Coeur Mining, Inc.
Form 10-Q
November 05, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

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FORM 10-Q

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þ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2014
OR
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission file number 001-08641

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COEUR MINING, INC.
(Exact name of registrant as specified in its charter)

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| | |
|---|---|
| Delaware<br>(State or other jurisdiction of<br>incorporation or organization) | 82-0109423<br>(I.R.S. Employer<br>Identification No.) |
| 104 S. Michigan Ave., Suite 900 Chicago, Illinois<br>(Address of principal executive offices) | 60603<br>(Zip Code) |

(312) 489-5800
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | þ | Accelerated filer | ¨ |
| Non-accelerated filer | ¨ | Smaller reporting company | ¨ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ
The Company has 150,000,000 shares of common stock, par value of $0.01, authorized of which 103,450,586 shares were issued and outstanding as of November 4, 2014.

COEUR MINING, INC.
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PART I. Financial Information
Item 1. Financial Statements

COEUR MINING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

| | | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | Notes | In thousands, except share data | | | |
| Revenue | 3 | $170,938 | $200,825 | $495,133 | $577,147 |
| COSTS AND EXPENSES | | | | | |
| Costs applicable to sales[1] | 3 | 125,910 | 131,805 | 351,492 | 362,250 |
| Amortization | | 41,985 | 60,097 | 123,834 | 166,686 |
| General and administrative | | 8,515 | 16,240 | 31,809 | 41,492 |
| Exploration | | 6,587 | 3,305 | 15,957 | 16,920 |
| Litigation settlement | 19 | — | — | — | 32,046 |
| Pre-development, reclamation, and other | | 4,244 | 4,732 | 20,019 | 11,896 |
| Total costs and expenses | | 187,241 | 216,179 | 543,111 | 631,290 |
| OTHER INCOME (EXPENSE), NET | | | | | |
| Fair value adjustments, net | 9 | 16,105 | (20,646) | (3,611) | 63,905 |
| Impairment of marketable securities | 12 | (1,092) | (870) | (4,614) | (18,097) |
| Interest income and other, net | | (211) | (1,791) | (2,313) | 2,484 |
| Interest expense, net of capitalized interest | 17 | (11,616) | (9,662) | (36,980) | (30,324) |
| Total other income (expense), net | | 3,186 | (32,969) | (47,518) | 17,968 |
| Income (loss) before income and mining taxes | | (13,117) | (48,323) | (95,496) | (36,175) |
| Income and mining tax (expense) benefit | 7 | 16,583 | 2,058 | 18,650 | (32,860) |
| NET INCOME (LOSS) | | $3,466 | $(46,265) | $(76,846) | $(69,035) |
| OTHER COMPREHENSIVE INCOME (LOSS), net of tax: | | | | | |
| Unrealized gain (loss) on marketable securities, net of tax of $686 and $939 for the three and nine months ended September 30, 2014, respectively | | (1,086) | 301 | (1,487) | (10,756) |
| Reclassification adjustments for impairment of marketable securities, net of tax of $(423) and $(1,786) for the three and nine months ended September 30, 2014, respectively | | 669 | 870 | 2,828 | 18,097 |
| Reclassification adjustments for realized loss on sale of marketable securities, net of tax of $(140) and $(150) for the three and nine months ended September 30, 2014, respectively | | 221 | 136 | 238 | 136 |
| Other comprehensive income (loss) | | (196) | 1,307 | 1,579 | 7,477 |
| COMPREHENSIVE INCOME (LOSS) | | $3,270 | $(44,958) | $(75,267) | $(61,558) |
| | | | | | |
| NET INCOME (LOSS) PER SHARE | 8 | | | | |
| Basic | | $0.03 | $(0.46) | $(0.75) | $(0.71) |
| | | | | | |
| Diluted | | $0.03 | $(0.46) | $(0.75) | $(0.71) |

(1) Excludes amortization.
The accompanying notes are an integral part of these condensed consolidated financial statements.

COEUR MINING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| | | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | Notes | In thousands | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Net income (loss) | | $3,466 | $(46,265) | $(76,846) | (69,035) |
| Adjustments: | | | | | |
| Amortization | | 41,985 | 60,097 | 123,834 | 166,686 |
| Accretion | | 3,868 | 4,175 | 12,961 | 15,015 |
| Deferred income taxes | | (23,437) | (1,869) | (39,142) | 17,680 |
| Loss on termination of revolving credit facility | | — | — | 3,035 | — |
| Fair value adjustments, net | | (15,421) | 20,308 | 3,423 | (61,487) |
| Litigation settlement | 19 | — | — | — | 22,046 |
| Stock-based compensation | 5 | 2,505 | 373 | 7,455 | 3,085 |
| (Gain) loss on sale of assets | | (89) | (7) | 133 | (1,139) |
| Impairment of marketable securities | 12 | 1,092 | 870 | 4,614 | 18,097 |
| Other | | 1,088 | (375) | 870 | (487) |
| Changes in operating assets and liabilities: | | | | | |
| Receivables | | 7,446 | (2,132) | 18,297 | 6,515 |
| Prepaid expenses and other current assets | | 3,871 | (14,306) | (687) | (13,894) |
| Inventory and ore on leach pads | | 9,698 | 11,592 | (5,821) | 22,582 |
| Accounts payable and accrued liabilities | | (4,806) | (5,657) | 311 | (22,588) |
| CASH PROVIDED BY OPERATING ACTIVITIES | | 31,266 | 26,804 | 52,437 | 103,076 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| Capital expenditures | | (16,784) | (32,726) | (44,076) | (72,754) |
| Acquisitions | 11 | (13,829) | — | (16,079) | (113,214) |
| Purchase of short-term investments and marketable securities | | (2,089) | (2,689) | (50,423) | (8,022) |
| Sales and maturities of short-term investments | | 2,856 | 27 | 3,413 | 6,371 |
| Other | | 74 | (48) | 61 | 1,163 |
| CASH USED IN INVESTING ACTIVITIES | | (29,772) | (35,436) | (107,104) | (186,456) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Issuance of notes and bank borrowings | 17 | — | — | 153,000 | 300,000 |
| Payments on long-term debt, capital leases, and associated costs | | (13,274) | (1,824) | (20,236) | (59,021) |
| Gold production royalty payments | | (11,351) | (12,619) | (38,379) | (43,548) |
| Share repurchases | | — | (14,995) | — | (27,552) |
| Other | | (77) | (27) | (483) | (505) |
| CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | | (24,702) | (29,465) | 93,902 | 169,374 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | (23,208) | (38,097) | 39,235 | 85,994 |
| Cash and cash equivalents at beginning of period | | 269,133 | 249,531 | 206,690 | 125,440 |
| Cash and cash equivalents at end of period | | $245,925 | $211,434 | $245,925 | $211,434 |

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

COEUR MINING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| | Notes | September 30, 2014 (Unaudited) | December 31, 2013 |
|---|---|---|---|
| ASSETS | | In thousands, except share data | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | $245,925 | $206,690 |
| Investments | 12 | 49,520 | — |
| Receivables | 13 | 67,599 | 81,074 |
| Ore on leach pads | | 50,335 | 50,495 |
| Inventory | 14 | 127,985 | 132,023 |
| Deferred tax assets | | 35,021 | 35,008 |
| Prepaid expenses and other | | 19,974 | 25,940 |
| | | 596,359 | 531,230 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment, net | 15 | 474,250 | 486,273 |
| Mining properties, net | 16 | 1,729,928 | 1,751,501 |
| Ore on leach pads | | 41,547 | 31,528 |
| Restricted assets | | 6,853 | 7,014 |
| Marketable securities | 12 | 9,162 | 14,521 |
| Receivables | 13 | 36,166 | 36,574 |
| Debt issuance costs, net | | 10,315 | 10,812 |
| Deferred tax assets | | 705 | 1,189 |
| Other | | 10,039 | 15,336 |
| TOTAL ASSETS | | $2,915,324 | $2,885,978 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | | $49,232 | $53,847 |
| Accrued liabilities and other | | 37,882 | 38,266 |
| Debt | 17 | 11,733 | 2,505 |
| Royalty obligations | 9,10 | 45,347 | 48,019 |
| Reclamation | 4 | 767 | 913 |
| Deferred tax liabilities | | 1,858 | 1,011 |
| | | 146,819 | 144,561 |
| NON-CURRENT LIABILITIES | | | |
| Debt | 17 | 457,744 | 306,130 |
| Royalty obligations | 9,10 | 41,319 | 65,142 |
| Reclamation | 4 | 60,946 | 57,515 |
| Deferred tax liabilities | | 516,715 | 556,246 |
| Other long-term liabilities | | 29,541 | 25,817 |
| | | 1,106,265 | 1,010,850 |
| STOCKHOLDERS' EQUITY | | | |
| Common stock, par value $0.01 per share; authorized 150,000,000 shares, issued and outstanding 103,438,765 at September 30, 2014 and 102,843,003 at December 31, 2013 | | 1,034 | 1,028 |
| Additional paid-in capital | | 2,788,098 | 2,781,164 |
| Accumulated other comprehensive income (loss) | | (3,327) | (4,906) |
| Accumulated deficit | | (1,123,565) | (1,046,719) |
| | | 1,662,240 | 1,730,567 |

| | | |
|---|---|---|
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $2,915,324 | $2,885,978 |

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

COEUR MINING, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

| In thousands | Common Stock Shares | Common Stock Par Value | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|
| Balances at December 31, 2013 | 102,843 | $1,028 | $2,781,164 | $(1,046,719) | $ (4,906) | $1,730,567 |
| Net income (loss) | — | — | — | (76,846) | — | (76,846) |
| Other comprehensive income (loss) | — | — | — | — | 1,579 | 1,579 |
| Common stock issued under stock-based compensation plans, net | 596 | 6 | 6,934 | — | — | 6,940 |
| Balances at September 30, 2014 (Unaudited) | 103,439 | $1,034 | $2,788,098 | $(1,123,565) | $ (3,327) | $1,662,240 |

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

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The interim condensed consolidated financial statements of Coeur Mining, Inc. and its subsidiaries (collectively "Coeur" or "the Company") are unaudited. In the opinion of management, all adjustments and disclosures necessary for the fair presentation of these interim statements have been included. The results reported in these interim statements may not be indicative of the results reported for the year ending December 31, 2014. The condensed consolidated December 31, 2013 balance sheet data was derived from the audited consolidated financial statements. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended December 31, 2013 included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Standards

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." The updated guidance provides a five-step approach to be applied to all contracts with customers and also requires expanded disclosures about revenue recognition. These changes become effective prospectively for the Company's fiscal year beginning January 1, 2017. The Company is currently evaluating the potential impact of these changes on the Company's consolidated financial position, results of operations, and cash flows.

NOTE 3 – SEGMENT REPORTING

The Company’s operating segments include the Palmarejo, San Bartolomé, Rochester, and Kensington mines, La Preciosa, and Coeur Capital. All operating segments are engaged in the discovery and mining of gold and silver and generate the majority of their revenues from the sale of these precious metals with the exception of Coeur Capital, which holds the Endeavor silver stream and other precious metals royalties. Other includes the Joaquin project, Martha mine, corporate headquarters, elimination of intersegment transactions, and other items necessary to reconcile to consolidated amounts.

Financial information relating to the Company’s segments is as follows (in thousands):

| Three months ended September 30, 2014 | Palmarejo Mine | San Bartolomé Mine | Kensington Mine | Rochester Mine | La Preciosa | Coeur Capital | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | |
| Metal sales | $61,376 | $28,350 | $45,922 | $32,362 | $— | $2,367 | $— | $170,377 |
| Royalties | — | — | — | — | — | 561 | — | 561 |
| | 61,376 | 28,350 | 45,922 | 32,362 | — | 2,928 | — | 170,938 |
| Costs and Expenses | | | | | | | | |
| Costs applicable to sales[1] | 45,988 | 20,447 | 34,668 | 23,718 | — | 1,089 | — | 125,910 |
| Amortization | 16,493 | 5,117 | 12,887 | 5,359 | 22 | 1,563 | 544 | 41,985 |
| Exploration | 2,615 | (19) | 2,638 | 127 | 20 | 150 | 1,056 | 6,587 |
| Other operating expenses | 340 | 180 | 202 | (87) | 2,338 | 342 | 9,444 | 12,759 |
| Other income (expense) | | | | | | | | |
| Interest income and other, net | 284 | 583 | — | 39 | (209) | (1,480) | (520) | (1,303) |
| Interest expense, net | (2,126) | (10) | (70) | (250) | — | — | (9,160) | (11,616) |
| Fair value adjustments, net | 8,771 | — | — | 4,345 | — | — | 2,989 | 16,105 |
| | 11,562 | (2,969) | — | (210) | 5,305 | 214 | 2,681 | 16,583 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Income and mining tax (expense) benefit | | | | | | | | |
| Net income (loss) | $14,431 | $229 | $(4,543) | $7,169 | $2,716 | $(1,482) | $(15,054) | $3,466 |
| Segment assets[2] | $1,111,829 | $304,644 | $315,959 | $208,284 | $412,202 | $67,934 | $126,932 | $2,547,784 |
| Capital expenditures | $5,857 | $2,783 | $3,610 | $4,194 | $62 | $— | $278 | $16,784 |

(1) Excludes amortization

(2) Segment assets include receivables, prepaids, inventories, property, plant and equipment, and mineral interests

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

| Three months ended September 30, 2013 | Palmarejo Mine | San Bartolomé Mine | Kensington Mine | Rochester Mine | La Preciosa | Coeur Capital | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | |
| Metal sales | $104,524 | $28,819 | $38,927 | $24,259 | $— | $4,296 | $— | $200,825 |
| Royalties | — | — | — | — | — | — | — | — |
| | 104,524 | 28,819 | 38,927 | 24,259 | — | 4,296 | — | 200,825 |
| Costs and Expenses | | | | | | | | |
| Costs applicable to sales[1] | 66,839 | 17,673 | 27,484 | 17,938 | — | 1,871 | — | 131,805 |
| Amortization | 33,475 | 4,788 | 18,086 | 2,518 | 11 | 898 | 321 | 60,097 |
| Exploration | 860 | (3) | 1,496 | 625 | (645) | 184 | 788 | 3,305 |
| Litigation settlement | — | — | — | — | — | — | — | — |
| Other operating expenses | 179 | 2,090 | 98 | 515 | 1,933 | (144) | 16,301 | 20,972 |
| Other income (expense) | | | | | | | | |
| Interest income and other, net | (2,281) | 582 | — | 60 | (71) | 26 | (977) | (2,661) |
| Interest expense, net | (2,925) | (12) | (51) | (5) | — | (1) | (6,668) | (9,662) |
| Fair value adjustments, net | (15,260) | — | (2,952) | (2,363) | — | — | (71) | (20,646) |
| Income and mining tax (expense) benefit | 1,564 | (4,648) | — | 78 | (20) | (604) | 5,688 | 2,058 |
| Net income (loss) | $(15,731) | $193 | $(11,240) | $433 | $(1,390) | $908 | $(19,438) | $(46,265) |
| Segment assets[2] | $1,825,599 | $289,274 | $481,613 | $161,993 | $410,085 | $27,938 | $115,666 | $3,312,168 |
| Capital expenditures | $10,290 | $4,166 | $4,934 | $12,267 | $358 | $— | $711 | $32,726 |

(1) Excludes amortization
(2) Segment assets include receivables, prepaids, inventories, property, plant and equipment, and mineral interests

| Nine months ended September 30, 2014 | Palmarejo Mine | San Bartolomé Mine | Kensington Mine | Rochester Mine | La Preciosa | Coeur Capital | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | |
| Metal sales | $201,809 | $84,983 | $111,000 | $87,710 | $— | $7,227 | $— | $492,729 |
| Royalties | — | — | — | — | — | 2,404 | — | 2,404 |
| | 201,809 | 84,983 | 111,000 | 87,710 | — | 9,631 | — | 495,133 |
| Costs and Expenses | | | | | | | | |
| Costs applicable to sales[1] | 139,113 | 60,042 | 86,417 | 62,806 | — | 3,114 | — | 351,492 |
| Amortization | 53,196 | 14,430 | 35,162 | 14,835 | 63 | 4,685 | 1,463 | 123,834 |
| Exploration | 5,257 | 63 | 5,318 | 2,039 | 229 | 462 | 2,589 | 15,957 |
| Other operating expenses | 962 | 515 | 591 | 2,102 | 13,006 | 868 | 33,784 | 51,828 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Other income (expense) | | | | | | | | |
| Interest income and other, net | (2,489) | 1,957 | 4 | 90 | (226) | (4,988) | (1,275) | (6,927) |
| Interest expense, net | (7,721) | (42) | (145) | (515) | — | — | (28,557) | (36,980) |
| Fair value adjustments, net | (6,454) | — | — | 1,835 | — | — | 1,008 | (3,611) |
| Income and mining tax (expense) benefit | 16,734 | (7,937) | — | (629) | 4,034 | (304) | 6,752 | 18,650 |
| Net income (loss) | $3,351 | $3,911 | $(16,629) | $6,709 | $(9,490) | $(4,790) | $(59,908) | $(76,846) |
| Segment assets[2] | $1,111,829 | $304,644 | $315,959 | $208,284 | $412,202 | $67,934 | $126,932 | $2,547,784 |
| Capital expenditures | $15,188 | $5,935 | $12,310 | $9,110 | $202 | $— | $1,331 | $44,076 |

(1) Excludes amortization

(2) Segment assets include receivables, prepaids, inventories, property, plant and equipment, and mineral interests

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

| Nine months ended September 30, 2013 | Palmarejo Mine | San Bartolomé Mine | Kensington Mine | Rochester Mine | La Preciosa | Coeur Capital | Other | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | | | | | | | | |
| Metal sales | $248,167 | $111,196 | $109,053 | $98,636 | $— | $10,757 | $(662) | $577,147 |
| Royalties | — | — | — | — | — | — | — | — |
| | 248,167 | 111,196 | 109,053 | 98,636 | — | 10,757 | (662) | 577,147 |
| Costs and Expenses | | | | | | | | |
| Costs applicable to sales[1] | 148,776 | 66,165 | 81,203 | 61,231 | — | 4,875 | — | 362,250 |
| Amortization | 97,641 | 14,252 | 44,531 | 6,360 | 12 | 2,950 | 940 | 166,686 |
| Exploration | 6,029 | 76 | 2,732 | 1,621 | 19 | 814 | 5,629 | 16,920 |
| Litigation | — | — | — | 32,046 | — | — | — | 32,046 |
| Other operating expenses | 520 | 6,045 | 510 | 3,454 | 2,082 | (320) | 41,097 | 53,388 |
| Other income (expense) | | | | | | | | |
| Interest income and other, net | (768) | 1,871 | 281 | 117 | (84) | 157 | (17,187) | (15,613) |
| Interest expense, net | (10,853) | (59) | (405) | (16) | — | (1) | (18,990) | (30,324) |
| Fair value adjustments, net | 60,234 | — | 7,626 | (2,363) | — | — | (1,592) | 63,905 |
| Income and mining tax (expense) benefit | (17,383) | (13,482) | (1) | (1,186) | (20) | (1,112) | 324 | (32,860) |
| Net income (loss) | $26,431 | $12,988 | $(12,422) | $(9,524) | $(2,217) | $1,482 | $(85,773) | $(69,035) |
| Segment assets[2] | $1,825,599 | $289,274 | $481,613 | $161,993 | $410,085 | $27,938 | $115,666 | $3,312,168 |
| Capital expenditures | $24,770 | $7,782 | $15,670 | $22,161 | $1,093 | $— | $1,278 | $72,754 |

(1) Excludes amortization
(2) Segment assets include receivables, prepaids, inventories, property, plant and equipment, and mineral interests

| In thousands | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Assets | | |
| Total assets for reportable segments | $2,547,784 | $2,595,408 |
| Cash and cash equivalents | 245,925 | 206,690 |
| Short term investments | 49,520 | — |
| Other assets | 72,095 | 83,880 |
| Total consolidated assets | $2,915,324 | $2,885,978 |

Geographic Information

| In thousands | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Long Lived Assets | | |
| United States | $392,225 | $384,626 |
| Australia | 22,949 | 25,668 |

| | | |
|---|---|---|
| Argentina | 94,435 | 94,705 |
| Bolivia | 226,495 | 235,085 |
| Mexico | 1,452,739 | 1,487,228 |
| Other Foreign Countries | 15,335 | 10,462 |
| Total | $2,204,178 | $2,237,774 |

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| In thousands | 2014 | 2013 | 2014 | 2013 |
| Revenue | | | | |
| United States | $78,284 | $63,186 | $198,710 | $207,689 |
| Mexico | 61,684 | 104,524 | 202,851 | 248,167 |
| Bolivia | 28,350 | 28,819 | 84,983 | 111,196 |
| Australia | 2,367 | 4,296 | 7,227 | 10,757 |
| Other | 253 | — | $1,362 | $(662) |
| Total | $170,938 | $200,825 | $495,133 | $577,147 |

NOTE 4 – RECLAMATION

Reclamation and mine closure costs are based principally on legal and regulatory requirements. Management estimates costs associated with reclamation of mining properties as well as remediation costs for inactive properties. The Company uses assumptions about future costs, mineral prices, mineral processing recovery rates, production levels, capital costs and reclamation costs. On an ongoing basis, management evaluates its estimates and assumptions, and future expenditures could differ from current estimates.

Changes to the Company's asset retirement obligations (included in Reclamation) are as follows:

| In thousands | Nine months ended September 30, | |
|---|---|---|
| | 2014 | 2013 |
| Asset retirement obligation - Beginning | $57,454 | $34,456 |
| Accretion | 4,205 | 2,277 |
| Additions and changes in estimates | — | 19,542 |
| Settlements | (470) | (502) |
| Asset retirement obligation - Ending | $61,189 | $55,773 |

The Company has accrued $0.5 million and $1.0 million at September 30, 2014 and December 31, 2013, respectively, for reclamation liabilities related to former mining activities. These amounts are also included in Reclamation.

NOTE 5 – STOCK-BASED COMPENSATION

The Company has stock incentive plans for executives and eligible employees. Stock awards include stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, and performance share units. Stock-based compensation expense for the three months ended September 30, 2014 and 2013 was $2.5 million and $0.4 million, respectively. Stock-based compensation expense for the nine months ended September 30, 2014 and 2013 was $7.5 million and $3.1 million, respectively. At September 30, 2014, there was $11.6 million of unrecognized stock-based compensation cost expected to be recognized over a period of 1.7 years.

The following table summarizes the grants awarded during the nine months ended September 30, 2014:

| Grant date | Restricted stock | Grant date fair value of restricted stock | Stock options | Grant date fair value of stock options | Performance shares | Grant date fair value of performance shares |
|---|---|---|---|---|---|---|
| January 17, 2014 | 243,351 | $ 11.12 | 32,417 | $4.39 | 345,833 | $ 12.65 |
| March 26, 2014 | 435,208 | $ 9.31 | 382,755 | $3.74 | — | $— |

The following options and stock appreciation rights were exercisable during the nine months ended September 30, 2014:

| Award Type | Number of Exercised Units | Weighted Average Exercised Price | Number of Exercisable Units | Weighted Average Exercisable Price |
|---|---|---|---|---|

| | | | | |
|---|---|---|---|---|
| Options | — | $ — | 168,775 | $ 25.12 |
| Stock Appreciation Rights | — | $ — | 46,572 | $ 14.06 |

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NOTE 6 – RETIREMENT SAVINGS PLAN

The Company has a 401(k) retirement savings plan that covers all eligible U.S. employees. Eligible employees may elect to contribute up to 75% of base salary, subject to ERISA limitations. The Company makes matching contributions equal to 100% of the employee's contribution up to 4% of the employee's salary. The Company also provides a voluntary, noncontributory defined contribution based on a percentage of eligible employee's salary. Total plan expenses recognized for the three and nine months ended September 30, 2014 and 2013 were $1.4 million and $1.1 million, and $4.4 million and $3.2 million, respectively.

NOTE 7 – INCOME AND MINING TAXES

The following table summarizes the components of Income and mining tax (expense) benefit for the three and nine months ended September 30, 2014 and 2013 by significant location:

| | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2014 | | 2013 | |
| In thousands | Income (loss) before tax | Tax (expense) benefit | Income (loss) before tax | Tax (expense) benefit | Income (loss) before tax | Tax (expense) benefit | Income (loss) before tax | Tax (expense) benefit |
| United States | $(14,954) | $739 | $(33,250) | $5,259 | $(75,168) | $447 | $(95,146) | $718 |
| Argentina | (935) | 1,539 | (2,092) | 6 | (3,828) | 5,622 | (9,073) | (38) |
| Mexico | (283) | 17,003 | (18,969) | 1,885 | (28,999) | 20,831 | 39,787 | (17,586) |
| Bolivia | 3,199 | (2,969) | 4,842 | (4,598) | 11,848 | (7,937) | 26,470 | (13,482) |
| Other jurisdictions | (144) | 271 | 1,146 | (494) | 651 | (313) | 1,787 | (2,472) |
| | $(13,117) | $16,583 | $(48,323) | $2,058 | $(95,496) | $18,650 | $(36,175) | $(32,860) |

The income tax provision for the three and nine months ended September 30, 2014 differs from the statutory rate primarily due to (i) a full valuation allowance against the deferred tax assets relating to losses incurred in the United States and certain foreign locations, (ii) the impact of foreign exchange adjustments on deferred tax account balances, reserves for uncertain tax positions, and foreign earnings not considered as permanently reinvested with respect to certain foreign locations, and (iii) differences in foreign tax rates in the Company's foreign locations. In conjunction with these items, the Company's consolidated effective income tax rate is a function of the combined effective tax rates in the jurisdictions in which it operates. Variations in the relative proportions of jurisdictional income and loss result in significant fluctuations in its consolidated effective tax rate.

The Company has U.S. net operating loss carryforwards which expire in 2019 through 2033. Net operating losses in foreign countries have an indefinite carryforward period, except in Mexico where net operating loss carryforwards are limited to ten years.

NOTE 8 – NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock.

For the three months ended September 30, 2014 and 2013, 1,387,957 and 814,235 shares, respectively, of common stock equivalents related to equity-based awards were not included in the diluted per share calculation as the shares would be antidilutive. For the nine months ended September 30, 2014 and 2013, 2,008,749 and 998,830 shares, respectively, of common stock equivalents related to equity-based awards were not included in the diluted per share calculation as the shares would be antidilutive.

The 3.25% Convertible Senior Notes were not included in the computation of diluted net income (loss) per share for the three and nine months ended September 30, 2014 and 2013 because there is no excess value upon conversion over the principal amount of the Notes.

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| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| In thousands except per share amounts | 2014 | 2013 | 2014 | 2013 |
| Net income (loss) available to common stockholders | $3,466 | $(46,265) | $(76,846) | $(69,035) |
| Weighted average shares: | | | | |
| Basic | 102,470 | 100,778 | 102,427 | 96,893 |
| Effect of stock-based compensation plans | 91 | — | — | — |
| Diluted | 102,561 | 100,778 | 102,427 | 96,893 |
| Income (loss) per share: | | | | |
| Basic | $0.03 | $(0.46) | $(0.75) | $(0.71) |
| Diluted | $0.03 | $(0.46) | $(0.75) | $(0.71) |

NOTE 9 – FAIR VALUE MEASUREMENTS

The following table presents the components of Fair value adjustments, net:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| In thousands | 2014 | 2013 | 2014 | 2013 |
| Palmarejo royalty obligation embedded derivative | $8,736 | $(15,279) | $(6,560) | $60,216 |
| Rochester net smelter royalty obligation | 4,345 | (2,363) | 1,835 | (2,363) |
| Silver and gold options | 3,081 | (3,104) | 213 | 7,474 |
| Foreign exchange contracts | (57) | 100 | 901 | (1,422) |
| Fair value adjustments, net | $16,105 | $(20,646) | $(3,611) | $63,905 |

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

| | |
|---|---|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities; |
| Level 2 | Quoted market prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and |
| Level 3 | Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity). |

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis (at least annually) by level within the fair value hierarchy. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

| | Fair Value at September 30, 2014 | | | |
|---|---|---|---|---|
| In thousands | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Short-term investments | $49,520 | $49,520 | $— | $— |
| Marketable equity securities | 9,162 | 9,162 | — | — |
| Silver and gold options | 4,939 | — | 4,939 | — |
| | $63,621 | $58,682 | $4,939 | $— |
| Liabilities: | | | | |
| Palmarejo royalty obligation embedded derivative | $30,261 | $— | $— | $30,261 |
| Rochester net smelter royalty obligation | 18,268 | — | — | 18,268 |
| Silver and gold options | 1,331 | — | 1,331 | — |
| Other derivative instruments, net | 501 | — | 501 | — |
| | $50,361 | $— | $1,832 | $48,529 |

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| | Fair Value at December 31, 2013 | | | |
|---|---|---|---|---|
| In thousands | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Marketable equity securities | $14,521 | $14,521 | $— | $— |
| Silver and gold options | 135 | — | 135 | — |
| | $14,656 | $14,521 | $135 | $— |
| Liabilities: | | | | |
| Palmarejo royalty obligation embedded derivative | $40,338 | $— | $— | $40,338 |
| Rochester net smelter royalty obligation | 21,630 | — | — | 21,630 |
| Other derivative instruments, net | 1,591 | — | 1,591 | — |
| | $63,559 | $— | $1,591 | $61,968 |

The Company’s short-term investments are readily convertible to cash. The Company’s investments in marketable equity securities are recorded at fair market value in the financial statements based on quoted market prices, which are accessible at the measurement date for identical assets. Such instruments are classified within Level 1 of the fair value hierarchy.

The Company’s silver and gold options and other derivative instruments, net, which relate to concentrate sales contracts and foreign exchange contracts, are valued using pricing models, which require inputs that are derived from observable market data, including contractual terms, forward market prices, yield curves, and credit spreads. The model inputs can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy.

The estimated fair value of the Palmarejo royalty obligation embedded derivative and Rochester net smelter royalty obligation was estimated based on observable market data including contractual terms, forward silver and gold prices, yield curves and credit spreads. The Company’s current mine plans are a significant input used in the estimated fair value of the Palmarejo royalty obligation embedded derivative and Rochester net smelter royalty obligation and is considered company specific and unobservable. Therefore, the Company has classified the Palmarejo royalty obligation embedded derivative and Rochester net smelter royalty obligation as Level 3 financial liabilities. Based on the current mine plans, expected royalty durations of 1.7 years and 4.3 years were used to estimate the fair value of the Palmarejo royalty obligation embedded derivative and Rochester net smelter royalty obligation, respectively, at September 30, 2014.

No assets or liabilities were transferred between fair value levels in the three and nine months ended September 30, 2014.

The following tables present the changes in the fair value of the Company's Level 3 financial liabilities for the three and nine months ended September 30, 2014:

| | Three months ended September 30, 2014 | | | |
|---|---|---|---|---|
| In thousands | Balance at the beginning of the period | Revaluation | Settlements | Balance at the end of the period |
| Palmarejo royalty obligation embedded derivative | $43,960 | $(8,736) | $(4,963) | $30,261 |
| Rochester net smelter royalty obligation | 23,656 | (4,345) | (1,043) | 18,268 |

| | Nine months ended September 30, 2014 | | | |
|---|---|---|---|---|
| In thousands | Balance at the beginning of the period | Revaluation | Settlements | Balance at the end of the period |
| Palmarejo royalty obligation embedded derivative | $40,338 | $6,560 | $(16,637) | $30,261 |
| Rochester net smelter royalty obligation | 21,630 | (1,835) | (1,527) | 18,268 |

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The fair value of financial assets and liabilities carried at book value in the financial statements at September 30, 2014 and December 31, 2013 is presented in the following table:

| | September 30, 2014 | | | | |
|---|---|---|---|---|---|
| In thousands | Book Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Liabilities: | | | | | |
| 3.25% Convertible Senior Notes due 2028 | $5,334 | $5,187 | $— | $5,187 | $— |
| 7.875% Senior Notes due 2021 | 440,075 | 408,156 | — | 408,156 | — |
| Palmarejo gold production royalty obligation | 38,137 | 44,931 | — | — | 44,931 |
| | December 31, 2013 | | | | |
| In thousands | Book Value | Fair Value | Level 1 | Level 2 | Level 3 |
| Liabilities: | | | | | |
| 3.25% Convertible Senior Notes due 2028 | $5,334 | $5,067 | $5,067 | $— | $— |
| 7.875% Senior Notes due 2021 | 300,000 | 307,314 | 307,314 | — | — |
| Palmarejo gold production royalty obligation | 51,193 | 65,212 | — | — | 65,212 |

The fair value at September 30, 2014 and December 31, 2013 of the 3.25% Convertible Senior Notes and 7.875% Senior Notes outstanding were estimated using quoted market prices. The fair value of debt was transferred to Level 2 from Level 1 of the fair value hierarchy at March 31, 2014 due to observability of quoted market prices.

The fair value of the Palmarejo gold production royalty obligation is estimated based on observable market data including contractual terms, forward silver and gold prices, yield curves, and credit spreads. The Company’s current mine plan is a significant input used in the estimated fair value of the Palmarejo gold production royalty obligation and is considered company specific and unobservable. Therefore, the Company has classified the Palmarejo gold production royalty obligation as a Level 3 financial liability. Based on the current mine plan, an expected royalty duration of 1.7 years was used to estimate the fair value of the Palmarejo gold production royalty obligation as of September 30, 2014.

NOTE 10 – DERIVATIVE FINANCIAL INSTRUMENTS

Palmarejo Gold Production Royalty

On January 21, 2009, the Company's subsidiary, Coeur Mexicana S.A. de C.V. ("Coeur Mexicana"), entered into a gold production royalty agreement with a subsidiary of Franco-Nevada Corporation. The royalty covers 50% of the life of mine production from the Palmarejo mine and adjacent properties. The royalty transaction includes a minimum obligation of 4,167 gold ounces per month and terminates when payments of 400,000 gold ounces have been made. At September 30, 2014, a total of 97,416 gold ounces remain outstanding under the original obligation.

The price volatility associated with the minimum royalty obligation is considered an embedded derivative. The Company is required to recognize the change in fair value of the remaining minimum obligation due to changing gold prices. Unrealized gains are recognized in periods when the gold price has decreased from the previous period and unrealized losses are recognized in periods when the gold price increases. The fair value of the embedded derivative is reflected net of the Company's current credit adjusted risk free rate, which was 7.8% and 5.7% at September 30, 2014 and December 31, 2013, respectively. The fair value of the embedded derivative at September 30, 2014 and December 31, 2013 was a liability of $30.3 million and $40.3 million, respectively. For the three months ended September 30, 2014 and 2013, the mark-to-market adjustments were gains of $8.7 million and losses of $15.3 million, respectively. For the nine months ended September 30, 2014 and 2013, the mark-to-market adjustments were losses of $6.6 million and gains of $60.2 million, respectively.

Payments on the royalty obligation decrease the carrying amount of the minimum obligation and the derivative liability. Each monthly payment is an amount equal to the greater of the minimum of 4,167 ounces of gold or 50% of the actual gold production per month multiplied by the excess of the monthly average market price of gold above $408 per ounce, subject to a 1% annual inflation adjustment. For the three months ended September 30, 2014 and 2013, realized losses on settlement of the liabilities were $5.0 million and $5.6 million, respectively. For the nine months ended September 30, 2014 and 2013, realized losses on settlement of the liabilities were $16.6 million and $22.9 million, respectively. The mark-to-market adjustments and realized losses are included in Fair value adjustments, net.

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Foreign Exchange Contracts

The Company periodically enters into foreign currency derivative contracts to reduce the foreign exchange risk associated with Mexican peso ("MXN") operating costs at its Palmarejo mine. At September 30, 2014, the Company had outstanding call and put option contracts, or collars, on $15.0 million with a weighted-average strike price of 12.65 MXN for the floor and 14.83 MXN for the ceiling. The fair value of these contracts was nil at September 30, 2014. At December 31, 2013, the Company had MXN foreign exchange forward contracts on $12.0 million in U.S. dollars. These contracts required the Company to exchange U.S. dollars for MXN at a weighted average exchange rate of 12.21 MXN to each U.S. dollar and the fair value of those contracts was a liability of $0.9 million at December 31, 2013. In addition, at December 31, 2013, the Company had outstanding collars on $45.0 million with a weighted-average strike price of 12.60 MXN for the floor and 14.80 MXN for the ceiling. The fair value of these contracts was nil at December 31, 2013.

The Company recorded $0.1 million of mark-to-market losses for the three months ended September 30, 2014 and mark-to-market gains of $0.1 million for the three months ended September 30, 2013 on the MXN forward contracts and collars. For the nine months ended September 30, 2014 and 2013, the Company recorded mark-to-market gains of $0.9 million and losses of $1.4 million, respectively, on MXN forward contracts and collars. These mark-to-market adjustments are reflected in Fair value adjustments, net.

The Company recorded no realized gains or losses and realized losses of $0.1 million in Costs applicable to sales during the three months ended September 30, 2014 and 2013, respectively. For the nine months ended September 30, 2014 and 2013, the Company recorded realized losses of $0.9 million and realized gains of $0.7 million in Costs applicable to sales.

Concentrate Sales Contracts

The Company's concentrate sales to third-party smelters, in general, provide for a provisional payment based upon preliminary assays and forward metal prices. The provisionally priced sales contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of concentrates at the forward price at the time of sale. The embedded derivatives do not qualify for hedge accounting and are marked to market through earnings each period until final settlement. Changes in silver and gold prices resulted in provisional pricing mark-to-market losses of $0.7 million and $0.2 million in the three and nine months ended September 30, 2014, respectively, compared to mark-to-market gains of $0.7 million and losses of $2.0 million in the three and nine months ended September 30, 2013, respectively. At September 30, 2014, the Company had outstanding provisionally priced sales of 0.1 million ounces of silver and 32,879 ounces of gold at prices of $18.87 and $1,253, respectively.

Silver and Gold Options

At September 30, 2014, the Company has outstanding put spread contracts on 2,500,000 ounces of silver and 49,000 ounces of gold. The weighted average high and low strike prices on the silver put spreads are $18.00 per ounce and $16.00 per ounce, respectively. The weighted average high and low strike prices on the gold put spreads are $1,200 and $1,050, respectively.

If the market price of silver and gold were to average less than the high strike price but more than the low strike price during the contract period, the Company would receive the difference between the average market price and the high strike price for the contracted volume over the contract period. If the market price of silver and gold were to average less than the low strike price during the contract period, the Company would receive the difference between the average market price and the high strike price for the contracted volume over the contract period, and the Company would be required to pay the difference between the average market price and the low strike price for the contracted volume over the contract period.

The put spread contracts are generally net cash settled and expire during the remainder of 2014 and the first quarter of 2015. At September 30, 2014, the fair market value of the put spreads was a net asset of $3.6 million.

At December 31, 2013, the Company had outstanding put options allowing it to net settle 25,000 ounces of gold and 1,250,000 ounces of silver at weighted average prices of $1,150 per ounce and $17.00 per ounce, respectively, if the market price of gold or silver were to average less than the strike price during the contract period. At December 31,

2013, the fair market value of these contracts was a net asset of $0.1 million.

During the three months ended September 30, 2014 and 2013, the Company recorded unrealized gains of $3.1 million and unrealized losses of $3.1 million, respectively, related to outstanding options which was included in Fair value adjustments, net. The Company also recognized realized losses of $0.9 million and $0.4 million resulting from expiring and terminated contracts during the three months ended September 30, 2014 and 2013, respectively.

During the nine months ended September 30, 2014 and 2013, the Company recorded unrealized gains of $0.2 million and unrealized gains of $7.5 million, respectively, related to outstanding options which was included in Fair value adjustments, net. The Company also recognized realized losses of $1.3 million and $1.4 million resulting from expiring and terminated contracts during the nine months ended September 30, 2014 and 2013, respectively.

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At September 30, 2014, the Company had the following derivative instruments that settle in each of the years indicated:

| In thousands except average prices and notional ounces | 2014 | 2015 | 2016 | Thereafter |
|---|---|---|---|---|
| Palmarejo gold production royalty | $13,571 | $40,516 | $24,778 | $— |
| Average gold price in excess of minimum contractual deduction | $814 | $808 | $810 | $— |
| Notional ounces | 16,668 | 50,153 | 30,595 | — |
| | | | | |
| Mexican peso put options purchased | $15,000 | $— | $— | $— |
| Average rate (MXN/$) | 14.83 | — | — | — |
| Mexican peso notional amount | 222,450 | — | — | — |
| | | | | |
| Mexican peso call options sold | $15,000 | $— | $— | $— |
| Average rate (MXN/$) | 12.65 | — | — | — |
| Mexican peso notional amount | 189,750 | — | — | — |
| | | | | |
| Silver concentrate sales contracts | $2,360 | $— | $— | $— |
| Average silver price | $18.87 | $— | $— | $— |
| Notional ounces | 125,078 | — | — | — |
| | | | | |
| Gold concentrate sales contracts | $41,197 | $— | $— | $— |
| Average gold price | $1,253 | $— | $— | $— |
| Notional ounces | 32,879 | — | — | — |
| | | | | |
| Gold put options purchased | $30,000 | $28,800 | $— | $— |
| Average gold strike price | $1,200 | $1,200 | $— | $— |
| Notional ounces | 25,000 | 24,000 | — | — |
| | | | | |
| Silver put options purchased | $22,500 | $22,500 | $— | $— |
| Average silver strike price | $18.00 | $18.00 | $— | $— |
| Notional ounces | 1,250,000 | 1,250,000 | — | — |
| | | | | |
| Gold put options sold | $(26,250) | $(25,200) | $— | $— |
| Average gold strike price | $1,050 | $1,050 | $— | $— |
| Notional ounces | 25,000 | 24,000 | — | — |
| | | | | |
| Silver put options sold | $(20,000) | $(20,000) | $— | $— |
| Average silver strike price | $16.00 | $16.00 | $— | $— |
| Notional ounces | 1,250,000 | 1,250,000 | — | — |

The following summarizes the classification of the fair value of the derivative instruments:

| | September 30, 2014 | | | |
|---|---|---|---|---|
| In thousands | Prepaid expenses and other | Accrued liabilities and other | Current portion of royalty obligation | Non-current portion of royalty obligation |
| Foreign exchange contracts, peso | $— | $8 | $— | $— |
| Palmarejo gold production royalty | — | — | 16,451 | 13,810 |
| Silver and gold options | 4,939 | 1,331 | — | — |

| | | | | |
|---|---|---|---|---|
| Concentrate sales contracts | 23 | 516 | — | — |
| | $4,962 | $1,855 | $16,451 | $13,810 |

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| | December 31, 2013 | | | |
|---|---|---|---|---|
| | Prepaid expenses and other | Accrued liabilities and other | Current portion of royalty obligation | Non-current portion of royalty obligation |
| Foreign exchange contracts, peso | $38 | $947 | $— | $— |
| Palmarejo gold production royalty | — | — | 17,650 | 22,688 |
| Silver and gold options | 135 | — | — | — |
| Concentrate sales contracts | 11 | 693 | — | — |
| | $184 | $1,640 | $17,650 | $22,688 |

The following represent mark-to-market gains (losses) on derivative instruments for the three and nine months ended September 30, 2014, and 2013 (in thousands):

| | | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|---|
| Financial statement line | Derivative | 2014 | 2013 | 2014 | 2013 |
| Sales of metal | Concentrate sales contracts | $(684) | $718 | $(188) | $(2,037) |
| Costs applicable to sales | Foreign exchange contracts | — | (99) | (924) | 732 |
| Fair value adjustments, net | Foreign exchange contracts | (57) | 100 | 901 | (1,422) |
| Fair value adjustments, net | Palmarejo gold royalty | 8,736 | (15,279) | (6,560) | 60,216 |
| Fair value adjustments, net | Silver and gold options | 3,081 | (3,104) | 213 | 7,474 |
| | | $11,076 | $(17,664) | $(6,558) | $64,963 |

Credit Risk

The credit risk exposure related to any derivative instrument is limited to the unrealized gains, if any, on outstanding contracts based on current market prices. To reduce counter-party credit exposure, the Company enters into contracts with financial institutions management deems credit worthy and limits credit exposure to each institution. The Company does not anticipate non-performance by any of its counterparties. In addition, to allow for situations where derivative positions may need to be revised, the Company transacts only in markets that management considers highly liquid.

NOTE 11 – ACQUISITIONS

On July 2, 2014, the Company acquired a pre-existing 3% net smelter royalty on the La Preciosa silver-gold project for $12.0 million.

On May 27, 2014, the Company's subsidiary, Coeur Capital, Inc., entered into a net smelter royalty agreement with International Northair Mines, Ltd. ("Northair"). Pursuant to the agreement, the Company paid $2.2 million cash on May 27, 2014 for a 1.25% net smelter royalty and $1.8 million on September 2, 2014 for an additional 1.25% net smelter royalty payable on future production from Northair's La Cigarra silver project located in north central Mexico.

On April 16, 2013, the Company completed its acquisition of Orko Silver Corporation (“Orko”). As a result of the acquisition, the Company owns the La Preciosa silver-gold project in the state of Durango, Mexico. The transaction was accounted for as a purchase of mineral interests since La Preciosa is a development stage project.

| Total consideration paid (in thousands): | |
|---|---|
| Common shares issued (11,572,918 at $14.98) | $173,363 |
| Cash | 99,059 |
| Warrants (1,588,768 valued at $3.64 per warrant) | 5,777 |
| Transaction advisory fees and other acquisition costs | 17,642 |

| | |
|---|---|
| Total purchase price | 295,841 |
| Current liabilities | 2,616 |
| Deferred income taxes | 114,339 |
| Total liabilities assumed | 116,955 |
| Total consideration | $412,796 |

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| Estimated fair value of the assets acquired (in thousands): | |
|---|---|
| Cash | $3,487 |
| Other current assets | 635 |
| Mineral interests | 408,352 |
| Other assets | 322 |
| Total assets acquired | $412,796 |

NOTE 12 – INVESTMENTS

The Company invests part of its cash balances in a managed portfolio of liquid investments, including highly-rated corporate bonds, classified as short-term investments. The Company also invests in marketable equity securities of silver and gold exploration and development companies. These investments are classified as available-for-sale and are measured at fair value in the financial statements with unrealized gains and losses recorded in Other comprehensive income (loss).

| | At September 30, 2014 | | | |
|---|---|---|---|---|
| In thousands | Cost | Gross Unrealized Losses | Gross Unrealized Gains | Estimated Fair Value |
| Short-term investments | $49,559 | $(44) | $5 | $49,520 |
| Marketable equity securities | 9,678 | (786) | 270 | 9,162 |

| | At December 31, 2013 | | | |
|---|---|---|---|---|
| In thousands | Cost | Gross Unrealized Losses | Gross Unrealized Gains | Estimated Fair Value |
| Marketable equity securities | $17,649 | $(3,300) | $172 | $14,521 |

The following table summarizes the gross unrealized losses on investment securities for which other-than-temporary impairments have not been recognized and the fair values of those securities, aggregated by the length of time the individual securities have been in a continuous unrealized loss position, at September 30, 2014:

| | Less than twelve months | | Twelve months or more | | Total | |
|---|---|---|---|---|---|---|
| In thousands | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value |
| Short-term investments | $(44) | $33,125 | $— | $— | $(44) | $33,125 |
| Marketable equity securities | $(107) | $1,904 | $(679) | $1,365 | $(786) | $3,269 |

The Company recognized net of tax unrealized losses of $1.1 million and unrealized gains of $0.3 million in the three months ended September 30, 2014 and 2013, respectively, and net of tax unrealized losses of $1.5 million and $10.8 million in the nine months ended September 30, 2014 and 2013, respectively, in Other comprehensive income (loss). The Company performs a quarterly assessment on each of its marketable securities with unrealized losses to determine if the security is other than temporarily impaired. The Company recorded other-than-temporary impairment losses of $1.1 million and $0.9 million in the three months ended September 30, 2014 and 2013, respectively, and $4.6 million and $18.1 million in the nine months ended September 30, 2014 and 2013, respectively.

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 13 – RECEIVABLES

Receivables consist of the following:

| In thousands | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Current receivables: | | |
| Trade receivables | $8,371 | $17,303 |
| Income tax receivable | 7,837 | 6,240 |
| Value added tax receivable | 46,507 | 49,168 |
| Other | 4,884 | 8,363 |
| | $67,599 | $81,074 |
| Non-current receivables: | | |
| Value added tax receivable | $36,166 | $36,574 |
| Total Receivables | $103,765 | $117,648 |

NOTE 14 – INVENTORY AND ORE ON LEACH PADS

Inventory consists of the following:

| In thousands | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Inventory: | | |
| Concentrate | $11,465 | $14,855 |
| Precious metals | 50,637 | 52,250 |
| Supplies | 65,883 | 64,918 |
| | $127,985 | $132,023 |
| Ore on Leach Pads: | | |
| Current | $50,335 | $50,495 |
| Non-Current | 41,547 | 31,528 |
| | $91,882 | $82,023 |
| Total Inventory and Ore on Leach Pads | $219,867 | $214,046 |

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

| In thousands | September 30, 2014 | December 31, 2013 |
|---|---|---|
| Land | $1,764 | $1,764 |
| Facilities and equipment | 882,305 | 855,318 |
| Capital leases | 28,680 | 16,133 |
| | 912,749 | 873,215 |
| Accumulated amortization | (449,034) | (395,520) |
| | 463,715 | 477,695 |
| Construction in progress | 10,535 | 8,578 |
| Property, plant and equipment, net | $474,250 | $486,273 |

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 16 – MINING PROPERTIES

Mining properties consist of the following (in thousands):

| September 30, 2014 | Palmarejo | San Bartolomé | Kensington | Rochester | La Preciosa | Joaquin | Coeur Capital | Total |
|---|---|---|---|---|---|---|---|---|
| Mine development | $163,662 | $70,862 | $279,112 | $153,976 | $— | $— | $— | $667,612 |
| Accumulated amortization | (118,939) | (25,114) | (99,578) | (110,511) | — | — | — | (354,142) |
| | 44,723 | 45,748 | 179,534 | 43,465 | — | — | — | 313,470 |
| Mineral interests | 1,146,572 | 26,643 | — | — | 420,417 | 93,429 | 87,663 | 1,774,724 |
| Accumulated amortization | (325,348) | (9,797) | — | — | — | — | (23,121) | (358,266) |
| | 821,224 | 16,846 | — | — | 420,417 | 93,429 | 64,542 | 1,416,458 |
| Mining properties, net | $865,947 | $62,594 | $179,534 | $43,465 | $420,417 | $93,429 | $64,542 | $1,729,928 |

| December 31, 2013 | Palmarejo | San Bartolomé | Kensington | Rochester | La Preciosa | Joaquin | Coeur Capital | Total |
|---|---|---|---|---|---|---|---|---|
| Mine development | $151,845 | $70,761 | $268,351 | $150,348 | $— | $— | $— | $641,305 |
| Accumulated amortization | (110,143) | (22,236) | (80,032) | (103,130) | — | — | — | (315,541) |
| | 41,702 | 48,525 | 188,319 | 47,218 | — | — | — | 325,764 |
| Mineral interests | 1,146,572 | 26,643 | — | — | 408,352 | 93,429 | 78,133 | 1,753,129 |
| Accumulated amortization | (300,187) | (8,759) | — | — | — | — | (18,446) | (327,392) |
| | 846,385 | 17,884 | — | — | 408,352 | 93,429 | 59,687 | 1,425,737 |
| Mining properties, net | $888,087 | $66,409 | $188,319 | $47,218 | $408,352 | $93,429 | $59,687 | $1,751,501 |

NOTE 17 – DEBT

Long-term debt and capital lease obligations at September 30, 2014 and December 31, 2013 are as follows:

| | September 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|
| In thousands | Current | Non-Current | Current | Non-Current |
| 3.25% Convertible Senior Notes due 2028 | $5,334 | $— | $— | $5,334 |
| 7.875% Senior Notes due 2021 | — | 440,075 | — | 300,000 |
| Capital lease obligations | 6,399 | 17,669 | 2,505 | 796 |
| | $11,733 | $457,744 | $2,505 | $306,130 |

7.875% Senior Notes due 2021

During the three months ended September 30, 2014, the Company repurchased $12.6 million in aggregate principal amount of its 7.875% Senior Notes due 2021 (the "Senior Notes"), resulting in a balance of $437.4 million at September 30, 2014.

On March 12, 2014, the Company completed a follow-on offering of $150 million in aggregate principal amount of its Senior Notes (the “Additional Notes”) in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (the “Securities Act”). The Additional Notes constitute a further issuance of the Original Notes (as defined below) and form a single series of debt securities with the Original Notes. Upon completion of Coeur’s offering of the Additional Notes, the aggregate principal amount of the outstanding Senior Notes was $450 million. The Company commenced an exchange offer for the Additional Notes on April 10, 2014 to exchange the Additional Notes for freely transferable notes containing substantially similar terms, in accordance with

the registration rights granted to the holders of the Additional Notes when they were issued. The exchange offer was consummated on May 9, 2014.

On January 29, 2013, the Company completed an offering of $300 million in aggregate principal amount of 7.875% Senior Notes due 2021 (the “Original Notes”) in a private placement conducted pursuant to the Securities Act. The Company commenced an exchange offer for the Original Notes on September 30, 2013 to exchange the Original Notes for freely transferable notes containing substantially similar terms, in accordance with the registration rights granted to the holders of the Original Notes when they were issued. The exchange offer was consummated on November 5, 2013.

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

3.25% Convertible Senior Notes due 2028

Per the indenture governing the 3.25% Convertible Senior Notes due 2028 (the "Convertible Notes"), the Company announced on February 13, 2013 that it was offering to repurchase all of the Convertible Notes. As of February 12, 2013, there was $48.7 million aggregate principal amount of Convertible Notes outstanding. The Company repurchased $43.3 million in aggregate principal amount, leaving a balance of $5.3 million at September 30, 2014. The Convertible Notes are classified as current liabilities at September 30, 2014 as a result of the holders' option to require the Company to repurchase the notes on March 15, 2015.

Revolving Credit Facility

On August 1, 2012, Coeur Alaska, Inc. and Coeur Rochester, Inc. (the "Borrowers"), each a wholly-owned subsidiary of the Company, entered into a Credit Agreement (as subsequently amended on January 16, 2014, the "Credit Agreement") by and among the Company, the Borrowers, the lenders party thereto and Wells Fargo Bank, N.A., as administrative agent. The Credit Agreement provided for a senior secured revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of up to $100.0 million, which principal amount may be increased, subject to receiving additional commitments therefor, by up to $50.0 million.

On March 20, 2014, the Borrowers notified the administrative agent that they were terminating the Revolving Credit Facility, effective March 25, 2014. The Company wrote off $3.0 million related to the termination of the Credit Agreement in the nine months ended September 30, 2014. No amounts were outstanding under the Revolving Credit Facility at the time of termination, and no early termination penalty was payable in connection with the termination.

Lines of Credit

At September 30, 2014, San Bartolomé had two outstanding lines of credit supporting value added tax recoveries in Bolivia. One line is for $7.0 million bearing interest at 2.75% per annum and the other line is for $4.0 million bearing interest at 3.0% per annum. There is no balance outstanding on the two lines of credit at September 30, 2014 and 2013, respectively.

Palmarejo Gold Production Royalty Obligation

On January 21, 2009, Coeur Mexicana entered into a gold production royalty transaction with a subsidiary of Franco-Nevada Corporation under which the subsidiary of Franco-Nevada Corporation purchased a royalty covering 50% of the life of mine gold to be produced from its Palmarejo silver and gold mine in Mexico.

The royalty agreement provides for a minimum obligation to be paid monthly on a total of 400,000 ounces of gold, or 4,167 ounces per month over an initial eight year period. Each monthly payment is an amount equal to the greater of 4,167 ounces of gold or 50% of actual gold production multiplied by the excess of the monthly average market price of gold above $408 per ounce, subject to a 1% annual inflation compounding adjustment. Payments under the royalty agreement are made in cash or gold bullion. During the three months ended September 30, 2014 and 2013, the Company paid $11.4 million and $12.6 million, respectively, and the Company paid $38.4 million and $43.5 million during the nine months ended September 30, 2014 and 2013, respectively. At September 30, 2014, payments had been made on a total of 302,584 ounces of gold with further payments to be made on an additional 97,416 ounces of gold.

On October 2, 2014, Coeur Mexicana terminated the Palmarejo gold production royalty in exchange for a termination payment of $2.0 million, effective upon completion of the minimum ounce delivery requirement. Subsequently, Coeur Mexicana entered into a gold stream agreement with a subsidiary of Franco-Nevada Corporation whereby Coeur Mexicana will sell 50% of Palmarejo gold production upon completion of the gold production royalty minimum ounce delivery requirement for the lesser of $800 or spot price per ounce. Under the gold stream agreement, Coeur Mexicana will receive an aggregate $22.0 million deposit toward future deliveries under the gold stream agreement, payable in five quarterly payments beginning in the first quarter 2015.

The Company used an implicit interest rate of 30.5% to discount the original royalty obligation, based on the fair value of the consideration received projected over the expected future cash flows at inception of the obligation. The discounted obligation is accreted to its expected future value over the expected minimum payment period based on the implicit interest rate. The Company recognized accretion expense for the three months ended September 30, 2014 and 2013 of $2.5 million and $4.0 million, respectively, and $8.6 million and $12.2 million for the nine months ended September 30, 2014 and 2013, respectively. At September 30, 2014 and December 31, 2013, the remaining minimum

obligation under the royalty agreement was $38.1 million and $51.2 million, respectively.

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

Interest Expense
Interest expense consists of the following:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| In thousands | 2014 | 2013 | 2014 | 2013 |
| 3.25% Convertible Senior Notes due 2028 | $43 | $43 | $130 | $423 |
| 7.875% Senior Notes due 2021 | 8,809 | 5,906 | 24,132 | 15,947 |
| Revolving Credit Facility | — | 176 | 179 | 434 |
| Loss on Revolving Credit Facility | — | — | 3,035 | — |
| Capital lease obligations | 334 | 89 | 726 | 355 |
| Other debt obligations | — | 18 | — | 287 |
| Accretion of Palmarejo gold production royalty obligation | 2,545 | 4,023 | 8,639 | 12,192 |
| Amortization of debt issuance costs | 415 | 540 | 1,333 | 1,604 |
| Accretion of debt (premium) discount | (107) | — | (252) | 576 |
| Capitalized interest | (423) | (1,133) | (942) | (1,494) |
| Total interest expense, net of capitalized interest | $11,616 | $9,662 | $36,980 | $30,324 |

NOTE 18 - SUPPLEMENTAL GUARANTOR INFORMATION
The following Condensed Consolidating Financial Statements are presented to satisfy disclosure requirements of Rule 3-10 of Regulation S-X resulting from the guarantees by Coeur Alaska, Inc., Coeur Explorations, Inc., Coeur Rochester, Inc., Coeur South America Corp., and Coeur Capital, Inc. (collectively, the “Subsidiary Guarantors”) of the $450 million aggregate principal amount of Senior Notes. The following schedules present Condensed Consolidating Financial Statements of (a) Coeur, the parent company; (b) the Subsidiary Guarantors; and (c) certain wholly owned domestic and foreign subsidiaries of the Company (collectively, the “Non-Guarantor Subsidiaries”). Each of the Subsidiary Guarantors is 100% owned by Coeur and the guarantees are full and unconditional. There are no restrictions on the ability of Coeur to obtain funds from its subsidiaries by dividend or loan.

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
THREE MONTHS ENDED SEPTEMBER 30, 2014

| In thousands | Coeur Mining, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenue | $— | $ 78,468 | $ 92,470 | $ — | $ 170,938 |
| COSTS AND EXPENSES | | | | | |
| Costs applicable to sales[1] | — | 58,386 | 67,524 | — | 125,910 |
| Amortization | 473 | 18,485 | 23,027 | — | 41,985 |
| General and administrative | 8,251 | 2 | 262 | — | 8,515 |
| Exploration | 1,056 | 2,915 | 2,616 | — | 6,587 |
| Pre-development, reclamation, and other | 180 | 115 | 3,949 | — | 4,244 |
| Total costs and expenses | 9,960 | 79,903 | 97,378 | — | 187,241 |
| OTHER INCOME (EXPENSE), NET | | | | | |
| Fair value adjustments, net | 2,990 | 4,345 | 8,770 | — | 16,105 |
| Impairment of marketable securities | — | (1,092) | — | — | (1,092) |
| Interest income and other, net | 1,006 | (325) | (165) | (727) | (211) |
| Interest expense, net of capitalized interest | (9,159) | (320) | (2,864) | 727 | (11,616) |
| Total other income (expense), net | (5,163) | 2,608 | 5,741 | — | 3,186 |
| Loss before income and mining taxes | (15,123) | 1,173 | 833 | — | (13,117) |
| Income and mining tax (expense) benefit | 950 | (210) | 15,843 | — | 16,583 |
| Total loss after income and mining taxes | (14,173) | 963 | 16,676 | — | 3,466 |
| Equity income (loss) in consolidated subsidiaries | 17,640 | 181 | — | (17,821) | — |
| NET INCOME (LOSS) | $3,467 | $ 1,144 | $ 16,676 | $ (17,821) | $ 3,466 |
| OTHER COMPREHENSIVE INCOME (LOSS), net of tax: | | | | | |
| Unrealized gain (loss) on marketable securities, net of tax | (1,087) | (1,071) | — | 1,072 | (1,086) |
| Reclassification adjustments for impairment of marketable securities | 669 | 669 | — | (669) | 669 |
| Reclassification adjustments for realized loss on sale of marketable securities | 221 | 221 | — | (221) | 221 |
| Other comprehensive income (loss) | (197) | (181) | — | 182 | (196) |
| COMPREHENSIVE INCOME (LOSS) | $3,270 | $ 963 | $ 16,676 | $ (17,639) | $ 3,270 |

(1) Excludes amortization.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
THREE MONTHS ENDED SEPTEMBER 30, 2013

| In thousands | Coeur Mining, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenue | $— | $ 63,187 | $ 137,638 | $ — | $ 200,825 |
| COSTS AND EXPENSES | | | | | |
| Costs applicable to sales[1] | — | 45,424 | 86,381 | — | 131,805 |
| Amortization | 244 | 20,606 | 39,247 | — | 60,097 |
| General and administrative | 15,622 | (143) | 761 | — | 16,240 |
| Exploration | 506 | 2,305 | 494 | — | 3,305 |

| | | | | | |
|---|---|---|---|---|---|
| Litigation settlement | — | — | — | — | — |
| Pre-development, reclamation, and other | — | 606 | 4,126 | — | 4,732 |
| Total costs and expenses | 16,372 | 68,798 | 131,009 | — | 216,179 |
| OTHER INCOME (EXPENSE), NET | | | | | |
| Fair value adjustments, net | (71) | (5,315) | (15,260) | — | (20,646) |
| Impairment of marketable securities | (870) | — | — | — | (870) |
| Interest income and other, net | 784 | 87 | (1,912) | (750) | (1,791) |
| Interest expense, net of capitalized interest | (6,665) | (56) | (3,691) | 750 | (9,662) |
| Total other income (expense), net | (6,822) | (5,284) | (20,863) | — | (32,969) |
| Loss before income and mining taxes | (23,194) | (10,895) | (14,234) | — | (48,323) |
| Income and mining tax (expense) benefit | 5,613 | (75) | (3,480) | — | 2,058 |
| Total loss after income and mining taxes | (17,581) | (10,970) | (17,714) | — | (46,265) |
| Equity income (loss) in consolidated subsidiaries | (28,684) | — | — | 28,684 | — |
| NET INCOME (LOSS) | $(46,265) | $(10,970) | $ (17,714) | $ 28,684 | $(46,265) |
| OTHER COMPREHENSIVE INCOME (LOSS), net of tax: | | | | | |
| Unrealized gain (loss) on marketable securities, net of tax | 301 | — | — | — | 301 |
| Reclassification adjustments for impairment of marketable securities | 870 | — | — | — | 870 |
| Reclassification adjustments for realized loss on sale of marketable securities | 136 | — | — | — | 136 |
| Other comprehensive income (loss) | 1,307 | — | — | — | 1,307 |
| COMPREHENSIVE INCOME (LOSS) | $(44,958) | $(10,970) | $ (17,714) | $ 28,684 | $(44,958) |

(1) Excludes amortization.

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
THREE MONTHS ENDED SEPTEMBER 30, 2014

| In thousands | Coeur Mining, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Cash provided by (used in) operating activities | $(7,802) | $26,470 | $ 30,419 | $(17,821) | 31,266 |
| CASH FLOWS FROM INVESTING ACTIVITIES | — | — | — | | |
| Capital expenditures | (278) | (7,805) | (8,701) | — | (16,784) |
| Purchase of short term investments and marketable securities | (2,089) | — | — | — | (2,089) |
| Sales and maturities of short term investments | — | 2,842 | 14 | — | 2,856 |
| Acquisitions | (12,005) | (1,824) | — | — | (13,829) |
| Other | — | — | 74 | — | 74 |
| Investments in consolidated subsidiaries | (11,641) | (180) | — | 11,821 | — |
| CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | (26,013) | (6,967) | (8,613) | 11,821 | (29,772) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Payments on long-term debt, capital leases, and associated costs | (12,398) | (666) | (210) | — | (13,274) |
| Gold production royalty payments | — | — | (11,351) | — | (11,351) |
| Net intercompany financing activity | 12,012 | (14,657) | (3,355) | 6,000 | — |
| Other | (77) | — | — | — | (77) |
| CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | (463) | (15,323) | (14,916) | 6,000 | (24,702) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (34,278) | 4,180 | 6,890 | — | (23,208) |
| Cash and cash equivalents at beginning of period | 211,664 | 899 | 56,570 | — | 269,133 |
| Cash and cash equivalents at end of period | $177,386 | $5,079 | $ 63,460 | $— | $245,925 |

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
THREE MONTHS ENDED SEPTEMBER 30, 2013

| In thousands | Coeur Mining, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Cash provided by (used in) operating activities | $(57,902) | $(2,282) | $ 57,186 | $29,802 | $26,804 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Capital expenditures | (711) | (17,201) | (14,814) | — | (32,726) |

| | | | | | |
|---|---|---|---|---|---|
| Purchase of short term investments and marketable securities | (1,307) | (27) | (1,355) | — | (2,689) |
| Sales and maturities of short term investments | — | 27 | — | — | 27 |
| Acquisitions | — | — | — | — | — |
| Other | (13) | — | (35) | — | (48) |
| Investments in consolidated subsidiaries | 29,802 | | — | (29,802) | — |
| CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 27,771 | (17,201) | (16,204) | (29,802) | (35,436) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Payments on long-term debt, capital leases, and associated costs | — | (665) | (1,159) | — | (1,824) |
| Gold production royalty payments | — | — | (12,619) | — | (12,619) |
| Share repurchases | (14,995) | | | — | (14,995) |
| Net intercompany financing activity | (9,917) | 19,824 | (9,907) | — | — |
| Other | (27) | — | — | — | (27) |
| CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | (24,939) | 19,159 | (23,685) | — | (29,465) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (55,070) | (324) | 17,297 | — | (38,097) |
| Cash and cash equivalents at beginning of period | 186,881 | 723 | 61,927 | — | 249,531 |
| Cash and cash equivalents at end of period | $131,811 | $399 | $ 79,224 | $— | $211,434 |

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
NINE MONTHS ENDED SEPTEMBER 30, 2014

| In thousands | Coeur Mining, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenue | $— | $199,716 | $ 295,417 | $— | $495,133 |
| COSTS AND EXPENSES | | | | | |
| Costs applicable to sales[1] | — | 149,223 | 202,269 | — | 351,492 |
| Amortization | 1,298 | 50,565 | 71,971 | — | 123,834 |
| General and administrative | 31,019 | 5 | 785 | — | 31,809 |
| Exploration | 2,592 | 7,819 | 5,546 | — | 15,957 |
| Pre-development, reclamation, and other | 532 | 2,958 | 16,529 | — | 20,019 |
| Total costs and expenses | 35,441 | 210,570 | 297,100 | — | 543,111 |
| Fair value adjustments, net | 1,008 | 1,835 | (6,454) | — | (3,611) |
| Impairment of marketable securities | — | (4,614) | — | — | (4,614) |
| Interest income and other, net | 2,921 | (267) | (2,886) | (2,081) | (2,313) |
| Interest expense, net of capitalized interest | (28,557) | (660) | (9,844) | 2,081 | (36,980) |
| Total other income (expense), net | (24,628) | (3,706) | (19,184) | — | (47,518) |
| Loss before income and mining taxes | (60,069) | (14,560) | (20,867) | — | (95,496) |
| Income and mining tax (expense) benefit | 1,076 | (629) | 18,203 | — | 18,650 |
| Total loss after income and mining taxes | (58,993) | (15,189) | (2,664) | — | (76,846) |
| Equity income (loss) in consolidated subsidiaries | (17,853) | 480 | — | 17,373 | — |
| NET INCOME (LOSS) | $(76,846) | $(14,709) | $ (2,664) | $17,373 | $(76,846) |
| OTHER COMPREHENSIVE INCOME (LOSS), net of tax: | | | | | |
| Unrealized gain (loss) on marketable securities, net of tax | (1,487) | (1,451) | — | 1,451 | (1,487) |
| Reclassification adjustments for impairment of marketable securities | 2,828 | 2,828 | — | (2,828) | 2,828 |
| Reclassification adjustments for realized loss on sale of marketable securities | 238 | 238 | — | (238) | 238 |
| Other comprehensive income (loss) | 1,579 | 1,615 | — | (1,615) | 1,579 |
| COMPREHENSIVE INCOME (LOSS) | $(75,267) | $(13,094) | $ (2,664) | $15,758 | $(75,267) |

(1) Excludes amortization.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME (LOSS)
NINE MONTHS ENDED SEPTEMBER 30, 2013

| In thousands | Coeur Mining, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Revenue | $— | $207,689 | $ 369,458 | $— | $577,147 |
| COSTS AND EXPENSES | | | | | |
| Costs applicable to sales[1] | — | 142,434 | 219,816 | — | 362,250 |
| Amortization | 694 | 50,903 | 115,089 | — | 166,686 |
| General and administrative | 37,975 | 1,400 | 2,117 | — | 41,492 |
| Exploration | 1,169 | 5,167 | 10,584 | — | 16,920 |
| Litigation settlement | — | 32,046 | — | — | 32,046 |
| Pre-development, reclamation, and other | — | 2,166 | 9,730 | — | 11,896 |

| | | | | | |
|---|---|---|---|---|---|
| Total costs and expenses | 39,838 | 234,116 | 357,336 | — | 631,290 |
| OTHER INCOME (EXPENSE), NET | | | . | | |
| Fair value adjustments, net | (1,593) | 5,263 | 60,235 | — | 63,905 |
| Impairment of marketable securities | (18,097) | — | — | — | (18,097) |
| Interest income and other, net | 2,991 | 562 | 1,404 | (2,473) | 2,484 |
| Interest expense, net of capitalized interest | (18,984) | (421) | (13,392) | 2,473 | (30,324) |
| Total other income (expense), net | (35,683) | 5,404 | 48,247 | — | 17,968 |
| Loss before income and mining taxes | (75,521) | (21,023) | 60,369 | — | (36,175) |
| Income and mining tax (expense) benefit | 2,303 | (1,584) | (33,579) | — | (32,860) |
| Total loss after income and mining taxes | (73,218) | (22,607) | 26,790 | — | (69,035) |
| Equity income (loss) in consolidated subsidiaries | 4,183 | — | — | (4,183) | — |
| NET INCOME (LOSS) | $(69,035) | $(22,607) | $ 26,790 | $(4,183) | $(69,035) |
| OTHER COMPREHENSIVE INCOME (LOSS), net of tax: | | | | | |
| Unrealized gain (loss) on marketable securities, net of tax | (10,756) | — | — | — | (10,756) |
| Reclassification adjustments for impairment of marketable securities | 18,097 | — | — | — | 18,097 |
| Reclassification adjustments for realized loss on sale of marketable securities | 136 | — | — | — | 136 |
| Other comprehensive income (loss) | 7,477 | — | — | — | 7,477 |
| COMPREHENSIVE INCOME (LOSS) | $(61,558) | $(22,607) | $ 26,790 | $(4,183) | $(61,558) |

(1) Excludes amortization.

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2014

| In thousands | Coeur Mining, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Cash provided by (used in) operating activities | $(80,218) | $35,612 | $ 79,670 | $17,373 | 52,437 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Capital expenditures | (1,329) | (21,420) | (21,327) | — | (44,076) |
| Purchase of short term investments and marketable securities | (49,994) | (429) | — | — | (50,423) |
| Sales and maturities of short term investments | — | 3,399 | 14 | — | 3,413 |
| Acquisitions | (12,004) | (4,075) | — | — | (16,079) |
| Other | — | 4 | 57 | — | 61 |
| Investments in consolidated subsidiaries | 67,353 | (480) | — | (66,873) | — |
| CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | 4,026 | (23,001) | (21,256) | (66,873) | (107,104) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Issuance of notes and bank borrowings | 153,000 | — | — | — | 153,000 |
| Payments on long-term debt, capital leases, and associated costs | (15,997) | (3,209) | (1,030) | — | (20,236) |
| Gold production royalty payments | — | — | (38,379) | — | (38,379) |
| Net intercompany financing activity | (20,018) | (5,314) | (24,168) | 49,500 | — |
| Other | (483) | — | — | — | (483) |
| CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 116,502 | (8,523) | (63,577) | 49,500 | 93,902 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 40,310 | 4,088 | (5,163) | — | 39,235 |
| Cash and cash equivalents at beginning of period | 137,076 | 991 | 68,623 | — | 206,690 |
| Cash and cash equivalents at end of period | $177,386 | $5,079 | $ 63,460 | $— | $245,925 |

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2013

| In thousands | Coeur Mining, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| Cash provided by (used in) operating activities | $(39,646) | $18,374 | $ 128,531 | $(4,183) | $103,076 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Capital expenditures | (1,268) | (37,831) | (33,655) | — | (72,754) |
| | (2,906) | (65) | (5,051) | — | (8,022) |

| | | | | | |
|---|---|---|---|---|---|
| Purchase of short term investments and marketable securities | | | | | |
| Sales and maturities of short term investments | 2,874 | 65 | 3,432 | — | 6,371 |
| Acquisitions | (113,214) | — | — | — | (113,214) |
| Other | (19) | 443 | 739 | — | 1,163 |
| Investments in consolidated subsidiaries | (7,671) | — | 3,488 | 4,183 | — |
| CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | (122,204) | (37,388) | (31,047) | 4,183 | (186,456) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | |
| Issuance of notes and bank borrowings | 300,000 | — | — | — | 300,000 |
| Payments on long-term debt, capital leases, and associated costs | (52,565) | (2,621) | (3,835) | — | (59,021) |
| Gold production royalty payments | — | — | (43,548) | — | (43,548) |
| Share repurchases | (27,552) | — | — | — | (27,552) |
| Net intercompany financing activity | (12,505) | 21,634 | (9,129) | — | — |
| Other | (505) | — | — | — | (505) |
| CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 206,873 | 19,013 | (56,512) | — | 169,374 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 45,023 | (1) | 40,972 | — | 85,994 |
| Cash and cash equivalents at beginning of period | 86,788 | 400 | 38,252 | — | 125,440 |
| Cash and cash equivalents at end of period | $131,811 | $399 | $ 79,224 | $— | $211,434 |

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2014

| In thousands | Coeur Mining, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | $177,386 | $5,079 | $63,460 | $— | $245,925 |
| Investments | 49,520 | | | — | 49,520 |
| Receivables | 79 | 10,274 | 57,246 | — | 67,599 |
| Ore on leach pads | — | 50,335 | — | — | 50,335 |
| Inventory | — | 44,000 | 83,985 | — | 127,985 |
| Deferred tax assets | — | — | 35,021 | — | 35,021 |
| Prepaid expenses and other | 8,072 | 5,412 | 6,490 | — | 19,974 |
| | 235,057 | 115,100 | 246,202 | — | 596,359 |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment, net | 6,034 | 151,114 | 317,102 | — | 474,250 |
| Mining properties, net | 12,004 | 231,970 | 1,485,954 | — | 1,729,928 |
| Ore on leach pads | — | 41,547 | — | — | 41,547 |
| Restricted assets | 830 | 50 | 5,973 | — | 6,853 |
| Marketable securities | — | 9,162 | — | — | 9,162 |
| Receivables | — | — | 36,166 | — | 36,166 |
| Debt issuance costs, net | 10,315 | — | — | — | 10,315 |
| Deferred tax assets | 955 | | (250) | — | 705 |
| Net investment in subsidiaries | 1,176,734 | 46,695 | 1,578,799 | (2,802,228) | — |
| Other | 55,949 | 9,105 | 320,439 | (375,454) | 10,039 |
| TOTAL ASSETS | $1,497,878 | $604,743 | $3,990,385 | $(3,177,682) | $2,915,324 |
| | | | | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | $1,187 | $14,441 | $33,604 | $— | $49,232 |
| Accrued liabilities and other | 12,768 | 12,716 | 13,495 | (1,097) | 37,882 |
| Debt | 5,334 | 5,997 | 308,634 | (308,232) | 11,733 |
| Royalty obligations | — | 5,290 | 40,057 | — | 45,347 |
| Reclamation | — | — | 648 | 119 | 767 |
| Deferred tax liabilities | — | 847 | 1,011 | — | 1,858 |
| | 19,289 | 39,291 | 397,449 | (309,210) | 146,819 |
| NON-CURRENT LIABILITIES | | | | | |
| Debt | 440,075 | 17,317 | 66,477 | (66,125) | 457,744 |
| Royalty obligations | — | 12,978 | 28,341 | — | 41,319 |
| Reclamation | — | 48,328 | 12,737 | (119) | 60,946 |
| Deferred tax liabilities | 30,846 | 1,618 | 484,251 | — | 516,715 |
| Other long-term liabilities | 3,192 | 474 | 25,875 | — | 29,541 |
| Intercompany payable (receivable) | (657,764) | 422,373 | 235,391 | — | — |
| | (183,651) | 503,088 | 853,072 | (66,244) | 1,106,265 |
| STOCKHOLDERS' EQUITY | | | | | |
| Common stock | 1,034 | 250 | 123,167 | (123,417) | 1,034 |
| Additional paid-in capital | 2,788,098 | 79,712 | 3,258,037 | (3,337,749) | 2,788,098 |

| | | | | | |
|---|---|---|---|---|---|
| Accumulated deficit | (1,123,565) | (14,308) | (641,340) | 655,648 | (1,123,565) |
| Accumulated other comprehensive income (loss) | (3,327) | (3,290) | — | 3,290 | (3,327) |
| | 1,662,240 | 62,364 | 2,739,864 | (2,802,228) | 1,662,240 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $1,497,878 | $604,743 | $3,990,385 | $(3,177,682) | $2,915,324 |

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2013

| In thousands | Coeur Mining, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | $137,076 | $991 | $ 68,623 | $— | $206,690 |
| Investments | — | — | — | — | — |
| Receivables | 530 | 19,982 | 60,562 | — | 81,074 |
| Ore on leach pads | — | 50,495 | — | — | 50,495 |
| Inventory | — | 35,290 | 96,733 | — | 132,023 |
| Deferred tax assets | — | — | 35,008 | — | 35,008 |
| Prepaid expenses and other | 4,128 | 5,282 | 16,530 | — | 25,940 |
| | 141,734 | 112,040 | 277,456 | — | 531,230 |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment, net | 5,980 | 143,118 | 337,175 | — | 486,273 |
| Mining properties, net | — | 235,537 | 1,515,964 | — | 1,751,501 |
| Ore on leach pads | — | 31,528 | — | — | 31,528 |
| Restricted assets | 830 | 50 | 6,134 | — | 7,014 |
| Marketable securities | — | 14,521 | — | — | 14,521 |
| Receivables | — | — | 36,574 | — | 36,574 |
| Debt issuance costs, net | 10,812 | — | — | — | 10,812 |
| Deferred tax assets | 955 | — | 234 | — | 1,189 |
| Net investment in subsidiaries | 1,242,480 | 46,215 | 1,578,799 | (2,867,494) | — |
| Other | 53,858 | 14,616 | 320,425 | (373,563) | 15,336 |
| TOTAL ASSETS | $1,456,649 | $597,625 | $ 4,072,761 | $(3,241,057) | $2,885,978 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | $1,963 | $15,864 | $ 36,020 | $— | $53,847 |
| Accrued liabilities and other | 16,693 | 8,016 | 14,611 | (1,054) | 38,266 |
| Debt | — | 1,262 | 309,472 | (308,229) | 2,505 |
| Royalty obligations | — | 3,934 | 44,085 | — | 48,019 |
| Reclamation | — | — | 794 | 119 | 913 |
| Deferred tax liabilities | — | — | 1,011 | — | 1,011 |
| | 18,656 | 29,076 | 405,993 | (309,164) | 144,561 |
| NON-CURRENT LIABILITIES | | | | | |
| Debt | 305,335 | 255 | 64,820 | (64,280) | 306,130 |
| Royalty obligations | — | 17,696 | 47,446 | — | 65,142 |
| Reclamation | — | 45,894 | 11,740 | (119) | 57,515 |
| Deferred tax liabilities | 37,095 | 1,618 | 517,533 | — | 556,246 |
| Other long-term liabilities | 2,467 | 544 | 22,806 | — | 25,817 |
| Intercompany payable (receivable) | (637,471) | 427,085 | 210,386 | — | — |
| | (292,574) | 493,092 | 874,731 | (64,399) | 1,010,850 |
| STOCKHOLDERS' EQUITY | | | | | |
| Common stock | 1,028 | 250 | 122,666 | (122,916) | 1,028 |

| | | | | | |
|---|---|---|---|---|---|
| Additional paid-in capital | 2,781,164 | 79,712 | 3,258,037 | (3,337,749) | 2,781,164 |
| Accumulated deficit | (1,046,719) | 401 | (588,666) | 588,265 | (1,046,719) |
| Accumulated other comprehensive income (loss) | (4,906) | (4,906) | — | 4,906 | (4,906) |
| | 1,730,567 | 75,457 | 2,792,037 | (2,867,494) | 1,730,567 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | $1,456,649 | $597,625 | $4,072,761 | $(3,241,057) | $2,885,978 |

Coeur Mining, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 19 – COMMITMENTS AND CONTINGENCIES

Labor Union Contracts

The Company maintains a labor agreement with Sindicato de Trabajadores Mineros de la Empresa Manquiri S.A. at the San Bartolomé mine in Bolivia. The San Bartolomé mine labor agreement, which became effective January 28, 2010, is currently active and does not have a fixed term. At September 30, 2014, approximately 10% of the Company's global labor force was covered by this collective bargaining agreement. The Company cannot predict whether this agreement will be renewed on similar terms or at all, whether future labor disruptions will occur or, if disruptions do occur, how long they will last.

Kensington Production Royalty

On July 7, 1995, the Company's subsidiary, Coeur Alaska, Inc., acquired the 50% ownership interest of Echo Bay Exploration Inc., or Echo Bay, giving Coeur 100% ownership of the Kensington property. Coeur Alaska is obligated to pay Echo Bay, a subsidiary of Kinross Gold Corporation, a scaled net smelter return royalty on 1.0 million ounces of future gold production after Coeur Alaska recoups the $32.5 million purchase price and its construction and development expenditures incurred after July 7, 1995 in connection with placing the property into commercial production. The royalty ranges from 1% at gold prices of $400 per ounce to a maximum of 2.5% at gold prices above $475 per ounce, with the royalty to be capped at 1.0 million ounces of production. No royalty has been paid to date as the purchase price and construction and development costs have not been recouped.

Rochester Production Royalties

The Company acquired the Rochester property from ASARCO, a subsidiary of Grupo Mexico S.A. de C.V., in 1983. The Company is obligated to pay a net smelter royalty interest to ASARCO when the market price of silver equals or exceeds $23.60 per ounce up to a maximum rate of 5% with the condition that Rochester achieves positive cash flow for the applicable year. If cash flow at Rochester is negative in any calendar year, the maximum royalty payable is $250,000. Royalty expense was nil due to silver prices below $23.60 per ounce for the three and nine months ended September 30, 2014, and nil and $1.0 million for the three and nine months ended September 30, 2013.

Commencing January 1, 2014, Coeur Rochester is obligated to pay a 3.4% net smelter returns royalty on up to 39.4 million silver equivalent ounces produced and sold from a portion of the Rochester mine, payable on a quarterly basis. For each calendar quarter, the royalty will be payable on the actual sales prices received (exclusive of gains or losses associated with trading activities), less refining costs, of gold and silver produced and sold from the applicable portions of the Rochester mine. Changes in the Company's mine plan and silver and gold prices result in the recognition of mark-to-market gains or losses in Fair value adjustments, net.

Palmarejo Gold Production Royalty

On January 21, 2009, Coeur Mexicana entered into a gold production royalty agreement with a subsidiary of Franco-Nevada Corporation under which the subsidiary of Franco-Nevada Corporation purchased a royalty covering 50% of the life of mine gold to be produced from its Palmarejo silver and gold mine in Mexico. The royalty agreement provides for a minimum obligation to be paid monthly on a total of 400,000 ounces of gold, or 4,167 ounces per month over an initial eight-year period. Please see Note 10 -- Derivative Financial Instruments for further discussion on the royalty obligation.

On October 2, 2014, Coeur Mexicana terminated the Palmarejo gold production royalty in exchange for a termination payment of $2.0 million, effective upon completion of the minimum ounce delivery requirement. Subsequently, Coeur Mexicana entered into a gold stream agreement with a subsidiary of Franco-Nevada Corporation whereby Coeur Mexicana will sell 50% of Palmarejo gold production upon completion of the gold production royalty minimum ounce delivery requirement for the lesser of $800 or spot price per ounce. Under the gold stream agreement, Coeur Mexicana will receive an aggregate $22.0 million deposit toward future deliveries under the gold stream agreement, payable in five quarterly payments beginning in the first quarter 2015.

Sites Related to Callahan Mining Corporation

In 1991, the Company acquired all of the outstanding common stock of Callahan Mining Corporation. The Company has received requests for information or notices of potential liability from state or federal agencies with regard to Callahan's operations at sites in Maine, Colorado and Washington. The Company did not make any decisions with

respect to generation, transport or disposal of hazardous waste at these sites. Therefore, the Company believes that it is not liable for any potential cleanup costs either directly as an operator or indirectly as a parent. To date, none of these agencies have made any claims against the Company or Callahan for cleanup costs at these sites. The Company anticipates that further agency interaction may be possible with respect to these sites.

Callahan operated a mine and mill in Brooksville, Maine from 1968 until 1972 and subsequently disposed of the property. In 2000, the U.S. Environmental Protection Agency, or EPA, made a formal request to the Company for information regarding

the site. The site was placed on the National Priorities List on September 5, 2002, and the Maine Department of Transportation, a partial owner of the property, signed a consent order in 2005. In January 2009, the EPA and the State of Maine made additional formal requests to the Company for information relating to the site, to which the Company responded. The first phase of cleanup at the site began in April 2011.

The Van Stone Mine in Stevens County, Washington consists of several parcels of land and was mined from 1926 until 1993 by multiple owners. Callahan sold its parcel in 1990. In February 2010, the State of Washington Department of Ecology notified Callahan that it, among others, is a potentially liable person (PLP) under Washington law. Asarco LLC ("Asarco"), an affiliate of American Smelting and Refining Company, which developed the mill on the site in 1951, settled for $3.5 million. Another potentially liable person, Vaagen Brothers, signed a consent order which allows access to the site for a Remedial Investigation and Feasibility Study. Neither the Company nor Callahan has received any further notices from the Washington Department of Ecology. On June 5, 2012, Asarco filed a lawsuit in the U.S. District Court for the Eastern District of Washington against five named defendants, including Callahan, seeking contribution for the $3.5 million settlement. Callahan filed a response and defense to the lawsuit on December 11, 2012 and does not believe it has any liability to Asarco. On January 23, 2013, the Court entered an Order dismissing one of the five named defendants from the lawsuit as a result of the parties reaching a settlement. The Court set a trial date for September 22, 2014; however, on June 3, 2014, the Court granted a joint motion to stay proceedings pending finalization of settlement arrangements between Asarco and Callahan.

Under lease and option agreements with several owners, Callahan was involved with the Akron Mine located in Gunnison County, Colorado from 1937-1960. The United States Forest Service (“USFS”) made formal requests for information to Callahan regarding the site in December 2003, February 2007, March 2013, and November 2013. Callahan timely responded to each request. In August 2014, Callahan received a notice of potential CERCLA liability from the USFS regarding environmental contamination at the Akron Mine. Callahan and the USFS are currently in discussions regarding this matter.

Bolivian Temporary Restriction on Mining above 4,400 Meters

On October 14, 2009, the Bolivian state-owned mining organization, COMIBOL, announced by resolution that it was temporarily suspending mining activities above the elevation of 4,400 meters above sea level while stability studies of Cerro Rico mountain are undertaken. The Company holds rights to mine above this elevation under valid contracts with COMIBOL as well as under authorized contracts with local mining cooperatives that hold their rights under contract themselves with COMIBOL. The Company temporarily adjusted its mine plan to confine mining activities to the ore deposits below 4,400 meters above sea level and timely notified COMIBOL of the need to lift the restriction. Mining in other areas above the 4,400 meter level continues to be suspended.

The suspension may reduce production until the Company is able to resume mining above 4,400 meters. It is uncertain at this time how long the suspension will remain in place. If COMIBOL decides to restrict access above the 4,400 meter level on a permanent basis, the Company may need to write down the carrying value of the asset. It is also uncertain if any new mining or investment policies or shifts in political attitude may affect mining in Bolivia.

Settlement of Unpatented Mining Claims Dispute at Rochester in Nevada

In the second quarter of 2013, Coeur Rochester settled all claims associated with a dispute involving ownership of unpatented mining claims surrounding the Coeur Rochester operation and, in connection therewith, agreed to make a one-time $10.0 million cash payment and granted the 3.4% net smelter returns royalty described above under "Rochester Production Royalties." The above settlement resulted in a $32.0 million charge in the second quarter of 2013.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion provides information that management believes is relevant to an assessment and understanding of the consolidated financial condition and results of operations of Coeur Mining, Inc. and its subsidiaries (collectively "the Company", "our", or "we"). We use certain non-GAAP financial performance measures in our MD&A such as costs applicable to sales, all-in sustaining costs, and adjusted net income. For a detailed description of each of these non-GAAP measures, please see "Non-GAAP Financial Performance Measures" at the end of this item. We believe it is important to read this item in conjunction with our interim unaudited Condensed Consolidated Financial Statements and the notes thereto included in this quarterly report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as well as other information we file with the Securities and Exchange Commission.

Overview

We are a large primary silver producer with significant gold production and mines located in the United States, Mexico, and Bolivia; development projects in Mexico and Argentina; and streaming and royalty interests in Australia, Mexico, Ecuador, and Chile. The Palmarejo, San Bartolomé, Kensington, and Rochester mines, each of which is operated by the Company, and Coeur Capital, primarily comprised of the Endeavor silver stream and other precious metal royalties, constitute our principal sources of revenues.

Our strategy is to discover, acquire, develop and operate low-cost silver and gold mines and acquire precious metal streaming and royalty interests that together produce long-term cash flow, provide opportunities for growth through continued exploration, and generate superior and sustainable returns for stockholders. Management focuses on maximizing net cash flow through identifying and implementing revenue enhancement opportunities at existing operations, reducing operating and non-operating costs, consistent capital discipline, and efficient management of working capital.

Third Quarter Highlights

- Metal sales of $170.4 million and royalty revenue of $0.6 million
- Production of 8.2 million silver equivalent ounces, consisting of 4.3 million silver ounces and 64,989 gold ounces
- Costs applicable to sales were $14.71 per silver equivalent ounce and $937 per gold ounce (see "Non-GAAP Financial Performance Measures")
- All-in sustaining costs were $18.86 per silver equivalent ounce (see "Non-GAAP Financial Performance Measures")
- General and administrative expenses reduced to $8.5 million
- Cash flow from operating activities of $31.3 million with ending balance of $295.4 million in cash, cash equivalents, and short-term investments
- Adjusted net loss of $23.5 million or $0.23 per share (see "Non-GAAP Financial Performance Measures")
- Capital expenditures of $16.8 million
- Terminated the Palmarejo gold production royalty, effective upon completion of the minimum ounce delivery requirement, and sold a new gold stream for 50% of then-remaining Palmarejo gold production

Consolidated Performance

Net income was $3.5 million for the three months ended September 30, 2014 compared to Net loss of $46.3 million for the three months ended September 30, 2013. Net income for the three months ended September 30, 2014 is primarily due to favorable fair value adjustments and foreign currency revaluation of deferred taxes, lower amortization, and lower general and administrative expense, partly offset by lower average realized silver and gold prices and costs applicable to sales per ounce in 2013.

The Company produced 4.3 million ounces of silver and 64,989 ounces of gold in the three months ended September 30, 2014, compared to 4.2 million ounces of silver and 63,040 ounces of gold in the three months ended September 30, 2013. Silver production increased in the three months ended September 30, 2014 due to higher recoveries and tons placed at Rochester, partly offset by lower mill throughput and silver grade at Palmarejo. Gold production increased in the three months ended September 30, 2014 due to higher grade at Kensington and higher recoveries at Rochester, partly offset by lower throughput at Palmarejo.

Costs applicable to sales were $14.71 per silver equivalent ounce and $937 per gold ounce for the three months ended September 30, 2014, compared to $13.82 per silver equivalent ounce and $894 per gold ounce for the three months ended September 30, 2013. Costs applicable to sales per silver equivalent ounce increased in the three months ended

September 30, 2014 due to higher unit costs at Palmarejo primarily due to a $1.6 million inventory adjustment ($0.26 per ounce) to net realizable

value, partly offset by lower mining and milling costs at Rochester. Costs applicable to sales per gold ounce increased in the three months ended September 30, 2014 primarily due to a $1.8 million inventory adjustment ($48 per gold ounce) to net realizable value at Kensington.

Net loss was $76.8 million for the nine months ended September 30, 2014 compared to Net loss of $69.0 million for the nine months ended September 30, 2013. The higher Net loss in the nine months ended September 30, 2014 is primarily due to unfavorable fair value adjustments and lower average realized silver and gold prices, partially offset by lower general and administrative expense and the Rochester claims settlement in 2013.

The Company produced 12.9 million ounces of silver and 184,850 ounces of gold in the nine months ended September 30, 2014, compared to 12.6 million ounces of silver and 179,502 ounces of gold in the nine months ended September 30, 2013. Silver production increased in the nine months ended September 30, 2014 due to higher recoveries and tons placed at Rochester, partly offset by lower mill throughput and grade at Palmarejo. Gold production increased in the nine months ended September 30, 2014 due to higher mill throughput at Kensington.

Costs applicable to sales were $14.10 per silver equivalent ounce and $977 per gold ounce in the nine months ended September 30, 2014, compared to $14.28 per silver equivalent ounce and $996 per gold ounce in the nine months ended September 30, 2013. Costs applicable to sales per silver equivalent ounce decreased in the nine months ended September 30, 2014 due to lower unit costs at Rochester and San Bartolomé, partly offset by higher unit costs at Palmarejo. Costs applicable to sales per gold ounce decreased in the nine months ended September 30, 2014 due to higher production at Kensington.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Silver ounces produced[2] | 4,338,484 | 4,182,976 | 12,876,643 | 12,610,295 |
| Gold ounces produced[2] | 64,989 | 63,040 | 184,850 | 179,502 |
| Silver equivalent ounces produced[1] | 8,237,824 | 7,965,376 | 23,967,643 | 23,380,415 |
| Silver ounces sold[2] | 4,251,904 | 4,852,235 | 12,716,919 | 13,117,928 |
| Gold ounces sold[2] | 69,541 | 75,676 | 189,869 | 190,832 |
| Silver equivalent ounces sold[1] | 8,424,364 | 9,392,795 | 24,109,059 | 24,567,848 |
| Average realized price per silver ounce | $19.46 | $21.11 | $19.76 | $23.88 |
| Average realized price per gold ounce | $1,260 | $1,300 | $1,272 | $1,383 |
| Costs applicable to sales per silver equivalent ounce[3] (excluding Kensington) | $14.71 | $13.82 | $14.10 | $14.28 |
| Costs applicable to sales per gold ounce[3] (Kensington) | $937 | $894 | $977 | $996 |
| All-in sustaining costs per silver equivalent ounce[3] | $18.86 | $19.83 | $19.33 | $20.16 |

(1) Silver equivalent ounces calculated using a 60:1 silver to gold ratio.

(2) Payable basis. Production before smelter losses was 4,358,073 and 4,203,413 silver ounces and 65,998 and 63,766 gold ounces for the three months ended September 30, 2014 and 2013, respectively. Sales before smelter losses were 4,273,086 and 4,873,897 silver ounces and 70,443 and 76,466 gold ounces for the three months ended September 30, 2014 and 2013, respectively. Production before smelter losses was 12,936,199 and 12,671,584 silver ounces and 186,821 and 181,437 gold ounces for the nine months ended September 30, 2014 and 2013, respectively. Sales before smelter losses were 12,775,441 and 13,178,701 silver ounces and 191,880 and 191,781 gold ounces for the nine months ended September 30, 2014 and 2013, respectively.

(3) See "Non-GAAP Financial Performance Measures."

Consolidated Financial Results

Three Months Ended September 30, 2014 compared to Three Months Ended September 30, 2013

Revenue

Metal sales decreased by $30.4 million, or 15.2%, to $170.4 million due to lower silver and gold ounces sold and lower average realized silver and gold prices. The Company sold 4.3 million silver ounces and 69,541 gold ounces, compared to sales of 4.9 million silver ounces and 75,676 gold ounces. The Company realized average silver and gold

prices of $19.46 per ounce and $1,260 per ounce, respectively, compared with average realized prices of $21.11 per ounce and $1,300 per ounce, respectively. Silver contributed 49% of sales and gold contributed 51%, compared to 51% of sales from silver and 49% from gold. Royalty revenue was $0.6 million higher due to the creation of Coeur Capital and its acquisition of Global Royalty Corp. in the fourth quarter of 2013.

Costs Applicable to Sales

Costs applicable to sales decreased by $5.9 million, or 4.5%, to $125.9 million. The decrease in costs applicable to sales is primarily due to lower silver and gold ounces sold, partly offset by unfavorable inventory adjustments to net realizable value at Palmarejo and Kensington. For a complete discussion of costs applicable to sales, see Results of Operations below.

Amortization

Amortization decreased by $18.1 million, or 30.1%, primarily due to lower amortizable mineral interests and mining equipment as a result of the 2013 impairment charges at the Palmarejo and Kensington mines.

Expenses

General and administrative expenses decreased $7.7 million, or 47.6%, primarily due to lower consulting and professional fees and relocation costs incurred in 2013.

Exploration expense increased by $3.3 million to $6.6 million, primarily as a result of higher exploration at Palmarejo and Kensington based on the Company's successful efforts to discover new silver and gold mineralization.

Other Income and Expenses

Non-cash fair value adjustments, net, including other-than-temporary impairments of marketable securities, reflected a gain of $15.0 million compared to a loss of $21.5 million, primarily due to the impact of changes in future metal prices on the Palmarejo gold production royalty and the Rochester 3.4% net smelter royalty obligation.

Interest income and other, net increased by $1.5 million to an expense of $0.2 million, compared to expense of $1.7 million, primarily due to lower import taxes at Palmarejo.

Interest expense (net of capitalized interest of $0.4 million) increased to $11.6 million from $9.7 million primarily due to the March 2014 issuance of an additional $150 million of Senior Notes.

Income and Mining Taxes

The Company reported an income and mining tax benefit of approximately $16.6 million compared to income and mining tax benefit of $2.1 million. The following table summarizes the components of the Company’s income (loss) before tax and income and mining tax (expense) benefit:

| | Three months ended September 30, 2014 | | Three months ended September 30, 2013 | |
|---|---|---|---|---|
| In thousands | Income (loss) before tax | Tax (expense) benefit | Income (loss) before tax | Tax (expense) benefit |
| United States | $(14,954) | $739 | $(33,250) | $5,259 |
| Argentina | (935) | 1,539 | (2,092) | 6 |
| Mexico | (283) | 17,003 | (18,969) | 1,885 |
| Bolivia | 3,199 | (2,969) | 4,842 | (4,598) |
| Other jurisdictions | (144) | 271 | 1,146 | (494) |
| | $(13,117) | $16,583 | $(48,323) | $2,058 |

In both periods, the Company recorded tax expense that differs from an amount calculated at the statutory rate primarily due to (i) a full valuation allowance against the deferred tax assets relating to losses incurred in the United States and certain foreign locations, (ii) the impact of foreign exchange adjustments on deferred tax account balances, reserves for uncertain tax positions, and foreign earnings not considered as permanently reinvested with respect to certain foreign locations, and (iii) differences in foreign tax rates of its foreign locations. In conjunction with these items, the Company's consolidated effective income tax rate is a function of the combined effective tax rates in the jurisdictions in which it operates. Variations in the relative proportions of jurisdictional income and loss result in significant fluctuations in its consolidated effective tax rate.

In the fourth quarter of 2013, the Company changed its position regarding the accumulated earnings and basis difference with respect to its investment in its Coeur Mexicana mining operations, concluding they were permanently reinvested. The Company continues to maintain this position. In periods prior to the quarter ended December 31, 2013, it was the Company's position that such earnings were not permanently reinvested. Therefore, for the three months ended September 30, 2014, no provision has been made for income taxes attributable to the Company's

investment in Coeur Mexicana. For the three months ended September 30, 2013, the impact of a provision for tax benefit for this item of $6.1 million is reflected.

Nine Months Ended September 30, 2014 compared to Nine Months Ended September 30, 2013

Revenue

Metal sales decreased by $84.4 million, or 14.6%, to $492.7 million due to lower average realized silver and gold prices and lower silver and gold ounces sold. The Company sold 12.7 million silver ounces and 189,869 gold ounces, compared to sales of 13.1 million silver ounces and 190,832 gold ounces. The Company realized average silver and gold prices of $19.76 per ounce and $1,272 per ounce, respectively, compared with average realized prices of $23.88 per ounce and $1,383 per ounce, respectively. Silver contributed 51% of sales and gold contributed 49%, compared to 54% of sales from silver and 46% from gold. Royalty revenue increased $2.4 million due to the creation of Coeur Capital and its acquisition of Global Royalty Corp. in the fourth quarter of 2013.

Costs Applicable to Sales

Costs applicable to sales decreased by $10.8 million, or 3.0%, to $351.5 million. The decrease in costs applicable to sales is primarily due to lower unit costs at San Bartolomé, Rochester, and Kensington, as well as lower silver and gold ounces sold. For a complete discussion of costs applicable to sales, see Results of Operations below.

Amortization

Amortization decreased by $42.9 million, or 25.7%, primarily due to lower amortizable mineral interests and mining equipment as a result of the 2013 impairment charges at the Palmarejo and Kensington mines.

Expenses

General and administrative expenses decreased $9.7 million, or 23.3%, primarily due to lower consulting and professional fees and relocation costs incurred in 2013.

Exploration expense decreased by $1.0 million, or 5.7%, to $16.0 million primarily as a result of reduced exploration activity near the Company’s Joaquin project in Argentina, partly offset by higher exploration at Kensington. A total of 368,000 feet of combined core and reverse circulation drilling was completed to discover new silver and gold mineralization.

The $32.0 million Litigation settlement in 2013 relates to the settlement of the Rochester claims dispute. In connection with the settlement, Coeur Rochester acquired all mining claims in dispute in exchange for a one-time $10.0 million cash payment and granting a 3.4% net smelter returns royalty on up to 39.4 million silver equivalent ounces from the Rochester mine beginning January 1, 2014.

Pre-development, reclamation, and other expenses increased 68.3% to $20.0 million, primarily due to La Preciosa feasibility study costs.

Other Income and Expenses

Non-cash fair value adjustments, net, including other-than-temporary impairments of marketable securities, reflected a loss of $8.2 million compared to a gain of $45.8 million, primarily due to the impact of changes in future metal prices on the Palmarejo gold production royalty and the Rochester 3.4% net smelter royalty obligation.

Interest income and other, net decreased by $4.8 million to expense of $2.3 million, compared to income of $2.5 million, primarily due to the sale of various assets in 2013.

Interest expense (net of capitalized interest of $0.9 million) increased to $37.0 million from $30.3 million primarily due to the March 2014 issuance of an additional $150 million 7.875% Senior Notes due 2021 and write-off of the Revolving Credit Agreement costs.

Income and Mining Taxes

The Company reported an income and mining tax benefit of approximately $18.7 million compared to income and mining tax expense of $32.9 million. The following table summarizes the components of the Company's income (loss) before tax and income and mining tax (expense) benefit:

| In thousands | Nine months ended September 30, 2014 | | Nine months ended September 30, 2013 | |
|---|---|---|---|---|
| | Income (loss) before tax | Tax (expense) benefit | Income (loss) before tax | Tax (expense) benefit |
| United States | $(75,168) | $447 | $(95,146) | $718 |
| Argentina | (3,828) | 5,622 | (9,073) | (38) |
| Mexico | (28,999) | 20,831 | 39,787 | (17,586) |
| Bolivia | 11,848 | (7,937) | 26,470 | (13,482) |
| Other jurisdictions | 651 | (313) | 1,787 | (2,472) |
| | $(95,496) | $18,650 | $(36,175) | $(32,860) |

In both periods, the Company recorded tax expense that differs from an amount calculated at the statutory rate primarily due to (i) a full valuation allowance against the deferred tax assets relating to losses incurred in the United States and certain foreign locations, (ii) the impact of foreign exchange adjustments on deferred tax account balances, reserves for uncertain tax positions, and foreign earnings not considered as permanently reinvested with respect to certain foreign locations, and (iii) differences in foreign tax rates in its foreign locations. In conjunction with these items, the Company's consolidated effective income tax rate is a function of the combined effective tax rates in the jurisdictions in which it operates. Variations in the relative proportions of jurisdictional income and loss result in significant fluctuations in its consolidated effective tax rate.

In the fourth quarter of 2013, the Company changed its position regarding the accumulated earnings and basis difference with respect to its investment in its Coeur Mexicana mining operations, concluding they were permanently reinvested. In periods prior to the quarter ended December 31, 2013, it was the Company's position that such earnings were not permanently reinvested. The Company continues to maintain this position. Therefore, for the nine months ended September 30, 2014, no provision has been made for income taxes attributable to the Company's investment in Coeur Mexicana. For the nine months ended September 30, 2013, the impact of a provision for tax benefit for this item of $4.7 million is reflected.

Results of Operations

Palmarejo

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Tons milled | 518,212 | 583,365 | 1,624,275 | 1,726,857 |
| Silver ounces produced | 1,532,607 | 1,917,850 | 5,114,237 | 5,609,215 |
| Gold ounces produced | 22,514 | 29,893 | 71,436 | 81,049 |
| Silver equivalent ounces produced | 2,883,447 | 3,711,430 | 9,400,397 | 10,472,155 |
| Costs applicable to sales/oz[(1)] | $15.22 | $13.66 | $14.18 | $14.06 |

(1) See Non-GAAP Financial Performance Measures

Three Months Ended September 30, 2014 compared to Three Months Ended September 30, 2013

Silver equivalent production decreased due primarily to lower mill throughput. Metal sales were $61.4 million, or 36% of Coeur's metal sales, compared with $104.5 million, or 52% of Coeur's metal sales. Costs applicable to sales per ounce increased due to lower production, a $1.6 million ($0.53 per ounce) inventory adjustment to net realizable value as a result of lower metal prices, and higher milling costs. Amortization decreased to $16.5 million compared to $33.5 million due to lower amortizable mineral interests and mining equipment. Capital expenditures decreased to $5.9 million compared to $10.3 million.

Nine Months Ended September 30, 2014 compared to Nine Months Ended September 30, 2013

Silver equivalent production decreased due primarily to lower mill throughput. Metal sales were $201.8 million, or 41% of Coeur's metal sales, compared with $248.2 million, or 43% of Coeur's metal sales. Costs applicable to sales per ounce were mostly unchanged. Amortization decreased to $53.2 million compared to $97.6 million due to lower amortizable mineral interests

and mining equipment. Capital expenditures decreased to $15.2 million compared to $24.8 million.

Rochester

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Tons placed | 3,892,421 | 2,678,906 | 10,862,864 | 7,742,330 |
| Silver ounces produced | 1,156,060 | 595,268 | 3,018,660 | 2,086,702 |
| Gold ounces produced | 11,702 | 4,824 | 29,124 | 22,971 |
| Silver equivalent ounces produced | 1,858,180 | 884,708 | 4,766,100 | 3,464,962 |
| Costs applicable to sales/oz[(1)] | $14.80 | $15.83 | $14.58 | $15.26 |

(1) See Non-GAAP Financial Performance Measures

Three Months Ended September 30, 2014 compared to Three Months Ended September 30, 2013

Silver equivalent production increased as a result of higher gold grade, higher tons placed, and timing of recoveries. Metal sales were $32.4 million, or 19% of Coeur’s metal sales, compared with $24.3 million, or 12% of Coeur's metal sales. Costs applicable to sales per ounce decreased 7% due to lower mining costs, partly offset by higher leaching costs. Amortization was $5.4 million compared to $2.5 million due to higher production from the Stage III leach pad. Capital expenditures decreased to $4.2 million compared to $12.3 million due to the Stage III leach pad expansion in 2013.

Nine Months Ended September 30, 2014 compared to Nine Months Ended September 30, 2013

Silver equivalent production increased as a result of higher tons placed, timing of recoveries, and higher silver and gold grade. Metal sales were $87.7 million, or 18% of Coeur’s metal sales, compared with $98.6 million, or 17% of Coeur's metal sales. Costs applicable to sales per ounce decreased 4% due to lower maintenance and royalty costs, partially offset by higher leaching costs. Amortization was $14.8 million compared to $6.4 million due to higher production from the Stage III leach pad. Capital expenditures decreased to $9.1 million compared to $22.2 million due to the Stage III leach pad expansion in 2013.

Kensington

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Tons milled | 145,097 | 147,427 | 468,543 | 404,471 |
| Gold ounces produced | 30,773 | 28,323 | 84,290 | 75,482 |
| Costs applicable to sales/oz[(1)] | $937 | $894 | $977 | $996 |

(1) See Non-GAAP Financial Performance Measures

Three Months Ended September 30, 2014 compared to Three Months Ended September 30, 2013

Gold production increased due to higher grade, slightly offset by lower mill throughput. Metal sales were $45.9 million, or 27% of Coeur's metal sales, compared with $38.9 million, or 19% of Coeur’s metal sales. Costs applicable to sales per ounce increased due to a $1.8 million ($48 per gold ounce) adjustment to the net realizable value of inventory as a result of lower metal prices. Amortization was $12.9 million compared to $18.1 million due to lower amortizable mineral interests and mining equipment. Capital expenditures decreased to $3.6 million compared to $4.9 million.

Nine Months Ended September 30, 2014 compared to Nine Months Ended September 30, 2013

Gold production increased due to significantly higher mill throughput. Metal sales were $111.0 million, or 23% of Coeur's metal sales, compared to $109.1 million, which represented 19% of Coeur’s metal sales. Costs applicable to sales per ounce decreased due to higher production and lower contracted services. Amortization was $35.2 million compared to $44.5 million due to lower amortizable mineral interests and mining equipment. Capital expenditures decreased to $12.3 million compared to $15.7 million.

San Bartolomé

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Tons milled | 471,938 | 428,884 | 1,295,287 | 1,228,179 |
| Silver ounces produced | 1,509,007 | 1,528,035 | 4,345,436 | 4,442,396 |
| Costs applicable to sales/oz[(1)] | $14.22 | $13.25 | $14.00 | $14.40 |

(1) See Non-GAAP Financial Performance Measures

Three Months Ended September 30, 2014 compared to Three Months Ended September 30, 2013

Silver production decreased due to lower grade, mostly offset by higher mill throughput. Silver sales were $28.4 million, or 17% of Coeur's metal sales, compared with $28.8 million, or 14% of Coeur's metal sales. Costs applicable to sales per ounce increased as a result of lower production and higher milling costs. Amortization was $5.1 million compared to $4.8 million. Capital expenditures decreased to $2.8 million compared to $4.2 million.

Nine Months Ended September 30, 2014 compared to Nine Months Ended September 30, 2013

Silver production decreased due to lower grade, mostly offset by higher mill throughput. Silver sales were $85.0 million, or 17% of Coeur's metal sales, compared with $111.2 million, or 19% of Coeur's metal sales. Costs applicable to sales per ounce decreased as a result of lower royalty and overhead costs. Amortization was $14.4 million compared to $14.3 million. Capital expenditures decreased to $5.9 million compared to $7.8 million.

Coeur Capital

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| Endeavor Silver Stream | 2014 | 2013 | 2014 | 2013 |
| Tons milled | 199,757 | 197,237 | 578,514 | 590,273 |
| Silver ounces produced | 140,810 | 141,823 | 398,310 | 471,982 |
| Costs applicable to sales/oz[(1)] | $7.71 | $10.09 | $7.90 | $9.89 |

(1) See Non-GAAP Financial Performance Measures

Three Months Ended September 30, 2014 compared to Three Months Ended September 30, 2013

Metal sales were $2.4 million compared to $4.3 million. Silver production decreased slightly due to lower grade, mostly offset by higher mill throughput. Royalty revenue was $0.6 million compared to nil primarily due to the acquisition of Global Royalty Corp. in December 2013. Costs applicable to sales per ounce decreased due to the impact of lower silver prices on the Company's silver price sharing agreement with the Endeavor mine operator. Amortization was $1.6 million compared to $0.9 million due to depletion of royalty interests.

Nine Months Ended September 30, 2014 compared to Nine Months Ended September 30, 2013

Metal sales were $7.2 million compared to $10.8 million. Silver production decreased due to lower grade and mill throughput. Royalty revenue was $2.4 million compared to nil primarily due to the acquisition of Global Royalty Corp. in December 2013. Costs applicable to sales per ounce decreased due to the impact of lower silver prices on the Company's silver price sharing agreement with the Endeavor mine operator, partly offset by higher refining charges. Amortization was $4.7 million compared to $3.0 million due to depletion of royalty interests.

Liquidity and Capital Resources

Cash Provided by Operating Activities

Net cash provided by operating activities for the three months ended September 30, 2014 was $31.3 million compared to $26.8 million for the three months ended September 30, 2013, due to the continued ramp-up of production at Rochester and favorable changes in current assets and liabilities, partly offset by lower realized silver and gold prices and lower ounces sold.

Net cash provided by operating activities for the nine months ended September 30, 2014 was $52.4 million compared to $103.1 million for the nine months ended September 30, 2013, due to lower average realized silver and gold prices, lower silver

and gold ounces sold, and an increase in ore on leach pads, partly offset by lower costs applicable to sales per silver and gold ounce.

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| In thousands | 2014 | 2013 | 2014 | 2013 |
| Cash flow before changes in operating assets and liabilities | $15,057 | $37,307 | $40,337 | $110,461 |
| Changes in operating assets and liabilities: | | | | |
| Receivables and other current assets | 7,446 | (2,132) | 18,297 | 6,515 |
| Prepaid expenses and other | 3,871 | (14,306) | (687) | (13,894) |
| Inventories | 9,698 | 11,592 | (5,821) | 22,582 |
| Accounts payable and accrued liabilities | (4,806) | (5,657) | 311 | (22,588) |
| CASH PROVIDED BY OPERATING ACTIVITIES | $31,266 | $26,804 | $52,437 | $103,076 |

Cash Used in Investing Activities

Net cash used in investing activities for the three months ended September 30, 2014 was $29.8 million compared to $35.4 million for the three months ended September 30, 2013, due to lower capital expenditures, partly offset by the purchase of net smelter royalties. The Company spent $16.8 million on capital expenditures in the three months ended September 30, 2014 compared to $32.7 million in the three months ended September 30, 2013. Capital expenditures in the three months ended September 30, 2014 were primarily related to underground development of Guadalupe at Palmarejo as well as Kensington and plant improvements at San Bartolomé, compared to the Stage III Rochester expansion and underground development at Palmarejo and Kensington in the three months ended September 30, 2013.

Net cash used in investing activities for the nine months ended September 30, 2014 was $107.1 million compared to $186.5 million in the nine months ended September 30, 2013, primarily due to lower capital expenditures and the acquisition of Orko Silver Corporation in 2013, partly offset by purchases of short-term investments and the purchase of net smelter royalties in 2014. The Company spent $44.1 million on capital expenditures in the nine months ended September 30, 2014, compared with $72.8 million in the nine months ended September 30, 2013. Capital expenditures in the nine months ended September 30, 2014 were primarily related to underground development at Palmarejo and Kensington, plant improvements at San Bartolomé, and resource definition at Rochester, compared to the Stage III Rochester expansion and underground development at Palmarejo and Kensington in the nine months ended September 30, 2013.

Cash Used in Financing Activities

Net cash used in financing activities for the three months ended September 30, 2014 was $24.7 million compared to $29.5 million for the three months ended September 30, 2013, primarily due to the effect of lower gold prices on Palmarejo gold production royalty payments and $15.0 million of common stock repurchases in 2013, partly offset by the repurchase of $12.6 million of Senior Notes.

Net cash provided by financing activities for the nine months ended September 30, 2014 was $93.9 million compared to $169.4 million for the nine months ended September 30, 2013. The decrease in cash provided by financing activities is primarily the result of the follow-on offering of $150 million of Senior Notes, partly offset by the repurchase of $12.6 million of Senior Notes, in the nine months ended September 30, 2014 compared to the original offering of $300 million of Senior Notes in the nine months ended September 30, 2013, partly offset by the repurchase of $43.3 million of Convertible Notes and $27.6 million of common stock repurchases in the nine months ended September 30, 2013.

Other Liquidity Matters

On March 20, 2014, Coeur Alaska, Inc. and Coeur Rochester, Inc., each a wholly-owned subsidiary of the Company, notified the administrative agent under the Credit Agreement that they were terminating the Revolving Credit Facility, effective March 25, 2014. No amounts were outstanding under the Revolving Credit Facility at the time of termination, and no early termination penalty was payable in connection with the termination.

The Company asserts that its earnings from the Palmarejo operation are permanently reinvested. Therefore, no provision has been made for United States federal and state income taxes on the Company's tax basis differences in Mexico, which primarily relate to accumulated foreign earnings that have been reinvested and are expected to be reinvested outside the United States indefinitely. The Company does not believe that the amounts permanently reinvested will have a material impact on liquidity.

The Company may elect to defer some capital investment activities or to secure additional capital to ensure it maintains sufficient liquidity. In addition, if the Company decides to pursue the acquisition of additional mineral interests, new capital

projects, or acquisitions of new properties, mines or companies, additional financing activities may be necessary. There can be no assurances that such financing will be available when or if needed upon acceptable terms, or at all.

Critical Accounting Policies and Accounting Developments

Please see Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES contained in the Company's Form 10-K for the year ended December 31, 2013 for the Company's critical accounting policies and estimates.

Cautionary Statement Concerning Forward-Looking Statements

This report contains numerous forward-looking statements relating to the Company's business, including growth strategies, tax positions, and initiatives to discover, acquire, develop and operate low-cost silver and gold mines and acquire precious metal streaming and royalty interests, generate returns, generate and maximize cash flow, manage metals price and foreign currency risk, reduce costs, enhance revenue, demonstrate capital discipline and manage working capital. Such forward-looking statements are identified by the use of words such as “believes,” “intends,” “expects,” “hopes,” “may,” “should,” “will,” “plan,” “projects,” “contemplates,” “anticipates” or similar words. Actual results could differ materially from those projected in the forward-looking statements. The factors that could cause actual results to differ materially from those in the forward-looking statements include: (i) the risk factors set forth below under Part II, Item 1A and in the "Risk Factors" section of the 2013 10-K and the risks and uncertainties discussed in this MD&A; (ii) the risks and hazards inherent in the mining business (including risks inherent in developing large-scale mining projects, environmental hazards, industrial accidents, weather or geologically related conditions), (iii) changes in the market prices of gold and silver and a sustained lower price environment, (iv) the uncertainties inherent in the Company’s production, exploratory and developmental activities, including risks relating to permitting and regulatory delays, ground conditions and grade variability, (v) any future labor disputes or work stoppages, (vi) the uncertainties inherent in the estimation of gold and silver ore reserves and future production, (vii) changes that could result from the Company’s future acquisition of new mining properties or businesses, (viii) reliance on third parties to operate certain mines where the Company owns silver production and reserves, (ix) the absence of control over mining operations in which the Company or any of its subsidiaries holds royalty or streaming interests and risks related to these mining operations (including results of mining and exploration activities, environmental, economic and political risks and changes in mine plans and project parameters); (x) the loss of any third-party smelter to which the Company markets silver and gold, (xi) the effects of environmental and other governmental regulations, (xii) the risks inherent in the ownership or operation of or investment in mining properties or businesses in foreign countries, and (xiii) the Company’s ability to raise additional financing necessary to conduct its business, make payments or refinance any debt. Readers are cautioned not to put undue reliance on forward-looking statements. The Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise.

Non-GAAP Financial Performance Measures

Non-GAAP financial measures are intended to provide additional information only and do not have any standard meaning prescribed by generally accepted accounting principles ("GAAP"). These measures should not be considered in isolation or as a substitute for performance measures prepared in accordance with GAAP.

Adjusted Net Income (Loss)

Management uses Adjusted net income (loss) to evaluate the Company's operating performance, and to plan and forecast its operations. The Company believes the use of Adjusted net income (loss) reflects the underlying operating performance of our core mining business and allows investors and analysts to compare results of the Company to similar results of other mining companies. Management's determination of the components of Adjusted net income (loss) are evaluated periodically and are based, in part, on a review of non-GAAP financial measures used by mining industry analysts.

Net income (loss) is reconciled to Adjusted net income (loss) in the table below, with amounts presented after-tax:

| In thousands except per share amounts | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| Net income (loss) | $3,466 | $(46,265) | $(76,846) | $(69,035) |
| Fair value adjustments, net | (13,026) | 16,062 | 1,299 | (45,840) |
| Stock-based compensation | 2,417 | 356 | 7,175 | 2,979 |
| Impairment of marketable securities | 1,092 | 870 | 4,614 | 18,097 |
| Accretion of royalty obligation | 1,374 | 2,023 | 4,984 | 7,489 |
| Litigation settlement | — | — | — | 32,046 |
| Loss on Revolving Credit Facility termination | — | — | 3,035 | — |
| Foreign exchange (gain) loss on deferred taxes | (18,801) | (30) | (18,795) | 124 |
| Adjusted net income (loss) | $(23,478) | $(26,984) | $(74,534) | $(54,140) |
| | | | | |
| Adjusted net income (loss) per share | $(0.23) | $(0.27) | $(0.73) | $(0.56) |

Costs Applicable to Sales and All-in Sustaining Costs

Management uses Costs applicable to sales ("CAS") and All-in sustaining costs (“AISC") to evaluate the Company’s current operating performance and life of mine performance from discovery through reclamation. We believe these measures assist analysts, investors and other stakeholders in understanding the costs associated with producing silver and assessing our operating performance and ability to generate free cash flow from operations. These measures may not be indicative of operating profit or cash flow from operations as determined under GAAP. Management believes converting the benefit from selling gold into silver equivalent ounces (silver to gold ratio of 60:1) best allows management, analysts, investors and other stakeholders to evaluate the operating performance of the Company. Other companies may calculate CAS and AISC differently as a result of reflecting the benefit from selling non-silver metals as a by-product credit rather than converting to silver equivalent ounces, differences in the determination of sustaining capital expenditures, and differences in underlying accounting principles and accounting frameworks such as in International Financial Reporting Standards.

Three Months Ended September 30, 2014

| | Silver | | | | | Gold | |
|---|---|---|---|---|---|---|---|
| | Palmarejo | San Bartolomé | Rochester | Endeavor | Total | Kensington | Total |
| Costs applicable to sales, including amortization (U.S. GAAP) | $62,481 | $25,564 | $29,077 | $1,998 | $119,120 | $47,555 | $166,675 |
| Amortization | 16,493 | 5,117 | 5,359 | 909 | 27,878 | 12,887 | 40,765 |
| Costs applicable to sales | $45,988 | $20,447 | $23,718 | $1,089 | $91,242 | $34,668 | $125,910 |
| Silver equivalent ounces sold | 3,021,448 | 1,438,409 | 1,602,676 | 141,291 | 6,203,824 | | |
| Gold ounces sold | | | | | | 37,009 | |
| Costs applicable to sales per ounce | $15.22 | $14.22 | $14.80 | $7.71 | $14.71 | $937 | |
| | | | | | | | |
| Treatment and refining costs | | | | | | | 1,425 |
| Sustaining capital | | | | | | | 12,239 |
| General and administrative | | | | | | | 8,515 |
| Exploration | | | | | | | 6,587 |
| Reclamation | | | | | | | 2,041 |
| | | | | | | | 2,154 |

| | |
|---|---|
| Project/pre-development costs | |
| All-in sustaining costs | $158,871 |
| Silver equivalent ounces sold | 6,203,824 |
| Kensington silver equivalent ounces sold | 2,220,540 |
| Consolidated silver equivalent ounces sold | 8,424,364 |
| All-in sustaining costs per silver equivalent ounce | $18.86 |

Three Months Ended September 30, 2013

| | Silver | | | | | Gold | |
|---|---|---|---|---|---|---|---|
| | Palmarejo | San Bartolomé | Rochester | Endeavor | Total | Kensington | Total |
| Costs applicable to sales, including amortization (U.S. GAAP) | $100,314 | $22,461 | $20,456 | $2,769 | $146,000 | $45,570 | $191,570 |
| Amortization | 33,475 | 4,788 | 2,518 | 898 | 41,679 | 18,086 | 59,765 |
| Costs applicable to sales | $66,839 | $17,673 | $17,938 | $1,871 | $104,321 | $27,484 | $131,805 |
| Silver equivalent ounces sold | 4,894,600 | 1,334,066 | 1,133,504 | 185,505 | 7,547,675 | | |
| Gold ounces sold | | | | | | 30,752 | |
| Costs applicable to sales per ounce | $13.66 | $13.25 | $15.83 | $10.09 | $13.82 | $894 | |
| Treatment and refining costs | | | | | | | 2,408 |
| Sustaining capital | | | | | | | 27,978 |
| General and administrative | | | | | | | 16,240 |
| Exploration | | | | | | | 3,305 |
| Reclamation | | | | | | | 968 |
| Project/pre-development costs | | | | | | | 3,546 |
| All-in sustaining costs | | | | | | | $186,250 |
| Silver equivalent ounces sold | | | | | | | 7,547,675 |
| Kensington silver equivalent ounces sold | | | | | | | 1,845,120 |
| Consolidated silver equivalent ounces sold | | | | | | | 9,392,795 |
| All-in sustaining costs per silver equivalent ounce | | | | | | | $19.83 |

Nine Months Ended September 30, 2014

| | Silver | | | | | Gold | |
|---|---|---|---|---|---|---|---|
| | Palmarejo | San Bartolomé | Rochester | Endeavor | Total | Kensington | Total |
| Costs applicable to sales, including amortization (U.S. GAAP) | $192,309 | $74,472 | $77,641 | $5,835 | $350,257 | $121,579 | $471,836 |
| Amortization | 53,196 | 14,430 | 14,835 | 2,721 | 85,182 | 35,162 | 120,344 |
| Costs applicable to sales | $139,113 | $60,042 | $62,806 | $3,114 | $265,075 | $86,417 | $351,492 |
| Silver equivalent ounces sold | 9,811,669 | 4,289,817 | 4,307,934 | 394,259 | 18,803,679 | | |
| Gold ounces sold | | | | | | 88,423 | |
| Costs applicable to sales per ounce | $14.18 | $14.00 | $14.58 | $7.90 | $14.10 | $977 | |
| Treatment and refining costs | | | | | | | 3,943 |

| | |
|---|---|
| Sustaining capital | 42,642 |
| General and administrative | 31,809 |
| Exploration | 15,957 |
| Reclamation | 5,918 |
| Project/pre-development costs | 14,153 |
| All-in sustaining costs | $465,914 |
| Silver equivalent ounces sold | 18,803,679 |
| Kensington silver equivalent ounces sold | 5,305,380 |
| Consolidated silver equivalent ounces sold | 24,109,059 |
| All-in sustaining costs per silver equivalent ounce | $19.33 |

Nine Months Ended September 30, 2013

| | Silver | | | | | Gold | |
|---|---|---|---|---|---|---|---|
| | Palmarejo | San Bartolomé | Rochester | Endeavor | Total | Kensington | Total |
| Costs applicable to sales, including amortization (U.S. GAAP) | $246,417 | $80,417 | $67,591 | $7,825 | $402,250 | $125,734 | $527,984 |
| Amortization | 97,641 | 14,252 | 6,360 | 2,950 | 121,203 | 44,531 | 165,734 |
| Costs applicable to sales | $148,776 | $66,165 | $61,231 | $4,875 | $281,047 | $81,203 | $362,250 |
| Silver equivalent ounces sold | 10,578,100 | 4,593,939 | 4,011,623 | 492,866 | 19,676,528 | | |
| Gold ounces sold | | | | | | 81,522 | |
| Costs applicable to sales per ounce | $14.06 | $14.40 | $15.26 | $9.89 | $14.28 | $996 | |
| Treatment and refining costs | | | | | | | 5,434 |
| Sustaining capital | | | | | | | 58,569 |
| General and administrative | | | | | | | 41,492 |
| Exploration | | | | | | | 16,920 |
| Reclamation | | | | | | | 2,808 |
| Project/pre-development costs | | | | | | | 7,909 |
| All-in sustaining costs | | | | | | | $495,382 |
| Silver equivalent ounces sold | | | | | | | 19,676,528 |
| Kensington silver equivalent ounces sold | | | | | | | 4,891,320 |
| Consolidated silver equivalent ounces sold | | | | | | | 24,567,848 |
| All-in sustaining costs per silver equivalent ounce | | | | | | | $20.16 |

Item 3. Quantitative and Qualitative Disclosure about Market Risk

The Company is exposed to various market risks as a part of its operations. In an effort to mitigate losses associated with these risks, the Company may, at times, enter into derivative financial instruments. These may take the form of forward sales contracts, put and call options related to future silver and gold production, foreign currency exchange contracts and interest rate swaps. The Company does not actively engage in the practice of trading derivative instruments for profit. This discussion of the Company's market risk assessments contains "forward looking statements" that contain risks and uncertainties. Actual results and actions could differ materially from those discussed below.

The Company's operating results are substantially dependent upon the world market prices of silver and gold. The Company has no control over silver and gold prices, which can fluctuate widely and are affected by numerous factors, such as supply and demand and investor sentiment. In order to mitigate some of the risk associated with these fluctuations, the Company will at times enter into forward sales contracts or purchase put and call options. The Company continually evaluates the potential benefits of engaging in these strategies based on current market conditions. The Company may be exposed to nonperformance risk by counterparties as a result of its hedging activities. This exposure would be limited to the amount that the spot price of the metal falls short of the contract price. The Company enters into contracts and other arrangements from time to time in an effort to reduce the negative effect of price changes on its cashflows. These arrangements typically consist of managing its exposure to foreign currency exchange rates and market prices associated with changes in gold and silver commodity prices.

Concentrate Sales Contracts

The Company enters into concentrate sales contracts with third-party smelters. The contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. The provisionally priced sales contracts contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of concentrates at the forward price at the time of sale. The embedded derivative, which is the final settlement based on a future price, does not qualify for hedge accounting. These embedded derivatives are recorded as derivative assets in prepaid expenses and other or as derivative liabilities in accrued liabilities and other on the balance sheet and are adjusted to fair value through earnings each period until the date of final settlement.

At September 30, 2014, the Company had outstanding provisionally priced sales of 0.1 million ounces of silver and 32,879 ounces of gold at prices of $18.87 and $1,253, respectively. For a 10% change in realized silver price, revenue would vary (plus or minus) approximately $0.2 million and for a 10% change in realized gold price, revenue would vary (plus or minus) approximately $4.1 million. At December 31, 2013, the Company had outstanding provisionally priced sales consisting of 0.2 million ounces of silver and 30,780 ounces of gold at prices of $20.98 and $1,259, respectively.

Foreign Currency Contracts

The Company operates, or has mineral interests, in several foreign countries, specifically Australia, Bolivia, Chile, Mexico, Argentina, and Ecuador, which exposes it to risks associated with fluctuations in the exchange rates of the currencies involved. As part of its program to manage foreign currency risk, the Company from time to time enters into foreign currency exchange hedge contracts. These contracts enable the Company to purchase a fixed amount of foreign currencies at a fixed exchange rate or to lock in a specific exchange rate. Gains and losses on foreign exchange contracts that are related to firm commitments and designated and effective as hedges are deferred and recognized in the same period as the related transaction. All other contracts that do not qualify as hedges are marked to market and the resulting gains or losses are recorded in income. The Company continually evaluates the potential benefits of entering into these contracts to mitigate foreign currency risk and proceeds when it believes that the exchange rates are most beneficial.

During the nine months ended September 30, 2014 and 2013, the Company entered into forward foreign currency exchange contracts as well as call and put option contracts, also referred to as collars, to reduce the foreign exchange risk associated with forecasted Mexican peso ("MXN") operating costs at its Palmarejo mine and development costs at La Preciosa.

At September 30, 2014, the Company had outstanding collars on $15.0 million with a weighted-average strike price of 12.65 MXN for the floor and 14.83 MXN for the ceiling. The Company had an asset related to these contracts with a fair value of nil at September 30, 2014. A 10% increase or decrease in the MXN rate at September 30, 2014 would

result in gains of $0.1 million or $0.7 million on settlement, respectively.

The Company recorded $0.1 million of mark-to-market losses and mark-to-market gains of $0.1 million for the three months ended September 30, 2014 and 2013, respectively, on the MXN forward contracts and collars. For the nine months ended September 30, 2014 and 2013, the Company recorded mark-to-market gains of $0.9 million and losses of $1.4 million, respectively, on MXN forward contracts and collars. These mark-to-market adjustments are reflected in Fair value adjustments, net.

Palmarejo Gold Production Royalty

On January 21, 2009, Coeur Mexicana entered into the gold production royalty transaction with a subsidiary of Franco-Nevada Corporation. Pursuant to an October 2, 2014 agreement between the parties, the royalty transaction terminates when payments have been made on a total of 400,000 ounces of gold. As of September 30, 2014, a total of 97,416 ounces of gold remain outstanding under the minimum royalty obligation. The price volatility associated with the minimum royalty obligation is considered an embedded derivative financial instrument under U.S. GAAP.

The fair value of the embedded derivative is reflected net of the Company's current credit adjusted risk free rate, which was 7.8% and 5.7% at September 30, 2014 and December 31, 2013, respectively. The fair value of the embedded derivative at September 30, 2014 and December 31, 2013 was a liability of $30.3 million and $40.3 million, respectively. For the three months ended September 30, 2014 and 2013, the mark-to-market adjustments were gains of $8.7 million and losses of $15.3 million, respectively. For the nine months ended September 30, 2014 and 2013, the mark-to-market adjustments were losses of $6.6 million and gains of $60.2 million, respectively. For the three months ended September 30, 2014 and 2013, realized losses on settlement of the liabilities were $5.0 million and $5.6 million, respectively. For the nine months ended September 30, 2014 and 2013, realized losses on settlement of the liabilities were $16.6 million and $22.9 million, respectively. The mark-to-market adjustments and realized losses are included in Fair value adjustments, net in the Consolidated Statements of Comprehensive Income (Loss).

The Company used an implicit interest rate of 30.5% to discount the original obligation, based on the fair value of the consideration received projected over the expected future cash flows at inception of the obligation. The discounted obligation is accreted to its expected future value over the expected minimum payment period based on the implicit interest rate. The Company recognized accretion expense for the three and nine months ended September 30, 2014 and 2013 of $2.5 million, $4.0 million, $8.6 million and $12.2 million, respectively. At September 30, 2014 and December 31, 2013, the remaining minimum obligation under the royalty agreement was $38.1 million and $51.2 million, respectively.

A 10% change in the price of gold would result in a change in the fair value of the net derivative liability at September 30, 2014 to vary by approximately $10.5 million.

Gold and Silver Put Options

At September 30, 2014, the Company has outstanding put spread contracts on 2,500,000 ounces of silver and 49,000 ounces of gold. The weighted average high and low strike prices on the silver put spreads are $18.00 per ounce and $16.00 per ounce, respectively. The weighted average high and low strike prices on the gold put spreads are $1,200 and $1,050, respectively.

If the market price of silver and gold were to average less than the high strike price but more than the low strike price during the contract period, the Company would receive the difference between the average market price and the high strike price for the contracted volume over the contract period. If the market price of silver and gold were to average less than the low strike price during the contract period, the Company would receive the difference between the average market price and the high strike price for the contracted volume over the contract period, and the Company would be required to pay the difference between the average market price and the low strike price for the contracted volume over the contract period.

The put spread contracts are generally net cash settled and expire during the remainder of 2014 and the first quarter of 2015. At September 30, 2014, the fair market value of the put spreads was a net asset of $3.6 million. A 10% increase or decrease in the price of silver and gold at September 30, 2014 would result in a loss of $3.6 million or a gain of $10.2 million on settlement, respectively.

At December 31, 2013, the Company had outstanding put options allowing it to net settle 25,000 ounces of gold and 1,250,000 ounces of silver at weighted average prices of $1,150 per ounce and $17.00 per ounce, respectively, if the market price of gold or silver were to average less than the strike price during the contract period. At December 31, 2013, the fair market value of these contracts was a net asset of $0.1 million. During the three months ended September 30, 2014 and 2013, the Company recorded unrealized gains of $3.1 million and unrealized losses of $3.1 million, respectively, related to outstanding options which was included in Fair value adjustments, net. The Company also recognized realized losses of $0.9 million and $0.4 million resulting from expiring contracts during the three months ended September 30, 2014 and 2013, respectively.

During the nine months ended September 30, 2014 and 2013, the Company recorded unrealized gains of $0.2 million and unrealized gains of $7.5 million, respectively, related to outstanding options which was included in Fair value adjustments, net. The Company also recognized realized losses of $1.3 million and $1.4 million resulting from expiring contracts during the nine months ended September 30, 2014 and 2013, respectively.

Additional information about the Company's derivative financial instruments may be found in Note 10 -- Derivative Financial Instruments in the notes to the consolidated financial statements.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act), and management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature, can provide only reasonable assurance regarding management's control objectives. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events. Based upon the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective and operating to provide reasonable assurance that information required to be disclosed by it in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Report on Internal Control Over Financial Reporting

Based on an evaluation by the Company's Chief Executive Officer and Chief Financial Officer, such officers concluded that there was no change in the Company's internal control over financial reporting during the three months ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

The information contained in Note 19 -- Commitments and Contingencies in the notes to the consolidated financial statements included in this quarterly report is incorporated herein by reference.

Item 1A. Risk Factors

Item 1A (Risk Factors) of the 2013 10-K and of the Company's quarterly reports on Form 10-Q for the quarters ended March 31, 2014 and June 30, 2014 set forth information relating to important risks and uncertainties that could materially adversely affect the Company's business, financial condition or operating results. Additional risks and uncertainties that the Company does not presently know or that it currently deems immaterial also may impair our business operations.

Item 4. Mine Safety Disclosures

Information pertaining to mine safety matters is reported in accordance with Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act in Exhibit 95.1 attached to this Quarterly Report on Form 10-Q.

Item 6. Exhibits

| | |
|---|---|
| 10.1 | Supplemental Incentive Agreement dated July 30, 2014 between the Company and Mitchell J. Krebs (Incorporated herein by reference to Exhibit 10.1 to Current Report on Form 8-K of the Company filed on August 1, 2014).** |
| 10.2 | Amended and Restated Employment Agreement dated July 30, 2014 between the Company and Mitchell J. Krebs (Incorporated herein by reference to Exhibit 10.2 to Current Report on Form 8-K of the Company filed on August 1, 2014).** |
| 31.1 | Certification of the CEO (Filed herewith). |
| 31.2 | Certification of the CFO (Filed herewith). |
| 32.1 | CEO Section 1350 Certification (Filed herewith). |
| 32.2 | CFO Section 1350 Certification (Filed herewith). |
| 95.1 | Mine Safety Disclosure (Filed herewith). |
| 101.INS | XBRL Instance Document* |
| 101.SCH | XBRL Taxonomy Extension Schema* |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase* |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase* |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase* |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase* |

* The following financial information from Coeur Mining, Inc.'s Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2014, formatted in XBRL (Extensible Business Reporting Language): Condensed Consolidated Statements of Comprehensive Loss, Condensed Consolidated Statements of Cash Flows, Condensed Consolidated Balance Sheets, Condensed Consolidated Statement of Changes in Stockholders' Equity

** Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COEUR MINING, INC.
(Registrant)

| | |
|---|---|
| Dated November 5, 2014 | /s/ Mitchell J. Krebs<br>MITCHELL J. KREBS<br>President and Chief Executive Officer (Principal Executive Officer) |
| Dated November 5, 2014 | /s/ Peter C. Mitchell<br>PETER C. MITCHELL<br>Senior Vice President and Chief Financial Officer (Principal Financial Officer) |
| Dated November 5, 2014 | /s/ Mark Spurbeck<br>MARK SPURBECK<br>Vice President, Finance (Principal Accounting Officer) |