasonable-sized reduction in the milling costs.

I will note here that our guys in the milling area have done a fantastic job of increasing recovery, and we are starting to see recovery ticking up and I think best in class for anyone in the PGM industry; and again anything we can get out of recovery for no extra cost is just ounces straight to the bottom line. So, we've tried to squeeze everywhere in the business, I think we've made some big improvements, we would like to think that there's more to come. But I think the improvements we've seen in the milling area really are symptomatic of sort of the approach we've taken to the business which is to leave no stone unturned.

We go to slide 12 to the all-in sustaining costs, you can see the graph there, it's a very good graph. I think the production has been strong. Despite the significant reduction in headcount, the all-in sustaining costs you can see the trend line for the last three quarters is very favorable. And Q4 all-in sustaining costs of $613 is the lowest it's been on a sustainable basis for approximately a decade.

We are maintaining a very disciplined approach to capital, and operational efficiencies, and we are developing the rate required to sustain the mine in its current format. So we have reduced the dollar amount of sustaining CapEx significantly, we've done that through reducing the unit rates, so the cost of doing a foot of advance has come down significantly, therefore we can do the same foot of advance for less dollars. That's driven a significant reduction in our all-in sustaining cost.

We have trimmed the amount of development slightly. However the amount of development we are doing is what is required to maintain a developed state. We have a thing that we measure called developed state which is how many ounces or months of reserves we have developed. And at both mines it sitting at approximately 60 months which is the longest it's ever been in the history of the Company.

We've seen the developed state actually increase slightly at the Stillwater mine and year-on-year, and we've seen the developed state decrease slightly at the East Boulder mine year on year; although I will note that the significant jump in production at East Boulder has driven that as opposed to reduction in ounces developed, the same -- the number of ounces developed at East Boulder have stayed constant, it's just we are producing them at faster rate, therefore the number of months comes down slightly.

Despite the reduction in the plan for development we continue to actually do more than the plan calls for; so in Q4 of 2015 we did approximately 8% more development in the plan. And in terms of the amount of drilling that we do, which is necessary to prove up additional reserves or convert reserves, we actually did significantly more drilling in 2015, relative to 2014.

In fact at East Boulder we did almost double the amount of drilling year on year.

So, I just want people to understand that 46% reduction in sustaining CapEx has come about through trimming the development slightly, but not significantly, it's more about reducing the unit rate in terms of getting the dollars that we spend down. This plan is a sustainable plan for this production level, and we have not cut back into the developed stage as the Company has done in previous periods.

We believe it's best to drive your unit rates down by a permanent savings, cutting back on sustaining CapEx to where you're eating into your developed state or consuming your developed state is not a sustainable business.

So our goal obviously that we put out at the previous quarterly results was to reduce our all-in sustaining cost down to the mid-$600s. And we've given the timeframe of that of medium term; clearly the Q4 number of $613 is below that. We've now looking internally to see whether there's a new target that we can set the teams but we will stick with our mid-$600s goal for now until we just continue to deliver on that new cost level.

Turning to 13, slide 13, our Blitz project, this is our main development asset, it's our main project capital spend over the next few years. We've continued to drill that out from service, it demonstrates the presence and the continuity of the J-M Reef, the grades are fairly consistent with the historical off-shaft material, around about 0.6 to 0.7 ounces per ton. The dip of the ore body seems to be sub-vertical, which is quite good from a mining perspective and dilution.

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We've managed to get the [Benbow Portal] permit in place ahead of schedule. We started construction on that, the total boring machine is around about 9,500 feet in so far and the parallel convention drive is just under 15,000 feet in.

We expect first production from this in 2018, approximately mid-2018. It will take a several years to ramp this up to full production. When it's at full production it will produce in the order of 150,000 to 200,000 ounces of PGMs a year. And it's predominantly a growth project. It will provide growth ounces until we start to see a gradual decline in the old Stillwater mine production about a decade after it starts.

We expect the production out of here to be our lowest cost ounces. The grade is high, and the infrastructure is being set up very similar to East Boulder so that you can mine and use gravity to move material down to the rail level. Therefore, we expect the production cost out of this to be the cheapest we will have.

The end of last year, we spent around about $80 million, the total spend on this is anticipated to be $205 million, which gets spent by about the end of 2019. We do have production before that from the end closest to the portal.

So Blitz is quite an exciting project, it's a very large project, it opens up approximately 4.5 miles of [strike length] of the reef, and this will provide some growth in the medium term.

If I go to slide 14, just an update on our portfolio management so we have Altar, which is a non-core very large porphyry gold asset down in San Juan, Argentina. The measure had indicated an inferred resource contains round about 8 million tons of copper and just over 6 million ounces of gold, it is in the top 15 largest undeveloped copper assets globally, and the previous exploration by Stillwater was very focused on the existing resource.

We've done some relatively inexpensive work with geophysics, and we are now drilling down there, we believe that we have got some quite interesting targets. It looks like there's potential for multiple porphyry clusters down there and we do expect that the change of government in Argentina has brought in a more favorable business climate down there, and the spend on that project for this year is in the order of $6 million to $7 million.

It does look quite interesting, but I think it is still a non-core asset for us but we believe spending a modest amount of money on it will advance the valuation of that significantly.

Going to slide 15, Marathon, during the fourth quarter, we bought out our joint venture partner there. We paid them $1 million in cash plus their share of their cash and equivalents held of the project so another $4.2 million. It does now provide us with flexibility. In terms of what we do with that, we are doing a limited amount of work up there, and that's very much success based exploration. So not a large amount of money spent on that in this year.

In terms of the market commentary on slide 16, we've all seen that the PGM prices have been down significantly. When we look at palladium and the underlying industrial demand, actually demand increased year-on-year from 2015 to 2014. Although investment demand was negative, so we saw significant metal outflows from investors during the course of six weeks last year that was approximately 600,000 ounces liquidated out of palladium, out of the [EGF], there's now approximately 800,000 ounces coming out of that in total.

So the underlying fundamentals for palladium are quite good, there's a significant deficit ex-investment, the price action in the last six months has very much largely been driven by investors. And we see an ongoing structural deficit in the palladium market. The main demand for palladium is in autos, gasoline or petrol and hybrid cars; we've seen very strong demand in North America, very low oil prices have meant that the main demand growth has been in large SUVs, which is fantastic for demand.

Even in China -- the people we sort of deal with in China are telling us that their demand is very strong in China. And so, again, we are not seeing a collapse of demand in the palladium market. What we are seeing is, instead, a significant disinvestment by investors and metal hitting the market.

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The switch in Europe away from diesel to hybrid has also been good for palladium demand. And overall we see, sort of in the medium term, reasonably good fundamentals for palladium. platinum, on the other hand, has a slightly different story. It's been dragged up in terms of its price recently by gold, there's a reasonably good correlation between platinum and gold for us in terms of direction.

But underlying industrial supply and demand would suggest that there's probably a surplus in platinum ex-investment. Jewelry demand in Asia has been weak, although improving, and any move away from diesel in Europe is negative for platinum and positive for palladium. And fundamentally we see the increasing of supplies of platinum out of South Africa into what's probably an oversupply market, not really conducive to our strong platinum recovery anytime soon.

Going to slide 17, where we look at the cost curve for the South Africans, this is courtesy of HSBC. And you can see from that curve there that round about half the South African industry loses money at current prices. In our view that's not a sustainable business, there's no doubt that the weakening Rand over the last three or four months has helped some of the South African producers, we've seen some of those producers recapitalize their balance sheets, but in the medium to long term we don't believe that this is a sustainable business model, and at some point the lack of investment in sustainable CapEx in South Africa will start to drive production cuts.

And -- which will be mainly for platinum but you will also see a significant reduction of palladium output out of South Africa. So in the medium to long term we see that production out of South Africa will have to be reduced, unless prices go up quite significantly.

And to slide 18 on our guidance, you can see here that from the guidance on production, we are expecting production to be similar to last year ticking up maybe slightly. You can see that on the cash cost, we expect again to drive them down below where they were last year. The all-in sustaining cost range of $615 to $665, we think ,is a reasonable range given Q4 performance and our sort of stated goal of being in the mid-600s. We have had some very strong cost performance over the last quarter or two; however, we are somewhat wary of having an extremely aggressive guidance based on one quarter.

We do feel confident that there are potential opportunities continue to drive our costs down but we feel that we should deliver on that first before promising too much.

G&A in the range of $30 million to $40 million, similar to where we were last year. Exploration as I indicated ticking up slightly, that's a combination of the spend at Altar, a little bit of spend in Canada and Marathon, and actually some exploration we are doing at East Boulder. We are doing drilling out below East Boulder in an area called Lower East Boulder to look at definition of a project there. So there is a bit of spend in the exploration budget for that.

Sustaining CapEx, obviously down again to sort of $50 million to $60 million mark. As per the discussion on a few slides previously, we believe that is a sustainable number. And project CapEx ticking up slightly to between $40 million and $45 million as we start to ramp up the Blitz project. Pretty much all the project capital for this year and in the next couple of years will be on Blitz.

So, overall, capital spend in the order of $90 million to $105 million and I think we have been quite successful at driving our unit costs down over the last few years, and so our goal is to really drive ourselves to a lower capital number than where we've been in previous years.

So, going to slide 19 to summarize, I think the fourth quarter really was a very strong quarter for us. The full-year results demonstrate that we've continued to deliver on all of our stated goals. The fourth quarter was the lowest [IRSE] reported since we started reporting it, but it really is the lowest on a sustainable basis in about a decade.

We have got strong momentum going forward now; we are maintaining a very disciplined approach to capital deployment and improving operational efficiencies. It's got to be all about operational efficiencies. Productivity gains is really where we are going to drive those cost reductions.

We have seen over the last three to four months a reasonably good improvement in mining practices at the Stillwater mine. And that is definitely feeding through into our lower all-in sustaining cost that we have here now.

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I'm very pleased with the safety performance to have delivered the operational performance we did last year, and the two labor contracts, and to have done that with the lowest incidence rate in the history of the Company, I think, is a fantastic achievement. We continue to grow that recycling business, we've got a great balance sheet with a very strong liquidity profile and I think it gives us some optionality in the current marketplace. And, again, managing to get both of our labor contracts in place where it's a full-year contract for both of them, and there's a wage freeze for the first two years and then a wage reopener where we will sit down and discuss it at the end of the two years, I think, is a very strong results for shareholders.

And also I think the change of the incentive of the Stillwater mine to include metrics that are sort of aligning shareholder outcomes and employee outcomes, I think, is very important.

So that concludes my presentation. And I'm happy to open the floor for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). David Gagliano, BMO Capital Markets.

David Gagliano - *BMO Capital Markets - Analyst*

Thank you for taking my questions. I just wanted to drill down a bit more on the Blitz timeline and outlook.

You mentioned obviously several years after first production 2018 I was wondering if you could give us a sense -- a bit of a closer sense as to how we should be thinking about this in terms of when it ramps to full production. And also you mentioned that obviously primarily growth production. How much of that roughly 150,000 to 200,000 ounces is incremental versus replacement the first, let's say, first 10 years on average?

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

We haven't gone into a lot of detail on that, Dave, and it's a good question and I think as we drill it out more from underground, we've been prepared to go into a lot more detail. But I think I can say that really on the current plan, and I believe we can accelerate it, that project will take somewhere between two to five years to ramp up to full production. And virtually all of it for the first 10 years is growth.

We -- on the current mine plans we don't see any sort of reduction in the Stillwater -- let's call it the old Stillwater mine production for at least a decade.

David Gagliano - *BMO Capital Markets - Analyst*

That's helpful. And just to -- for just for clarity, to make sure there's no additional CapEx at the mill or anything like that needed for this, correct?

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

That's correct. Because we are running mill on a 10-day on, four-day off roster, the plan would be that once Blitz comes on, we would actually start running the mill full-time.

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David Gagliano - *BMO Capital Markets - Analyst*

Perfect. Thank you.

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

Again, one of the great things about developing a project like Blitz or Graham Creek is the very low capital intensity because you're leveraging off your existing infrastructure. You're leveraging off your existing mill, your tiling [name] and so therefore you get a strong return on those dollars.

Operator

Lucas Pipes, FBR Capital Markets.

Lucas Pipes - *FBR Capital Markets - Analyst*

Good afternoon or morning, everybody. Appreciated all the detail, and congratulations also on the very strong fourth-quarter performance, it was great to see.

So when I look at your 2016 guidance, compared to the fourth quarter it struck me as conservative. How would you judge it, where do you see maybe continued room for improvement over the course of 2016?

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

Sure. And look, I think it is conservative. I believe in this market, really in any market but specifically this market, you want to be confident of hitting our guidance. So if you look at our all-in sustaining cost quarter to quarter if you go back to Q3 it was in the order of $677. And then we got to $613 in Q4 after we did the restructuring during Q3.

So, I think just given where we sit now, we are a little bit wary of sort of just assuming that Q4 is the new run rate going forward guarantee. I'm quite confident that we can come in quite strongly as we go forward. And we have set the team a new internal target here to come up with a plan to actually continue to drive those costs down further. Again, somewhat wary of using 1 quarter as your data point, and then coming out with some very aggressive guidance which you, then, for some reason, struggle to hit.

I can say the performance into 2016 has been strong, as we've actually continued to make improvements in the business, so we are feeling quite confident in that guidance at this point in time.

David Gagliano - *BMO Capital Markets - Analyst*

That's very good to hear. And maybe two quick follow-up questions. More bigger picture. The first one would be, you have a very strong balance sheet, where do you see the best use of capital? Is it cash on the balance sheet, is it maybe buying back a little bit more debt, is it M&A? Just your thoughts would be welcome and then, also, appreciated the slide on the South African cost curve. And you mentioned this is not sustainable.

How quickly would you expect production to adjust out there? Would appreciate the thoughts, thanks.

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

Sure. I think that in terms of the cash on the balance sheet, we sort of have a ranking system internally where we look at uses of cash and what the risk-adjusted return would be on that. And we have bought debt back in total, I think, about $93 million in the last couple of years back. So I'm quite debt-averse.

I like to run the business in a net cash position, if I can. We are opportunistic, I would say, so I don't think people should be assuming we will necessarily buy the debt back. We just look at where we think fair value is given the stock price.

I think there's significant value in this particular market having a big cash buffer on the balance sheet. Because people can buy the stock feeling quite confident that we don't have a liquidity crunch. So that in itself is worth quite a bit, I believe. And again, if we were to look at M&A, you would never say never but I think it would have to be a very strategic high return type transaction that would give us a better risk-adjusted return than buying our debt back at a discount or continuing to develop our internal projects.

When you have an orebody that's 28 miles long and running at 0.5 ounce to the ton, that's a fairly high hurdle rate that something else would have to be better than. But again, we always look at lots of stuff, like I think the management team's job is to look at what gives the shareholder the best returns.

But I would say that in any -- I hope people understand the way I run the business now is a very conservative way of running the business. So whatever we do, whether it's investing internally or buying something else or buying our debt back or -- doing anything, it's got to be a very conservative way to approach the business.

David Gagliano - *BMO Capital Markets - Analyst*

I think that's (multiple speakers).

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

The second question in terms of the South African -- I can't really tell you when something else is going to happen in someone else's company but all I can tell you is I sort of tend to look at what happened in the South African gold industry as sort of an analogy for what's sort of happening in the South African PGM industry, which is that capital will be underspent. And over a period of sort of two to five years, that capital underspend will be showing up in the reduced production profile that we see out of some of the mines. Because if you're not reinvesting the capital, and I haven't been really for a few years, then it's unlikely you can maintain your production profile.

And again that's why when we look at our sustaining CapEx we are very laser-focused on how much development we need to do to maintain what we are doing, we have it, we actually did 8% more in Q4 than what we planned to do. But that's not the case for many of the mines in South Africa.

So I think it's not going to be a case of we wake up one day and company A has shut production down entirely. It's likely to be over a period of time that as they've underinvested and they get tighter financially that you see production ticking down. So it's more of a medium-term issue I think as opposed to a mixed-week type issue.

David Gagliano - *BMO Capital Markets - Analyst*

Got it. Great job and keep up all the good work. Appreciate it.

Operator

(Operator Instructions). Derek Nelson, BB&T Capital Markets.

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Derek Nelson - *BB&T Capital Markets - Analyst*

Good morning or good afternoon. It seems like you might have ended the year with higher level of inventories, given that your mine PGM production exceeded sales by about 12,000 ounces or so during the quarter. I also noticed that your production was also higher than your shipments in the third quarter.

Was there any reason behind that? Do you expect that trend to reverse and that we will see some destocking over the next couple of quarters?

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

I'll just hand it over to Chris to handle that.

Chris Bateman - *Stillwater Mining Company - CFO*

We've had a couple of good quarters' line production, I think the one thing to Baron mined is we are measuring it two different points in time, so we talk about mine production being production coming out of the concentrator and the estimate of returnable ounces. And I think that harks back to the day -- days before we had the Columbus processing facility.

And then obviously sales, it's had to go through the Columbus process and then on to Johnsen Maffei for refining.

So it is fair to say, in the last two quarters, given the prices we haven't been as aggressive at flushing out inventory at the end of the quarter. I think we talked to it at the Q3 conference call that we had held back some inventory or not moved it through the process as quickly, and certainly with the prices at the end of Q4 there wasn't the same rush to push stuff out. But we will continue to watch our working capital levels very closely, and manage them.

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

I think it's fair to say that, when prices are low, we do have some optionality as to whether we push ounces out or we don't. If prices are quite low, we typically don't push them out. So there is a bit of an inventory sitting in there that at some point we will look to liquidate.

Derek Nelson - *BB&T Capital Markets - Analyst*

Great. And then on Blitz, I know you said you're expecting first production in 2018. But can you get any more granular on the timing, is that early 2018 or late 2018? Just trying to determine figure out how many ounces we should be modeling for 2018 for Blitz.

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

All I can say at this stage, just given the level of accuracy mid-2018 is about the best timeframe that I can give at the moment. We do have a work program underway at the moment to look to see if there's some way that we can accelerate that. And it's high on the priority list for our management team if -- this year -- to see how we can both accelerate the times the first production, but then accelerate that ramp up period which is, you know, still relatively long.

So all I can say is, it's a bit of a work in progress at the moment, there will be some ounces come on, but we can't really get more detail at the moment, partly because it's several years but partly because we actually have a big work program underway at the moment looking at the project and seeing if we can actually re-scope it a little bit to get some production from the end closest to the concentrator earlier rather than waiting until everything has developed at the far end.

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Derek Nelson - *BB&T Capital Markets - Analyst*

Thanks very much.

Operator

Matt Griffiths, Bank of America Merrill Lynch.

Matt Griffiths - *BofA Merrill Lynch - Analyst*

Good afternoon, guys. I just had another question for you on Blitz. I was just interested, I know it's probably a little early to get too detailed, but on how the sustaining CapEx changes as you bring that on. I'm kind of thinking like do you have to ramp up the developed state of that part of the mine and maybe it's a little higher initially, or does that kind of -- that work get done maybe with the project CapEx? Anything you could add there would be really helpful.

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

The bulk of it gets done with the project CapEx initially and then the sort of rest of the sustaining CapEx will be not more on a dollar per ounce basis, there will obviously be more dollars you've got to spend but you are producing more ounces. So it's relatively minor.

I think, from memory, the first ramp system and it developed very similar to the way Graham Creek's developed, how we developed in sort of 2,000 foot long blocks and then we put a ramp system up for each block and then we put the footwall laterals in them, drilled them out.

I think from memory the first ramp system is about a $3 million spend. And you'll get production out of it fairly quickly.

So it's relatively minor and on a dollar per ounce basis should not be any more than what we currently do.

Matt Griffiths - *BofA Merrill Lynch - Analyst*

And also just on the market, on the recycling business, I was just curious, you mentioned how the steel price or scrap steel price influences how the availability, I guess, of recycled material. Is there a limit to how long that part of the supply chain is build inventory, do you have any sense of whether they have limitations or if they are near full or can this go on kind of indefinitely in this way?

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

It can go on indefinitely. And the reason is that the scrap steel price is basically an impediment to whether a target is scrapped or not. And if it doesn't -- if it makes it to the scrap yard even if they don't scrap the rest of the car they will typically cut the can off. And so, it gets into the system.

But what we are seeing is the low scrap steel prices will mean that it will actually cost you more to pick the car up and send it to the scrap yard than you get paid. And therefore, those cars never make it into the -- are not making it into the system. So until that price point moves up a little bit, that stuff can sort of probably be sitting out there indefinitely.

So I think within the last year we have sort of seen investors be sort of talking about a wave of recycling ounces. And recycling is just not the case.

We are, I believe, the largest auto cap recycler in the world now, and the overall market is down significantly, most of our collectors are telling us the market is down 25% for them year on year. We've got one or two collectors who tell us they are up slightly but net-net the overall market is

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down and you can see that in the volumes of the listed scrap -- scrap companies, there's a couple large ones out there. You can see that very clearly in the volumes.

Matt Griffiths - *BofA Merrill Lynch - Analyst*

Thanks a lot, guys. ,

Operator

(Operator Instructions). We appear to have no further questions. I'll turn the call back over to our speakers for closing comments.

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

Thank you very much, everyone, and we'll continue to drive the business forward and we look forward to speaking over the next quarterly call. Thank you.

Operator

Thank you, this does conclude the teleconference. You may disconnect your lines at this time. Thank you for your participation.

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