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PRESENTATION

Operator

Greetings, and welcome to Stillwater Mining Company's first-quarter 2016 results conference call.

(Operator Instructions)

As a reminder, this conference is being recorded. It is now my pleasure to turn the call over to your host Mr. Mick McMullen, President and CEO with Stillwater Mining Company. Thank you. You may begin.

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

Thank you very much, and thank you everybody for joining us. I'm joined today here by Chris Bateman, our Chief Financial Officer. And we will go through the deck that we have available. And as I go through, I will do a page turn and draw your attention to the page numbers.

Firstly, I'd like to draw everyone's attention to slide 2. The forward-looking statements, in particular, the assumption and analysis we have made in light of our experience when making a lot of the statements contained in this release.

Going to slide 3, the first quarter highlights. We had another strong performance, both in terms of cost per ounce. All-in sustaining cost was down again, around about $613, in line with the previous quarter, but down near enough to 20% from the prior quarter in 2015.

Cash, we ended the period with about $452 million of cash, cash equivalents and highly liquid investments. Production was very strong from the mines, just over 137,000 ounces, up from 133,000 ounces from the same period in the previous year. Recycling volume was very strong.

We were at just over 154,000 ounces of PGMs produced, and that was near enough to 42% increase from 2015. We did have a loss of just under $10 million. And again, we had a very strong quarter operationally, which was offset by the decline in the metal price, down to $612 an ounce versus $871 in the same period of 2015.

Moving to slide 4, when we look at that, all of the results, you can see, again, about a 3% improvement, year on year, in ounces. Sales price down nearly 30%. Cash cost came down almost 17%.

Our all-in sustaining costs were down about 20%. SG&A was broadly in line with where we were a year ago. Sustaining capital was down by about 33.5%, and project capital was also down.

So overall total capital expenditures were down about 32.6%, year on year. Again, very strong performance in the recycling, up 42%. As I said earlier, overall, I think a very strong operational result, offset by the fall in the metal price.

Over at the Stillwater Mine, which is one of our two mines, it's the larger of the two mines that we have. You can see on slide 5, if you look at the graphic on the bottom there, you can see, within red is the area of our proven and probable reserves. And that's just over 15 million short tons, at about 0.58 ounce to the ton.

You can also see on that graph the Blitz project, which is off to the right. And I will talk in some detail on what we've been doing at the Blitz project in a few slides. Our production was down about 3.3%, year on year, at the Stillwater Mine.

Our cash costs were down 16%, and our total employees, excluding our project employees -- so we define the project as the Blitz project. So our total, let's call it, operational employees was down about 21.5% year on year. So the reduction in headcount has really driven the reduction in our cash cost.

When we look at our sustaining capital, and why it has come down so much, one of the big drivers has been, as we've increased productivity, our unit rates have come down materially. So when we look at unit rates, which is how much does it cost per foot of advance, that's down almost 21% year on year. So that's allowed us to do the amount of development that we do for a lot less money, hence the big reduction in the sustaining CapEx.

Turning to the next page, on slide 6, our East Boulder Mine is the smaller of our two operations. You can see there, on the graphic, the area within the red that contains our prudent and probable reserves. There's just over 28 million tons, at 0.4 ounces to the ton.

And this mine has had a very strong quarter. We saw Q1 was a record high. It was a 13.7% increase from the prior year.

That's the best quarter in the history of that mine. Similarly, the cash costs were down to $446 an ounce, which was another record low, down 18.5% from the previous year. We had a few monthly records, as well.

So we produced 20,400 ounces from that mine in the month of March, the best ever. We look at productivity in many ways. One of the metrics we look at is how many ounces per employee, per month, did we produce.

So Q1 was a record high. The month of March was a record high, at 49 ounces per employee per month. The cash costs at that site were $411 in January, were also a record low.

So overall, the East Boulder Mine had a very, very strong Q1. And we continue to see opportunities to improve both productivity and costs at both operations.

Moving on to slide 7. On our recycling, again, you can see from the graph there that we've seen volumes pick up quite significantly from a year ago. What we saw happening during the back half of 2015, as prices came off, particularly scrap steel prices, which really do drive the volumes in this market, we saw volumes come off.

We then signed a few contracts, which were more long-term type contracts, and for some different types of material, which has really underpinned that big jump in volumes, really, from Q2 2015 onwards. So look, the recycling market we see is improving As PGM prices recover, we do see a bit of inventory coming out of the scrap yards. But more importantly, scrap steel prices have bounced quite significantly from their lows earlier in the year.

And we do see a bit of a loosening in the market, and some of that material coming back to the market. We do have a lot of excess capacity in that [mid] complex, so really, we're looking to grow that business still. And we can grow that business with very limited or no capital spend.

So again, we have a facility that has lots of excess capacity. For the next couple of slides, from slide 8, I'm going to turn over to my CFO, Chris Bateman.

Chris Bateman - *Stillwater Mining Company - CFO*

Thanks, Mick. As Mick mentioned earlier, we reported a loss for the quarter of $9.9 million. We had a very strong quarter from a production and cost performance basis.

However, the basket price was the lowest in years, with prices bottoming out at $555 on January 12. The good news is, we saw a recovery, and by April 29, the price -- our basket price was up 31%, to $727. As of this morning, the basket price is sitting at $707, so prices really drove the performance from a profitability perspective, offset by very good cost performance and productivity.

Moving on to slide 9, we continue to maintain a very strong and conservative balance sheet. Despite the price falls, we maintained a strong net cash position, and we ended the quarter with $452.4 million of cash and cash equivalents, plus highly liquid investments. We continue to fund the business from internal cash.

So we're pursuing both the development capital to maintain the developed state, as well as the Blitz project, with internal resources. Next major debt repayment would be October 2019, when the convertible bond becomes due.

As volumes and prices have increased in the recycling area, we've seen that feed through in the quarter to recycle working capital. And that increased $5.2 million in the quarter, contributing to the total cash reduction.

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

Thanks, Chris. We will go to slide 10, which is a standard slide we put out, which allows people to see the various cost components of each operation and how they're tracking. Overall, a pretty good performance on both sides, from cost per ton.

I will just note that the mining cost at the Stillwater Mine did go up quarter-on-quarter, very much driven by the tons milled reducing. And actually, that is a good thing. Because what that's been attributed to has been, we've really had a big drive on dilution, and we've managed to reduce the amount of tons that we mine and mill, and yet still get the same or more ounces out.

So the overall absolute dollars spent on mining are about the same. But because we mined less ore tons, but still got the same ounces out, our cost per ton went up slightly. Again, you'll note there, in the top line, East Boulder's cost per ton came down quite significantly, again driven by the fact that we actually had a very strong performance from tons mined.

Overall, a pretty good result on our cost control. I think we continue to demonstrate that we are very cost disciplined. And we think that as we improve productivity at both operations, we have further room to move on some of those costs.

Moving to slide 11. This is really the key metric that we measure the business on from a financial perspective, which is all-in sustaining cost. As I've mentioned earlier, another strong result, very similar to Q4, at about $613 an ounce. And again, whenever I talk about an ounce, it's a mix of platinum and palladium, in a ratio of approximately 3.4 to 1.

We are maintaining a very disciplined approach to capital deployment. We think we're spending the amount of capital that is necessary to maintain the developed state of the mine. We, in fact, continue -- as we improve productivity, we continue to develop ahead of what our plan is.

And all of our cost reductions have been achieved without the benefit of any currency. These are true operational cost reductions. So historically, we've put out aspirational goals, in terms of where we'd like our costs to be.

Several years ago -- two years ago, we said that we wanted to get to the low $700s. We achieved that. We then said that, in Q3 of last year, we wanted to get into the mid $600s.

We have clearly achieved that for two quarters now. So I think our new goal that we would like to put out is that we want to get our all-in sustaining cost down into the mid to high $500s over the medium-term.

There is a lot of work happening on that at the moment. We feel that, that is a reasonable goal for us to set. But it will require us to get further productivity improvements out of the operations, in order to get there.

Going on to slide 12 then, productivity, we can measure productivity in many ways. But as I said, one of the ways we like to look at that is, how many ounces, per non-project employee, per month are we achieving? And you can see from this graph that we've had a quite significant improvement in both operations over the last two to three years, in our productivity.

And that's come about, really, through a number of ways, reduced headcount, changing the way we mine, actually having a very strong focus on mining practices so that, again, we cut down on dilution. You can see there, actually, 2016 Q1, we've seen East Boulder has again pulled ahead of the Stillwater Mine, after the gap was closed a little bit in the previous quarter. And very much driven by multiple records being broken at the East Boulder in the first quarter.

We still think there's room to move on this. And when we look at the historical structural issue with the business, it has been low productivity. And that is what we're focused on. So a really good performance from both operations, I think, over the last couple of years, but we still believe that we can make some further improvements.

Going to slide 13. So we've got a couple of slides on Blitz here. Blitz, as I've said earlier, is our main development project.

We are spending just over $200 million on that, over a four or five year period. At the end of the quarter, we were around just over $80 million into that.

It really is our key development project. We think that if we can accelerate the development and ramp-up of this, it can really have a positive impact for shareholders. To that end, we've had a big push on increasing those advance rights.

So when I say advance rights, that's how many feet or meters a month of tunnel we excavate. We've so far, in 2016, increased production rates there by about 45%. This is the average of last year, and in the more recent past, we were well over the 50% mark.

In order to bring this into reserve, we have to drill it out from underground. And so the 56 conventional drive is really the main drill platform, and so that is the area where we're very focused on at the moment, in terms of advancing that. And we have been drilling that out with two drill rigs from underground, as quickly as we can.

And you can see here, on that little graphic on the right there, we've pulled out some of the ore grade mineralization drill results. We do have, in the appendices at the back of this deck, the full drill results. What we're seeing here is, the grades are fairly consistent with what they call off-shaft material, which is the mineralization the mine was started on.

It's running in the order of 0.6 to 0.7 ounce to the ton. And if you look at some of those areas there, we will be releasing the drill results by campaign or block. So each of those little black squares is a drill campaign that we've done.

So there is a couple of key interesting things on this, where the 50 East 8.9 block has had some quite reasonable drill results in it, and that is actually in an area that was thought to be barren. So that opens up some interesting potential for additional reserves and mining that were not previously planned.

The 56 East 10.4, you can clearly see that we've got some very good drill results in that area. And I will call your attention to some of the results, which is 66.8 feet at 1.58 ounce to the ton, and 33.6 feet at just over 1 ounce to the ton. These are typical ballroom-type intercepts.

And for the people that have covered this Company for a while, you'll recall in the original off-shaft, these did have the potential to produce a lot of ounces at that relatively low cost. So this is very encouraging. It's early days, but we will look to continue to release results by campaign or block, as and when we complete the interpretation.

The Blitz project consists of three almost distinct components. One is the 56D [plan], which is where most of this drilling has been done from. The other is the tunnel boring machine, the TBM, down on the 5,000 [feet].

And the third component is the decline at the Benbow end, which is the far end of this project. The Benbow service work is underway. We're pushing on with that as quickly as we can.

We will, in the very near term, award a contract for a contractor to do the decline from the far end of the Benbow. And we're looking to accelerate production as much as we can here.

At this stage, we expect first production in mid 2018, roughly. And when fully ramped up, the Blitz project will add 150,000 ounces to 200,000 ounces to our production. This production will primarily be growth for the first decade of its life, after which it will start to be a combination of growth and some replacement of the existing mine.

Going to slide 14. This really shows the extent of this project. As we step back out and see the whole strike length of it, you can see the 56 East 10.4 block and the 50 East 8.9 block.

And you can see some of the surface drill results there, and you can understand, from the scale, why we have to drill this out from underground. It's just not feasible to drill this thing out from surface, at a surface elevation of 8,000 feet down to 5,000, 5,500 feet. It's just not feasible to drill that out to a reserve status from surface, so you have to drill this out from underground.

And you can also see the Benbow Portal pad on the very far right side of that long section, and actually there's an image there of us doing the work there. So this is a very big project for us.

We think it's got the potential to be very exciting for shareholders. And as and when we get new information, we will continue to release it.

Moving on to slide 15. As we look at our asset base, and prioritize what we can do for shareholders over the next, say, five to 10 years, we're looking at a conceptual Lower East Boulder project. So Lower East Boulder is defined as all of the mineralization below the [rile] level on the 6,500 foot level. We do currently have a proven and probable reserve in that area, of about 10.4 million tons, at just under 0.4 ounce to the ton.

And we are starting to pull together some plans as to how we may develop that effectively as a whole new operation. We are spending some money this year on some deep drilling, to define where the ore body is below those reserves, and to come up with the optimal place where we may put some development. This thing is in early stage yet, but it is important, I think, that we can demonstrate to shareholders that we actually have a very strong growth pipeline of things that we can be doing with our existing asset base.

Going to the next slide, Altar, which is slide 16, we are looking at all alternatives to see how we realize value for shareholders there. We have seen a change of government in Argentina, which I think has definitely enhanced the country as an investment destination. We have spent some money on this project this year.

Just done a modest drilling program there, just to test some of the other exploration areas. And this project, I think, at the appropriate time, will allow us to realize some reasonable value for shareholders. It does contain just over 8 million tons of copper and 6 million ounces of gold, and I think provides a bit of optionality for our shareholders.

The next slide, slide 17, our guidance we have left unchanged at this time. And if you look historically, generally not changed our guidance at this time of the year. If we look to do that, we would typically do that later on in the year.

But again, if you look where we've come in, our all-in sustaining costs, we are -- we've now had two quarters below the bottom end of our guidance. Our production for Q1 is tracking above -- on an annualized basis, above our guidance. It was a very strong quarter for us.

I will say that the second quarter to date is also looking to be quite strong. So we will look to evaluate this later on in the year.

Going to slide 18. I do get a lot of questions from shareholders on what's happening with the market, the metals market, why have PGM prices been where they've been? If we look at the top part of this slide, the forecast supply and demand dynamics for platinum and palladium look to be very strong. There's a different scale on platinum and palladium, so actually the forecast deficit for palladium is about double that of platinum.

So what we've seen happening in prices has very much not been driven by the underlying fundamentals, particularly in January, but very much by speculative investors moving out of the metals. If we take the consensus estimates for broker price forecast, actually, both platinum and palladium appear to have quite strong long-term price appreciation potential. In particular, palladium, which again will be driven by the significantly larger deficit in the palladium market.

If we go to slide 19, again looking at the consensus forecast. In general, most analysts are forecasting quite strong upside potential, on a long-term basis. And if we look at the percentage of brokers forecasting the price range, particularly for palladium, we have 64% forecasting prices greater than $800 an ounce for the long term.

And that is all great for the long-term. However, we look at the price on a day-to-day basis, and make sure that we spend accordingly, based on what we can afford. As Chris said, even with the very poor prices we saw during Q1, we've maintained a very, very strong balance sheet.

We continue to invest in the business, and actually are looking to accelerate our spend on Blitz. And we seem to be able to do that, even with the very low prices, by self-funding.

Going to slide 20, on governance. So a couple of key items here. So my contract has been extended by two years, to the end of 2018, which provides some certainty for shareholders.

Yesterday, we held the annual shareholder meeting. We had very favorable voting results. The average Board for vote was 96.7%.

And I think, also importantly, the advisory vote on executive comp came in with a 98.3% vote cast in favor. I think that demonstrates that the executive compensation is closely aligned with shareholder outcomes, and that appears to be something that people are happy with.

So coming to the last slide 21, just in summary, I think we've demonstrated some sustainable operational improvements in Q1, building on our Q4 result. I think when we delivered that very strong result in Q4, there was potentially some skepticism that, that was a sustainable run rate for us. I think Q1 clearly demonstrates that it is.

Productivity continues to improve at both mines. We've made some huge improvements, quite frankly. But yet when we look at other operations and best practice, we think that we still have some runway in front of us, in terms of making further improvements.

We've seen some very strong recycling volumes, and they were extremely strong in Q1. We had expected that they may weaken a little bit in Q2, but to be honest, I think that actually, the volumes have continued very strongly during Q2 so far. Balance sheet, really very strong, strong liquidity position.

I think we've being very disciplined in the way we spend our money. It gives us a lot of optionality in the current marketplace, and we are seeing some signs of metal price recovery. The PGM prices, particularly palladium, are starting to reflect the fundamentals again, I think, as opposed to where they were in the early part of Q1, and the current basket price of $707 is up significantly on where we were in Q1.

So I think our strategy hasn't really changed. It's continued to fix the underlying issues that we've had in the business. It's continued to get real and lasting change on our cost base, and we think that over time, the PGM basket price will continue to recover, which will see us have margin expansion.

With that, Rob, I think I would like to turn the floor over for any questions.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Lucas Pipes, FBR and Company.

Lucas Pipes - *FBR Capital Markets - Analyst*

Good afternoon, or I guess, morning, everybody. Good job again on the cost side and that's also where my first question is.

Obviously, in Q1 you were below the low end of your full-year guidance. I was curious, at what point do you think it may make sense to look at that or rather why do you expect it to ramp up over the course of the year on the cost side to maintain the guidance? I was hoping for little bit more context around that full-year cost guide.

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

Sure. If we look at our costs over a multiple of years, typically Q3 can often be a little bit weaker on production, coming into the summer months. And as the warm weather is there, then we can do a bit more of our capital budget.

So we're always a little bit wary of amending our guidance too early. And again, if you look historically, we've typically done that in the July update, if we do that. So that's probably why we haven't adjusted it yet.

But we did think about it internally, obviously for that very reason that we've had two quarters below the bottom end of the guidance budget at the moment. But Q3 can, at times, be a slightly higher cost quarter.

Lucas Pipes - *FBR Capital Markets - Analyst*

Got it. I look forward to that. And then in terms of your new medium term cost goal in the mid to high $500s, what's your checklist to get there in terms of what you have to do operationally?

And then also, what do you think is the right timing in terms of how would you define medium term? Is that sometime in 2017, 2018? When would you like to reach that new goal?

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

Well, I would like to reach it as soon as possible, but I think realistically when we put these goals out, we've sort of had an 18-month timeframe in mind. And what do we need to do to get there? I think realistically, it really comes down to productivity gains.

I think in terms of stripping absolute costs out of the business, we've been very successful at that. Realistically, we'll probably need to produce some more ounces in a cost-effective manner. So not just go chasing ounces for the sake of chasing ounces.

And we do have excess capacity in our mills. They only run -- have been running 10 days on, four days off; we're just going to an 11-day on, three-day off roster at Stillwater Mine. So we have to produce more ounces with the same or less people, I think realistically.

Lucas Pipes - *FBR Capital Markets - Analyst*

Got it. Okay. That's helpful. And then maybe one last question for me before I jump back in the queue, and that's on the Blitz project.

Mick, I think you mentioned a few times in your prepared remarks, and then also I think it was in the release that you are accelerating the development, or at least are looking at speeding up the process of Blitz. But then when I look at the CapEx guidance for this year, it wouldn't show up in the spend in terms of your capital outlays.

Should we be thinking about an effective reduction in the capital cost, essentially you get more for less or you get a faster development for the same amount of capital? Any parameters or context you could get around that prioritization and that acceleration, I would appreciate that.

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

At this stage, we haven't changed the overall budget for the project. It's around about $205 million. And we did bake in a little bit of extra spend in our guidance, relative to what our internal budget was.

I don't think the overall spend on Blitz was changed materially to the guidance range. Having said that, we had assumed a bit of spend on it when we put that guidance out.

Lucas Pipes - *FBR Capital Markets - Analyst*

Got it.

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

Which is a dragging forward of spend, as opposed to absolute dollars gained. I will say, whilst we haven't changed the budgets for the project yet, my experience of building things is that time equals money, and the quicker you can do something, the cheaper it usually costs you.

Lucas Pipes - *FBR Capital Markets - Analyst*

Perfect. So in terms of the timing and the ramp up in 2018, do you have a sense for what period in 2018 it would make sense to or it could -- we could realistically see it ramp up and get towards your targeted rates?

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

I do. We're not publishing the full ramp up at this stage, because this work is happening as we speak, I guess. We've said publicly mid-2018 is when we expect some first production out of Blitz.

I think I'd like to get another quarter of work underway and see the results of that before we start to change what we've said publicly about it. What I can say is that we have had some very good success in the last couple of months, in terms of accelerating development rates in that 56. Let's make sure we just build on that before we start publicly saying that we're going to significantly accelerate this project.

Lucas Pipes - *FBR Capital Markets - Analyst*

Very good. It sounds like we have a lot to look forward to. Good luck with everything and appreciate all the detail. Thank you.

Operator

Dave Gagliano, BMO Capital Markets.

Dave Gagliano - *BMO Capital Markets - Analyst*

Great. Thank you for taking my questions. I just have a couple of quick ones.

We've seen this in the past, I just wanted to ask, the production volumes are running ahead of the sales volumes. It's a little bit of an inventory build the last three quarters in a row. When should we expect that to reverse and what's the reason behind that?

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

Dave, I think you'll have seen January, February prices were less than stellar. So the urgency of pushing answers in that first couple of months of a quarter wasn't there, in our opinion. We saw, on a month basis, sales significantly exceeded production in March.

And we've continued to push strongly through April with answers out of the system. So as prices become a little bit more reasonable, you'll see us pushing harder on sales.

Dave Gagliano - *BMO Capital Markets - Analyst*

Okay. Just a follow-up. It's been, I think it's been three quarters in a row. So if you just add it up over the last three quarters, I think it was like 22,000, 23,000 ounces of higher production than sales. Should we expect that to basically be a net zero by the end of the year?

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

Yes, we will be pushing out the answers. But what we expect will be somewhat determined by what the price environment is over the remainder of the year.

Dave Gagliano - *BMO Capital Markets - Analyst*

Okay. Thank you. Go ahead. Sorry.

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

I think we do look at the prices closely, and the sense of urgency when the prices dip is not the same as when we see a recovery. The prices have also been extremely volatile.

Dave Gagliano - *BMO Capital Markets - Analyst*

Got it. And unrelated question, the medium term goal, the mid $500 per ounce goal, does that include anything associated with the Blitz project?

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

No. As I've said before, that's before Blitz comes on.

Dave Gagliano - *BMO Capital Markets - Analyst*

Okay. And where do you think the number could go once Blitz is up?

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

We have said that Blitz should be our lowest cost production. I've only five minutes ago put out the mid to high $500s as a goal, Dave. Let me do some more work on Blitz before we put the next goal out.

Dave Gagliano - *BMO Capital Markets - Analyst*

All right. Thank you very much.

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

We obviously have some internal numbers, but I don't think it's appropriate for us to put it out two minutes after I've just put the last aspirational goal out.

Dave Gagliano - *BMO Capital Markets - Analyst*

Got it. Thank you.

Operator

Sam Crittenden, RBC Capital Markets.

Sam Crittenden - *RBC Capital Markets - Analyst*

Hello. Thank you. And thanks for providing the update on the Blitz drilling. I'm just curious how much engineering work has been done on the mine plan for those first couple years out in Blitz? I'm just wondered if that grade range of 0.6 to 0.7 ounces per ton is based on those mine plans or is that just a feel from the drill results?

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

No, that's sort of based on a mine plan. And it's being updated on a regular basis as we get information in.

But when we look at the drill results and the way the oil body sits and the ground conditions and everything, and the average hit rate, if you look at the mineralization, typically the off-shaft stuff, you get 40% to 50% of the Reef is mineralized above ore grade. And we're within that range or slightly at the top end of that range. So that. 0.6 ounces to 0.7 ounces is, I think it's reasonably conservative, based on the last lot drilling that we've got in.

Sam Crittenden - *RBC Capital Markets - Analyst*

And would you use similar mining methods to the main Stillwater mine? Are you getting similar cost production performance with better grades, or is it more narrow mining to get those higher grades?

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

No, it's probably wider. Probably more difficult ground condition, so the cost per ton is likely to be similar, maybe to slightly higher, than what the original, the old Stillwater mining stuff is.

Sam Crittenden - *RBC Capital Markets - Analyst*

Okay. Thanks very much, Mick.

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

But if you look at the grades, the grades are significantly higher than what we're mining now. And similarly, your haulage costs, all your logistics are way lower.

Sam Crittenden - *RBC Capital Markets - Analyst*

Okay. Sounds good. Thank you.

Operator

(Operator Instructions)

Andrew Quail, Goldman Sachs.

Andrew Quail - *Goldman Sachs - Analyst*

Hello Mick, Chris. Thanks for the update, guys. Good quarter, especially on the costs.

A couple of questions. First, can you just break down that CapEx between the two mines? I think it's [$18.9 million]. Can you just break down that between Stillwater and East Boulder for sustaining?

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

I will need to dig that out. Off the top of my head, it's historically been one-third, two-thirds, off the top of my head. But Chris might be able to find it for you.

Andrew Quail - *Goldman Sachs - Analyst*

I'll give you my second question then. The grade obviously at Stillwater picked up slightly, and I think it's the best head grade you've had for about eight quarters. Is that something that guys you can keep up, or is that just an anomaly?

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

That's almost a two-part answer. We did have some better stopes, or better grade stopes, really only for about half of the quarter there. But actually, the probably equally as big driver, maybe even bigger, has been its dilution control.

We've gone from -- and don't quote me exactly on this -- but we've gone from something like close to two foot of unplanned dilution to about eight inches of what we call over break, or unplanned dilution at the Stillwater Mine. And that's very much a result of some new technology we put in place and a strong focus on mining practices.

And again, that's why on that slide 10, you saw the tons milled go down quite a bit, but we still got the ounces because we weren't shipping waste to the mill. Overall, we see the grade has improved, because obviously if you're shipping a pile of waste to the mill, your head grades go on down.

Andrew Quail - *Goldman Sachs - Analyst*

Got it. Okay. You guys can get just back to me on the CapEx.

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

We will.

Andrew Quail - *Goldman Sachs - Analyst*

Thanks, fellows. Cheers.

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

All right. No problems, Andrew.

Operator

John Bridges, JPMorgan.

John Bridges - *JPMorgan - Analyst*

Good morning, Mick and everybody. Congratulations on the results and especially your ballroom. It seems like an awful long time since I've walked in one of your ballrooms.

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

We actually do get the odd one still, John, but not of the scale that you would have known from the past in the old offshore area.

John Bridges - *JPMorgan - Analyst*

I remember an echo from one of the bigger ones. You're thinking about trying to accelerate the access per Blitz.

What sort of buttons can you press to make that happen? What are the areas you're looking at to bring things forward?

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

The critical path item for first production at the Blitz is driving the 56 decline out as fast as we can get it out there. That does two things for us. One is it gets us out so that we can drill it, because we have to drill from underground.

And the other is that once we get out far enough, we can then stop ramping down to the production level 300 feet below, basically halfway between the 56 and the tunnel boring drive. So that is the critical path item in order to get first production. And so that's why we've focused on accelerating advance rates in that decline.

We've had some help come in from Australia, in terms of accelerating that. We've had some of our guys in Australia looking at high speed development, and we have seen a significant step up in advance rates there. That's the thing we can do to get first production up and running.

And I'll make a decision later this month on where and when we're going to put that first ramp system in. The second thing that has to happen, the critical path in terms of ramp up, is actually the connection between the 56 decline and the Benbow decline coming in at the far end.

And so we've done a lot of work in terms of accelerating how we can get that moving faster. And so that determines when we get ventilation breakthrough. And that determines how quick we can ramp this thing up.

And then the third item is the TBM, but it is a lesser priority in terms of the ranking of what we've got to do. So we've identified the critical path item. We're focused very heavily on that.

And then once that no longer becomes a critical path, then the Benbow decline will become the critical path, and you can be assured that, that's getting a fair bit of attention, as well.

John Bridges - *JPMorgan - Analyst*

I can imagine. At what rate are you advancing the 56 [decline]?

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

We are advancing -- and I'll convert this to metric, because that's the way I think -- so we are advancing at around about 90 meters a month at the moment, maybe a little higher, in the last week.

John Bridges - *JPMorgan - Analyst*

And then you mentioned ground conditions in Blitz. What do you see?

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

One of the characteristics of that off-shaft material is that where you do get those ballrooms, the big intercepts of high grade, is you typically do have a bit more faulting there. The very good grade and the big widths do come with slightly tougher ground.

Not impossible to mine, but the mining costs -- the actual mining cost per ton there will be slightly higher than where we've got better ground. But that will be more than offset by the widths, the grades. And the fact that we can get people into the working phase in half the time or a third of the time for the rest of the mine will make a big difference to productivity.

John Bridges - *JPMorgan - Analyst*

Okay. Great. Congratulations on the results.

We're looking forward to the update on Blitz. Thank you.

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

All right. Thanks.

Chris Bateman - *Stillwater Mining Company - CFO*

Just to jump back on the sustaining capital at Stillwater Mine in Q1, was just under $9 million, East Boulder was just a tad over $4 million.

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

Okay. Any other questions?

Operator

There are no further questions at this time. At this point, I'd like to turn the call back to Mick McMullen for closing remarks.

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

Thanks, everybody, for joining. I think it was a strong quarter operationally for us and we look forward to giving people further updates on our progress on our new goal of reducing costs and accelerating our Blitz project. Thank you very, everyone.

Operator

This concludes today's teleconference. We thank you for your participation. You may disconnect your lines at this time and have a great day.

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