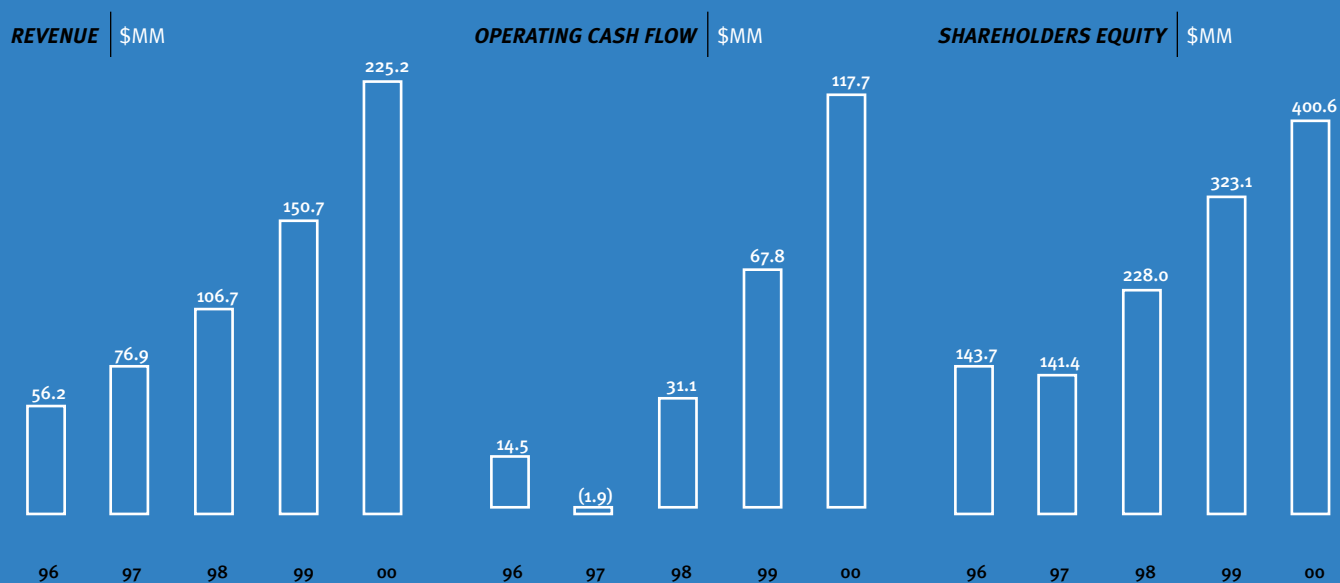


CORPORATE PROFILE

Stillwater Mining Company (AMEX:SWC) produces palladium and platinum, precious metals essential in automotive catalysts used to remove air pollutants. The Company is the only significant primary producer of palladium in the world and the only producer of palladium and platinum in the United States. Stillwater Mining mines the world's richest known deposit of platinum group metals from the J-M Reef in southern Montana.

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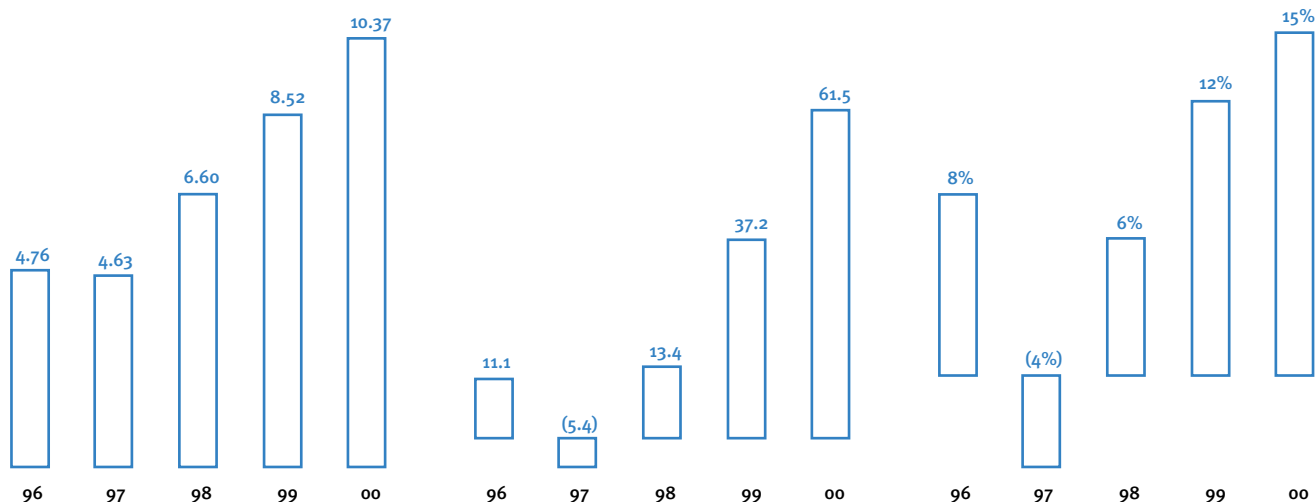
FINANCIAL HIGHLIGHTS

<i>(\$ in millions, except per share, production, cost and metal price data)</i> December 31,	2000	1999	% Change
Financial			
Revenues	\$ 225.2	\$ 150.7	+49.4
Operating income	\$ 94.0	\$ 50.4	+86.5
Net income	\$ 61.5	\$ 37.2	+65.3
Net income per share			
Basic earnings per share	\$ 1.60	\$ 1.01	+58.4
Diluted earnings per share	\$ 1.57	\$ 0.96	+63.5
Operating cash flow	\$ 117.7	\$ 67.8	+73.6
Shareholders' Equity	\$ 400.6	\$ 323.1	+24.0
Weighted average common shares outstanding (millions)			
Basic	38.5	36.8	+4.6
Diluted	39.3	38.6	+1.8
Operations			
Ore tons mined	684,000	688,000	-0.6
Ore tons milled	678,000	689,000	-1.6
Mill head grade (ounce per ton)	0.69	0.66	+4.5
Mill recovery	91%	91%	-
Production (ounces)			
Palladium	330,000	315,000	+4.8
Platinum	100,000	94,000	+6.4
Total	430,000	409,000	+5.1
Production Costs (per ounce)			
Total cash costs	\$ 264	\$ 198	+33.3
Depreciation & amortization	41	33	+24.2
Total production costs	\$ 305	\$ 231	+32.0
Metals Prices			
Average realized price per palladium ounce	\$ 560	\$ 372	+50.5
Average realized price per platinum ounce	481	383	+25.6
Average market price per palladium ounce	680	358	+89.9
Average market price per platinum ounce	544	377	+44.3

BOOK VALUE PER SHARE* | \$

NET INCOME | \$MM

RETURN ON SHAREHOLDERS' EQUITY | %



*Adjusted for the 3-for-2 stock split effected on December 31, 1998.



FRANCIS R. MCALLISTER
Chairman and Chief Executive Officer

LETTER TO THE SHAREHOLDERS

To our Shareholders

Robust markets for both palladium and platinum (PGMs) were responsible for the Company's record financial results in the year 2000. The average realized sales price for PGMs in 2000 was \$541 per ounce, a 44 percent increase over the \$375 realized in 1999. Long-term sales contracts, with price caps and floors, limited the realized sales price, when compared to market prices, by \$108 per ounce in 2000.

Production of palladium and platinum in 2000 increased to 430,000 ounces from 409,000 ounces in 1999. Revenue was \$225.2 million, a 49 percent increase over 1999, net income was \$61.5 million, a 65 percent increase over 1999, and operating cash flow was \$117.7 million, a 74 percent increase over 1999.

The growth plan embarked upon by the Company three years ago continues, with expansion of the Stillwater Mine and development of the East Boulder Mine well under way. Expansion at the Stillwater Mine is projected to increase PGM production 16 percent in 2001 to 500,000 ounces, 18 percent in 2002 to 590,000 ounces, and 13 percent in 2003 to 665,000 ounces; a 55 percent increase over the 430,000 ounces produced in 2000. Tunnel boring machines at the East Boulder Mine intersected the J-M Reef in mid-year, underground development was commenced and 132 initial definition diamond drill holes completed.

In the first quarter of 2001, an additional 1,353 feet of footwall lateral development and 155 drill holes were completed. Mineralogical data from these and additional holes yet to be completed will form the basis for an initial mine plan. The East Boulder Mine report, originally expected in March 2001, will be ready later in 2001.

Based upon what is now known, the East Boulder Mine will move to commercial production during 2002 and the project capital cost is projected to be \$370 million, up from the initial \$270 million estimate. The resource grade that is indicated from the limited drill program is comparable to the previously calculated undiluted resource grade of 0.63 ounce per ton with horizontal widths of 6.8 feet, compared to 7.2 feet at the Stillwater Mine. The drill program also indicates that mill feed grades from the initial mining area will be in the range of 0.51 ounce per ton, compared to the probable reserve average of 0.71 ounce per ton for the entire deposit. If this grade were to persist as development proceeds, it would limit annual PGM production to 330,000 ounces at the permitted 2,000 tons of ore per day, compared to the initial 400,000 ounce estimate.

The drill program does, however, indicate a high degree of continuity in the resource at East Boulder making available 140 tons of ore per foot of footwall lateral, compared to 70 tons at the Stillwater Mine. This will have a beneficial effect on mine productivity and the cost of production. Experience with mining the J-M Reef at the Stillwater Mine will certainly benefit productivity at the East Boulder Mine as well. The total effect of these changes on the economics of the East Boulder Mine will be better understood when the additional drilling, the work to refine the detailed mine plan and the test stoping is completed later in 2001.

While prices for palladium and platinum are strong, markets can change. Thus, the Company renegotiated and extended existing long-term sales contracts with its customers, providing protection

Stillwater Mine





for cash flow for the growth plan if metal prices were to fall to levels below contract floor prices. This also allowed the Company to arrange a \$250 million credit facility, which along with cash flow from operations will provide funding for the growth.

And, important to all, safety and environmental records at Company operations continued to improve.

A good year; some will even say, a great year.

But, equally as important for the year 2000, are changes to our management process, changes that had root in 1999 and continue today. Changes prompted as a result of missed production targets during 1999 and again in mid-2000, and that will affect most everything we do.

The J-M Reef, while one of the world's richest PGM ore reserves, is also challenging to access and mine, as are most narrow vein underground deposits. Beginning in 1999 and continuing into 2000 a lack of advanced mine development at the Stillwater Mine constrained existing production and frustrated efforts to expand. In late 1999 an outside contract-mining firm was employed, dramatically increasing development. The volume of material generated by this accelerated development created material handling bottlenecks in the mine in early 2000. Ore and waste pass systems, ventilation systems, maintenance systems, manpower, and planning and project management were inadequate to meet the increased demands.

In addressing the accelerated development bottlenecks, management initiated a series of changes that collectively will have a profound impact on operations at the Stillwater Mine and development at both the Stillwater and East Boulder Mines. First, outside engineering firms were brought in to provide technical assistance and support, and help assess needs, and outside contract miners were added to supplement Stillwater crews until internal changes could be made.

Then, recruitment, hiring and retention practices were improved allowing the Company to successfully "man-up" its work force. An assembly line preventative maintenance management process was put in place to increase equipment availability. Project planning, project management, and supply management professionals were hired. Mine planning was expanded. Significant improvements were made to the Stillwater Mine infrastructure. Four new ore and waste passes were added to rapidly move rock away from mine workings. A process to identify and eliminate further bottlenecks was put in-place.

And in a major initiative, footwall lateral development was dramatically increased, from 15,000 feet in 1999 to 26,000 feet in 2000, and proven ore reserves increased to over two million ounces of PGMs. Thus, our accelerated development plan, build-up of ore reserves and management initiative, has restored management's ability to optimize mining methods, production locations and provide alternatives when actual mining encounters the inevitable differences to plan.

These are not new issues. Other companies have faced them as well. But, no problem is remedied, without a plan, a process and disciplined execution. Thus, the changes in action reviewed above are now being institutionalized as management processes. Executive and operating management is committed to rigorously seek out best practice, codify it, train our people accordingly, and lastly check to see that we are practicing each step. Standards for mine development and reserves have been established. Project planning and management

is relied upon for each of our expansion initiatives. Preventative maintenance management is a way of life for operations. Recruitment, retention, training, team building, problem solving, and best work practice initiatives are being employed. And, best practice incorporates values for safety, environmental quality, product quality, cost effectiveness, development of our people, relationships with third parties, and maintenance of corporate assets.

The changes are having their impact. Annualized turnover rates that reached a high of 37 percent in May were reduced to 16 percent by year-end. Safety saw a significant reduction in lost time accident rate, declining to 2.2 in 2000 from 6.0 in 1999. Proven ore reserves were increased by 53 percent. Company employment in Montana, up from 954 at the beginning of the year, and now at 1,320 will reach approximately 1,800 in the next few years when the expansion projects are complete.

Recently, the Company announced the relocation of its Corporate Headquarters to Columbus, Montana. The move provides Stillwater with the unique opportunity of having corporate, operating, financial and administrative functions all within the same geographic area as our mining and processing properties. Having these functions together through this growth period will improve coordination and communication between the diverse technical disciplines.

The future for the Company is very encouraging. Our management initiatives and processes, I have reported on, complement our world-class ore reserve. The stability of having price protection contracts in place acts as a backstop to the strength of the PGM markets. These are the elements of a maturing organization. We know we still have to deliver on our plans, but I'm confident in our team; they will make it happen.

We appreciate the continued support of our shareholders and our other stakeholders essential to our success – our employees, our neighbors in the communities where we operate and our business partners.



FRANCIS R. McALLISTER

Chairman and Chief Executive Officer

March 31, 2001

ORE RESERVES

J-M Reef Reserves

Stillwater Mining's proven and probable ore reserves are found in the J-M Reef, a 28-mile long, world-class orebody in the Beartooth Mountain Range in southern Montana, which is owned or controlled in its entirety by the Company. As of December 31, 2000, Stillwater Mining Company had total proven and probable reserves of 35.6 million tons at a grade of 0.71 ounce per ton, containing 25.3 million ounces of palladium and platinum at a 3.3:1 ratio. At the Stillwater Mine near Nye, Montana, proven and probable reserves total 22.2 million tons at a grade of 0.71 ounce per ton, containing 15.8 million ounces of palladium and platinum. At the nearby East Boulder Mine, south of Big Timber, Montana, probable reserves total 13.3 million tons at a grade of 0.71 ounce per ton, containing 9.4 million ounces of palladium and platinum.

During 2000, the Company successfully increased proven reserves at the Stillwater Mine by 53 percent to 2.7 million tons, containing 2 million ounces of palladium and platinum.

2001 Outlook

In 2001, the Company expects to establish and report proven reserves for the East Boulder Mine. With the Stillwater Mine expected to ultimately increase production to 3,000 tons per day and the East Boulder Mine expected to produce 2,000 tons per day when fully operational, the current proven and probable reserves equate to approximately 25 years of production with both mines operating at full capacity.

PROVEN AND PROBABLE RESERVES*

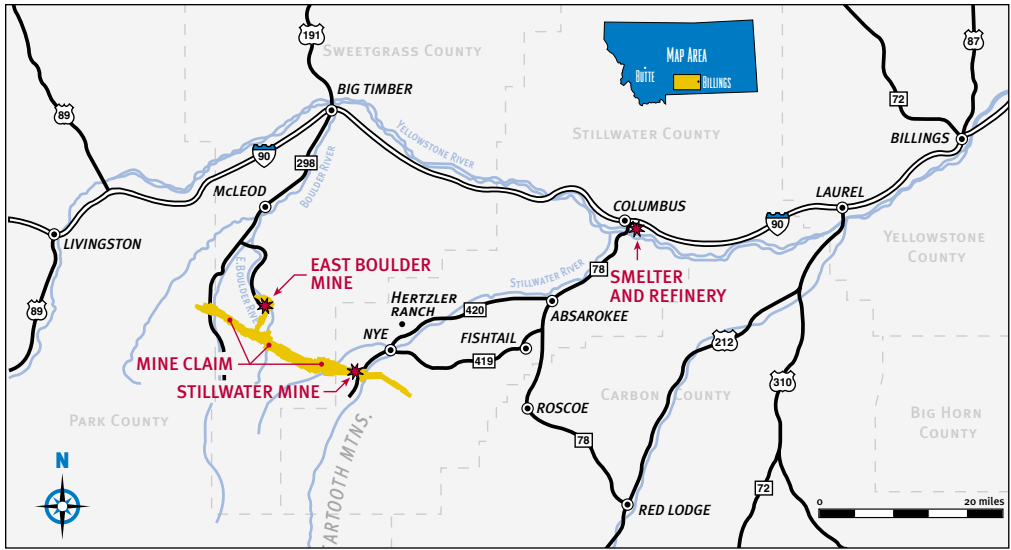
December 31, 2000	Tons (ooo)	Oz/Ton Pd + Pt	Ounces (ooo)
Stillwater Mine			
Proven Mining Reserve	2,694	0.75	2,020
Probable Mining Reserve	19,552	0.71	13,795
Total Stillwater Mine	<u>22,246</u>	0.71	<u>15,815</u>
East Boulder Mine			
Probable Mining Reserve	13,313	0.71	9,448
Total Proven and Probable	<u>35,559</u>	0.71	<u>25,263</u>

*Based on \$225 palladium and \$350 platinum prices

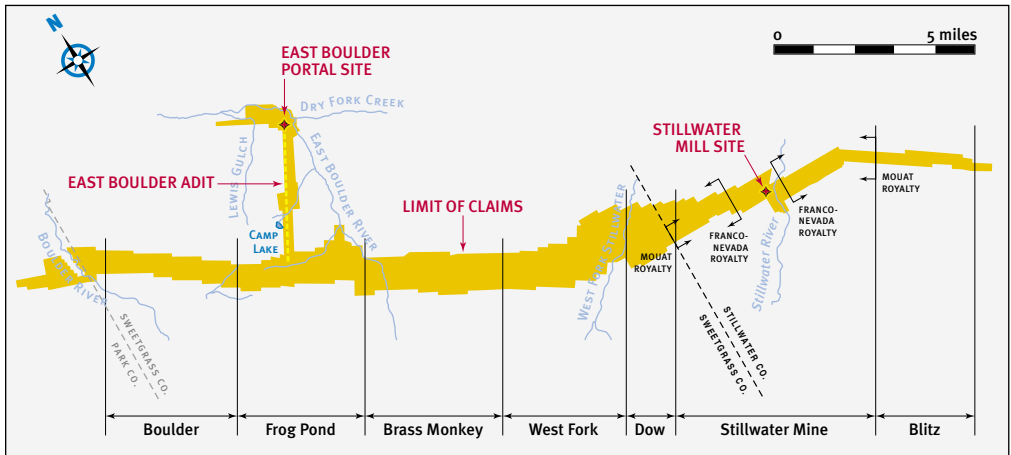
MINERALIZED MATERIAL

December 31, 2000	Tons (ooo)	Oz/Ton Pd + Pt
Stillwater Mine		
Mineralized Material	21,676	0.72
East Boulder Mine		
Mineralized Material	16,464	0.72
Total Mineralized Material	<u>38,140</u>	<u>0.72</u>

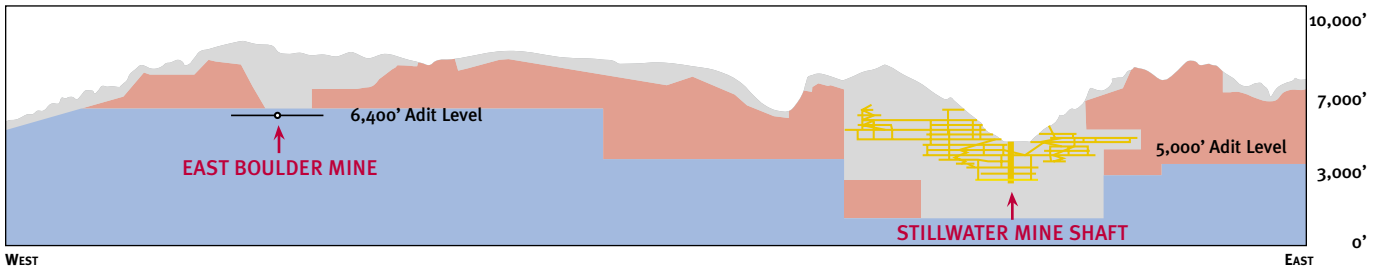
Mineralized material is material containing platinum group metals that has been indicated by drilling, underground work and surface trenching. This material has been found to contain a sufficient amount of platinum group metals to have economic potential that warrants further evaluation. While this material is not currently or may never be classified as reserves, it is reported as mineralized material only if the potential exists for reclassification into the reserves category. This material has established geologic continuity, but cannot be classified in the reserves category until final technical and economic factors have been determined.



Operating sites



Claim map



WEST

EAST

J-M Reef and mines – looking north through the Beartooth Mountains

- Proven and Probable Reserves
- Mineral Resource Inventory
- Blue Sky Potential



METAL



PRODUCTION

STILLWATER MINE OPERATIONS



HARRY SMITH

Harry Smith, President and Chief Operating Officer, joined the Company in late 1999, and has utilized his nearly 30 years of experience in the hard rock mining industry to bring about significant improvements in planning, project management, maintenance, operational performance and employee morale at Stillwater. Harry is pictured here at the East Boulder Mine.

Stillwater Mine achieved increased production in 2000 over 1999, although the operation's ability to achieve targeted production goals during 2000 was hampered by bottlenecks. Mine infrastructure was inadequate to support the increasing production goals and the associated accelerated development required to provide adequate reserves to sustain higher production.

Plans were established to remove the bottlenecks recognized late in 1999 and the first half of 2000, and significant improvements were achieved during the year. New larger ore passes were completed and enhanced preventative maintenance programs for both fixed and mobile equipment significantly improved the ability for the operation to remove ore and waste from the mine. Use of a contractor to augment Stillwater Mine development crews allowed for continued accelerated development and record diamond drilling to delineate additional ore reserves. Ventilation and mine services were evaluated and a number of projects to improve the quality of these systems were initiated.

Increased commitment to short-term planning and improved execution of plans by operating personnel was a major focus of the operation during the year. Additional information provided by accelerated development and diamond drilling, greater attention to detail and increased involvement of operating personnel in the planning process has enhanced the quality of mine plans and added the flexibility required to improve the predictability of mine production.

The operation began developing a test underhand cut and fill stope during the fourth quarter of the year. The underhand cut and fill mining method may be used if the test is successful, as an additional mining method, in areas of the orebody that exhibit less stable ground conditions. The method is expected to improve safety and reduce ground support costs in these areas compared to overhand cut and fill methods. Production from the initial effort is expected during the first quarter of 2001.



RON CLAYTON

Ron Clayton became the Vice President of Operations at the Stillwater Mine in mid-2000. Since his arrival in July of last year, Ron has been instrumental in enacting several initiatives focused on improving communications among the mine's employees, thus reducing scheduling bottlenecks and empowering the front line supervisors to make informed decisions during their daily routine. A 20-year veteran of the underground mining industry, Ron's experience with improving employee morale and production issues is already beginning to show significant results at the Stillwater Mine.

IN 2000, THE STILLWATER MINE PRODUCED 430,000 OUNCES OF PALLADIUM AND PLATINUM.

A long-term organizational development effort was initiated during the fourth quarter of the year and early efforts have improved both communication and employee involvement. While still in its infancy this program has also helped attract and retain high quality employees.

As a result of these efforts production began to increase during the second half of the year. In the fourth quarter the mine produced 122,000 ounces of palladium and platinum, compared to 98,000 ounces in the third quarter of 2000. Mine ore production averaged 2,100 tons per day during the fourth quarter. Development and diamond drilling reached record levels and proven reserves increased by one million tons during the year.

Production and Overall Operations

The Stillwater Mine produced 430,000 ounces of palladium and platinum during 2000, a five percent increase over the 409,000 ounces produced during 1999. The mine also increased total production and development tons mined by 29 percent to 1.8 million tons compared to 1.4 million tons in 1999.

During 2000, total cash costs per ounce produced increased to \$264 compared to \$198 a year earlier. The increase in total cash costs was primarily due to higher mining costs associated with the use of a mining contractor for production and development, higher royalties and taxes, and higher maintenance costs.

The mill processed a total of 756,000 tons of ore and sub-grade material in 2000 with a mill head grade of 0.64 ounce per ton, a ten percent increase over the 689,000 tons processed in 1999, at a head grade of 0.66 ounce per ton. The mill recovery rate remained unchanged at 91 percent in 2000.

2001 Outlook

While improvements in safety, mine infrastructure, planning, ore reserves, production and development began to show results during 2000, significant continued improvement is required to achieve 2001 and future production goals. These areas will remain the key focus of operations management during 2001.

Jeff Exner, a Miner 1 at the Stillwater Mine, completes his drill holes in preparation for the next blast shift.





IN 2001, THE STILLWATER MINE IS EXPECTED TO PRODUCE 500,000 OUNCES OF PALLADIUM AND PLATINUM.

Employee focused initiatives that began in 2000 have shown a measurable impact on the overall performance of the operation. The Company plans to increase the organizational development effort during 2001 to more closely align employee objectives with Company and mine operational goals.

Mine planning will also continue to be an area of improvement during 2001. Key objectives will focus on continued optimization of short-term development and production plans and the development of long-term mine plans.

In 2001, the mine is expected to produce 500,000 ounces of palladium and platinum from milling ore at an average rate of 2,300 tons per day. Mine development and ore delineation drilling will continue at an accelerated rate with projected total development footage of approximately 65,000 feet and projected diamond drilling of 446,000 feet. Proven ore reserves are expected to increase again during 2001.



TERRY ACKERMAN
Director of Corporate Planning

Planning

During 2000, Stillwater Mining instituted a formal planning process and established a team of individuals responsible for this function. The focus on planning is important because a well-engineered plan leads the operation. In the planning process, attention is focused on details such as manpower numbers, productivity, availability and utilization of equipment, and zero base cost estimation. Highlights of the planning process in 2000 included an integrated plan for the Stillwater Mine and the East Boulder Mine, the downstream processing facilities and the identification and planning for the de-bottlenecking of infrastructure concerns.

The emphasis on planning will continue in 2001. It will provide the framework for optimizing production and mine development with improved scheduling capabilities, three-dimensional mine visualization techniques and integrated cost analysis methodology.



BOB TAYLOR

With 25 years of mining experience around the world Bob Taylor, Vice President East Boulder Operations, is putting in place the management team and planning principles required to make East Boulder a successful planning driven operation. Before he came to work for Stillwater Mining Company, he gained considerable insight into the project requirements when he led a team of consultants who conducted a comprehensive review of mine operations and planning projects at the East Boulder Mine.

J-M REEF

EAST BOULDER MINE

East Boulder achieved several milestones in 2000, including the intersection of the J-M Reef by the tunnel boring machines (TBM). The first TBM intercepted the reef on June 25, 2000, and the second TBM followed shortly thereafter on August 24. The reef intersections were within 50 feet of the initial geological engineering projections. After intersecting the reef, the first TBM continued past the reef and has been idled until completion of the underground infrastructure. The second TBM also continued past the reef, turned to the right perpendicular to the access tunnel and drove 1,500 feet of footwall lateral by year-end.

A definition diamond-drilling program followed and was completed in November 2000. Data generated from this 132-diamond drill hole program and additional drilling will be used in preparation of the initial East Boulder mine plan. An additional 1,353 feet of footwall lateral development and 155 drill holes have been completed at the end of the first quarter 2001. The East Boulder Mine report, originally expected in March 2001, will be ready later in 2001.

Development work began in August, 2000 to provide access from the TBM adits for excavation of the underground infrastructure. Also in August, Stillwater Mining Company hired approximately 150 former contract

employees to operate the TBM and initiate conventional underground development. Stillwater crews completed the first conventionally mined access to the reef from the footwall lateral drive on December 28. This first "sill cut" has provided valuable information for planning purposes.

Based upon what is now known, the East Boulder Mine will move to commercial production during 2002. The Project capital cost to the point of commercial production is projected to be \$370 million, up from \$270 million, previously estimated. Of the \$100 million increase; \$41 million is attributable to project scope revisions; \$27 million is due to additional ground supports and schedule slippage due to unforeseen ground conditions in the tunnel driving process; \$23 million is attributed to the use of mining contractors rather than Stillwater crews for mine development and construction; and the remaining \$9 million is a management reserve for unforeseen risks.

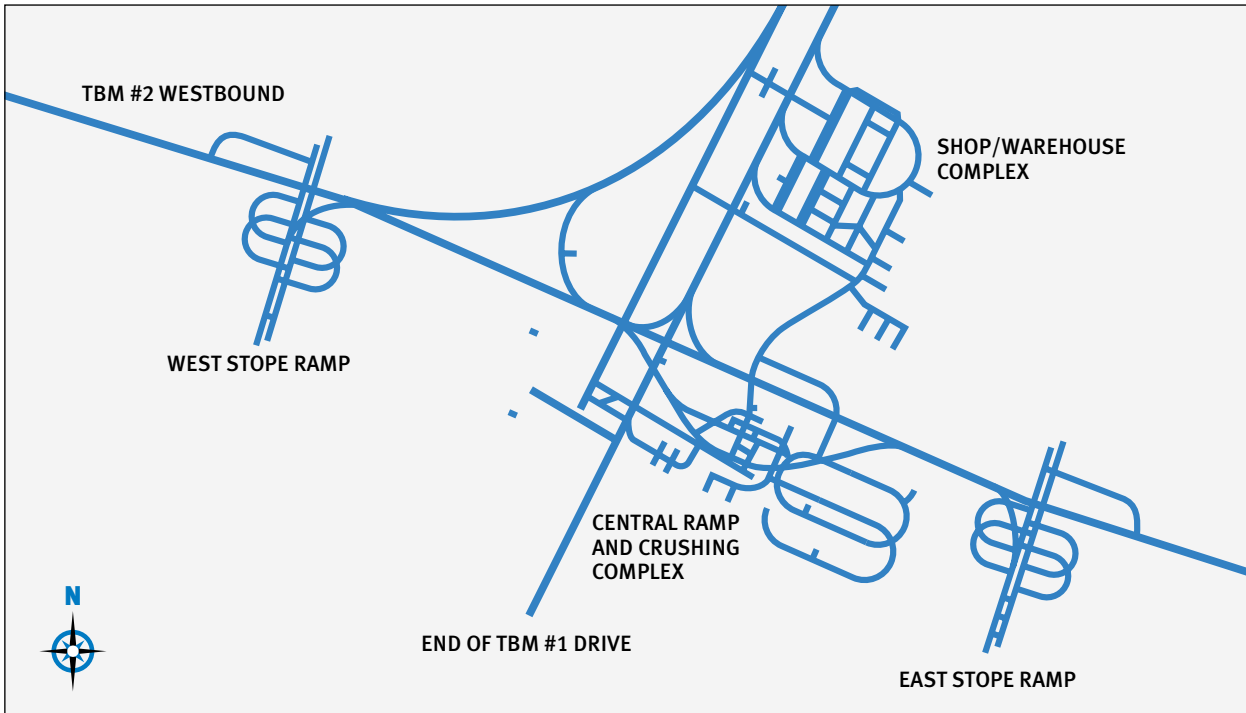
The resource grade that is indicated from the limited drill program is comparable to the previously calculated undiluted resource grade of 0.63 ounce per ton with horizontal widths of 6.8 feet, compared to 7.2 feet at the Stillwater Mine. The drill program also indicates that mill feed grades from the initial mining area will be in the range of 0.51 ounce per ton, compared to the probable reserve average of 0.71 ounce per ton for the entire deposit. If this grade were to persist as development proceeds, it would limit annual PGM production to 330,000 ounces at the permitted 2,000 tons of ore per day, compared to the initial 400,000 ounce estimate.

The drill program does, however, indicate a high degree of continuity in the resource at East Boulder making available 140 tons of ore per foot of footwall lateral, compared to 70 tons at the Stillwater

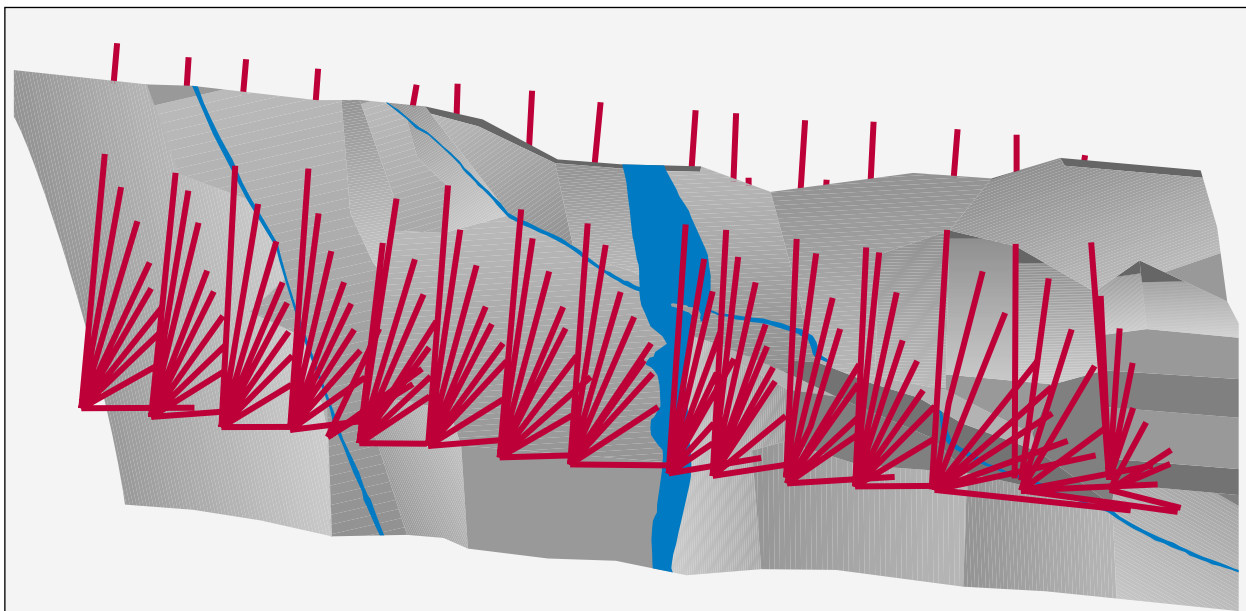
The new East Boulder Mine is expected to move to commercial production during 2002.

INTERSECTION





East Boulder 6450 level, underground shop and infrastructure development plan.



3-D projection on the 6450 level at East Boulder showing fanned diamond drilling from the footwall lateral through the J-M Reef.

Mine. This will have a beneficial effect on mine productivity and the cost of production. The higher yield may allow for the selection of more mechanized mining methods and also reduce sustaining development necessary to maintain a given production rate. Experience with mining the J-M Reef at the Stillwater Mine will certainly benefit productivity at the East Boulder Mine as well.

These limited drill results are instructive but not necessarily indicative of results that will be realized from continuing mine development and drilling. Ongoing sill excavation, diamond drilling and a test stope planned for the second half of 2001 will provide additional data for planning analysis. The total effect of these changes on the economics of the East Boulder Mine will be better understood when the additional drilling, the work to refine the detailed mine plan and the test stoping is completed later in 2001.

Underground development of mine infrastructure and mine production access is being performed by both Stillwater crews and third party contractors. Underground construction will start in the second quarter of 2001. The East Boulder mill is in the final stages of commissioning and will be ready for operation.

2001 Outlook

In the past year, the East Boulder Project has changed its focus from surface construction to underground development. At December 31, 2000, the surface facilities and concentrator were over 95 percent complete. During 2001 it is anticipated that limited amounts of ore will be processed through the concentrator, from ore removed during the course of mine development work.

The emphasis at East Boulder will be on developing the underground infrastructure excavations, developing mineable reserves, driving sill drifts and ramp access to develop production stopes. The TBM will drive an additional 2,400 feet of footwall lateral, opening up new reef strike length for delineation drilling. A new permanent rail haulage system will be installed in Tunnel 1. Construction of underground facilities such as the crusher, sandplant, conveyor and shops will begin later in 2001, and this work will continue into 2002. Diamond drilling, delineation of ore and evaluation of that information will continue throughout the year.

Once the data from the definition diamond drilling program has been sufficiently analyzed, a baseline mine plan will be produced. This baseline overview will be revised periodically throughout the year, as additional diamond drilling information becomes available. Test stoping planned for 2001 will validate proposed mining methods and provide additional information about the characteristics of the orebody.



GREG ROSET
Manager, Smelter

METALS

METALLURGICAL COMPLEX

Once the mined ore has gone through initial processing at the concentrator facility at the Stillwater Mine and eventually at the East Boulder Mine, the Company trucks the concentrate to its smelter and refinery complex in Columbus, Montana. During the subsequent processes at these two facilities, the concentrate is further refined to produce a filter cake containing approximately 60 percent palladium and platinum. Final processing is performed in New Jersey and California to produce a palladium and platinum sponge, which is then sold primarily for use in catalytic converters.

Smelter

The expanded smelter completed its first full year of operation in 2000 and achieved impressive results throughout the year. The smelter recorded a 12 percent increase in ounces produced last year, while reducing sulfur dioxide emissions by 67 percent compared to 1999. A quarterly record was set in the fourth quarter as the smelter shipped over 141,300 ounces of palladium and platinum contained in the matte.

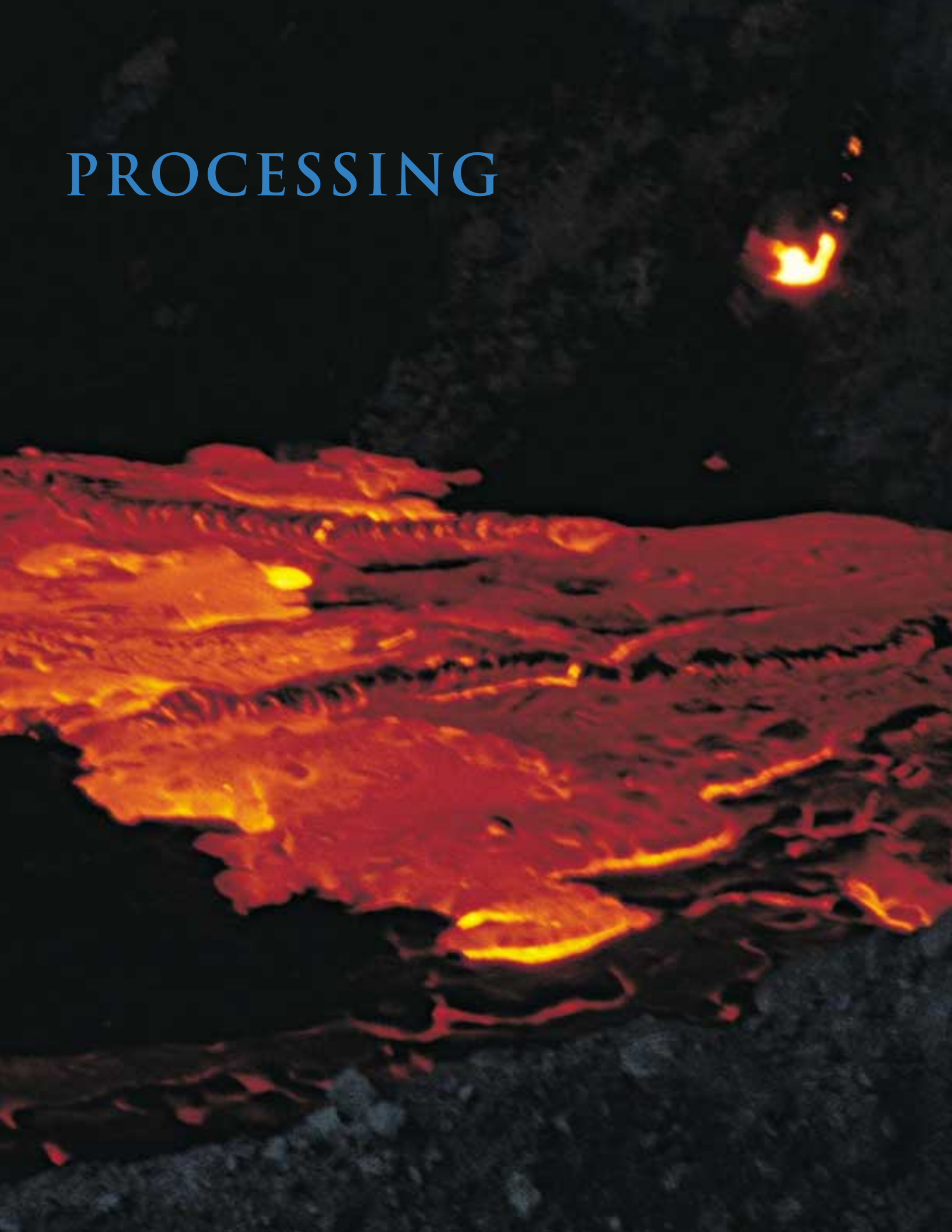
Expansion at the smelter continued in 2000. Engineering was completed for the new centralized concentrate sampling and drying facility that will be installed adjacent to the smelter in preparation for the commencement of production from East Boulder. This facility will sample and dry concentrates from both the Stillwater and East Boulder Mines. Construction on this facility began at the end of 2000, and full operation is expected to begin in the second quarter of 2001.

Preliminary engineering was also completed for the installation of a second top blown rotary converter along with the associated material handling and environmental equipment. Completion of this phase of the expansion is scheduled for the fourth quarter of 2001.

The Company's automotive catalyst recycling effort continues. During 2000, the smelter processed over two tons per day of spent autocatalyst in 2000, containing 29,874 ounces of platinum and palladium, more than double the 12,548 ounces processed in 1999. The rate of treatment increased to over three tons per day of spent catalysts in the fourth quarter. Currently, autocatalysts typically contain three parts platinum to one part palladium, reflecting the former metal usage in clean air technology. This ratio will shift in time as the current palladium-dominated catalysts begin to be recycled. In 2001, Stillwater Mining expects its autocatalyst recycling effort to continue growing.

Skimming slag in the smelter.

PROCESSING





THE NEW SMELTER COMPLETED ITS FIRST FULL YEAR OF OPERATION IN 2000.

Refinery

Following processing at the smelter, a matte containing approximately 600 ounces of palladium and platinum per ton is transferred to the adjacent refinery for further treatment. The refining process removes small amounts of rhodium, gold, silver, copper and nickel to produce the final palladium and platinum product.

In 2000, the refinery completed construction of several process improvements. Construction of a copper dissolve pressure leach and selenium/tellurium removal circuits will increase throughput in the refinery. The copper dissolve pressure leach circuit's primary function is to increase PGM production and provide ideal copper solution feed to the selenium/tellurium circuit. The selenium/tellurium removal circuit, as the name implies, removes selenium and tellurium from the copper solution that feeds a copper electrowinning circuit. Acid produced from the plating of copper and returned to the leaching process in a closed loop, economically benefits the plant.



LANCE NEWMAN
Manager, Refinery

A nickel sulfate crystallizer circuit is also in the final stage of construction. This circuit will be completed in the first half of 2001 and will allow the Company to ship its nickel sulfate byproduct as a solid rather than a liquid. The shipping of a solid is inherently more environmentally responsible and also reduces shipping costs. This byproduct is shipped to Canada for further refining.



JOHN STARK

As Stillwater Mining Company's Vice President of Human Resources, John Stark has the responsibility of ensuring that the workforce of the Company is equipped with many of the necessary "tools" to do their jobs. Since his arrival at Stillwater Mining in 1999, John has increased the Company's focus on training, and is now working to implement a corporate culture change initiative that is designed to align employee objectives with corporate goals. John has over 20 years of experience in human resources and administration, and is putting it to use at Stillwater Mining Company in his efforts to retain the talented employees the Company has, as well as to attract qualified new employees during this expansion period.

TRAINING

STAFFING AND TRAINING

As of December 31, 2000, Stillwater Mining employed 1,290 employees, a 35 percent increase over the 954 employees at the end of 1999. The additional employees were split about evenly between the Stillwater Mine and the East Boulder Mine. The large increase includes the hiring of approximately 150 employees at the East Boulder Mine to operate the tunnel boring machines and to initiate conventional underground development.

As a part of the Company's enhanced focus on its employees last year, a series of training initiatives were established, including an operator-training program and a miner-training program at the Stillwater Mine. Both programs consist of a combination of classroom and hands-on training, and will be used at the East Boulder Mine in the future. The miner-training program is graduating four miners per month.

The Company frequently uses the services of outside contract labor to facilitate and accelerate projects. At the Stillwater Mine, the number of contractors increased during 2000 to facilitate the accelerated development and production program. The Company expects the majority of these contractors to be phased

out during the first half of 2001 and have these functions performed by Stillwater Mining Company employees. At the East Boulder Mine, the number of contractors were reduced during 2000 following completion of the surface construction. The East Boulder Mine will continue to use contractors for mine development and construction activities throughout 2001.

Safety

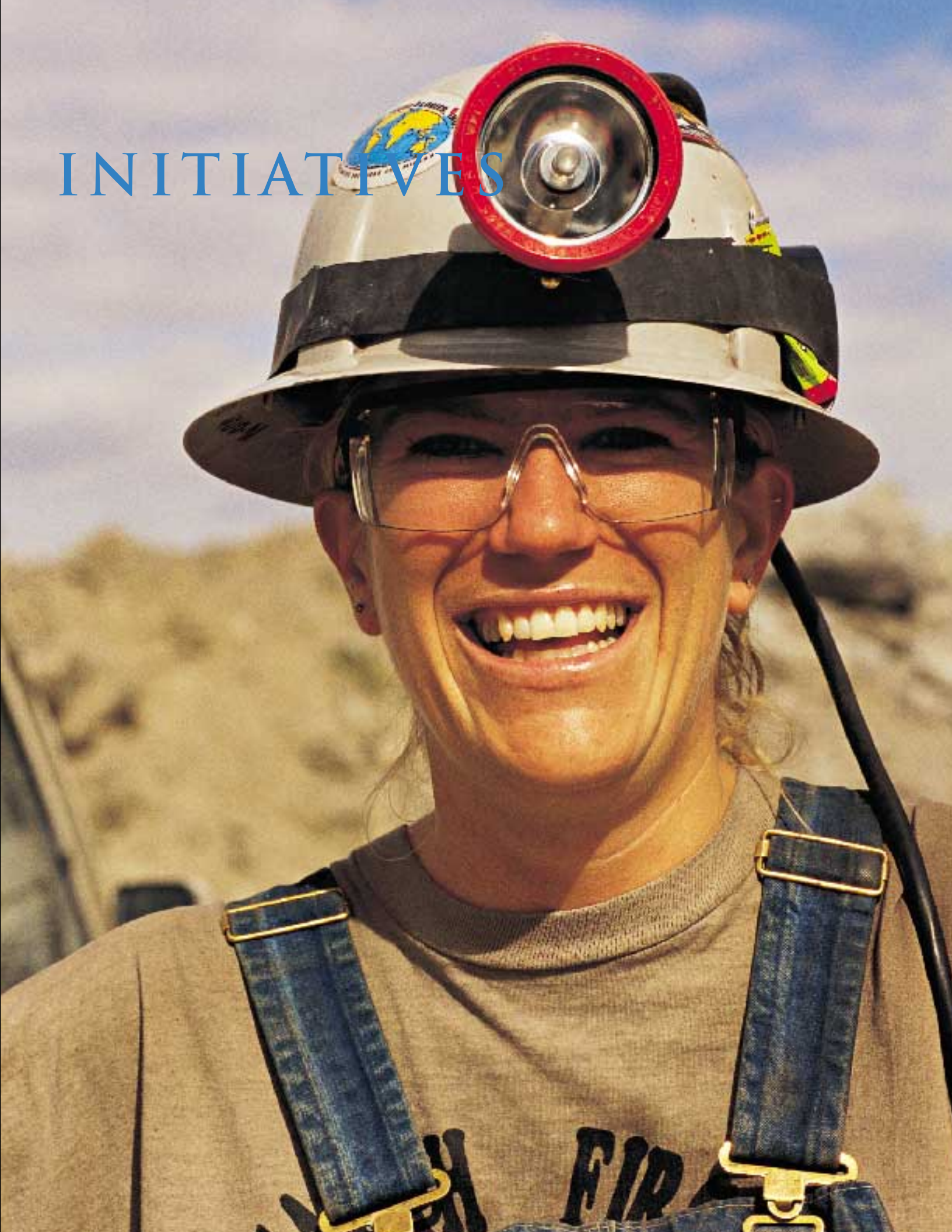
Stillwater Mining Company's ongoing commitment to the safety and health of its employees received repeated recognition in 2000. The most notable achievements of the year occurred at the refinery and smelter. They each again received the OSHA (Occupational Safety and Health Administration) SHARP (Safety and Health Achievement Recognition Program) Certificate. This marks the third year in a row the refinery and the seventh year in a row the smelter has received this prestigious award. In addition, the refinery has not reported a lost time accident in 55 months and the smelter has not reported one in 78 months. Both facilities also received the Governor's Safety Award in 2000.

Mine safety performance continues to be a priority focus. Actions implemented in 2000 resulted in a significant reduction of overall injuries and reduced injury severity. Though efforts resulted in improved overall performance, the Stillwater Mine suffered a fatal injury during the year. This painful loss has prompted increased efforts to ensure operating practices at Stillwater Mining Company are also the safest possible practices.

Management at Stillwater Mining Company is committed to providing the leadership necessary to manage critical safety risks. This commitment is demonstrated by having a clear understanding of the fundamentals of risk management. This includes the development of systems and procedures to manage critical risks, providing the necessary resources to implement and sustain continuous improvement and being personally visible and active in the activities and promotion of critical risk management.

Wendy Zawada, a Mine Engineer, is working on a paving process to reduce wear on trucks at the Stillwater Mine.

INITIATIVES



PROJECTS



PLANNING

PROJECT, MAINTENANCE AND MATERIALS MANAGEMENT

Along with the Company's increased focus on planning in 2000, it also implemented formal Project Management, Maintenance Management and Materials Management processes.

A strategic review in 2000 of the implementation of current capital projects, identified the requirement for centralized management of all such projects, current and future, to optimize the efficient use of capital.

The Company's Director of Project Development implemented procedures to establish standards and methodologies to manage all capital projects. In addition, a Project Development team began the consolidation, refinement and streamlining of the management of capital projects in 2000. This effort has resulted in reduced overall costs and improved scheduling to bring projects online and to maximize the return on project capital.

Maintenance Management is another critical area of Company focus. Maintenance initiatives during 2000 focused on design and implementation of enhanced preventative maintenance programs. Accomplishments during the year included the implementation of an assembly line preventative maintenance program for the mobile production fleet, and a traditional preventative maintenance program for support mobile equipment. The initial design and partial implementation of traditional preventative maintenance programs for fixed equipment was undertaken.

Results of the programs began to become evident during the latter half of 2000. Equipment down time was reduced, equipment availabilities and utilizations increased and mine production increased. Future goals of the program include rationalization of the equipment fleet; expansion of the plan to include all fixed equipment and the implementation of predictive maintenance procedures.

The Company also put in place a Director of Materials Management to centralize all purchasing and distribution of materials for the Company's operations. Of primary importance was increasing the efficiency and accuracy of material distribution through the development of standard procedures, an improved cycle count process, increased system utilization and developing the necessary reporting tools required to measure performance and



GEORGE STURGIS
Director, Project Development

progress. The Company expects these initiatives to improve inventory management through increased inventory optimization.

Purchasing is focusing on; reducing non-value added activity by increasing system utilization, growth in electronic systems to support the purchasing activity, supplier performance and establishing automated purchasing of stock material, all of which have contributed to increased efficiency and reduced total costs. The close working relationship that is shared between purchasing and materials distribution is key to the success of materials management.



TERRY LARSON
Director, Materials Management

Frank Zwetzig working on the new smelting furnace.



CHRIS ALLEN

Chris Allen, Vice President, Environmental and Government Affairs, has been with Stillwater Mining Company since 1993 and has been instrumental in ensuring that the Company remains on the leading edge of environmental performance and community outreach. Throughout his career, Chris has worked for some of the largest names in the mining and chemical businesses. His commitment to the environment and the communities impacted by the Company's operations has led to the "Good Neighbor Agreement" that was signed in 2000 between Stillwater Mining and several area community groups.

COMMUNITY

CORPORATE RESPONSIBILITY

Stillwater Mining Company is committed to the principles of sound environmental stewardship through development of innovative technologies and a collaborative approach to community concerns. Stillwater Mining is especially proud of its exemplary 15-year environmental track records.

Environmental Responsibility

In an ongoing effort to work together with the communities in which the Company operates, the Company was pleased to sign a "Good Neighbor Agreement" with three citizens' groups in the southern Montana region. In one of the first agreements of its kind, the Company and these groups have agreed to work together to resolve environmental and community concerns that may arise as a result of the Company's operations.

In May 2000, all four parties, Stillwater Mining Company, the Cottonwood Resource Council (CRC), the Northern Plains Resource Council (NPRC) and the Stillwater Protective Association (SPA), officially signed the agreement.

Under the terms of the agreement, Stillwater Mining Company has agreed to fund fishery studies on the Boulder River, provide

"seed money" for the formation of a watershed partnership, allow the groups to participate in environmental audits every five years and provide access to the Company's environmental records. In addition, the Company provides bus transportation for its employees to reduce traffic to the mine sites.

The Company also places a high priority on preserving the quality of the Stillwater and East Boulder rivers, and is committed to sharply limiting the amount of Nitrates introduced into these bodies of water. Nitrates, which form the basis for many fertilizers, are byproducts formed when explosives are detonated.

Because Nitrates are an essential nutrient for many aquatic organisms, elevated levels in surface waters can result in an increase in plant populations within the stream. To control the impact of nutrients, the Company has constructed two anaerobic bionitrification treatment plants in which bacteria are used to remove Nitrates from mine water. The Company also irrigates pastures of nitrogen loving plants as a final step in mine water treatment. During the growing season, up to 96 percent of the Nitrates in the water are consumed by these plants.

Stillwater Mining Company also focuses on tailings disposal. In 2000, construction was completed on the Hertzler tailings management facility, located seven miles north of the Stillwater Mine. It will receive approximately 40 percent of the mine's benign tailings and provide storage capacity for many years to come. The remaining, approximately 60 percent of the benign tailings currently are returned underground.

The Beartooth Mountains in south-central Montana, home of the Stillwater and East Boulder Mines.

ENVIRONMENT





STILLWATER MINING COMPANY TAKES GREAT PRIDE IN THE ENVIRONMENT AND COMMUNITIES IN WHICH IT OPERATES.

Community Responsibility

Stillwater Mining Company continued to be a significant contributor to Montana's economy in 2000. Last year the Company paid \$69.8 million in salaries. Payroll, production and property taxes totaled \$29.5 million in 2000.

The Company contributed over \$1.5 million in hard rock mining impact payments to local governments in Stillwater and Sweetgrass Counties, Montana. Impact funding included payments for schools, street improvements, law enforcement, fire protection and other city and county services, along with grants for water and sewer improvements in Big Timber, Montana. In addition, approximately \$5 million in road improvements to the county road serving the Stillwater Mine were completed.

Stillwater Mining Company in its part to be a responsible corporate citizen maintains a charitable donation program. Written requests are encouraged from community organizations and employees. Through this program the Company supports its employees involved in many volunteer or community projects including emergency services, science education, youth activities, community healthcare and cultural events in south-central Montana.

In 2000, Stillwater sponsored construction of a Rocky Mountain Bighorn Sheep exhibit at ZooMontana in Billings, which was completed during the year. The area surrounding the Stillwater Mine serves as a winter habitat and shelter for a herd of Bighorn Sheep. In collaboration with state and federal agencies, the Company monitors the herd and carries out programs to improve the health and habitat of the Bighorn Sheep.



Electronic circuit boards use PGMs.

PALLADIUM

METALS MARKETS

Throughout 2000, palladium and platinum prices continued to experience extreme volatility with palladium establishing record highs, driven mainly by uncertainty of shipments from Russia and increasing clean air standards worldwide. The price of palladium has now been on the rise since 1997. Once again in 2000, demand was greater than supply for both palladium and platinum.

Palladium

For the first time in 14 years, the palladium market experienced its first year-over-year decline in demand, according to Johnson Matthey, the industry expert in palladium and platinum statistics. In 2000, demand for palladium totaled 8.4 million ounces, of which 5.1 million ounces is attributable to use by the automotive sector. This figure may not truly reflect the consumption that took place by the automotive industry, as many of these manufacturers depleted some of their stockpiled inventory during the year due to the rising price.

Another key market for palladium is the electronics industry. While there has been some substitution of base metals for palladium in this industry, consumption of the metal actually increased in 2000 to 2.0 million ounces, a five percent increase over 1999. Although the use of palladium has decreased per electronic unit, there was a large increase in the number of units produced.

Other users of palladium, include the dental and chemical catalyst industries, used less of the metal overall. Due to the higher prices of the metal, many of these manufacturers were forced to resort to cheaper alternatives. The demand in the dental industry declined to 870,000 ounces in 2000 from 1.1 million ounces in 1999, as the dental industry used gold as a substitute.

Although overall demand fell in 2000, it is important to note that supply fell as well, from 8.1 million ounces to 7.9 million ounces, mainly due to lower Russian sales. Overall demand exceeded overall supply by 480,000 ounces.

Going forward, demand for palladium is heavily dependent upon the degree to which end-users of the metal are able to substitute less expensive alternative metals in their applications. Many auto manufacturers have expressed their intent to reduce palladium usage by thrifting catalyst loadings or substituting less expensive PGMs for palladium. While this may impact overall palladium demand, increasingly strict worldwide emissions standards seem to ensure a continued role for palladium in autocatalysts, as it is currently the most effective and efficient material available for this use.

Platinum bars and grains.

PLATINUM





THROUGHOUT 2000, PALLADIUM AND PLATINUM PRICES CONTINUED TO RISE ESTABLISHING RECORD HIGHS.

Platinum

According to Johnson Matthey, the key issue for the platinum market was a 11 percent increase in the market supply over 1999, due primarily to an increase in Russian shipments to 1.1 million ounces despite the loss of production in South Africa due to floods and strikes. Demand for the metal increased two percent in 2000 to 5.7 million ounces, exceeding supply by 280,000 ounces.

The key applications for platinum continue to be automotive catalysts and jewelry. The automotive segment grew for the first time in several years to 1.8 million ounces, due to a number of factors including increased use in European diesel cars. In addition, the use of platinum in jewelry increased by another two percent to a record 2.9 million ounces, although fabricators were disappointed by sales as higher prices slowed buying.

Other industrial demand for platinum grew eight percent to 1.5 million ounces, from continued use in computer hard disks, in the manufacture of the glass portion of liquid crystal displays, petroleum catalysts and in the fiberglass industry.



Catalytic converters.

The outlook for platinum continues to be strong. Growth is expected to continue in the autocatalyst sector as platinum is used in place of palladium. Some companies have increased their inventories of platinum in response to the elevated prices of palladium anticipating their increased usage. At current price levels, demand for platinum jewelry may drop, unless new initiatives in India provide a boost in demand.

Overall, demand for both metals is expected to continue to remain strong, and supply is predicted to continue to lag behind demand.

GLOSSARY

Adit — A horizontal tunnel or drive, open to the surface at one end, which is used as an entrance to a mine. At Stillwater, adits measure approximately 14 feet by 12 feet.

Backfill delivery system — A system of pumps and piping used to transport the coarse fraction of the concentrator tailings and place these tailings into previously mined excavations.

Catalyst — A substance that, when present in small amounts, modifies the rate or efficiency of a chemical reaction of other substances without being consumed in the process.

Catalytic Converter — A pollution control device, fitted to the exhaust systems of gasoline-engine-powered vehicles. This device contains palladium, platinum and sometimes rhodium, which assist in the conversion (oxidation) of carbon monoxide and hydrocarbons into carbon dioxide and water.

Claim — A portion of mining ground held under the 1872 Mining Law and applicable local laws. The maximum size of a lode claim is 600 feet by 1,500 feet.

Concentrator — A plant or facility that processes ore from the mine, removes most of the valuable mineral or metal from the ore, returns most of the barren portion to the mine for use as backfill and discards the remainder as tailings.

Cut and Fill — A stoping method in which a succession of horizontal slices is extracted from the ore body. The open space or cavity created by the extraction of each slice is filled with the coarse or sand fraction of the concentrator waste or tailings. Cement may be added to the sand during filling to improve its strength. When the cavity is filled, it becomes the floor of the next level of mining work. This process is repeated upward.

Cutoff Grade — Determined by the following formula parameters: estimates over the relevant period of mining costs, ore treatment costs, general and administrative costs, refining costs, royalty expenses, process and refining recovery rates and PGM prices.

Down Dip Extension — The downward extension or continuation of the ore zone at depth from the apex. Generally, this extension is controlled by the holder of the claim.

Drift — A major horizontal access tunnel used for the transportation of ore or waste.

Filter Cake — The PGM-bearing product that is shipped from the Base Metals Refinery for the next step in the refining process.

First-Half Final Certificate — Issuance of a first-half final certificate means that the required proofs, statements and purchase money for a mineral claim have been submitted. This action eliminates the requirement for any further filing of proofs of labor or notices of intention to hold with the county and the Bureau of Land Management (BLM). A further requirement prior to the issuance of a patent is that discovery of a valuable mineral deposit must be demonstrated and verified by a fold examiner of the BLM in an on-the-ground examination.

Footwall Lateral — A drift or tunnel driven parallel to the strike of the reef and below the reef in the geological succession.

Head Grade — The quantity of valuable mineral or metal contained in each ton of ore delivered to the concentrator. At Stillwater, this quantity of metal is expressed in troy ounces of combined palladium and platinum per ton of ore.

J-M Reef — The main mineralized PGM zone within the Stillwater complex. The only other similarly configured PGM reefs that have been identified in the world occur in the Bushveld Complex in the Republic of South Africa and the Great Dyke Complex in Zimbabwe.

LHD — Vehicles used to remove ore or waste from stoping and development areas in the mine.

Lost Time Accident Rate — The number of accidents that result in an employee missing his or her next regularly scheduled shift per 200,000 hours worked.

Net Smelter Royalty — A share of revenue paid by the Company to an owner or former owner of the surface rights or mineral claims. At Stillwater, the royalty is calculated as a percentage of the revenue received by the Company after deducting treatment, refining and transportation charges paid to third parties, and certain other costs incurred by Stillwater in connection with processing the concentrate at the Columbus smelter.

Ore — A mixture of minerals from which at least one of the minerals can be mined and processed at an economic profit.

PGM — This term is an acronym for “Platinum Group Metals.” Platinum Group Metals include platinum, palladium, rhodium, ruthenium, osmium and iridium. All PGMs have catalytic qualities, resist corrosion and are chemically inert over a wide range of temperatures.

Probable Reserves — Resources for which tonnage and grade are computed primarily from specific measurements, samples or production data and partly from projection for a reasonable distance on geologic evidence. The sites available for inspection, measurement and sampling are too widely or otherwise inappropriately spaced to permit the mineral bodies to be outlined completely or the grade established throughout.

Proven reserves — Resources for which tonnage is computed from dimensions revealed in workings and drill holes and for which the grade is computed from the results of detailed sampling. The sites for inspection, sampling and measurement are spaced closely and the geologic character well defined to establish shape and mineral content. The computed tonnage and grade are judged to be accurate, within stated limits, and no such limit is judged to be different from the computed tonnage or grade by more than 20%.

Ramp and Fill — A stoping method involving a succession of horizontal lifts (slices) extracted from the ore body. Access to the lifts is from ramps driven in the ore body allowing the use of hydraulic drills and LHD equipment.

Reserve — That part of a resource that could be economically and legally extracted or produced at the time of determination. The term “economic” implies that profitable extraction or production has been established, analytically demonstrated or assumed with reasonable certainty. The term does not signify that extraction facilities are in place and operative. The mining reserve is determined after the application of a cutoff grade, which is derived from consideration of the method and cost of production, the recovery in processing and the sales price of the resultant commodities.

Resources — A concentration of naturally occurring mineral in a form that could allow economic extraction.

Smelter Matte — An intermediate product of smelting consisting of impure metallic sulfides. At Stillwater these sulfides are nickel, copper and iron.

Stope — An underground excavation from which ore is extracted.

Sublevel — A vertical stoping method in which substantial blocks of reef are extracted from the ore body. When the blocks have been extracted, the cavity created is filled with development waste rock or sand fill. The process is repeated horizontally along strike.

Tailings — That portion of the ore that remains after the minerals have been extracted.

Tailings Impoundment — A containment area constructed to hold tailings.

Ton — A short ton of 2,000 pounds, dry weight basis.

Troy Ounce — A unit of measure used in the precious metals industry. A troy ounce is equal to 31.10 grams. The amounts of palladium and platinum produced and/or sold by the Company are reported in troy ounces.

Vein — A mineralized zone having regular development in length, width and depth that clearly separates it from neighboring rock.

Waste — Barren rock in a mine, or mineralized material that is too low in grade to be extracted at a profit.

FINANCIAL REVIEW

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Private Securities Litigation Reform Act of 1995. Some statements contained in this annual report are forward-looking and involve uncertainties or risks that could cause actual results to differ materially. Such statements include comments regarding expansion plans, timing of production goals, development of reserves, future production, costs, grade, recovery rates, potential mine life, permitting and palladium and platinum markets. Factors that could cause actual results to differ materially include supply and demand of palladium and platinum, unexpected events during expansion, results of independent engineering studies, fluctuations in ore grade, tons mined, crushed or milled, variations in smelter or refinery operation, amounts and prices of the Company's forward metals sales and geological, technical, permitting, mining or processing issues. These and other factors are discussed in the Company's 10-K report. Descriptions of palladium and platinum markets are not intended to be complete, and readers are advised to obtain their own information on these markets. The Company disclaims any obligations to update forward-looking statements.

<i>(in thousands, except per share amounts)</i>	2000	1999	1998	1997	1996
Income Statement					
Revenues ⁽¹⁾	\$225,232	\$ 150,691	\$ 106,723	\$ 76,877	\$ 56,214
Costs and expenses					
Cost of metals sold ⁽¹⁾	103,902	79,395	66,793	67,948	50,175
Depreciation and amortization	17,623	13,557	11,642	11,658	8,699
Total cost of sales	121,525	92,952	78,435	79,606	58,874
General and administrative expenses	9,753	7,305	5,102	3,479	2,532
Total costs and expense	131,278	100,257	83,537	83,085	61,406
Operating income (loss)	93,954	50,434	23,186	(6,208)	(5,192)
Interest income	1,095	1,048	1,354	1,073	2,138
Interest expense, net of capitalized interest ⁽²⁾	—	(137)	(2,774)	(3,608)	(1,461)
Income (loss) before income taxes and cumulative effect of accounting change	95,049	51,345	21,766	(8,743)	(4,515)
Income tax (provision) benefit	(27,150)	(14,174)	(8,380)	3,366	1,736
Income (loss) before cumulative effect of accounting change	67,899	37,171	13,386	(5,377)	(2,779)
Cumulative effect of accounting change, net of income taxes ^{(1),(3)}	(6,435)	—	—	—	13,861
Net income (loss)	\$ 61,464	\$ 37,171	\$ 13,386	\$ (5,377)	\$ 11,082
Basic Earnings Per Share					
Income (loss) before cumulative effect of accounting change	\$ 1.76	\$ 1.01	\$ 0.43	\$ (0.18)	\$ (0.09)
Cumulative effect of accounting change ^{(1),(3)}	(0.16)	—	—	—	0.46
Net income (loss)	\$ 1.60	\$ 1.01	\$ 0.43	\$ (0.18)	\$ 0.37
Diluted Earnings Per Share					
Income (loss) before cumulative effect of accounting change	\$ 1.73	\$ 0.96	\$ 0.38	\$ (0.18)	\$ (0.09)
Cumulative effect of accounting change ^{(1),(3)}	(0.16)	—	—	—	0.46
Net income (loss)	\$ 1.57	\$ 0.96	\$ 0.38	\$ (0.18)	\$ 0.37
Weighted Average Common Shares Outstanding					
Basic	38,507	36,758	31,472	30,435	30,140
Diluted	39,250	38,597	35,019	30,435	30,140
Cash Flow Data					
Net cash provided by (used in) operating activities	\$117,674	\$ 67,818	\$ 31,090	\$ (1,889)	\$ 14,464
Capital expenditures ⁽⁴⁾	198,060	194,253	77,963	15,110	58,413
Balance Sheet Data					
Current assets	\$ 74,155	\$ 45,710	\$ 85,378	\$ 35,303	\$ 49,061
Total assets	679,026	478,838	335,937	229,219	239,910
Current liabilities	59,195	36,989	26,617	12,249	15,833
Long-term debt and capital lease obligations	157,256	84,404	58,992	61,513	62,563
Shareholders' equity	400,614	323,104	228,007	141,392	143,666
Working capital	14,960	8,721	58,761	23,054	33,228

(Footnotes on following page)

<i>(in thousands, except per share amounts)</i>	2000	1999	1998	1997	1996
Operating Data					
Tons milled ⁽⁵⁾	756	689	719	577	446
Mill head grade ⁽⁶⁾	0.64	0.66	0.69	0.70	0.67
Ounces of palladium produced	330	315	340	271	196
Ounces of platinum produced	100	94	104	84	59
Total ounces produced ⁽⁷⁾	430	409	444	355	255
Ounces of palladium sold	324	314	337	288	214
Ounces of platinum sold	100	94	103	91	62
Total ounces sold ⁽⁷⁾	424	408	440	379	276
Price and Cost Data ⁽⁸⁾					
Average realized price per palladium ounce	\$ 560	\$ 372	\$ 202	\$ 144	\$ 144
Average realized price per platinum ounce	481	383	377	388	410
Combined average realized price per ounce	541	375	243	203	204
Average market price per palladium ounce	\$ 680	\$ 358	\$ 286	\$ 178	\$ 128
Average market price per platinum ounce	544	377	372	395	397
Combined average market price per ounce	649	362	304	230	191
Total cash costs per ton milled	\$ 150	\$ 117	\$ 93	\$ 107	\$ 105
Total cash costs per ounce produced	264	198	151	174	184
Total production costs per ounce produced	305	231	178	207	219

⁽¹⁾ Revenues consist of the sales revenue for palladium and platinum, including any hedging gain or loss, and are reduced by sales discounts associated with long-term sales contracts. By-product metals revenue and secondary materials processing revenue are included as a reduction of cost of metals sold rather than an increase in revenue. In 2000, the company implemented Emerging Issues Task Force (EITF) 00-14, Accounting for Certain Sales Incentives. EITF 00-14 requires the company to report cash sales discounts as a reduction in revenue. All prior years have been restated to reflect this reclassification.

Additionally, effective January 1, 2000, the company changed its method of accounting for revenue recognition. Pursuant to the implementation of Staff Accounting Bulletin (SAB) 101, Revenue Recognition in Financial Statements, the company now recognizes revenue as title passes to the customer. In accordance with accepted industry practice, the company previously recognized revenue when product was shipped from the company's base metals refinery to an external refiner. The implementation of SAB No. 101 was treated as a change in accounting principle with the cumulative effect of the change on retained earnings at the beginning of 2000 included in restated net income of the first interim period of 2000. The effect of the accounting change on 2000 was to decrease net income by approximately \$10.3 million (\$0.26 per basic and diluted share), which includes the cumulative effect of \$6.4 million (\$0.16 per basic and diluted share). The \$6.4 million cumulative effect adjustment included \$26 million of revenue previously recognized in 1999. Assuming the accounting change had been applied retroactively, the unaudited pro forma effect would have been a decrease in net income of \$2.2 million (\$0.06 per basic and \$0.05 per diluted share) in 1999 and a decrease in net income of \$4.0 million (\$0.13 per basic and \$0.11 per diluted share) in 1998.

⁽²⁾ Capitalized interest for the years ended December 31, 2000, 1999, 1998, 1997 and 1996 totaled \$15.7 million, \$4.6 million, \$2.1 million, \$1.5 million and \$2.2 million, respectively.

⁽³⁾ Net income for 1996 reflects a change in accounting policy which became effective January 1, 1996. Pursuant to this policy, the company changed its method of accounting for mine development expenditures by capitalizing certain direct and indirect costs related to development activities, which were previously expensed. The effect of the accounting change on 1996 results was to increase net income by approximately \$5.2 million (\$0.17 per share).

⁽⁴⁾ Aggregate capital expenditures related to expansion plans were \$108.8 million, \$145.9 million, \$49.9 million, \$2.9 million and \$35.9 million in 2000, 1999, 1998, 1997 and 1996.

⁽⁵⁾ Tons milled represent the number of grade-bearing tons of ore and sub-grade material fed to the concentrator.

⁽⁶⁾ Mill head grade is presented as ounces of palladium and platinum combined per ton.

⁽⁷⁾ Ounces produced is defined as the number of ounces shipped from the concentrator during the period reduced by losses expected to be incurred in subsequent smelting and refining processes. Differences in ounces produced and ounces sold are caused by the length of time required by the smelting and refining processes.

⁽⁸⁾ A combined average realized price and market price of palladium and platinum are reported at the same ratio as ounces are produced from the base metals refinery. Total cash costs include costs of mining, processing and administrative expenses at the mine site (including overhead, taxes other than income taxes, royalties and credits for metals produced other than palladium and platinum.) Total production costs include total cash costs plus depreciation and amortization. Income taxes, corporate general and administrative expenses and interest income and expense are not included in either total cash costs or total production costs.

The following discussion should be read in conjunction with the company's Consolidated Financial Statements and Notes, included elsewhere in this report, and the information contained in "Selected Financial and Operating Data."

Production

The company mines, processes and refines palladium, platinum and associated metals from the J-M Reef in Montana. The company conducts its mining operations at the Stillwater Mine and is implementing a plan designed to reach an estimated annualized rate of PGM production of 1.0 million ounces before year-end 2003. The company is expanding existing operations at the Stillwater Mine and developing the East Boulder Mine.

The company's production of palladium and platinum is a result of the tons of ore mined, the mill head grade and metallurgical recovery. The company measures its mine production by ounces contained in concentrate when shipped to the company's smelter, which generally occurs within four days of the ore being mined. Shipment from the base metals refinery to a third-party refiner generally occurs within 15 to 18 days of mining. Approximately 40 days elapse between the time ore is extracted from the Stillwater Mine and the time ounces of precious metal contained in that ore are made available to the company for sale by a third-party refiner. Because of the length of the processing cycle and the different cutoff points for identifying production and sales, production may not always correspond to sales in a particular accounting period. However, any production not shipped from the base metals refinery at the end of an accounting period is generally shipped during the first two weeks of the subsequent period. The company records revenue when title passes to its customers.

The ore grade of the company's reserves is an average of the composite of all samples, as is common in an underground mine, the grade mined and the recovery rate achieved will vary from period to period. In particular, mill head grade can be expected to vary by up to 10% from quarter to quarter. During 2000, 1999 and 1998, the

average mill head grade of ore processed was 0.64, 0.66 and 0.69 ounce of PGMs per ton of ore, respectively.

Revenue

The company's revenue and earnings are significantly influenced by worldwide prices of palladium and platinum, which can be volatile and over which the company has no control. Sales to significant customers represented approximately 91%, 80% and 60% of total revenues for the years ended December 31, 2000, 1999, and 1998, respectively. The company sells its metals to a small number of customers and brokers; however, the company may, if the need were to arise, readily sell its metal in markets throughout the world.

From time to time, the company uses basic hedging techniques involving fixed forwards, cashless put and call option collars and financially settled forwards to attempt to lock in prices for its production, benefit from price increases and protect against price decreases for a portion of its production. Terminal markets exist for both metals and prices are established as metal is traded each day. Such hedging contracts will also preclude the company from obtaining the benefit of increased market prices for its metals. As a result, the company's revenues were unfavorably impacted in 2000, 1999 and 1998. The objective of the company's current hedging policy is to benefit from upward price movements while providing floor prices to reduce the company's exposure to downside price movements. During 1998, the company entered into long-term sales contracts to sell 90% to 100% of its palladium production and 20% of its platinum production from 1999 through 2003. Palladium sales under these contracts will be at a modest discount to market prices. In November 2000, two of these contracts were amended to extend the terms and to modify the pricing mechanism.

The contracts apply to portions of the company's production over the ten-year period through December 2010 and provides for a floor and ceiling price structure as summarized below:

Year	Palladium				Platinum			
	% of Production	Average Floor Price	% of Production	Average Ceiling Price	% of Production	Average Floor Price	% of Production	Average Ceiling Price
2001	90%	\$348.06	30%	\$400.00	80%	\$406.25	32%	\$585.16
2002	90%	\$348.06	30%	\$400.00	80%	\$406.25	32%	\$585.16
2003	90%	\$336.94	30%	\$400.00	80%	\$406.25	32%	\$585.16
2004	90%	\$362.50	36%	\$618.10	60%	\$425.00	12%	\$850.00
2005	90%	\$347.22	14%	\$975.00	60%	\$425.00	12%	\$850.00
2006	70%	\$400.00	17.5%	\$975.00	60%	\$425.00	12%	\$850.00
2007	70%	\$400.00	17.5%	\$975.00	60%	\$425.00	12%	\$850.00
2008	70%	\$385.00	17.5%	\$975.00	60%	\$425.00	12%	\$850.00
2009	70%	\$380.00	17.5%	\$975.00	60%	\$425.00	12%	\$850.00
2010	70%	\$375.00	17.5%	\$975.00	60%	\$425.00	12%	\$850.00

The company may continue to use forward contract and option strategies to reduce the effect of metal price volatility on its financial results. As of December 31, 2000, the company had 27,500 and 2,500 in palladium ounces of financially settled forwards for delivery in 2001 and 2002, respectively, at an average price of \$696 per ounce. For production in the year 2001, the company has established cashless put and call options collars on 5,000 ounces of palladium at \$324 and \$419 per ounce, respectively. The company enters into cashless put and call option collars under which the company receives the difference between the put price and the market price only if the market price is below the put price and the company pays the difference between the call price and the market price only if the market price is above the call price. The company's put and call options are financially settled at maturity. The company has credit agreements with its major trading partners that provide for margin deposits in the event that forward prices for metals exceed the company's hedge contract prices by a predetermined margin limit. On January 1, 2001, the fair value of the derivative hedging instruments outstanding was a liability of \$10.0 million.

RESULTS OF OPERATIONS

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

PGM Production

During 2000, the company produced approximately 330,000 ounces of palladium and approximately 100,000 ounces of platinum, respectively, compared with approximately 315,000 ounces of palladium and approximately 94,000 ounces of platinum during 1999. The increase was due to a 10% increase in tons milled in 2000 compared to 1999, offset by a 3% decrease in the average grade of material milled. The increase in tons milled is the result of the processing of additional lower grade material which has become economic as a result of higher metal prices.

Revenues

Revenues were \$225.2 million for the year ended December 31, 2000 compared with \$150.7 million in 1999, an increase of 49% and were the result of higher realized PGM prices as well as higher production levels.

Palladium sales increased to approximately 324,000 ounces in 2000 from approximately 314,000 ounces in 1999. Platinum sales increased to approximately 100,000 ounces in 2000 from approximately 94,000 ounces in 1999. As a result, the total quantity of metal sold increased 4% to approximately 424,000 ounces in 2000 from approximately 408,000 ounces in 1999.

The combined average realized price per ounce of palladium and platinum sold in 2000 increased 44% to \$541 per ounce, compared to \$375 per ounce in 1999. The combined average market price rose 79% to \$649 per ounce in 2000, compared with \$362 per ounce in 1999. The average realized price per ounce of palladium was \$560 per ounce in 2000 compared to \$372 per ounce for 1999, while the average market price increased 90% to \$680 per ounce in 2000 from \$358 per ounce in 1999. The average realized price per ounce of platinum sold was \$481 per ounce in 2000, compared with \$383 per ounce in 1999. The platinum average market price was \$544 per ounce in 2000 compared to \$377 per ounce in 1999.

Costs and Expenses

Total cash costs per ounce in the year ended December 31, 2000 increased \$66, or 33%, to \$264 per ounce from \$198 per ounce in the year ended December 31, 1999. The increase in per ounce operating costs is the result of higher royalties and taxes associated with higher metals prices of \$18 per ounce, higher mining costs resulting from the use of outside contractors of \$18 per ounce, increased mine tonnage of \$18 per ounce and higher support services associated with the company's expansion efforts of \$12 per ounce. Total production costs per ounce in the year ended December 31, 2000 increased \$74, or 32% to \$305 per ounce from \$231 per ounce in the year ended December 31, 1999. This increase is also primarily due to the increase in royalties and taxes and costs associated with the program designed to expand operations at the Stillwater Mine. In addition, general and administrative costs increased \$2.4 million, or 34%, primarily as a result of increased administrative support required to transition the company from a single site producer to a multi-location producer.

Operating Income

The company reported operating income of \$93.9 million for the year ended December 31, 2000, compared with operating income of \$50.4 million for the year ended December 31, 1999. The higher operating income was mainly the result of higher realized prices.

Income Before Cumulative Effect of Accounting Change

As a result of increased operating income, the company has provided for income taxes of \$27.2 million, or 28.5% of pretax income, for the year ended December 31, 2000 compared to \$14.2 million, or 28% of pretax income, for the year ended December 31, 1999. The company reported income before the cumulative effect of an accounting change of \$67.9 million for the year ended December 31, 2000 compared with \$37.2 million in 1999.

Cumulative Effect of Accounting Change

Effective January 1, 2000, the company changed its method of accounting for revenue recognition. Pursuant to the requirements in Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition for Financial Statements*, the company now recognizes revenue as title passes to the customer. In accordance with accepted industry practice, the company previously recognized revenue when product was shipped from the company's refinery to an external refiner. The implementation of SAB No. 101 was treated as a change in accounting principle with the cumulative effect of the change on retained earnings at the beginning of 2000 included in restated net income of the first interim period of 2000. The effect of the accounting change on 2000 was to decrease net income by approximately \$10.3 million (\$0.26 per basic and diluted share), which includes the cumulative effect adjustment of \$6.4 million (\$0.16 per basic and diluted share). The \$6.4 million cumulative effect adjustment included revenue of \$26 million in revenue. Assuming the accounting change had been applied retroactively, the unaudited pro forma effect would have been a decrease in net income of \$2.2 million (\$0.06 per basic and \$0.05 per diluted share) in 1999 and a decrease in net income of \$4.0 million (\$0.13 per basic and \$0.11 per diluted share) in 1998.

Net Income

The company reports net income of \$61.5 million, or \$1.57 per diluted share compared with net income of \$37.2 million, or \$0.96 per diluted share in 1999.

RESULTS OF OPERATIONS

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

PGM Production

During 1999, the company produced approximately 315,000 ounces of palladium and approximately 94,000 ounces of platinum, respectively, compared with approximately 340,000 ounces of palladium and approximately 104,000 ounces of platinum during 1998. The decrease was due to a 4% decrease in tons mined in 1999 compared to 1998, combined with a 4% decrease in the average ore grade of material processed. The decrease in tons mined is due to a lack of developed production faces, which occurred as a result of not achieving the company's development plan in 1999. Also contributing to the production decrease was increased dilution resulting from narrower ore widths and lower mine productivity experienced in 1999 compared to 1998. The lower average ore grade in 1999 compared to 1998 is the result of normal variations experienced from year to year.

Revenues

Revenues were \$150.7 million for the year ended December 31, 1999 compared with \$106.7 million in 1998, an increase of 41% and were the result of higher realized PGM prices offset by lower production levels.

Palladium sales decreased to approximately 314,000 ounces in 1999 from approximately 337,000 ounces in 1998. Platinum sales decreased to approximately 94,000 ounces in 1999 from approximately 103,000 ounces in 1998. As a result, the total quantity of metal sold decreased 7% to approximately 408,000 ounces in 1999 from approximately 440,000 ounces in 1998.

The average realized price per ounce of palladium and platinum sold in 1999 increased 54% to \$375 per ounce, compared to \$243 per ounce in 1998. The average market price rose 19% to \$362 per ounce in 1999, compared with \$304 per ounce in 1998. The average realized price per ounce of palladium was \$372 per ounce in 1999 compared to \$202 per ounce for 1998, while the average market price increased 25% to \$358 per ounce in 1999 from \$286 per ounce in 1998. The average realized price per ounce of platinum sold was \$383 per ounce in 1999, compared with \$377 per ounce in 1998. The platinum average market price was \$377 per ounce in 1999 compared to \$372 per ounce in 1998. Hedging losses totaled approximately \$0.3 million in 1999 compared to \$26.8 million in 1998.

Costs and Expenses

Total cash costs per ounce in the year ended December 31, 1999 increased \$47, or 31%, to \$198 per ounce from \$151 per ounce in the year ended December 31, 1998, as a result of the decrease in the quantity of metal produced, combined with an increase in costs associated with the company's activities to expand operations at the Stillwater Mine. Total production costs per ounce in the year ended December 31, 1999 increased \$53, or 30% to \$231 per ounce from \$178 per ounce in the year ended December 31, 1998. This increase is also primarily due to the decrease in the quantity of metal produced combined with an increase in costs associated with the program designed to expand operations at the Stillwater Mine. In addition, general and administrative costs increased \$2.2 million, or 43%, primarily as a result of severance and consulting costs incurred in 1999 as a result of certain management changes.

Operating Income

The company reported operating income of \$50.4 million for the year ended December 31, 1999, compared with operating income of \$23.2 million for the year ended December 31, 1998. The higher operating income was mainly the result of higher realized prices. For 1999, general and administrative costs were \$7.3 million compared with \$5.1 million in 1998. The increase was due to severance and consulting costs incurred in 1999.

Net Income

Primarily as a result of increased operating income, the company has provided for income taxes of \$14.2 million, or 28% of pretax income, for the year ended December 31, 1999 compared to \$8.4 million, or 38.5% of pretax income, for the year ended December 31, 1998. During the fourth quarter of 1999, a review of the company's income tax provision resulted in a reduction of its 1999 tax rate to 28% from the 31.5% rate previously accrued during the year. The reduction in rate for 1999 resulted from adjustments to the prior years' deferred income tax provisions and adjustments of the anticipated benefits of allowable depletion. As a result the company reported net income of \$37.2 million for the year ended December 31, 1999 compared with \$13.4 million in 1998.

LIQUIDITY AND CAPITAL RESOURCES

The company's working capital at December 31, 2000 was \$15.0 million compared to \$8.7 million at December 31, 1999. The ratio of current assets to current liabilities was 1.3 at December 31, 2000, compared to 1.2 at December 31, 1999.

Net cash provided by operations for the year ended December 31, 2000 was \$117.7 million compared with \$67.8 million in 1999, an increase of \$49.9 million. The increase was primarily a result of increased net income of \$24.3 million, an increase in non-cash expenses of \$24.4 million and a decrease in net operating assets and liabilities of \$1.2 million in 2000 compared to 1999.

A total of \$191.5 million of cash was used in investing activities in 2000 compared to \$194.3 million in 1999 and is due to the capital expenditures incurred in the development of the East Boulder Mine, the Stillwater Mine expansion and the expansion of the Columbus smelter and refinery and ancillary facilities. The decreased usage was primarily due to \$6.6 million in proceeds from a sale/leaseback transaction in 2000, offset by an increase in capital expenditures as a result of the development of the East Boulder Mine and the Stillwater Mine expansion.

For the year ended December 31, 2000, cash flow from financing activities was \$89.2 million compared to \$79.5 million for the year ended December 31, 1999. The financing activities in 2000 were primarily attributed to additional borrowings of \$45.5 million under the company's seven-year, \$175 million credit facility, issuance of \$30 million of Tax Exempt Facility Revenue Bonds and \$12.0 million received in connection with the exercise of employee stock options.

As a result of the above, cash and cash equivalents increased by \$15.4 million for the year ended December 31, 2000, compared with a decrease of \$47.0 million in the comparable period of 1999.

In connection with the expansion of the Stillwater Mine and development of the East Boulder Mine, the company invested approximately \$198.1 million in capital items, including capitalized interest of \$15.7 million during 2000. During 2001, the company expects to invest approximately \$229.0 million in capital items, including capitalized interest.

Cash flow from operating activities will not cover planned 2001 capital expenditures. The company will use cash on hand and cash flows from operations and the remaining borrowings of \$125 million available under the \$250 million credit facility. Management believes this is sufficient liquidity to meet 2001 operating and capital needs. In addition, the company may, from time to time, also seek to raise additional capital from the public or private securities markets or from other sources for general corporate purposes and for investments beyond the scope of the current phase of its current expansion plans.

In February 2001, the company entered into a \$250 million credit facility with a syndicate of financial institutions which repaid and replaced a previous \$175 million bank facility. The facility provides for a \$65 million five-year term loan facility, a \$135 million seven-year term loan facility and a \$50 million revolving credit facility. Amortization of the term loan facilities will commence on March 31, 2002. The final maturity of the five-year term loan facility and revolving credit facility is December 30, 2005. The seven-year term loan facility final maturity date is December 31, 2007.

The loans are required to be prepaid from excess cash flow, proceeds from asset sales and the issuance of debt or equity securities, subject to specified exceptions. Proceeds of the term loan facility are being used to finance a portion of the expansion plan. Proceeds of the revolving credit facility are being used for general corporate and working capital needs. At the company's option, the credit facility bears interest at the London Interbank Offered Rate (LIBOR) or an alternate base rate, in each case plus a margin of 2.0% to 3.25% which is adjusted depending upon the company's ratio of debt to operating cash flow. Substantially all the property and assets of the company and its subsidiaries and the stock of the company's subsidiaries are pledged as security for the credit facility.

Covenants in the credit facility restrict: (1) additional indebtedness; (2) payment of dividends or redemption of capital stock; (3) liens; (4) investment, acquisitions, dispositions or mergers; (5) transactions with affiliates; (6) capital expenditures (other than those associated with the expansion plan); (7) refinancing or prepayment of subordinated debt; (8) changes in the nature of business conducted or ceasing operations at the principal operating properties; and (9) commodities hedging to no more than 90% of annual palladium production and 75% of annual platinum production (excluding the sales covered by the company's marketing contracts and similar agreements). The company is also subject to financial covenants including a debt to operating cash flow ratio, a debt service coverage ratio and a debt to equity ratio.

Events of default include: (1) a cross-default to other indebtedness of the company or its subsidiaries; (2) any material modification to the life-of-mine plan for the Stillwater Mine; (3) a change of control of the company; (4) the failure to maintain agreed-upon annual PGM production levels or (5) any breach or modification of any of the sales contracts.

Market Risk

The company may from time to time utilize derivative instruments to manage financial risk. The company has entered into long-term sales contracts with General Motors Corporation, Ford Motor Company, and Mitsubishi Corporation. The contracts apply to a portion of the company's production over the ten-year period through December 2010 and to provide floor and ceiling price structure. (See Management's Discussion and Analysis — Revenue.)

ENVIRONMENTAL OBLIGATIONS

The company focused on one significant environmental project during 2000. This project involved construction of a tailings facility on a tract of land owned by the company in Stillwater County, Montana. The costs associated with this effort were \$8.2 million in 1999 and \$23.5 million in 2000. In the first quarter of 1999, an environmental group filed a complaint against the DEQ challenging the adequacy of the Environmental Impact Statement and reclamation provisions developed in connection with the permit amendment. The company believes the complaint is without merit. The company negotiated a contractual resolution to the suit with the plaintiffs. In 2000, the company's environmental expenses were \$0.8 million and capital expenditures (excluding those facilities described under the expansion plan) for environmental equipment were \$0. The company incurred environmental expenses of \$0.7 million and \$0 million in capital expenditures for environmental equipment in 1999. The company's ongoing operating expenditures for environmental compliance are expected to be approximately \$1.4 million per year.

At December 31, 2000, the company was required to post surety bonds with the State of Montana in the amount of \$11.1 million, which also represents the company's best estimate of mine closure and reclamation costs for current operations. The company does not believe that costs will materially exceed this estimate. The company is accruing for reclamation costs over the life of the Stillwater Mine based on current production levels and estimated proven and probable reserves. On December 31, 2000, the accrued liability was \$1.1 million compared to \$0.9 million at December 31, 1999. The company periodically reviews the adequacy of its reclamation and mine closure obligations in light of current laws and regulations and will adjust its estimate as necessary.

FACTORS THAT MAY AFFECT FUTURE RESULTS AND FINANCIAL CONDITION

Some statements contained in this report are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and, therefore, involve uncertainties or risks that could cause actual results to differ materially. Such statements include comments regarding expansion plans, costs, grade, production and recovery rates, permitting, financing needs, the terms of future credit facilities and capital expenditures, increases in processing capacity, cost reduction measures, safety, timing for engineering studies, and environmental permitting and compliance, litigation and the palladium and platinum market. Factors that could cause actual results to differ materially from those anticipated include:

- worldwide economic and political events affecting the supply and demand of palladium and platinum;
- price volatility of PGMs;
- potential cost overruns, difficulty in making reliable estimates in connection with expansion, uncertainties involved in developing a new mine and other factors associated with a major expansion;
- fluctuations in ore grade, tons mined, crushed or milled;
- variations in concentrator, smelter or refinery operations;
- geological, technical, permitting, mining or processing problems;
- availability of experienced employees;
- financial market conditions;
- compliance of the company and significant customers with marketing contracts; and
- the other factors discussed under "Risk Factors" in the company's 10-K report.

Investors are cautioned not to put undue reliance on forward-looking statements. The company disclaims any obligation to update forward-looking statements.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

The company is exposed to market risk, including the effects of adverse changes in metal prices and interest rates as discussed below.

Commodity Price Risk

The company produces and sells palladium, platinum and associated by-product metals directly to its customers and also through third parties. As a result, financial risks are materially affected when prices for these commodities fluctuate. In order to manage commodity price risk and to reduce the impact of fluctuation in prices, the company enters into long-term contracts and uses various derivative financial instruments. Because the company hedges only with instruments that have a high correlation with the value of the hedged transactions, changes in derivatives' fair value are expected to be offset by changes in the value of the hedged transaction.

As of December 31, 2000, the company had sold forward 27,500 and 2,500 ounces of palladium for delivery in 2001 and 2002, respectively, at an average price of \$696 per ounce. Under a financially settled forward, at each settlement date, the company receives the difference between the forward price and the market price if the market price is below the forward price and the company pays the difference between the forward price and the market price if the market price is above the forward price. The company's financially settled forwards are settled at maturity.

For anticipated production in the year 2001, the company established cashless put and call option collars on 5,000 ounces of palladium at \$324 and \$419 per ounce, respectively. The fair value of the company's cashless put and call option collars was a loss of approximately \$2.5 at December 31, 2000. These put and call options work together as collars under which the company receives the difference between the put price and the market price only if the market price is below the put price. The company pays the difference between the call price and the market price only if the market price is above the call price. The company's put and call options are settled at maturity.

In addition, the company has entered into long-term sales contracts with General Motors Corporation, Ford Motor Company and Mitsubishi Corporation. The contracts apply to the portions of the company's production over the ten-year period through December 2010 and provide for a floor and ceiling price structure. (See Management's Discussion and Analysis — Revenue.)

Interest Rate Risk

At the present time, the company has no financial instruments in place to manage the impact of changes in interest rates. Therefore, it is exposed to changes in interest rates that effect the credit facility which carries a variable interest rate based upon LIBOR or an alternative base rate. At December 31, 2000, approximately \$125 million had been borrowed under the total available credit of \$175 million at an interest rate of 8.8%.

In February 2001, the company entered into a \$250 million credit facility with a syndicate of financial institutions which repaid and replaced a previous \$175 million bank facility. The facility provides for a \$65 million five-year term loan facility, a \$135 million seven-year term loan facility and a \$50 million revolving credit facility. Amortization of the term loan facilities will commence on March 31, 2002. The final maturity of the five-year term loan facility and revolving credit facility is December 30, 2005. The seven-year term loan facility final maturity date is December 31, 2007.

Management is responsible for the preparation of the accompanying financial statements and for other financial and operating information in this report. Management believes that its accounting systems and internal accounting controls, together with other controls, provide assurance that all accounts and records are maintained by qualified personnel in requisite detail, and accurately and fairly reflect transactions of Stillwater Mining Company in accordance with established policies and procedures.


The Board of Directors has an Audit Committee, none of whose members are officers or employees of



FRANCIS R. McALLISTER

Chairman of the Board and Chief Executive Officer

the company or its affiliates. The Audit Committee recommends independent accountants to act as auditors for the company; reviews the company's financial statements; confers with the independent accountants with respect to the scope and results of their audit of the company's financial statements and their reports thereon; reviews the company's accounting policies, tax matters and internal controls; and oversees compliance by the company with the requirements of federal regulatory agencies. Access to the Audit Committee is given to the company's financial and accounting officers and independent accountants.



JAMES A. SABALA

Vice President and Chief Financial Officer

To the Board of Directors and Shareholders of
Stillwater Mining Company:

We have audited the accompanying consolidated balance sheets of Stillwater Mining Company and subsidiary as of December 31, 2000 and 1999, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Stillwater Mining Company and subsidiary as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

KPMG LLP

Billings, Montana

January 18, 2001, except for paragraphs four through seven of footnote 6, for which the date is February 23, 2001

To the Board of Directors and Shareholders of
Stillwater Mining Company

In our opinion, the accompanying consolidated statements of operation, cash flow and changes in shareholders' equity present fairly in all material respects, the results of Stillwater Mining Company's operations and their cash flows for the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers, L.L.P.

Denver, Colorado

February 3, 1999



<i>(in thousands, except per share data)</i> Year ended December 31,	2000	1999	1998
Revenues	\$225,232	\$ 150,691	\$ 106,723
Costs and Expenses			
Cost of metals sold	103,902	79,395	66,793
Depreciation and amortization	17,623	13,557	11,642
Total cost of sales	121,525	92,952	78,435
General and administrative expenses	9,753	7,305	5,102
Total costs and expenses	131,278	100,257	83,537
Operating Income	93,954	50,434	23,186
Other Income (Expense)			
Interest income	1,095	1,048	1,354
Interest expense, net of capitalized interest of \$15,669, \$4,620, and \$2,126	—	(137)	(2,774)
Income before income taxes and cumulative effect of accounting change	95,049	51,345	21,766
Income tax provision	(27,150)	(14,174)	(8,380)
Income before cumulative effect of accounting change	67,899	37,171	13,386
Cumulative effect of accounting change, net of income tax benefit of \$2,503	(6,435)	—	—
Net income and comprehensive income	\$ 61,464	\$ 37,171	\$ 13,386
Basic Earnings Per Share			
Income before cumulative effect of accounting change	\$ 1.76	\$ 1.01	\$ 0.43
Cumulative effect of accounting change	(0.16)	—	—
Net income	\$ 1.60	\$ 1.01	\$ 0.43
Diluted Earnings Per Share			
Income before cumulative effect of accounting change	\$ 1.73	\$ 0.96	\$ 0.38
Cumulative effect of accounting change	(0.16)	—	—
Net income	\$ 1.57	\$ 0.96	\$ 0.38
Weighted Average Common Shares Outstanding			
Basic	38,507	36,758	31,472
Diluted	39,250	38,597	35,019
Pro Forma Amounts Assuming the New Revenue Recognition Method is Applied Retroactively:			
Pro forma net income	\$ 67,899	\$ 35,013	\$ 9,373
Pro Forma Net Income Per Share:			
Basic	\$ 1.76	\$ 0.95	\$ 0.30
Diluted	\$ 1.73	\$ 0.91	\$ 0.27

The accompanying notes are an integral part of these financial statements.

<i>(in thousands, except share and per share amounts)</i> December 31,	2000	1999
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 18,219	\$ 2,846
Funds held in escrow	2,636	—
Inventories	42,625	11,658
Accounts receivable	—	26,248
Deferred income taxes	7,732	1,945
Other current assets	2,943	3,013
Total current assets	<u>74,155</u>	<u>45,710</u>
Property, plant and equipment, net	602,110	428,252
Other noncurrent assets	2,761	4,876
Total assets	<u>\$679,026</u>	<u>\$ 478,838</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
<i>Current Liabilities</i>		
Accounts payable	\$ 21,710	\$ 20,157
Accrued payroll and benefits	6,431	5,511
Property, production and franchise taxes payable	8,068	4,322
Current portion of long-term debt and capital lease obligations	1,970	2,628
Metals repurchase agreements payable	9,386	—
Other current liabilities	11,630	4,371
Total current liabilities	<u>59,195</u>	<u>36,989</u>
Long-term debt and capital lease obligations	157,256	84,404
Deferred income taxes	55,457	29,042
Other noncurrent liabilities	6,504	5,299
Total liabilities	<u>278,412</u>	<u>155,734</u>
Commitments and Contingencies (Note 12)		
<i>Shareholders' Equity</i>		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, \$0.01 par value, 100,000,000 shares authorized, 38,645,886 and 37,917,973 shares issued and outstanding	386	379
Paid-in capital	288,212	272,173
Retained earnings	112,016	50,552
Total shareholders' equity	<u>400,614</u>	<u>323,104</u>
Total liabilities and shareholders' equity	<u>\$679,026</u>	<u>\$ 478,838</u>

The accompanying notes are an integral part of these financial statements.

<i>(in thousands)</i> Year ended December 31,	2000	1999	1998
Cash Flows from Operating Activities			
Net income	\$ 61,464	\$ 37,171	\$ 13,386
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	17,623	13,557	11,642
Deferred income taxes	27,485	13,601	8,380
Cumulative effect of accounting change	6,435	—	—
Changes in operating assets and liabilities:			
Inventories	(13,921)	(2,325)	(1,953)
Accounts receivable	—	(4,486)	(14,836)
Accounts payable	1,553	8,177	9,271
Other	17,035	2,123	5,200
Net cash provided by operating activities	117,674	67,818	31,090
Cash Flows from Investing Activities			
Capital expenditures	(198,060)	(194,253)	(77,963)
Purchase of short-term investments	—	—	(2,277)
Proceeds from maturity of short-term investments	—	—	15,745
Proceeds from sale/leaseback transactions	6,579	—	10,019
Net cash used in investing activities	(191,481)	(194,253)	(54,476)
Cash Flows from Financing Activities			
Issuance of long-term debt	72,139	79,500	—
Payments on long-term debt and capital lease obligations	(2,581)	(2,484)	(2,078)
Issuance of common stock, net of stock issue costs	11,978	5,685	71,084
Net metals repurchase agreement transactions	9,386	—	—
Payments for debt issuance costs	(1,456)	(2,657)	—
Repurchase and retirement of common stock	(286)	(265)	—
Payments for conversion costs of 7% convertible notes	—	(309)	—
Net cash provided by financing activities	89,180	79,470	69,006
Cash and Cash Equivalents			
Net increase (decrease)	15,373	(46,965)	45,620
Balance at beginning of year	2,846	49,811	4,191
Balance at end of year	\$ 18,219	\$ 2,846	\$ 49,811

The accompanying notes are an integral part of these financial statements.

<i>(in thousands)</i>	Shares Outstanding	Common Stock	Paid-in Capital	Retained Earnings (Deficit)	Total Equity
<i>Balance at December 31, 1997</i>	20,378	\$ 204	\$ 141,193	\$ (5)	\$ 141,392
Net income and comprehensive income	—	—	—	13,386	13,386
Common stock issued under stock plans	355	3	4,430	—	4,433
Tax benefit from stock options exercised	—	—	2,145	—	2,145
Conversion of 7% convertible notes	—	—	17	—	17
Issuance of shares pursuant to public stock offering	2,300	23	66,615	—	66,638
Three-for-two stock split	11,516	115	(119)	—	(4)
<i>Balance at December 31, 1998</i>	34,549	\$ 345	\$ 214,281	\$ 13,381	\$ 228,007
Net income and comprehensive income	—	—	—	37,171	37,171
Common stock issued under stock plans	503	5	5,773	—	5,778
Tax benefit from stock options exercised	—	—	2,533	—	2,533
Conversion of 7% convertible notes	2,876	29	50,253	—	50,282
Repurchase and retirement of common stock	(10)	—	(265)	—	(265)
Costs related to public stock offering and conversion of 7% convertible notes	—	—	(402)	—	(402)
<i>Balance at December 31, 1999</i>	37,918	\$ 379	\$ 272,173	\$ 50,552	\$ 323,104
Net income and comprehensive income	—	—	—	61,464	61,464
Common stock issued under stock plans	739	7	11,971	—	11,978
Tax benefit from stock options exercised	—	—	4,354	—	4,354
Repurchase and retirement of common stock	(11)	—	(286)	—	(286)
<i>Balance at December 31, 2000</i>	38,646	\$ 386	\$ 288,212	\$ 112,016	\$ 400,614

The accompanying notes are an integral part of these financial statements.

1 NATURE OF OPERATIONS

Stillwater Mining Company, a Delaware corporation, is engaged in the exploration, development, extraction, processing and refining of palladium, platinum and associated minerals from the J-M Reef located in Stillwater and Sweet Grass Counties, Montana. The J-M Reef is a twenty-eight (28) mile long geologic formation containing one of the largest deposits of platinum group metals in the world.

The company's operations consist of the Stillwater Mine located on the J-M Reef in Nye, Montana, the East Boulder Project located at the western end of the J-M Reef in Sweet Grass County, Montana and a smelter, base metals refinery and copper-nickel refinery located in Columbus, Montana.

During 1998, the company announced plans for the expansion of the Stillwater Mine, development of the East Boulder Project and expansion of the smelter and base metals facilities (1998 Expansion Plan). Key components of the expansion are development of the Stillwater Mine and concentrator facilities to expand production from 2,000 tons per day to 3,000 tons per day, development of the East Boulder Project and ancillary facilities to provide for an initial production rate of 2,000 tons per day and expansion of the smelter and base metals refinery. The Stillwater Mine is expected to reach its design capacity in 2003 and the Hertzler tailings facility was completed in the later part of 2000. Through 2000, the East Boulder Project advanced to the reef and completed construction of the tailings facility and administration buildings. The smelter expansion was completed in December 1999.

The company's operations can be significantly impacted by risks and uncertainties associated with the mining industry as well as those specifically related to its operations. The risks and uncertainties that can impact the company include but are not limited to the following: price volatility of palladium and platinum, economic and political events affecting supply and demand for these metals, reserve estimation, environmental obligations, government regulations and ownership of and access to mineral reserves.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of Stillwater Mining Company and its wholly owned subsidiary (collectively referred to as the "company"). All intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform with the current year presentation.

Use of Estimates

The preparation of the company's consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. The more significant areas requiring the use of management's estimates relate to mineral reserves, reclamation and environmental obligations, valuation allowance for deferred tax assets, useful lives for depreciation and amortization and future cash flows from long-lived assets. Actual results could differ from these estimates.

Cash Equivalents

The company considers all highly-liquid investments purchased with a maturity of three months or less to be cash equivalents. As of December 31, 2000 and 1999, there were no cash equivalents.

Inventories

Metals inventories are carried at the lower of current market value or average unit cost. Production costs include the cost of direct labor and materials, depreciation and amortization, as well as overhead costs relating to mining and processing activities. Materials and supplies inventories are valued at the lower of average cost or fair market value.

Property, Plant and Equipment

Plant and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives ranging from five to twenty years or, for capital leases, the term of the related leases. Maintenance and repairs are charged to operations as incurred. Mine development expenditures incurred to increase existing production, develop new ore bodies or develop mineral property substantially in advance of production are capitalized and amortized using a units-of-production method over the proven and probable reserves. Interest is capitalized on expenditures related to construction or development projects and amortized using the same method as the related asset. Interest capitalization is discontinued when the asset is placed into operation or development ceases. Exploration costs are expensed as incurred.

The company follows Statement of Financial Accounting Standard (SFAS) No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of*. SFAS No. 121 prescribes that an impairment loss is recognized in the event that facts and circumstances indicate that the estimated carrying amount of an asset may not be recoverable and an estimate of future undiscounted cash flows is less than the carrying amount of the asset. Impairment is recorded based on an estimate of future discounted cash flows. As of December 31, 2000, the company does not believe that any impairments of its long-lived assets have occurred.

Fair Value of Financial Instruments

The company's non-derivative financial instruments consist primarily of cash, accounts receivable, metals repurchase agreements payable and debt. The carrying amounts of cash, accounts receivable and metals repurchase agreements payable approximate fair value due to their short maturities. The carrying amounts of long-term debt approximate fair values as interest rates on the majority of such debt are variable. At December 31, 2000 and 1999, based on rates available for similar types of obligations, the fair values of capital lease obligations were not materially different from their carrying amounts.

Revenue Recognition

Revenues consist of the sales of palladium and platinum, including any realized hedging gains or losses, and are reduced by sales discounts associated with long-term sales contracts. By-product metals revenue and secondary materials processing revenue are included as a reduction to the cost of metals sold rather than an increase in revenue. Revenue is recognized when title passes to the customer and sales discounts are recognized when related revenue is recorded.

Effective January 1, 2000, the company changed its method of accounting for revenue recognition. Pursuant to the guidance in Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition for Financial Statements*, the company now recognizes revenue as title passes to the customer. In accordance with accepted industry practice, the company previously recognized revenue when product was shipped from the company's base metals refinery to an external refiner. The implementation of SAB No. 101 was treated as a change in accounting principle with the cumulative effect of the change on retained earnings at the beginning of 2000 included in restated net income of the first interim period of 2000. The effect of the accounting change on 2000 was to decrease net income by approximately \$10.3 million (\$0.26 per basic and diluted share), which includes the cumulative effect of \$6.4 million (\$0.16 per basic and diluted share). The \$6.4 million cumulative effect adjustment includes \$26 million of revenue previously recognized in 1999, which is reflected as revenue in 2000 under the company's new method of accounting. Assuming the accounting change had been applied retroactively, the unaudited pro forma effect would have been a decrease in net income of \$2.2 million (\$0.06 per basic and \$0.05 per diluted share) in 1999 and a decrease in net income of \$4.0 million (\$0.13 per basic and \$0.11 per diluted share) in 1998.

Effective January 1, 2000, the company also implemented Issue No. 00-14 of the Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF), *Accounting for Certain Sales Incentives*. The consensus reached by the FASB EITF requires a company to classify any cash sales discounts as a reduction in

revenue. Prior to the implementation of EITF 00-14, the company classified sales discounts associated with long-term sales contracts as a component of cost of metals sold. Pursuant to the consensus, financial statements for all prior periods presented have been reclassified.

Hedging Program

From time to time, the company enters into derivative instruments, including fixed forwards, cashless put and call option collars and financially settled forwards to manage the effect of price changes in palladium and platinum on the company's revenue. These instruments are accounted for as hedges when the instrument is designated as a hedge of the related production and there exists a high degree of correlation between the fair value of the instrument and the fair value of the hedged production. The degree of correlation is assessed periodically. In the event that an instrument does not meet the designation or effectiveness criteria, any subsequent gain or loss on the instrument is recognized immediately in earnings. Otherwise, gains or losses related to hedging transactions are recognized as adjustments to the revenue recorded for the related production. If an instrument is settled early, any gains or losses are deferred and recognized as adjustments to the revenue recorded for the related production. Costs associated with the purchase of certain hedging instruments are deferred and amortized against revenue related to the hedged production.

Reclamation and Environmental Costs

Post-closure reclamation and site restoration costs are estimated based on environmental regulatory requirements and are accrued ratably over the life of the mine using a units-of-production method. Current expenditures related to ongoing environmental and reclamation programs are expensed as incurred. At December 31, 2000, the company was required to post surety bonds with the State of Montana in the amount of \$11.1 million, which also represents the company's best estimate of mine closure and reclamation costs for current operations. The accrued reclamation liability, included in other noncurrent liabilities, was approximately \$1.1 million and \$0.9 million, respectively at December 31, 2000 and 1999.

Income Taxes

Income taxes are determined using the asset and liability approach in accordance with the provisions of SFAS No. 109, *Accounting for Income Taxes*. This method gives consideration to the future tax consequences of temporary differences between the financial reporting basis and the tax basis of assets and liabilities based on currently enacted tax rates. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets

and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock-Based Compensation

The company has elected to account for stock options in accordance with Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*. Accordingly, because options are granted at fair market value, no compensation expense has been recognized for options issued under the company's stock option plans. The company has adopted the disclosure only provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*. Accordingly, the company has made pro forma disclosures of net income and earnings per share as if the fair value based method of accounting, as set forth in SFAS No. 123, had been applied.

Earnings Per Share

The company follows SFAS No. 128, *Earnings per Share*, which requires the presentation of basic and diluted earnings per share.

Basic earnings per share is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Start-Up Costs

The costs of start-up activities, including organization costs, are expensed as incurred.

subsequently recognized in earnings when the offsetting hedged transaction occurs. The company primarily uses derivatives to hedge metal prices. The company has evaluated the effect of SFAS Nos. 133 and 138 on its financial statements. On January 1, 2001, the fair value of the derivative hedging instruments outstanding was a liability of \$10.0 million. The company will record a liability for the fair value with the related charge recorded as a component of comprehensive income.

4 INVENTORIES

<i>(in thousands)</i>	2000	1999
Metals inventory		
Raw ore	\$ 1,086	\$ 187
Concentrate and in-process	13,971	7,079
Finished goods	21,864	—
	<u>36,921</u>	<u>7,266</u>
Materials and supplies	5,704	4,392
	<u>\$42,625</u>	<u>\$11,658</u>

As discussed in Note 2, effective January 1, 2000, the company changed its method of accounting for revenue recognition. In accordance with accepted industry practices, the company previously recognized revenue when product was shipped from the base metals refinery to an external refiner and accordingly there was no finished goods inventory. Under the new accounting method, the company now recognizes revenue as title passes to the customer. The metals inventory held at the external refiner is now reported as finished goods inventory.

3 NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. In June 2000, the FASB issued SFAS No. 138, *Accounting for Derivative Instruments and Certain Hedging Activities*, an amendment to SFAS No. 133. SFAS Nos. 133 and 138 will be adopted for the fiscal year beginning January 1, 2001. SFAS Nos. 133 and 138 require that derivatives be reported on the balance sheet at fair value and, if the derivative is not designated as a hedging instrument, changes in fair value must be recognized in earnings. If the derivative is designated as a hedge and to the extent such hedge is determined to be effective, changes in fair value are either a) offset by the change in fair value of the hedged asset or liability (if applicable) or b) reported as a component of other comprehensive income, and

5 PROPERTY, PLANT AND EQUIPMENT

<i>(in thousands)</i>	2000	1999
Machinery and equipment	\$ 46,652	\$ 42,277
Leased equipment	9,783	10,628
Buildings and structural components	138,550	91,767
Mine development	227,389	165,896
Land	3,276	2,182
Construction-in-progress:		
East Boulder Project	209,387	111,175
Stillwater Mine Expansion	39,177	77,081
Other construction-in-progress	18,998	4,034
	<u>693,212</u>	<u>505,040</u>
Less accumulated depreciation and amortization	(91,102)	(76,788)
	<u>\$602,110</u>	<u>\$428,252</u>

6 LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Credit Facility

In March 1999, the company entered into a seven-year \$175 million credit facility (“the Credit Facility”) from a syndicate of banks. The Credit Facility provided for a \$125 million term loan facility and a \$50 million revolving credit facility. Borrowings could be made under the term loan facility until December 29, 2000 and amortization of the term loan facility was to commence on March 31, 2001. The final maturity of the term loan facility and revolving credit facility is December 30, 2005. As of December 31, 2000 and 1999, the company had \$76.4 million and \$52.6 million, respectively, outstanding under the term loan facility, and \$48.6 million and \$26.9 million, respectively, outstanding under the revolving credit facility.

The loans are required to be prepaid from excess cash flow and proceeds from asset sales and any issuance of debt or equity securities, subject to specific exceptions. Proceeds of the term loan facility are used to finance a portion of the expansion plan. The Credit Facility provided for interest at London Interbank Offered Rates (LIBOR) or an alternate base rate, in each case plus a margin of 1.00% to 1.75%, which was adjusted depending upon the company's ratio of debt to operating cash flow. At December 31, 2000, the borrowings outstanding under the Credit Facility bear interest at 8.8%. Substantially all the property and assets of the company are pledged as security for the Credit Facility.

During 1999 and 2000, as a result of problems encountered with the expansion, the company did not comply with certain production covenants under the Credit Facility. The bank syndicate has granted waivers of these covenants until April 30, 2001, which also provide that the Credit Facility will bear interest at LIBOR plus 2.00%.

In February 2001, the company obtained a \$250 million credit facility from a syndicate of financial institutions. The facility provides for a \$65 million five-year term loan facility, a \$135 million seven-year term loan facility and a \$50 million revolving credit facility. Amortization of the term loan facilities will commence on March 31, 2002. The final maturity of the five-year term loan facility and the revolving loans is December 30, 2005 while the seven-year term loan facility final maturity date is December 31, 2007. Of the term loan facility proceeds, \$125 million will be used to repay borrowings under the existing credit facility with the remaining proceeds used to complete funding of the company's expansion plans as required. Proceeds of the revolving credit facility will be used for general corporate and working capital needs.

The loans are required to be prepaid from excess cash flow, proceeds from asset sales and the issuance of debt or equity securities, subject to specified exceptions. At the company's option, the credit facility bears interest at the London Interbank Offered Rate (LIBOR) or an alternate base rate, in each case plus a margin of 2.0% to 3.25% which is adjusted depending upon the company's ratio of debt to operating cash flow. Substantially all the property and assets of the company and its subsidiaries and the stock of the company's subsidiaries are pledged as security for the facility.

Covenants in the facility restrict: (1) additional indebtedness; (2) payment of dividends or redemption of capital stock; (3) liens; (4) investment, acquisitions, dispositions or mergers; (5) transactions with affiliates; (6) capital expenditures (other than those associated with the expansion plan); (7) refinancing or prepayment of subordinated debentures; (8) changes in the nature of business conducted or ceasing operations at the principal operating properties; and (9) commodities hedging to no more than 90% of annual palladium production and 75% of annual platinum production (excluding the sales covered by the company's marketing contracts and similar agreements). The company is also subject to financial covenants including a debt to operating cash flow ratio, a debt service coverage ratio and a debt to equity ratio.

Events of default include: (1) a cross-default to other indebtedness of the company or its subsidiaries; (2) any material modification to the life-of-mine plan for the Stillwater Mine; (3) a change of control of the company; (4) the failure to maintain agreed-upon annual PGM production levels or (5) any breach or modification of any of the sales.

Convertible Subordinated Notes

In April 1996, the company issued \$51.5 million of 7% Convertible Subordinated Notes (the “Convertible Notes”) with a stated maturity date of May 1, 2003. The Convertible Notes were unsecured, subordinated obligations. On May 1, 1999, the company completed the underwritten call for redemption of its \$51.4 million outstanding principal amount of 7% Convertible Subordinated Notes. Substantially all of the notes were converted into common stock. The notes were redeemed at a conversion price of \$17.87 per share with cash paid in lieu of fractional shares. The company issued approximately 2.9 million shares of common stock in connection with the conversion of the notes. Underwriters' fees and other costs associated with the call for redemption were approximately \$0.3 million.

Equipment Lease Agreements

The company leases certain underground mining equipment under five-year leasing agreements containing two-year renewal options that can be exercised at the end of the original lease terms. In September 2000, the company amended one of the capital lease agreements by exercising the two-year renewal option. The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments (in thousands):

Year ended December 31,	
2001	\$ 1,898
2002	1,555
2003	482
2004	58
Total minimum lease payments	3,993
Less amount representing interest	(320)
Present value of net minimum lease payments	3,673
Less current portion	(1,860)
Total long-term capital lease obligation	<u>\$ 1,813</u>

Exempt Facility Revenue Bonds

On July 6, 2000, the company completed a \$30 million offering of Exempt Facility Revenue Bonds, Series 2000, through the State of Montana Board of Investments. The bonds were issued by the State of Montana Board of Investments to finance a portion of the costs of constructing and equipping certain sewage and solid waste disposal facilities at both the Stillwater Mine and the East Boulder Project. The bonds mature on July 1, 2020 and have a stated interest rate of 8.00% with interest paid semi-annually. The bonds have an effective interest rate of 8.57%. Net proceeds from the offering were \$28.7 million. As of December 31, 2000, \$2.6 million of the funds were held in escrow pending expenditure for allowable costs.

Special Industrial Education Impact Revenue Bonds

These bonds were issued by the company in 1989 in three series to finance impact payments to local school districts. The bonds bear interest at varying rates between 6.5% and 7.8% and mature in increasing annual principal amounts through 2009. The balance outstanding at December 31, 2000 and 1999 was \$1.3 million and \$1.4 million, respectively, of which approximately \$0.1 million was classified as current in each year. The bonds, which are collateralized by the company's real estate, are secured by guarantees from Chevron Corporation and Manville Corporation. Scheduled principal repayments during the years 2001 through 2005 are approximately \$0.1 million in each year. Scheduled principal repayments subsequent to 2005 total \$0.8 million.

Cash Paid for Interest

The company made cash payments for interest of \$11.9 million, \$3.8 million and \$4.5 million for the years ended December 31, 2000, 1999 and 1998, respectively.

7 EMPLOYEE BENEFIT PLANS

The company has adopted two savings plans which qualify under section 401(k) of the U.S. Internal Revenue Code covering all non-bargaining and bargaining employees. Under the plans, employees may elect to contribute up to 10% of their cash compensation, subject to the Employee Retirement Income Security Act of 1974 (ERISA) limitations. The company is required to make matching cash contributions equal to 200% of the employee's contribution up to 3% of the employee's compensation. Contributions to the plans were \$2.4 million, \$1.5 million and \$1.2 million in 2000, 1999 and 1998, respectively.

8 COMMON STOCK PLANS AND AGREEMENTS

Stock Plan

The company sponsors stock option plans that enable the company to grant stock options or restricted stock to employees and non-employee directors. As of December 31, 2000, there were 5,550,000 shares of common stock authorized for issuance under the plans.

Awards granted under the plans may consist of incentive stock options (ISOs) or non-qualified stock options (NQSOs), stock appreciation rights (SARs), restricted stock or other stock-based awards, with the exception that non-employee directors may not be granted SARs and only employees of the company may be granted ISOs.

The plans are administered by the Compensation Committee of the company's Board of Directors, which determines the exercise price, exercise period, vesting period and all other terms. Officers' and directors' options expire ten years after the date of grant. All other options expire five to ten years after the date of grant, depending upon the original grant date.

There were approximately 1,400,000 shares available for grant as of December 31, 2000. Stock option activity for the years ended December 31, 2000, 1999 and 1998 is summarized as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Fair Value of Options Granted
Options outstanding at December 31, 1997 (1,410,297 exercisable)	1,830,824	\$ 10.93	—
<i>1998 Activity:</i>			
Options granted	930,365	\$ 16.24	\$ 8.11
Options exercised	(526,371)	\$ 8.27	—
Options canceled	(32,100)	\$ 14.98	—
Options outstanding at December 31, 1998 (1,162,031 exercisable)	2,202,718	\$ 13.74	—
<i>1999 Activity:</i>			
Options granted	634,150	\$ 26.68	\$ 9.56
Options exercised	(499,047)	\$ 11.56	—
Options canceled	(84,622)	\$ 22.36	—
Options outstanding at December 31, 1999 (1,524,185 exercisable)	2,253,199	\$ 17.52	—
<i>2000 Activity:</i>			
Options granted	419,550	\$ 30.56	\$ 14.00
Options exercised	(750,680)	\$ 16.40	—
Options canceled	(37,100)	\$ 30.77	—
Options outstanding at December 31, 2000 (1,191,443 exercisable)	1,884,969	\$ 20.61	—

The following table summarizes information for outstanding and exercisable options as of December 31, 2000:

Range of Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding	Average Remaining Contract Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$ 3.91	104,541	3.6	\$ 3.91	104,541	\$ 3.91
\$ 8.83 - \$13.24	209,802	5.1	\$ 12.34	193,299	\$ 12.31
\$13.24 - \$17.65	551,376	6.2	\$ 15.08	488,873	\$ 14.96
\$17.65 - \$22.06	161,157	4.6	\$ 19.76	139,404	\$ 19.97
\$22.06 - \$26.48	89,267	6.8	\$ 23.83	40,158	\$ 23.55
\$26.48 - \$30.89	698,201	7.0	\$ 28.27	208,243	\$ 27.26
\$30.89 - \$35.30	46,475	7.4	\$ 33.28	16,925	\$ 32.35
\$35.30 - \$39.71	18,625	6.6	\$ 38.02	—	—
\$39.71 - \$44.13	5,525	4.2	\$ 41.63	—	—
	1,884,969			1,191,443	

The company has elected to follow APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for its stock. Under APB Opinion No. 25, because the exercise price of the company's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net earnings and earnings per share is required by SFAS No. 123 and has been determined as if the company had accounted for its stock options under the fair value method of SFAS No. 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

Year ended December 31,	2000	1999	1998
Weighted average expected lives (years)	3.2	3.8	6.5
Interest rate	6.2%	5.5%	4.4 - 5.5%
Volatility	58%	47%	53%
Dividend yield	—	—	—

Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the company's stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models

do not necessarily provide a reliable single measure of the fair value of its stock options.

The estimated fair value of the options is amortized to expense over the vesting period of the options for purposes of the following pro forma disclosures (in thousands, except for per share amounts):

	2000	1999	1998
Pro forma net income	\$ 57,344	\$ 32,064	\$ 10,560
Pro forma net income per share:			
Basic	\$ 1.49	\$ 0.87	\$ 0.34
Diluted	\$ 1.46	\$ 0.83	\$ 0.30

The effect of outstanding stock options on diluted weighted average shares outstanding was 743,060, 898,023 and 667,763 shares for 2000, 1999 and 1998, respectively. Outstanding options to purchase 65,575, 519,875 and 264,111 shares of common stock were excluded from the computation of diluted earnings per share for the years ended December 31, 2000, 1999 and 1998, respectively, because the effect of inclusion would have been antidilutive using the treasury stock method.

The effect of the company's Convertible Notes on diluted weighted average shares outstanding was 940,594 and 2,878,656 shares for 1999 and 1998, respectively.

Shareholders' Rights Agreement

In October 1995, the Board of Directors of the company adopted a Rights Agreement under which Stillwater shareholders of record as of November 15, 1995 received a dividend in the form of Preferred Stock Purchase Rights (the "Rights"). The Rights permit the holder to purchase one one-thousandth of a share (a unit) of Series A Preferred Stock, par value \$0.01 per share (the "Preferred Stock"), at a purchase price of \$53 per unit, subject to adjustment. All outstanding Rights may be redeemed by the company at any time until such time the Rights become exercisable. Until a Right is exercised, the holder thereof has no rights as a shareholder of the company, including the right to vote or receive dividends. Subject to certain conditions, the Rights become exercisable ten business days after a person or group acquires or commences a tender or exchange offer to acquire a beneficial ownership of 15% or more of the company's outstanding common stock. The Rights expire on October 26, 2005 unless earlier redeemed or exercised.

9 INCOME TAXES

The components of the provision (benefit) for income taxes are as follows (in thousands):

Year ended December 31,	2000	1999	1998
Current federal	\$ (335)	\$ 573	\$ —
Current state	—	—	—
Total current	(335)	573	—
Deferred federal	22,600	10,132	7,618
Deferred state	4,885	3,469	762
Total deferred	27,485	13,601	8,380
Total income tax provision	27,150	14,174	8,380
Less: Income tax allocated to cumulative effect	(2,503)	—	—
Net income tax provision	\$ 24,647	\$ 14,174	\$ 8,380

The components of the company's deferred tax liabilities (assets) are comprised of the following temporary differences and carryforwards (in thousands):

December 31,	2000	1999
Property and equipment	\$ 15,043	\$ 10,939
Mine development costs	93,658	62,639
Total deferred tax liabilities	<u>108,701</u>	<u>73,578</u>
Capital lease obligations	(237)	(539)
Noncurrent liabilities	(2,562)	(2,087)
Current liabilities	(1,160)	(628)
Inventory	(5,839)	(323)
Net operating loss and other carryforwards	(51,178)	(42,904)
Total deferred tax assets	<u>(60,976)</u>	<u>(46,481)</u>
Net deferred tax liabilities	<u>\$ 47,725</u>	<u>\$ 27,097</u>

There was no valuation allowance recorded in 2000 or 1999 because it was more likely than not that all deferred tax assets would be realized. A reconciliation

from the federal income tax provision at the applicable statutory income tax rate to the effective rate is as follows (in thousands):

Year ended December 31,	2000	1999	1998
Income before income taxes and cumulative effect of accounting change	\$ 95,049	\$ 51,345	\$ 21,766
Income taxes at statutory rate	<u>\$ 33,267</u>	<u>\$ 17,971</u>	<u>\$ 7,618</u>
State income taxes, net of federal benefit	3,622	2,272	762
Percentage depletion	(9,254)	—	—
Adjustments to prior years' tax provisions	(921)	(6,069)	—
Other	436	—	—
Total income tax provision	<u>27,150</u>	<u>14,174</u>	<u>8,380</u>
Less: Income tax allocated to cumulative effect	(2,503)	—	—
Net income tax provision	<u>\$ 24,647</u>	<u>\$ 14,174</u>	<u>\$ 8,380</u>

At December 31, 2000, the company had approximately \$131 million of regular tax net operating loss carryforwards expiring during 2010 through 2020. The company believes that it is more likely than not that these carryforwards will be utilized to reduce future federal income tax liabilities. Management can and would implement tax planning strategies to prevent these carryforwards from expiring. The company made cash payments for income taxes of \$0.7 million, \$0.2 million and \$0.3 million for the years ended December 31, 2000, 1999 and 1998, respectively. Adjustments to the prior years' tax provisions relate to the company's review of its net deferred tax assets and liabilities, together with net operating loss carryforwards. The company has determined to currently recognize potential tax benefits arising therefrom on the assumption that the deductions and losses will be realized in future years. In making this determination, the company has considered the current level of platinum group metal (PGM) prices and the ability of the company to use accelerated depreciation and amortization methods in the determination of taxable income.

10 CAPITAL TRANSACTIONS

Common Stock Offering

On October 20, 1998, 3,000,000 shares of the company's common stock were sold in a public offering at \$20.50 per share. On November 4, 1998, 450,000 additional shares were sold pursuant to the underwriter's over-allotment option. Proceeds from the offering were approximately \$66.6 million, net of offering costs of \$4.1 million.

Common Stock Split

On December 8, 1998, the Board of Directors declared a three-for-two stock split of the company's common stock effected in the form of a stock dividend to shareholders of record on December 21, 1998. This stock split was recorded as of the close of business on December 31, 1998 by transferring par value of \$115,158 from additional paid in capital to common stock and by paying \$3,805 for fractional shares. All share data in the notes to the financial statements, including stock option information, has been restated to retroactively reflect this stock split.

11 COMMODITY INSTRUMENTS

In September 1998, the company entered into long-term sales contracts with General Motors Corporation, Ford Motor Company and Mitsubishi Corporation. The contracts apply to a portion of the company's production over the five-year period from January 1999 through December 2003. Under the contracts, the company committed between 90% to 100% of its palladium production. Palladium sales are priced at a discount to market, with a floor price averaging approximately \$225 per ounce. The company agreed to an average maximum palladium price of approximately \$400 per ounce on approximately 30% of its production sold under the contracts. The remaining 70% of the company's palladium production is not subject to any price cap. In addition, the company committed approximately 20% of its annual platinum production over the next five years under these agreements. Platinum sales are priced at a discount to market, subject to an average minimum price of \$350 per ounce with an average maximum price of \$425 per ounce. The remaining 80% of the company's annual platinum production was not committed under these contracts, and remained available for sale at prevailing market prices. The sales contracts provide for adjustments to ounces committed based on actual production. In addition, the sales contracts contain

termination provisions that allow the purchasers to terminate in the event the company breaches certain provisions of the contracts and the breach is not cured within periods ranging from ten to thirty days after notice by the purchaser. The long-term sales contracts are not subject to the requirements of SFAS No. 133 as the contracts qualify for the normal sales exception provided in SFAS No. 138 since they will not settle net and will result in physical delivery. The floors and ceilings embedded within the long-term sales contracts are treated as part of the host contract, not a separate derivative instrument and are therefore also not subject to the requirements of SFAS No. 133.

In November 2000, the company renegotiated and extended two of its long-term sales contracts for its palladium and platinum production. The new arrangements establish higher prices on a portion of the current contracts, extend the term of the contracts through 2010 with new floors and ceilings and increase the amount of platinum committed. Under the revised terms, the palladium contracts cover the sale of 90% of palladium production through 2005 and 70% of production in 2006 through 2010. The platinum contracts cover the sale of 80% of platinum production through 2003 and 60% of production from 2004 through 2010. The contracts provide for floor and ceiling price structures as summarized below:

Year	Palladium				Platinum			
	% of Production	Average Floor Price	% of Production	Average Ceiling Price	% of Production	Average Floor Price	% of Production	Average Ceiling Price
2001	90%	\$348.06	30%	\$400.00	80%	\$406.25	32%	\$585.16
2002	90%	\$348.06	30%	\$400.00	80%	\$406.25	32%	\$585.16
2003	90%	\$336.94	30%	\$400.00	80%	\$406.25	32%	\$585.16
2004	90%	\$362.50	36%	\$618.10	60%	\$425.00	12%	\$850.00
2005	90%	\$347.22	14%	\$975.00	60%	\$425.00	12%	\$850.00
2006	70%	\$400.00	17.5%	\$975.00	60%	\$425.00	12%	\$850.00
2007	70%	\$400.00	17.5%	\$975.00	60%	\$425.00	12%	\$850.00
2008	70%	\$385.00	17.5%	\$975.00	60%	\$425.00	12%	\$850.00
2009	70%	\$380.00	17.5%	\$975.00	60%	\$425.00	12%	\$850.00
2010	70%	\$375.00	17.5%	\$975.00	60%	\$425.00	12%	\$850.00

The company may also enter into transactions for the sale and repurchase of excess metals held in the company's account at third party refineries. Under these transactions, the company will enter into an agreement to sell a certain number of ounces to counter parties at the then current market price. The company will simultaneously enter into a separate agreement with the same counter party, to repurchase the same number of ounces at the same price at the repurchase date.

The company uses various derivative financial instruments to manage the company's exposure to market prices associated with changes in palladium and platinum commodity prices. Such derivatives are carried off-balance sheet and therefore have no carrying value. Gains and losses on such derivatives are reported when the hedged transaction occurs. Because the company hedges only with instruments that have a high correlation with the value of the hedged transactions, changes in derivatives' fair value are expected to be offset by changes in the value of the hedged transaction.

The company utilizes the following types of derivative financial instruments: fixed forwards, cashless put and call option collars and financially settled forwards. For derivative instruments outstanding as of December 31, 2000, the company has designated the derivative as a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge). Currently, all derivatives have been assessed as highly effective cash-flow hedges that link to a specific firm commitment or forecasted transaction. Changes in fair value of derivatives that are highly effective as hedges and that are designated and qualified as a cash-flow hedge will be reported in other comprehensive income until the related specific firm commitments or forecasted transactions occur.

The company enters into cashless put and call option collars under which the company receives the difference between the put price and the market price only if the market price is below the put price and the company pays the difference between the call price and the market price only if the market price is above the call price. The company's put and call options are financially settled at maturity. Since the put/call instruments hedge forecasted transactions, they qualify for cash flow hedge accounting. They are considered to be highly effective since the intrinsic value of the put/call will offset the change in value associated with future production not subject to the long-term sales contract. The company recorded \$13.4 million in losses for the settlement of cashless put and call option collars in 2000.

The company may enter into fixed forward contracts to sell metals at a future date and at a fixed price in order to reduce the risk associated with future metals prices for ounces produced in excess of the company's long-term sales contracts. These instruments are considered to be highly effective derivatives that will qualify

for cash flow hedge accounting since they are an "all-in-one-hedge" instrument, meaning that all of the components (ounces, delivery date, and price) are fixed as part of the original commitment.

The company also enters into financially settled forwards. They differ from fixed forwards in that they are settled net in cash. The company uses the financially settled forwards as a mechanism to hedge the fluctuations in metal prices associated with future production not subject to the long-term sales contracts. The financially settled forwards qualify as a cash flow hedge and are considered to be highly effective, since the change in the value of the financially settled forward will offset changes in the expected future cash flows related to future production not subject to the long-term sales contracts.

A summary of the company's derivative instruments on palladium as of December 31, 2000 is as follows. As of December 31, 2000 there are no derivative instruments on platinum.

Derivative Instrument	Ounces	Average Put Price	Average Call Price
2001 Put and Call Option Collars	5,000	\$ 324	\$ 419

	Ounces	Sales Price
2001 Financially Settled Forwards	27,500	\$ 696
2002 Financially Settled Forwards	2,500	\$ 696

On January 1, 2001, the fair value of the derivative hedging instruments outstanding was a liability of \$10.0 million.

12 COMMITMENTS AND CONTINGENCIES

Refining Agreements

The company has contracted with two entities to refine its filter cake production. Even though there are limited number of PGM refiners, the company is not economically dependent upon any one refiner.

Operating Leases

In September 1998, the company completed the sale and leaseback of a tunnel boring machine and miscellaneous other mining equipment. The leases are non-cancelable with terms of seven years and are classified as operating leases for financial reporting purposes. In September 2000, the company entered into an additional operating lease through the sale and leaseback of mining equipment. The lease is non-cancelable with a term of five years and is classified as an operating lease for financial reporting purposes. Rental expense amounted to approximately \$1.9 million, \$1.6 million and \$0.5 million in 2000, 1999 and 1998, respectively.

Future minimum lease payments for non-cancelable leases with terms in excess of one year are \$1.6 million in each of the years 2001 through 2004, and \$1.1 million in 2005.

Significant Customers

Sales to significant customers represented approximately 91%, 80% and 60% of total revenues for the years ended December 31, 2000, 1999 and 1998, respectively. The company sells its metals to a small number of customers and brokers; however, the company is not economically dependent upon these customers since palladium and platinum can be readily sold in numerous markets throughout the world.

Electric Service Agreement

During 1996, Montana Power Company (MPC) upgraded the company's transmission line and substation

facilities. The cost of this upgrade to MPC totaled approximately \$2.9 million. In a contract between MPC and the company, the company agreed to reimburse MPC for these costs through additional electric revenues produced from the company's increased load in excess of 8,000 kilowatts. At the completion of the five-year agreement, if the total additional revenues, as defined in the contract between MPC and the company, have not met or exceeded MPC's investment, the company will be required to pay MPC the difference. The company estimates that the additional revenues will exceed MPC's investment.

Legal Proceedings

The company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the company's consolidated financial position, results of operations or liquidity.

13 QUARTERLY DATA (UNAUDITED)

Quarterly earnings data for the years ended December 31, 2000 and 1999 were as follows (in thousands, except per share data):

2000 Quarter Ended	March 31	June 30	September 30	December 31
Revenue, as originally reported	\$ 61,335	\$ 48,565	\$ 52,555	\$ 78,650
Revenue, as restated ^{(1),(2)}	42,135	55,390	49,056	78,650
Operating income, as originally reported	\$ 28,085	\$ 16,736	\$ 19,840	\$ 33,128
Operating income, as restated ⁽¹⁾	18,282	23,598	18,946	33,128
Net income, as originally reported	\$ 20,423	\$ 12,183	\$ 14,593	\$ 23,464
Effect of change in accounting method	(7,058)	4,938	(644)	—
Cumulative effect of accounting change	(6,435)	—	—	—
Net income, as restated ⁽¹⁾	\$ 6,930	\$ 17,121	\$ 13,949	\$ 23,464
Basic earnings per share amounts:				
Net income, as originally reported	\$ 0.53	\$ 0.32	\$ 0.38	\$ 0.61
Effect of change in accounting method	\$ (0.18)	\$ 0.13	\$ (0.02)	\$ —
Cumulative effect of accounting change	\$ (0.17)	\$ —	\$ —	\$ —
Net income, as restated ⁽¹⁾	\$ 0.18	\$ 0.45	\$ 0.36	\$ 0.61
Diluted earnings per share amounts:				
Net income, as originally reported	\$ 0.52	\$ 0.31	\$ 0.37	\$ 0.60
Effect of change in accounting method	\$ (0.18)	\$ 0.13	\$ (0.02)	\$ —
Cumulative effect of accounting change	\$ (0.16)	\$ —	\$ —	\$ —
Net income, as restated ⁽¹⁾	\$ 0.18	\$ 0.44	\$ 0.35	\$ 0.60
1999 Quarter Ended				
	March 31	June 30	September 30	December 31
Revenue	\$ 38,030	\$ 36,845	\$ 32,204	\$ 45,668
Revenue, restated ⁽²⁾	37,565	36,299	31,693	45,134
Operating income	\$ 15,544	\$ 11,129	\$ 7,243	\$ 16,518
Net income	\$ 10,588	\$ 8,046	\$ 5,099	\$ 13,438
Basic earnings per share	\$ 0.31	\$ 0.22	\$ 0.13	\$ 0.35
Diluted earnings per share	\$ 0.28	\$ 0.21	\$ 0.12	\$ 0.35

⁽¹⁾ During the fourth quarter of 2000, the company implemented SAB 101, Revenue Recognition for Financial Statements. As a result, revenue, net income and earnings per share were restated back to the beginning of the first interim period in 2000.

⁽²⁾ During the fourth quarter of 2000, the company implemented EITF 00-14, which had the effect of reclassifying contract discounts from cost of metals sold to an offset to revenue. Quarterly revenue figures for 2000 and 1999 have been restated for comparison.

14 MINERAL RESERVES AND PRODUCTION DATA (UNAUDITED)

Proven and probable palladium and platinum reserves ⁽¹⁾ consisted of the following:

December 31,	2000	1999	1998	1997	1996
<i>Stillwater Mine</i>					
Ore reserves (thousands of tons)	22,246	22,980	23,745	17,999	15,619
Grade ⁽²⁾	0.71	0.71	0.71	0.79	0.80
Contained metal (thousands of ounces)					
Palladium ⁽³⁾	12,137	12,444	12,910	10,940	9,595
Platinum ⁽³⁾	3,678	3,771	3,912	3,315	2,907
Total contained metal	15,815	16,215	16,822	14,255	12,502
<i>East Boulder</i>					
Ore reserves (thousands of tons)	13,313	13,313	13,313	11,510	11,510
Grade ⁽²⁾	0.71	0.71	0.71	0.79	0.79
Contained metal (thousands of ounces)					
Palladium ⁽³⁾	7,251	7,251	7,251	6,992	6,992
Platinum ⁽³⁾	2,197	2,197	2,197	2,120	2,120
Total contained metal	9,448	9,448	9,448	9,112	9,112

Summary operating information was as follows:

Year ended December 31,	2000	1999	1998	1997	1996
Ounces produced (in thousands)					
Palladium	330	315	340	271	196
Platinum	100	94	104	84	59
Average realized price per ounce					
Palladium	\$ 560	\$ 372	\$ 202	\$ 144	\$ 144
Platinum	\$ 481	\$ 383	\$ 377	\$ 388	\$ 410
Average market price per ounce					
Palladium	\$ 680	\$ 358	\$ 286	\$ 178	\$ 128
Platinum	\$ 544	\$ 377	\$ 372	\$ 395	\$ 397

⁽¹⁾ Derived from mineral reserve estimates reviewed by independent consultants as of December 31, 2000, 1999, 1998 and 1997. The December 31, 1996 estimates were derived from December 31, 1995 estimates adjusted for production, additional drilling and development.

⁽²⁾ Expressed in contained ounces of palladium and platinum per ton.

⁽³⁾ Based on the ratio of 1.0 part of platinum to 3.3 parts of palladium.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Francis R. McAllister, 58³
Chairman and Chief Executive Officer

Douglas D. Donald, 78^{2,3}
Independent Financial Advisor

Richard E. Gilbert, 60^{2,5}
Former Vice President,
Robert Fleming, Inc.

Apolinar Guzman, 67²
Project Director Compañía Minera Antamina
and Managing Director, Guzman Project
Management and Technical Services

Patrick M. James, 55¹
Former Chairman and Chief Executive Officer,
Rio Algom, Inc.

Ted Schwinden, 75^{1,4}
Former Governor,
State of Montana

Peter Steen, 69³
Former Chairman of Executive and
Policy Committee,
Santa Fe Pacific Gold Corporation

¹ Audit Committee

² Compensation Committee

³ Nominating Committee

⁴ Audit Committee Chairman

⁵ Compensation Committee Chairman

OFFICERS

Francis R. McAllister, 58
Chairman and
Chief Executive Officer

Harry C. Smith, 52
President and
Chief Operating Officer

James A. Sabala, 46
Vice President and
Chief Financial Officer

Christopher H. Allen, 51
Vice President,
Environmental and Government Affairs

Ronald W. Clayton, 42
Vice President,
Stillwater Mine Operations

Robert M. Taylor, 49
Vice President,
East Boulder Operations

Robert C. Lapple, 42
Vice President,
Metals Marketing

John R. Stark, 48
Vice President,
Human Resources

Michael A. Shea, 54
Secretary

ANNUAL MEETING

Thursday, May 24, 2001
10:00 a.m. MDT

737 Palladium Place
Columbus, Montana 59019

INVESTOR RELATIONS CONTACT AND SHAREHOLDER INQUIRIES

James Sabala
Vice President and Chief Financial Officer
Phone: (406) 322-8700

TRANSFER AGENT AND REGISTRAR

ComputerShare Investor Services
P.O. Box A3504
2 North LaSalle Street
Chicago, IL 60690-3504
Phone: (312) 588-4242
Fax: (312) 601-4348

FORM 10-K

The Company will provide the Stillwater Mining Company Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, upon request. Requests should be sent to the corporate headquarters.

EMPLOYEES

The total number of employees as of December 31, 2000, was 1,290.

SHAREHOLDERS

As of March 16, 2001, shareholders of record were 500.

CORPORATE SECURITIES

Shares of Stillwater Mining Company common stock are traded on the American Stock Exchange under the symbol SWC.

SHARE PRICE STATISTICS

2000	High	Low
First Quarter	50.81	28.13
Second Quarter	42.44	24.25
Third Quarter	34.56	24.56
Fourth Quarter	40.28	24.50

1999	High	Low
First Quarter	29.13	22.25
Second Quarter	34.50	26.13
Third Quarter	32.88	21.50
Fourth Quarter	32.38	19.34

DIVIDEND POLICY

Stillwater Mining Company does not pay a dividend as it chooses to retain all earnings from operations for use in expanding and developing its business. Payment of dividends in the future will be at the discretion of the Company's Board of Directors.

NEWS RELEASES

The Company's new releases, including earnings announcements, are available by fax by calling 800-758-5804. The Company's code is 119504. This electronic system allows callers to receive specific Stillwater Mining Company releases via fax within minutes of request.

WEB SITE

For more information about the Company, please visit our Web site at www.stillwatermining.com. Management's conference calls reviewing quarterly results are carried on the web site under the Investor Relations section, Management Presentations heading. Please refer to the Web site for the schedule of quarterly results announcements.

CORPORATE ADDRESSES

Corporate Headquarters
737 Palladium Place
P.O. Box 1330
Columbus, MT 59019
Phone: (406) 322-8700
Fax: (406) 322-9985

Eastern Commercial Office
Corporate Center
39 Old Ridgebury Road, Suite D-230
Danbury, CT 06810
Phone: (203) 744-7873
Phone: (203) 744-0670
Fax: (203) 743-3336

Montana Operations
536 East Pike Avenue
P.O. Box 1330
Columbus, MT 59019
Phone: (406) 322-8700
Fax: (406) 322-9985

Stillwater Mine
2562 Nye Road
Nye, MT 59061
Phone: (406) 328-8400
Fax: (406) 328-8506

East Boulder Mine
P.O. Box 1227
Big Timber, MT 59011
Phone: (406) 932-8200
Fax: (406) 932-8214

DESIGN: MARK MOCK DESIGN ASSOCIATES PHOTOGRAPHY: JOHN MARRIOTT, JOEL GRIMES, FRANK CRUZ, JOHNSON MATTHEY PLC., PRINTING: ANDERSON LITHOGRAPH



STILLWATER
MINING COMPANY