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Coeur Mining, Inc.

Form 10-K

February 07, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark

One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

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 1-8641

COEUR MINING, INC.

(Exact name of registrant as specified in its charter)

Delaware 82-0109423

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

104 S. Michigan Ave. Suite 900 60603

Chicago, IL (Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including area code: (312) 489-5800

Securities Registered pursuant to Section 12(b) of the Act:

Title of each class Name of each exchange on which registered

Common Stock, par value \$0.01 per share New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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  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  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter.

\$1,538,261,285

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

As of February 5, 2018, 185,442,526 shares of Common Stock, par value \$0.01 per share

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DOCUMENTS INCORPORATED BY REFERENCE

Certain information called for by Part III of the Form 10-K is incorporated by reference from the registrant's definitive proxy statement for the 2018 Annual Meeting of Stockholders which will be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

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COEUR MINING, INC.

FORM 10-K

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## PART I

### Item 1. Business

#### INTRODUCTION

Coeur Mining, Inc. (“Coeur”, “the Company”, or “we”) is a gold and silver producer, as well as a zinc and lead producer after the acquisition of Silvertip (as defined below), with mines located in the United States, Canada, Mexico, and Bolivia and exploration projects in the United States and Mexico. The Company operates the Palmarejo complex, and the Rochester, Kensington, Wharf, Silvertip (acquired in October 2017; expected to commence production in the first quarter of 2018) and San Bartolomé mines. The Company’s principal sources of revenue are its operating mines. As described below, in December 2017, the Company entered into an agreement to sell 100% of the shares of Empresa Minera Manquiri S.A. (“Manquiri”), the operator of the San Bartolomé mine. As a result, the Company presents San Bartolomé as a discontinued operation for all periods presented. In this Annual Report on Form 10-K (this “Report” or “Form 10-K”), the operating statistics, results of operations, cash flows and financial condition that we present and discuss are those of our continuing operations unless otherwise indicated. For additional information regarding our discontinued operations, see Note 22 to the Consolidated Financial Statements and the discussion in our Results of Consolidated Operations below.

Coeur was incorporated as an Idaho corporation in 1928 under the name Coeur d’Alene Mines Corporation. On May 16, 2013, Coeur changed its state of incorporation from the State of Idaho to the State of Delaware and changed its name to Coeur Mining, Inc.

#### OVERVIEW OF MINING PROPERTIES AND INTERESTS

The Company’s operating properties and interests are described below:

- Coeur owns 100% of Coeur Mexicana S.A. de C.V. (“Coeur Mexicana”), which operates (1) the Palmarejo processing facility (since 2009); (2) the Guadalupe underground mine (since 2015), located about eight kilometers southeast of the Palmarejo mine; (3) the Independencia underground mine (since 2016), located approximately 800 meters northeast of the Guadalupe underground mine, and (4) other nearby deposits and exploration targets (together, the “Palmarejo complex”). The Palmarejo complex produced 7.2 million ounces of silver and 121,569 ounces of gold in 2017.

Coeur owns 100% of Coeur Rochester, Inc. (“Coeur Rochester”), which has operated the Rochester mine, a silver and gold surface mining operation located in northwestern Nevada, since 1986. The Rochester mine produced 4.7 million ounces of silver and 51,051 ounces of gold in 2017.

- Coeur owns 100% of Coeur Alaska, Inc. (“Coeur Alaska”), which has operated the Kensington mine, an underground gold mine located north of Juneau, Alaska since 2010. Kensington produced 115,094 ounces of gold in 2017.

Coeur owns 100% of Wharf Resources (U.S.A.), Inc. (“Wharf”), which operates the Wharf mine, an open-pit gold mine located near Lead, South Dakota. The Wharf mine is located in the Black Hills mining district of South Dakota and has been in production for over 30 years, during which it has produced over 2.2 million ounces of gold. Coeur acquired Wharf in February 2015. The Wharf mine produced 95,372 ounces of gold in 2017.

Coeur owns 100% of Coeur Silvertip Holdings Ltd. (“Silvertip”), which operates the underground Silvertip silver-zinc-lead mine located in northern British Columbia, Canada. Coeur acquired Silvertip in October 2017. The Silvertip mine is expected to commence production in the first quarter of 2018.

Coeur owns 100% of Manquiri, a Bolivian company that controls the mining rights for the San Bartolomé mine, which is a surface silver mine in Bolivia where Coeur commenced commercial production in 2008. The San Bartolomé mine produced 4.3 million ounces of silver in 2017. In December 2017, Coeur and certain of its subsidiaries entered into a Share Purchase Agreement (the “Manquiri Agreement”) for the sale by Coeur and its subsidiaries of 100% of the issued and outstanding shares of Manquiri (the “Manquiri Divestiture”). Coeur expects to close the sale of Manquiri during the first quarter of 2018.

Coeur owns 100% of the La Preciosa silver-gold exploration project in the State of Durango, Mexico.

Coeur has made strategic equity investments in other early-stage precious metals companies.

Coeur has an interest in exploration-stage properties throughout North America.

For financial and geographic information regarding our operating segments, see Note 3 to the consolidated financial statements.

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**SILVER, GOLD, ZINC, AND LEAD PRICES**

The Company's operating results are substantially dependent upon the market prices of silver and gold, and to a lesser extent zinc and lead following the Silvertip acquisition, which fluctuate widely. The volatility of such prices is illustrated in the following table, which sets forth the high and low prices of each metal published by the London Bullion Market Association ("LBMA") for silver and gold and the London Metal Exchange ("LME") for zinc and lead:

	Year Ended December 31,					
	2017		2016		2015	
	High	Low	High	Low	High	Low
Silver (per oz.)	\$18.56	\$15.22	\$20.71	\$13.58	\$18.23	\$13.71
Gold (per oz.)	\$1,346	\$1,151	\$1,366	\$1,077	\$1,296	\$1,049
Zinc (per lb.)	\$1.53	\$1.10	\$1.31	\$0.66	\$1.10	\$0.67
Lead (per lb.)	\$1.17	\$0.91	\$1.14	\$0.73	\$0.98	\$0.71

**MARKETING**

The Company's mining operations produce silver and/or gold doré and gold concentrate. The Company uses a geographically diverse group of third-party refiners and smelters in the United States and China. The Company will produce zinc, lead, and silver concentrate when Silvertip commences production.

The Company's doré, as well as the concentrate product produced by the Wharf mine, is refined into gold and silver bullion according to benchmark standards set by the LBMA, which regulates the acceptable requirements for bullion traded in the London precious metals markets. The Company then sells its silver and gold bullion to multi-national banks, bullion trading houses, and refiners across the globe. The Company has eight trading counterparties at December 31, 2017. The Company's sales of doré or concentrate product produced by the Palmarejo, Rochester, and Wharf mines amounted to approximately 78%, 74%, and 72% of total metal sales for the years ended December 31, 2017, 2016, and 2015, respectively. Generally, the loss of a single bullion trading counterparty would not adversely affect the Company due to the liquidity of the markets and availability of alternative trading counterparties.

The Company's gold concentrate products from the Kensington mine are primarily sold to one smelter under a purchase and sale agreement, and the smelter pays the Company for the metals recovered from the concentrates. The Company's sales of concentrate produced by the Kensington mine amounted to approximately 22%, 26%, and 27% of total metal sales for the years ended December 31, 2017, 2016, and 2015, respectively. While the loss of a smelter may have a material adverse effect if alternate smelters are not available or if the failure to engage a new smelter results in a delay in the sale or purchase of Kensington concentrate, the Company believes that there is sufficient global capacity available to address the loss of a smelter.

**HEDGING ACTIVITIES**

The Company's strategy is to provide stockholders with exposure to silver and gold prices by selling silver and gold production at market prices. The Company also plans to sell zinc and lead concentrate when the Silvertip mine commences production in the first quarter of 2018. The Company may enter into short-term derivative contracts to protect the selling price for certain anticipated silver, gold, zinc and lead production and to manage risks associated with foreign currencies. For additional information see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" and Note 12 -- Derivative Financial Instruments in the notes to the consolidated financial statements.

**GOVERNMENT REGULATION****General**

The Company's activities are subject to extensive federal, state and local laws governing the protection of the environment, prospecting, development, production, taxes, labor standards, occupational health, mine safety, toxic substances, protection of endangered, protected or other specified species and other matters. The costs to comply with such regulatory requirements are substantial and possible future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development and continued operation of the Company's properties, the extent of which cannot be predicted. In the context of environmental permitting, including the approval of reclamation plans, the Company must comply with known standards and regulations which may entail significant costs and delays. Although the Company has been recognized for its commitment to environmental responsibility and believes it is in substantial compliance with applicable laws and regulations, amendments to current laws and regulations, more stringent application or interpretation of these laws and regulations through judicial review, or

administrative action or the adoption of new laws could have a material adverse effect upon the Company and its results of operations.



Estimated future reclamation costs are based primarily on legal and regulatory requirements. At December 31, 2017, \$118.8 million was accrued for reclamation costs relating to currently developed and producing properties. The Company is also involved in several matters concerning environmental obligations associated with former mining activities. Based upon the Company's best estimate of its liabilities for these items, \$2.0 million was accrued at December 31, 2017. These amounts are included in Reclamation on the Consolidated Balance Sheet.

#### U.S. Environmental Laws

Certain mining wastes from extraction and beneficiation of ores would be considered hazardous waste under the Resource Conservation and Recovery Act ("RCRA") and state law equivalents, but are currently exempt from the extensive set of Environmental Protection Agency ("EPA") regulations governing hazardous waste. If the Company's mine wastes were treated as hazardous waste under RCRA or such wastes resulted in operations being designated as "Superfund" sites under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") or state law equivalents for cleanup, material expenditures could be required for the construction of additional waste disposal facilities, for other remediation expenditures, or for natural resource damages. Under CERCLA, any present or past owners or operators of a Superfund site generally may be held liable and may be forced to undertake remedial cleanup action or to pay for the government's cleanup efforts. Such owners or operators may also be liable to governmental entities for the cost of damages to natural resources, which may be substantial. Additional regulations or requirements may also be imposed upon the Company's operations, tailings, and waste disposal areas, as well as upon mine closure, in Alaska, Nevada, and South Dakota under federal and state environmental laws and regulations, including, without limitation, CERCLA, the Clean Water Act, Clean Air Act and state law equivalents. The Company has reviewed and considered current federal legislation relating to climate change and does not believe it to have a material effect on its operations. Future changes in U.S. federal or state laws or regulations could have a material adverse effect upon the Company and its results of operations.

#### U.S. Mining Legislation

A portion of the Company's U.S. mining properties are on unpatented mining claims on federal lands. Legislation has been introduced regularly in the U.S. Congress over the last decade to change the Mining Law of 1872 as amended (the "Mining Law"), under which the Company holds these unpatented mining claims. It is possible that the Mining Law may be amended or replaced by less favorable legislation in the future. Previously proposed legislation contained a production royalty obligation, new environmental standards and conditions, additional reclamation requirements and extensive new procedural steps which would likely result in delays in permitting. The ultimate content of future proposed legislation, if enacted, is uncertain. If a royalty on unpatented mining claims were imposed, the profitability of the Company's U.S. operations could be materially adversely affected. In addition, the U.S. Forest Service and the U.S. Bureau of Land Management ("BLM") have considered revising regulations governing operations under the Mining Law on federal lands they administer, which, if implemented, may result in additional procedures and environmental conditions and standards on those lands. The majority of the Company's operations are either outside of the United States or on private patented lands and would be unaffected by potential legislation.

Any such reform of the Mining Law or BLM and U.S. Forest Service regulations thereunder could increase the costs of mining activities on unpatented mining claims, or could materially impair the ability of the Company to develop or continue operations which derive ore from federal lands, and as a result, could have an adverse effect on the Company and its results of operations. Until such time, if any, as new reform legislation or regulations are enacted, the ultimate effects and costs of compliance on the Company cannot be estimated.

#### Foreign Government Regulations

Mexico, where the Palmarejo complex and the La Preciosa exploration project are located, and Canada, where the Silvertip mine is located and Bolivia, where the San Bartolomé mine is located, have all adopted laws and guidelines for environmental permitting that are similar to those in effect in the United States. The permitting process requires a thorough study to determine the baseline condition of the mining site and surrounding area, an environmental impact analysis, and proposed mitigation measures to minimize and offset the environmental impact of mining operations. The Company has received all permits required to operate the Palmarejo complex and the San Bartolomé mine and to carry out the current scope of activities at the Silvertip Mine, and has received all permits necessary for the exploration activities being conducted at its other non-U.S. properties.

Maintenance of Claims

United States

At mining properties in the United States, including the Rochester, Kensington, and Wharf mines, operations are conducted upon both patented and unpatented mining claims. Pursuant to applicable federal law, it is necessary to pay to the Secretary of the Interior, on or before September 1st of each year, a claim maintenance fee of \$155 per unpatented federal claim. This claim maintenance fee is in lieu of the assessment work requirement contained in applicable mining laws. In addition, Nevada holders

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of unpatented federal mining claims are required to pay the county recorder of the county in which the claim is situated an annual fee of \$12.00 per claim. In South Dakota, holders of unpatented federal mining claims are required to pay the county recorder of the county in which the claim is situated an annual fee of \$0.25 per claim. In Alaska, the Company is required to pay a variable, annual rental fee for State claims and a State upland mining lease based on the age of the claim or claims converted to the upland mining lease. Annual labor must also be performed or an annual payment in lieu of annual labor must be paid to the State of Alaska for State claims and upland mining leases. No maintenance fees are payable for federal patented claims. Patented claims are similar to land held by an owner who is entitled to the entire interest in the property with unconditional power of disposition and are subject to local ad valorem property taxes.

#### Mexico

In order to carry out mining activities in Mexico, the Company is required to obtain a mining concession from the General Bureau of Mining, which belongs to the Ministry of Economy of the Federal Government, or be assigned previously granted concession rights, and both must be recorded with the Public Registry of Mining. In addition, mining works may have to be authorized by other authorities when performed in certain areas, including ejidos (communal owners of land recognized by the federal laws in Mexico), villages, dams, channels, general communications ways, submarine shelves of islands, islets and reefs, marine beds and subsoil and federal maritime-terrestrial zones. Reports have to be filed with the General Bureau of Mining in May of each year, evidencing previous calendar year mining investment and works. Annual reports, detailing technical and statistical information and production results, must be submitted during the first 30 business days of the following year for each concession or group of concessions bearing production and all concessions over six years of age. Bi-annual mining duties are payable in January and July of each year and, based on amount of surface of each mining concession, holders of mining concessions must also pay annually and no later than the last business day of March a special mining fee based on 7.5% of the income before interest and certain other permitted deductions derived from the transfer or sale of minerals, plus 0.5% of gross revenues from sales of gold, silver and platinum. Failure to pay any of these duties and submit the required reports could lead to cancellation of the concessions. Upon expiration or cancellation of the concession, certain obligations remain, such as filing technical reports and ground support.

#### Canada (British Columbia)

Mineral claims and mining leases in British Columbia are regulated by the provincial government under the Mineral Tenure Act. Mineral claims are initially valid for one year after recording. To maintain a claim, the recorded holder must, on or before the expiry date of the claim, either perform exploration and development work on that claim (or contiguous block of claims) and register such work, or register a payment instead of exploration and development work. Only work prescribed by regulation is acceptable for registration. The value of exploration and development work required to maintain a mineral claim for one year is CAD5/hectare (“ha”) for each of the first and second years, CAD10/ha for each of the third and fourth years, CAD15/ha for each of the fifth and sixth years, and CAD20/ha for each subsequent year. If a payment is made instead of performing exploration and development work, the payment must be double the value of the required work. The recorded holder of a mineral claim is allowed to produce a very limited amount of mineralized material. For production in excess of these limits, a mining lease is required. Mining leases in British Columbia are generally issued for a term of 30 years, and renewal terms are available. An annual rental payment of CAD20/ha is required to maintain a mining lease. There are no annual work requirements for mining leases. Before any mechanical disturbance of the surface of the ground is performed by, or on behalf of, the recorded holder, the necessary approvals and permits under the Mineral Tenure Act must be obtained. Mines in production are subject to taxation by the provincial government.

#### Bolivia

The Bolivian state owns the mining rights at San Bartolomé. The Bolivian state-owned mining organization, Corporación Minera de Bolivia (“COMIBOL”), is the underlying manager of all of the mining rights relating to the San Bartolomé mine. Bolivia’s ownership derives from the Supreme Decree 3196 issued in October 1952, when the government nationalized most of the mines in Potosí. COMIBOL has leased the mining rights for the surface silver and tin bearing sediment to several Potosí cooperatives. The cooperatives have subleased their mining rights to Coeur’s subsidiary, Manquiri, through a series of “joint venture” contracts (“JV Agreements”). In addition to those agreements with the cooperatives, Manquiri holds additional mining rights under lease agreements directly with COMIBOL. All

of Manquiri's mining and surface rights collectively constitute the San Bartolomé mine. In response to conflicts between local mining cooperatives and the Bolivian government, on September 1, 2016, the Bolivian government issued Supreme Decree No. 2891, and on October 24, 2016, Law 845, which impose tighter restrictions on mining cooperatives, including reversion of mining areas leased to the mining cooperatives by COMIBOL that are subject to JV Agreements, leases or subleases with third parties to the Bolivian state. Although Bolivian government officials have made public statements that the decree will not impact Manquiri's ability to continue operations in the areas subject to the JV Agreements and the JV Agreements continue to be formally in existence, any cancellation of leases between COMIBOL and the applicable mining cooperatives and/or the JV Agreements will require negotiation of and entry into contracts directly with

COMIBOL to continue mining operations at the affected areas. In January 2017, an interim permit was granted to Manquiri allowing for continuation of mining operations in the areas subject to the JV Agreements pending negotiation of contracts directly with COMIBOL. For additional information regarding the maintenance of its claims to the San Bartolomé mine, see “Item 2. Properties - Silver and Gold Mining Properties, Bolivia-San Bartolomé.”

#### EMPLOYEES

The number of full-time employees of the Company at December 31, 2017 was:

U.S. Corporate and Other	74
Wharf Mine	207
Rochester Mine	286
Silvertip Mine	167
Kensington Mine	367
Palmarejo Complex	878
San Bartolomé Mine <sup>(1)</sup>	278
Total	2,257

Manquiri maintained a labor agreement in South America with Sindicato de Trabajadores Mineras de la Empresa Manquiri S.A. at the San Bartolomé mine in Bolivia in 2017, which remains in effect for 2018. At December 31, <sup>(1)</sup>2017, approximately 7% of the Company’s global labor force was covered by collective bargaining agreements, consisting entirely of employees at San Bartolomé.

## BUSINESS STRATEGY AND COMPETITIVE STRENGTHS

Management believes the following strengths provide the Company with significant competitive advantages:

Strong track record of developing and operating mines

The Company has successfully acquired, developed, and operated a portfolio of operating mines since its founding in 1928. In 2017, we had production from continuing operations of 12.1 million ounces of silver and 383,086 ounces of gold at costs applicable to sales of \$10.70 per silver equivalent ounce<sup>1</sup> (\$9.66 per average spot silver equivalent ounce) at primary silver mines and \$822 per gold equivalent ounce<sup>1</sup> at primary gold mines.

Silver Production (Continuing Operations)	Gold Production (Continuing Operations)
----------------------------------------------	--------------------------------------------

Costs Applicable to Sales per Silver Equivalent Oz <sup>1</sup>	Costs Applicable to Sales per Gold Equivalent Oz <sup>1</sup>
-----------------------------------------------------------------	---------------------------------------------------------------

All-in Sustaining Costs per Silver Equivalent Oz 60:1 <sup>1</sup>	All-in Sustaining Costs per Silver Equivalent Oz Spot <sup>1</sup>
--------------------------------------------------------------------	--------------------------------------------------------------------

(1) See Non-GAAP Financial Performance Measures.

Operating and commodity diversity

The Company's silver and gold production comes from five operating mines and an additional mine, which is expected to commence production of silver, zinc and lead in the first quarter of 2018. The Company operates the Palmarejo silver and gold complex in Mexico, the Silvertip silver-zinc-lead mine in Canada, the Kensington gold mine in Alaska, the Wharf gold mine in South Dakota, the Rochester silver and gold mine in Nevada, and the San Bartolomé silver mine in Bolivia (the Co