Coeur Mining, Inc.
Form 10-K
February 07, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
(Mark One)

x	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	
o	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 Chicago, IL	60603
(Address of principal executive offices)	(Zip Code)

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 x 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 x
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 x 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 x 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. x
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	þ	Accelerated filer	o
Non-accelerated filer (Do not check if a smaller reporting company)	o	Smaller reporting company	o

Emerging growth company o

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 x

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

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.

COEUR MINING, INC.

FORM 10-K
INDEX

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.

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 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[(1)]	278
Total	2,257

(1) Manquiri maintained a labor agreement in South America with Sindicato de Trabajadorés 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, 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[1] ($9.66 per average spot silver equivalent ounce) at primary silver mines and $822 per gold equivalent ounce[1] at primary gold mines.

Silver Production (Continuing Operations)

Gold Production (Continuing Operations)

Costs Applicable to Sales per Silver Equivalent Oz[1]

Costs Applicable to Sales per Gold Equivalent Oz[1]

All-in Sustaining Costs per Silver Equivalent Oz 60:1[1]

All-in Sustaining Costs per Silver Equivalent Oz Spot[1]

(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 Company expects to complete the Manquiri Divestiture during the first quarter of 2018).

The Company's metal sales breakdown by operating mine in continuing operations and metal is set out below:
2017 Silver Sales by Mine (millions of ounces) 2017 Gold Sales by Mine (ounces)

Experienced management team
The Company has built a high-caliber management team of devoted professionals with extensive mining industry expertise. President and Chief Executive Officer, Mitchell Krebs, Senior Vice President and Chief Financial Officer, Peter Mitchell, and Senior Vice President and Chief Operating Officer, Frank Hanagarne, each has significant experience in the mining industry. The board of directors also brings diverse industry backgrounds and a depth of professional experience to the Company.
Capitalizing on prior development program
The Company has spent significant capital in developing or expanding its four 100%-owned operating mines that remain as continuing operations. The following table provides the percentage contribution to the Company's total revenues:

	Percentage of Total Revenues For The Year Ended December 31,				
Mine/Location	2017	2016	2015	2014	2013
Palmarejo Complex, Mexico	38 %	24 %	30 %	47 %	54 %
Kensington Mine, United States	22	26	26	26	25
Rochester Mine, United States	22	24	26	24	20
Wharf Mine, United States(1)	18	24	15	—	—
Coeur Capital(2)	—	2	3	3	1
	100%	100%	100%	100%	100%

(1) Acquired February 2015.
(2) Primarily the Endeavor Silver Stream (Australia).

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This report contains numerous forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") relating to the Company's gold, silver, zinc and lead mining business, including statements regarding the Manquiri Divestiture, and timing for commencement of production at Silvertip, mineral reserve and mineralized material estimates, exploration efforts, drilling, development at Kensington and Palmarejo, estimated production, costs, capital expenditures, expenses, metals prices, sufficiency of assets, ability to discharge liabilities, liquidity management, financing needs, environmental compliance expenditures, risk management strategies, operational excellence, cost reduction initiatives, capital discipline, and initiatives to maximize net cash flow, enhance revenues, reduce operating and non-operating costs, and manage working capital efficiently. Such forward-looking statements are identified by the use of words such as "believes," "intends," "expects," "hopes," "may," "should," "plan," "projected," "contemplates," "anticipates" or similar words. Actual results could differ mate from those projected in the forward-looking statements. The factors that could cause actual results to differ materially from those projected in the forward-looking statements include (i) the risk factors set forth below under Item 1A and in Management's Discussion and Analysis of Financial Condition and Results of Operations under Item 7, (ii) the risk that the Manquiri Divestiture is not completed on a timely basis or at all, (iii) the risk that commencement of commercial production at Silvertip will be delayed, (iv) 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), (v) changes in the market prices of gold, silver, zinc and lead and a sustained lower price environment, (vi) 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, (vii) any future labor disputes or work stoppages (involving the Company and its subsidiaries or third parties), (viii) the uncertainties inherent in the estimation of gold, silver, zinc and lead reserves and mineralized material, (ix) changes that could result from the Company's future acquisition of new mining properties or businesses, (x) the loss of access to any third-party smelter to whom 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 its 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.

CAUTIONARY NOTE REGARDING DISCLOSURE OF MINERAL PROPERTIES

Reserves, Resources and Mineralized Material

Coeur Mining, Inc. is subject to the reporting requirements of the Exchange Act and applicable Canadian securities laws, and as a result we report our mineral reserves according to two different standards. Canadian reporting requirements for disclosure of mineral properties are governed by National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101"). The definitions of NI 43-101 are adopted from those given by the Canadian Institute of Mining, Metallurgy and Petroleum. U.S. reporting requirements, however, are governed by Securities and Exchange Commission ("SEC") Industry Guide 7 ("Guide 7"). Both sets of reporting standards have similar goals in terms of conveying an appropriate level of confidence in the disclosures being reported, but embody different approaches and definitions. Under Guide 7, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made.

In our public filings in Canada and in certain other announcements not filed with the SEC, we disclose measured, indicated and inferred resources, each as defined in NI 43-101, in addition to our mineral reserves. U.S. investors are cautioned that, while the terms "measured mineral resources," "indicated mineral resources" and "inferred mineral resources" are recognized and required by Canadian securities laws, Guide 7 does not recognize them. The estimation of measured resources and indicated resources involve greater uncertainty as to their existence and economic feasibility than the estimation of proven and probable reserves, and therefore U.S. investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into Guide 7 compliant reserves. The estimation of inferred resources involves far greater uncertainty as to their existence and economic viability than the estimation of other categories of resources, and therefore it cannot be assumed that all or any part of inferred resources will ever be upgraded to a higher category. Therefore, investors are cautioned not to assume that all or any part of inferred resources exist, or that they can be mined legally or economically.

In this Annual Report on Form 10-K ("Form 10-K") and in our other filings with the SEC, we modify our estimates made in compliance with NI 43-101 to conform to Guide 7 for reporting in the United States. In this Form 10-K, we use the term "mineralized material" to describe mineralization in mineral deposits that do not constitute "reserves" under U.S. standards. "Mineralized material" is substantially equivalent to measured and indicated mineral resources (exclusive of reserves) as disclosed for reporting purposes in Canada, except that the SEC only permits issuers to report "mineralized material" in tonnage and average grade without reference to contained ounces. We provide disclosure of mineralized material to allow a means of comparing our projects to those of other companies in the mining industry, many of which are Canadian and report pursuant to NI 43-101, and to comply with applicable disclosure requirements. We caution you not to assume that all or any part of mineralized material will ever be converted into Guide 7 compliant reserves.

Technical Reports and Qualified Persons

As required by Canadian securities laws, we hereby notify Canadian investors that the scientific and technical information concerning our mineral projects in this Form 10-K have been reviewed and approved by a "qualified person" under NI 43-101, namely our Director, Technical Services, Christopher Pascoe. For a description of the key assumptions, parameters and methods used to estimate mineral reserves included in this Form 10-K, as well as data verification procedures and a general discussion of the extent to which the estimates may be affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant factors, Canadian investors may view technical reports prepared for each of our properties as filed on

SEDAR at http://www.sedar.com. Neither the technical reports nor the statements of any qualified person filed with the Canadian securities regulatory authorities are included in, or incorporated by reference in, this Form 10-K. Because the definitions and standards of NI 43-101 differ from those of Guide 7, investors are cautioned that information contained in reports prepared pursuant to NI 43-101, like the technical reports, may not be comparable to similar information that we can disclose in this Form 10-K or the other reports we file with the SEC.

AVAILABLE INFORMATION

Coeur makes available, on its website (http://www.coeur.com), its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and Proxy Statements, as well as Forms 3, 4 and 5 with respect to its common stock, including any amendments to any of the foregoing, as soon as reasonably practicable after such reports are electronically filed with the SEC. Copies of Coeur's Corporate Governance Guidelines, charters of the key committees of the Board of Directors (Audit, Compensation, Nominating and Corporate Governance, and Environmental, Health, Safety, and Social Responsibility Committees) and its Code of Business Conduct and Ethics, applicable to the Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, among others, are also available on the Company's website. Information contained on the Company's website is not a part of this report.

Item 1A. Risk Factors

The Company’s results of operations, cash flows and operating costs are highly dependent upon the market prices of silver and gold, and, following the Silvertip acquisition, other commodities including zinc and lead, which are volatile and beyond the Company’s control.

Silver, gold, zinc and lead are actively traded commodities, and their prices are volatile. During the twelve months ended December 31, 2017, the price of silver ranged from a low of $15.22 per ounce to a high of $18.56 per ounce, the price of gold ranged from a low of $1,151 per ounce to a high of $1,346 per ounce, the price of zinc ranged from a low of $1.10 per pound to a high of $1.53 per pound, and the price of lead ranged from a low of $0.91 per pound to a high of $1.17 per pound. The closing market prices of silver, gold, zinc and lead on February 5, 2018 were $16.88 per ounce, $1,334 per ounce, $1.63 per pound, and $1.21 per pound, respectively.

Silver, gold, zinc and lead prices are affected by many factors beyond the Company’s control, including U.S. dollar strength or weakness, speculation, global currency values, the price of products that incorporate silver, gold, zinc or lead, global and regional demand and production, political and economic conditions and other factors. In addition, Exchange Traded Funds (“ETFs”), which have substantially facilitated the ability of large and small investors to buy and sell precious metals and base metals, have become significant holders of gold, silver, zinc and lead. Silver and gold prices are also affected by prevailing interest rates and returns on other asset classes, expectations regarding inflation and governmental decisions regarding precious metals stockpiles.

Because the Company derives a significant portion of its revenues from sales of silver and gold and, to a lesser extent, zinc and lead as a result of the Silvertip acquisition during the fourth quarter of 2017, its results of operations and cash flows will fluctuate as the prices of these metals change. A period of significant and sustained lower gold and silver prices and, to a lesser extent, zinc and lead prices, would materially and adversely affect the Company’s results of operations and cash flows. Additionally, if market prices for silver, gold, zinc and lead decline and remain at lower levels for a sustained period of time, the Company may have to revise its operating plans, including reducing operating costs and capital expenditures, terminating or suspending mining operations at one or more of its properties and discontinuing certain exploration and development plans. The Company may be unable to decrease its costs in an amount sufficient to offset reductions in revenues, and may continue to incur losses.

Operating costs at the Company’s mines are also affected by the price of input commodities, such as fuel, electricity, labor, chemical reagents, explosives, steel and concrete. Prices for these input commodities are volatile and can fluctuate due to conditions that are difficult to predict, including global competition for resources, currency fluctuations, consumer or industrial demand and other factors. Continued volatility in the prices of commodities and other supplies the Company purchases could lead to higher costs, which would adversely affect results of operations and cash flows.

The Company’s future growth will depend upon its ability to develop new mines, either through exploration at existing properties or by acquisition of other mining companies.

Because mines have limited lives based on proven and probable ore reserves, the Company’s ability to achieve significant additional growth in revenues and cash flows will depend upon success in further developing existing properties and the opportunistic acquisition or development of new mining properties, such as the Company’s recent Silvertip acquisition.

While initial development of the Palmarejo, Rochester, and Kensington mines has been substantially completed, development work continues to expand these mines while leveraging existing infrastructure. In addition, the Company has acquired several mining properties in recent years, namely, the Silvertip silver-zinc-lead mine, the Wharf gold mine and the properties held by Paramount Gold & Silver Corp. which are now part of the Palmarejo complex, and has significantly expanded its near-mine exploration program. The Company cannot assure that it will be able to successfully expand and develop existing or new mining properties or acquire additional mining properties on favorable economic terms or at all.

The Company regularly evaluates and engages in discussions or negotiations regarding acquisition opportunities. Any transactions that the Company contemplates or pursues would involve risks and uncertainties. There can be no assurance with respect to the timing, likelihood or business effect of any possible transaction.

The Company may be unable to successfully integrate the recently acquired Silvertip mine or other acquisitions.

There can be no assurance that the anticipated benefits of the recently completed acquisition of the Silvertip mine in British Columbia, Canada, or any future acquisition, will be realized. The success of this and any other acquisition will depend upon the Company's ability to effectively manage the integration and operations of entities or properties it acquires and to realize other anticipated benefits. The process of managing acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of management resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process.

In addition to the above, any acquisition would be accompanied by risks, including:

- a significant change in commodity or stock prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio;
- a material ore body may prove to be below expectations;
- difficulties integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; and
- the acquired business or assets may have unknown liabilities which may be significant.

In addition, the Silvertip acquisition was funded, in part, with funds drawn under the Company's revolving credit facility, resulting in increased interest expense. In connection with any future acquisition, the Company may incur indebtedness or issue equity securities or securities convertible into equity securities, resulting in increased interest expense, or dilution of the percentage ownership of existing stockholders. The Company cannot predict the impact of future acquisitions on the price of its common stock, or assure that it would be able to obtain any necessary financing on acceptable terms. Unprofitable acquisitions, or additional indebtedness or issuances of securities in connection with such acquisitions or any mine development, may negatively affect results of operations.

Finally, the Company's systems, procedures and controls may be inadequate to support the expansion of our operations resulting from an acquisition or development of a new mine. The Company's future operating results could be affected by the ability of its officers and key employees to manage the changing business conditions and to integrate an acquired business or new operation into Coeur. There may also be liabilities, such as environmental liabilities, or significant capital expenditures that the Company failed to discover or have underestimated in connection with any acquisition or development. Any such liabilities or capital expenditure requirements could have a material adverse effect on the Company's business, financial condition or future prospects.

The Company is an international company and is exposed to political and social risks associated with its foreign operations.

A significant portion of the Company's revenues are generated by operations outside the United States. Exploration, development, production and closure activities in many countries are potentially subject to heightened political and social risks that are beyond the Company's control and could result in increased costs, capacity constraints and potential disruptions to the Company's business. These risks include the possible unilateral cancellation or forced renegotiation of contracts in which the Company, directly or indirectly, may have an interest, unfavorable changes in foreign laws and regulations, royalty and tax increases (including taxes associated with the import or export of goods), risks associated with the value-added tax ("VAT") and income tax refund recovery and collection process, claims by governmental entities or indigenous communities, expropriation or nationalization of property and other risks arising out of foreign sovereignty over areas in which our operations are conducted. The right to import and export silver and gold may depend on obtaining certain licenses and quotas, which could be delayed or denied at the discretion of the relevant regulatory authorities, or could become subject to new taxes or duties imposed by U.S. or foreign jurisdictions, which could have a material adverse effect on the Company's business, financial condition, or future prospects. In addition, the Company's rights under local law may be less secure in countries where judicial systems are susceptible to manipulation and intimidation by government agencies, non-governmental organizations or civic groups.

Any of these developments could require the Company to curtail or terminate operations at its mines, incur significant costs to renegotiate contracts, meet newly-imposed environmental or other standards, pay greater royalties or higher prices for labor or services and recognize higher taxes, or experience significant delays or obstacles in the recovery of VAT or income tax refunds owed, which could materially and adversely affect financial condition, results of operations and cash flows.

These risks may be higher in developing countries in which the Company may expand its exploration for and development of mineral deposits. Potential operations in these areas increase the Company's exposure to risks of war, local economic conditions, political disruption, civil disturbance and governmental policies that may disrupt its operations.

The Company's ongoing and future success depends on developing and maintaining productive relationships with the communities, including indigenous peoples who may have rights or may assert rights to certain of the Company's properties, and other stakeholders in its operating locations. The Company believes its operations can provide valuable benefits to surrounding communities, in terms of direct employment, training and skills development and other benefits associated with ongoing payment of taxes. In addition, the Company seeks to maintain its partnerships and relationships with local communities, including indigenous peoples, and stakeholders in a variety of ways, including in-kind contributions, volunteer time, sponsorships and donations. Notwithstanding the Company's ongoing efforts, local communities and stakeholders can become dissatisfied with its activities or the level of benefits provided, which may result in legal or administrative proceedings, civil unrest, protests, direct action or campaigns against it. Any such occurrences could materially and adversely affect the Company's financial condition, results of operations and cash flows.

The Company's operations outside the United States also expose it to economic and operational risks.

The Company's operations outside the United States also expose it to economic and operational risks. Local economic conditions can cause shortages of skilled workers and supplies, increase costs and adversely affect the security of operations. In addition, higher incidences of criminal activity and violence in the area of some of the Company's foreign operations, including drug-cartel related violence in Mexico, could adversely affect the Company's ability to operate in an optimal fashion and may impose greater risks of theft and greater risks as to personnel and property security. These conditions could lead to lower productivity and higher costs, which would adversely affect results of operations and cash flows.

In addition, acts of civil disobedience are common in certain of the countries where the Company's operations are located. In recent years, many mining companies have been the targets of actions to restrict their legally-entitled access to mining concessions or property. Such acts of civil disobedience often occur with no warning and can result in significant direct and indirect costs. The Company cannot provide assurance that there will be no disruptions to site access in the future, which could adversely affect the Company's business.

The Company sells silver and gold doré, gold concentrate, and expects to sell its silver, zinc and lead concentrates in U.S. dollars, but it conducts operations outside the United States in local currency. Currency exchange movements could also adversely affect the Company's results of operations.

The estimation of ore reserves is imprecise and depends upon subjective factors. Estimated ore reserves may not be realized in actual production. The Company's results of operations and financial position may be adversely affected by inaccurate estimates.

The ore reserve figures presented in the Company's public filings are estimates made by the Company's technical personnel and independent mining consultants with whom the Company contracts. Reserve estimates are a function of geological and engineering analyses that require the Company to make assumptions about production costs, recoveries and silver, gold, zinc and lead market prices. Reserve estimation is an imprecise and subjective process. The accuracy of such estimates is a function of the quality of available data and of engineering and geological interpretation, judgment and experience. Assumptions about silver, gold, zinc and lead market prices are subject to great uncertainty as those prices fluctuate widely and have fallen significantly at times over the past several years. Declines in the market prices of silver, gold, zinc or lead may render reserves containing relatively lower grades of ore uneconomic to exploit, and the Company may be required to reduce reserve estimates, discontinue development or mining at one or more of its properties or write down assets as impaired. Should the Company encounter mineralization or geologic formations at any of its mines or projects different from those predicted, it may adjust its reserve estimates and alter its mining plans. Either of these alternatives may adversely affect actual production and financial condition, results of operations and cash flows.

The Company’s estimates of future production, costs, and financial results are imprecise, depend upon subjective factors, may not be realized in actual production and such estimates speak only as of their respective dates.

The Company has in the past, and may in the future, provide estimates and projections of its future production, costs and financial results. Any such information is forward-looking. Neither the Company’s independent registered public accounting firm nor any other independent expert or outside party compiles or examines these forward-looking statements and, accordingly, no such person expresses any opinion or any other form of assurance with respect thereto. Such estimates are made by the Company’s management and technical personnel and are qualified by, and subject to the assumptions, contained or referred in the filing, release or presentation in which they are made, including assumptions about the availability, accessibility, sufficiency and quality of mineralized material, the Company’s costs of production, the market prices of silver, gold, zinc and lead, the Company’s ability to sustain and increase production levels, the sufficiency of its infrastructure, the performance of its personnel and equipment, its ability to maintain and obtain mining interests and permits, the state of government and community relations, and its compliance with existing and future laws and regulations. The Company sometimes states possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of the suggested ranges. Actual results and experience may differ materially from these assumptions. Any such production, cost, or financial results estimates speak only as of the date on which they are made, and the Company disclaims any intent or obligation to update such estimates, whether as a result of new information, future events or otherwise. Accordingly, these forward-looking statements should be considered in the context in which they are made and undue reliance should not be placed on them.

The Company's future operating performance may not generate cash flows sufficient to meet debt payment obligations.

As of February 5, 2018, the Company had approximately $411.3 million of outstanding indebtedness. The Company's ability to make scheduled debt payments on outstanding indebtedness will depend on future results of operations and cash flows. The Company's results of operations and cash flows, in part, are subject to economic factors beyond its control, including the market prices of silver, gold, zinc and lead. The Company may not be able to generate enough cash flow to meet obligations and commitments under outstanding debt instruments. If the Company cannot generate sufficient cash flow from operations to service debt, it may need to further refinance debt, dispose of assets or issue equity to obtain the necessary funds.

If the Company's cash flows and capital resources are insufficient to fund its debt service obligations, the Company could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance its indebtedness. The Company cannot predict whether it would be able to refinance debt, issue equity or dispose of assets to raise funds on a timely basis or on satisfactory terms. In a rising interest rate environment, the costs of borrowing additional funds or refinancing outstanding indebtedness would also be expected to increase. The agreements governing the Company's outstanding indebtedness restrict the Company's ability to dispose of assets and use the proceeds from those dispositions and may also restrict its ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. The Company may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due. If the Company raises additional funds by issuing equity securities or securities convertible into equity securities, holders of its common stock could experience significant dilution of their ownership interest, and these securities could have rights senior to those of the holders of common stock.

The terms of the Company's debt impose restrictions on its operations.

The agreements governing the Company's outstanding indebtedness include a number of significant negative covenants. These covenants, among other things:

- limit the Company's ability to obtain additional financing, repurchase outstanding equity or issue debt securities;
- require the Company to meet certain financial covenants consisting of a consolidated net leverage ratio and a consolidated interest coverage ratio;
- require a portion of the Company's cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- limit the Company's ability to sell, transfer or otherwise dispose of assets, enter into transactions with and invest capital in affiliates, enter into agreements restricting our subsidiaries' ability to pay dividends, consolidate, amalgamate, merge or sell all or substantially all of the Company's assets;
- increase our vulnerability to general adverse economic and industry conditions;
- limit the Company's flexibility in planning for and reacting to changes in the industry in which we compete; and
- place the Company at a disadvantage compared to other, less leveraged competitors.

A breach of any of these covenants could result in an event of default under the applicable agreement governing the Company's outstanding indebtedness that, if not cured or waived, could cause all amounts outstanding with respect to the debt to be due and payable immediately. Acceleration of any debt could result in cross-defaults under the Company's other debt instruments. The Company's assets and cash flow may be insufficient to repay borrowings fully under all of its outstanding debt instruments if any of its debt instruments are accelerated upon an event of default, which could force the Company into bankruptcy or liquidation.

Any downgrade in the credit ratings assigned to the Company or its debt securities could increase future borrowing costs, adversely affect the availability of new financing and may result in increased collateral requirements under the Company’s existing surety bond portfolio.

There can be no assurance that any rating currently assigned by Standard & Poor’s Rating Services or Moody’s Investors Service to the Company or its debt securities will remain unchanged for any given period of time or that a rating will not be lowered if, in that rating agency’s judgment, future circumstances relating to the basis of the rating so warrant. If the Company is unable to maintain its outstanding debt and financial ratios at levels acceptable to the credit rating agencies, or should the Company’s business prospects or financial results deteriorate, including as a result of declines in silver and gold prices or other factors beyond our control, our ratings could be downgraded by the rating agencies. A downgrade by the rating agencies could adversely affect the value of the Company’s outstanding debt securities, its existing debt, and its ability to obtain new financing on favorable terms, if at all, increase borrowing costs, and may result in increased collateral requirements under the Company’s existing surety bond portfolio, which in turn may adversely affect the Company’s results of operations and financial position.

The Company’s business is subject to U.S. Foreign Corrupt Practices Act and similar worldwide anti-bribery laws, a breach or violation of which could lead to civil and criminal fines and penalties, loss of licenses or permits and reputational harm.

The Company operates in certain jurisdictions that have experienced governmental and private sector corruption to some degree. The U.S. Foreign Corrupt Practices Act and anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business or other commercial advantage. Violations of these laws, or allegations of such violations, could lead to civil and criminal fines and penalties, litigation, and loss of operating licenses or permits, and may damage the Company’s reputation, which could have a material adverse effect on the Company’s business, financial position and results of operations. The Company’s Code of Business Conduct and Ethics and other corporate policies mandate compliance with these anti-bribery laws; however, there can be no assurance that the Company’s internal control policies and procedures always will protect it from recklessness, fraudulent behavior, dishonesty or other inappropriate acts committed by the Company’s affiliates, employees or agents. As such, the Company’s corporate policies and processes may not prevent all potential breaches of law or other governance practices.

A significant delay or disruption in sales of concentrates as a result of the unexpected discontinuation of purchases by smelters could have a material adverse effect on results of operations.

The Company currently sells its gold concentrates from the Kensington mine to one third-party smelter in China. The loss of this smelter could have a material adverse effect on the Company if alternative smelters are unavailable. The Company cannot ensure that alternative smelters would be available or offer comparable terms if the need for them were to arise or that it would not experience delays or disruptions in sales that would materially and adversely affect results of operations.

There are significant hazards associated with mining activities, some of which may not be fully covered by insurance.

The mining business is subject to risks and hazards, including environmental hazards, industrial accidents, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, reduced production and delays in mining, asset write-downs, monetary losses and possible legal liability.

Insurance fully covering many environmental risks, including potential liability for pollution or other hazards as a result of disposal of waste products occurring from exploration and production, is not generally available. Any liabilities that the Company incurs for these risks and hazards could be significant and could adversely affect results of operations, cash flows and financial condition.

The Company is subject to significant governmental regulations, including the Federal Mine Safety and Health Act, and related costs and delays may negatively affect its business.

Mining activities are subject to extensive federal, state, local and foreign laws and regulations governing environmental protection, natural resources, prospecting, development, production, post-closure reclamation, taxes, labor standards and occupational health and safety laws and regulations, including mine safety, toxic substances and other matters. The costs associated with compliance with such laws and regulations are substantial. Changes in existing laws (including recent changes to U.S. tax laws), possible future laws and regulations, or more restrictive interpretations of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of operations and delays in the development of new properties.

U.S. surface and underground mines like the Kensington, Rochester and Wharf mines are continuously inspected by the U.S. Mine Safety and Health Administration (“MSHA”), which inspections often lead to notices of violation. Recently, MSHA has been conducting more frequent and more comprehensive inspections of mining operations in general.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, which may require corrective measures including capital expenditures, installation of additional equipment or remedial actions. In addition, any of the Company’s U.S. mines could be subject to a temporary or extended shutdown as a result of a violation alleged by MSHA. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may be subject to civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Any such penalties, fines, sanctions or shutdowns could have a material adverse effect on the Company’s business and results of operations.

Compliance with environmental regulations and litigation based on environmental regulations could require significant expenditures.

Environmental regulations mandate, among other things, the maintenance of air and water quality standards, land development and land reclamation, and set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for mining companies and their officers, directors and employees. The Company may incur environmental costs that could have a material adverse effect on financial condition and results of operations. Any failure to remedy an environmental problem could require it to suspend operations or enter into interim compliance measures pending completion of the required remedy. The environmental standards that ultimately may be imposed at a mine site affect the cost of remediation and could exceed the financial accruals that the Company has made for such remediation. The potential exposure may be significant and could have a material adverse effect on the Company’s financial condition and results of operations.

Moreover, governmental authorities and private parties may bring lawsuits based upon damage to property and injury to persons resulting from the environmental, health and safety impacts of prior and current operations, including operations conducted by other mining companies many years ago at sites located on properties that the Company currently or formerly owned. These lawsuits could lead to the imposition of substantial fines, remediation costs, penalties and other civil and criminal sanctions. Substantial costs and liabilities, including for restoring the environment after the closure of mines, are inherent in the Company’s operations. The Company cannot assure that any such law, regulation, enforcement or private claim would not have a material adverse effect on its financial condition, results of operations or cash flows.

Some of the mining wastes from the Company’s U.S. mines currently are exempt to a limited extent from the extensive set of EPA regulations governing hazardous waste under the Resource Conservation and Recovery Act (“RCRA”). If the EPA were to repeal this exemption, and designate these mining wastes as hazardous under RCRA, the Company would be required to expend additional amounts on the handling of such wastes and to make significant expenditures to construct hazardous waste storage or disposal facilities. In addition, if any of these wastes causes contamination in or damage to the environment at a U.S. mining facility, that facility could be designated as a “Superfund” site under the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”). Under CERCLA, any present owner or operator of a Superfund site or the owner or operator at the time of contamination may be held jointly and severally liable regardless of fault, and may be forced to undertake extensive remedial cleanup action or to pay for the cleanup efforts. The owner or operator also may be liable to federal, state and tribal governmental entities for the cost of damages to natural resources, which could be substantial. Additional regulations or requirements also are imposed on the Company's tailings and waste disposal areas in Alaska under the federal Clean Water Act ("CWA"), in Nevada under the Nevada Water Pollution Control Law which implements the CWA, and in South Dakota under the South Dakota Water Pollution Control Act and the Administrative Rules of the State of South Dakota. In addition, proposed CERCLA regulations requiring mining companies to obtain supplemental financial assurance could, if adopted, have a material adverse effect on results of operations and cash flows.

Airborne emissions are subject to controls under air pollution statutes implementing the Clean Air Act in Nevada, Alaska and South Dakota. In addition, there are numerous legislative and regulatory initiatives related to climate change, reductions in greenhouse gas emissions, or energy policy and adoption of these initiatives through legislative actions or administrative policy could have a material adverse effect on results of operations and cash flows.

In addition, U.S. environmental conservation efforts could result in the withdrawal of certain federal lands from mineral entry under the Mining Law, which could have the effect of restricting the Company's current or future planned activities involving its unpatented mining claims on the affected public lands.

The Company is required to obtain and renew governmental permits in order to conduct operations, a process which is often costly and time-consuming. The Company's ability to obtain necessary government permits to expand operations or begin new operations can be materially affected by third party activists.

In the normal course of its business, the Company is required to obtain and renew governmental permits for exploration, operations and expansion of existing operations and for the development of new projects. Obtaining and renewing governmental permits is a complex and time-consuming process. The timeliness and success of permitting efforts are contingent upon many variables not within the Company's control, including the interpretation of permit approval requirements administered by the applicable permitting authority. The Company may not be able to obtain or renew permits that are necessary to its operations or the cost and time required to obtain or renew permits may exceed the Company's expectations. Any unexpected delays or costs associated with the permitting process could delay the development or impede the operation of a mine, which in turn could materially adversely affect the Company's revenues and future growth. In addition, key permits and approvals may be revoked or suspended or may be changed in a manner that adversely affects the Company's operations.

Private parties such as environmental activists frequently attempt to intervene in the permitting process and to persuade regulators to deny necessary permits or seek to overturn permits that have been issued. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings. These third party actions can materially increase the costs and cause delays in the permitting process and could cause the Company to not proceed with the development or expansion of a mine. In addition, the Company's ability to successfully obtain key permits and approvals to explore for, develop, operate and expand mines and to conduct its operations will likely depend on the Company's ability to develop, operate, expand and close mines in a manner that is consistent with the creation of social and economic benefits in the surrounding communities, which may or may not be required by law. The Company's ability to obtain permits and approvals and to successfully operate in particular communities may be adversely impacted by real or perceived detrimental events associated with its activities or those of other mining companies affecting the environment, human health and safety of communities in which it operates.

If future permitting applications or amendments are not approved on a timely basis or at all, or if the permitting process is delayed for any reason, including to address public comments, the Company's plans for continued operations and future growth could be materially adversely affected, which could have a material adverse effect on the Company's financial condition and results of operations.

Significant investment risks and operational costs are associated with exploration and development activities. These risks and costs may result in lower economic returns and may adversely affect the Company's business.

The Company's ability to sustain or increase its present production levels depends in part on successful exploration and development of new ore bodies and expansion of existing mining operations. Substantial expenditures are required to establish ore reserves, to extract metals from ores and, in the case of new properties, to construct mining and processing facilities.

Mineral exploration, particularly for silver and gold, involves many risks and is frequently unproductive. Even if mineral deposits are found, those deposits may be insufficient in quantity and quality to return a profit from production, or it may take a number of years until production is possible, during which time the economic viability of the project may change. Few properties that are explored are ultimately developed into producing mines. The commercial viability of a mineral deposit, once developed, depends on a number of factors, including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; government regulations including taxes, royalties and land tenure; land use; importing and exporting of minerals; environmental protection; mineral prices; and issuance and maintenance of necessary permits. Factors that affect adequacy of infrastructure include: reliability of roads, bridges, power sources and water supply; unusual or infrequent weather phenomena; sabotage; and government or other interference in the maintenance or provision of such infrastructure. All of these factors are highly cyclical. The exact effect of these factors cannot be accurately predicted, but the combination may result in not receiving an adequate return on invested capital.

In addition, exploration projects, such as the Company’s La Preciosa project, may have no operating history upon which to base estimates of future operating costs and capital requirements. Exploration project items such as estimates of reserves, metal recoveries and cash operating costs are to a large extent based upon the interpretation of geologic data, obtained from a limited number of drill holes and other sampling techniques, and feasibility studies. Estimates of cash operating costs are then derived based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of metals from the ore, comparable facility and equipment costs, anticipated climate conditions and other factors. As a result, actual operating costs and economic returns of any and all exploration projects may materially differ from the costs and returns estimated, and accordingly, the Company’s financial condition, results of operations and cash flows may be negatively affected.

The significant and sustained decline in gold and silver prices in recent years caused the Company to write down certain of its long-lived assets and, in the future, declines in relevant metal prices could cause one or more of the Company’s mining properties to become less profitable, which could require the Company to record additional write-downs of long-lived assets. Such write-downs may adversely affect the Company’s results of operations and financial condition.

The Company reviews its long-lived assets for recoverability pursuant to the Financial Accounting Standard Board’s Accounting Standards Codification Section 360. Under that standard, the Company reviews the recoverability of its long-lived assets, such as its mining properties, upon a triggering event. Such review involves the Company estimating the future undiscounted cash flows expected to result from the use and eventual disposition of the asset. Impairment, measured by comparing an asset’s carrying value to its fair value, must be recognized when the carrying value of the asset exceeds these cash flows. The Company conducts a review of the financial performance of its mines in connection with the preparation of its financial statements for each reported period and determines whether any triggering events are indicated.

In prior years, the Company’s assessment of the recoverability of its long-lived assets resulted in write-downs in the Company's Statement of Comprehensive Income (Loss) and reduced the carrying value of Mining properties and Property, plant, and equipment on the Company’s balance sheet. See Note 4 -- Write-Downs in the notes to the Consolidated Financial Statements for further detail.

If there are further significant and sustained declines in relevant metal prices, or if the Company fails to control production and operating costs or realize the mineable ore reserves at its mining properties, the Company may terminate or suspend mining operations at one or more of its properties. These events could require a further write-down of the carrying value of the Company’s assets. Any such actions would adversely affect the Company’s results of operations and financial condition.

The Company may record other types of charges in the future if it sells a property for a price less than its carrying value or has to increase reclamation liabilities in connection with the closure and reclamation of a property. Any additional write-downs of mining properties could adversely affect the Company’s results of operations and financial condition.

The Company’s use of derivative contracts to protect against market price volatility exposes it to risk of opportunity loss, mark-to-market fair value adjustments and exposure to counterparty credit risk.

From time to time, the Company may enter into price risk management contracts to protect against fluctuations in the price of silver, gold, zinc and lead, foreign currency rates and changes in the prices of fuel and other input costs. These contracts could include forward sales or purchase contracts, futures contracts, purchased or sold put and call options and other derivative instruments.

The use of derivative instruments can expose the Company to risk of an opportunity loss and may also result in significant mark-to-market fair value adjustments, which may have a material adverse impact on reported financial results. The Company is exposed to credit risk with contract counterparties, including, but not limited to, sales contracts and derivative contracts. In the event of nonperformance in connection with a contract, the Company could be exposed to a loss of value for that contract.

Forward sales, royalty arrangements, and certain derivative instruments can result in limiting the Company's ability to take advantage of increased metal prices while increasing its exposure to lower metal prices.

The Company has in the past entered into, and may in the future enter into, arrangements under which it (or a mine acquired by the Company) has agreed to make royalty or similar payments to lenders or other third parties in amounts that are based on expected production and price levels for silver or gold. The Company enters into such arrangements when it concludes that they provide it with necessary capital to develop a specific mining property or to achieve other business objectives. Royalty or similar payment obligations, however, can limit the Company's ability to realize the full effects of rising gold or silver prices and may require the Company to make potentially significant cash payments if the mine fails to achieve specified minimum production levels.

The Company is dependent upon information technology systems, which are subject to disruption, damage, failure and risks associated with implementation and integration.

The Company’s information technology systems used in its operations are subject to disruption, damage or failure from a variety of sources, including, without limitation, computer viruses, security breaches, cyber-attacks, natural disasters and defects in design. Cybersecurity incidents, in particular, are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and the corruption of data. Various measures have been implemented to manage the Company’s risks related to information technology systems and network disruptions. However, given the unpredictability of the timing, nature and scope of information technology disruptions, the Company could potentially be subject to production downtimes, operational delays, the compromising of confidential or otherwise protected information, destruction or corruption of data, security breaches, other manipulation or improper use of our systems and networks or financial losses from remedial actions, any of which could have a material adverse effect on cash flows, financial condition or results of operations.

The Company could also be adversely affected by system or network disruptions if new or upgraded information technology systems are defective, not installed properly or not properly integrated into operations. Various measures have been implemented to manage the risks related to the system implementation and modification, but system modification failures could have a material adverse effect on the Company’s business, financial position and results of operations.

The Company’s business depends on good relations with, and the retention and hiring of, employees.

The Company may experience labor disputes, work stoppages or other disruptions in production that could adversely affect its business and results of operations. Labor disruptions may be used to advocate labor, political or social goals, particularly at non-U.S. mines. For example, labor disruptions may occur in sympathy with strikes or labor unrest in other sectors of local economies. During the past several years, two of the Company’s mines have experienced work stoppages, each of which was resolved within a short period of time and had no material effect on results of operations or financial condition. The Company cannot assure that work stoppages or other disruptions will not occur in the future. Any such work stoppage or disruption could expose the Company to significant costs and have a material adverse effect on its business, results of operations or financial condition.

At December 31, 2017, unions represented approximately 7% of the Company’s global workforce, all of which were comprised of workers at the San Bartolomé mine in Bolivia. Manquiri has a labor agreement at the San Bartolomé mine which is in effect for 2018. 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.

We compete with other mining companies to attract and retain key executives, skilled labor, contractors and other employees. We may be unable to continue to attract and retain skilled and experienced employees, which could have an adverse effect on our competitive position or adversely impact our results of operations or financial condition.

Disputes regarding the Company’s mining claims, concessions or surface rights to land in the vicinity of the Company’s mining projects could adversely impact operations.

The validity of mining or exploration claims, concessions or rights, which constitute most of the Company’s property holdings, is often uncertain and may be contested. The Company has used commercially reasonable efforts, in accordance with industry standard, to investigate its title or claims to its various properties, however, no assurance can be given that applicable governments will not revoke or significantly alter the conditions of the applicable exploration and mining claims, concessions or rights or that such exploration and mining claims, concessions or rights will not be challenged by third parties. Although the Company has attempted to acquire satisfactory title to undeveloped properties, in accordance with mining industry practice it does not generally obtain title opinions until a decision is made to develop a property. As a result, some titles, particularly titles to undeveloped properties may be defective. Defective title to any of the Company's exploration and mining claims, concessions or rights could result in litigation, insurance claims and potential losses affecting its business as a whole. There may be challenges to the title of any of the claims comprising the Company's projects that, if successful, could impair development and operations. A defect could result in the Company losing all or a portion of its right, title, estate and interest in and to the properties to which the title defect relates.

In Mexico, while mineral rights are administered by the federal government through federally issued mining concessions, federally recognized agrarian communities called ejidos control surface or surface access rights to the land. An ejido may sell or lease lands directly to a private entity. While the Company has agreements or is in the process of negotiating agreements with the ejidos that impact all of its projects in Mexico, some of these agreements may be subject to renegotiation.

Continuation of the Company’s mining operations is dependent on the availability of sufficient and affordable water supplies.

The Company’s mining operations require significant quantities of water for mining, ore processing and related support facilities. In particular, the Company’s properties in Mexico are in areas where water is scarce and competition among users for continuing access to water is significant. Continuous production and mine development is dependent on the Company’s ability to acquire and maintain water rights and claims and to defeat claims adverse to current water uses in legal proceedings. Although each of the Company’s operating mines currently has sufficient water rights and claims to cover its operational demands, the Company cannot predict the potential outcome of pending or future legal proceedings relating to water rights, claims and uses. Water shortages may also result from weather or environmental and climate impacts out of the Company’s control, such as the drought conditions in Bolivia that have significantly negatively impacted 2017 operations at the San Bartolomé mine. Shortages in water supply could result in production and processing interruptions. In addition, the scarcity of water in certain regions could result in increased costs to obtain sufficient quantities of water to conduct the Company’s operations. The loss of some or all water rights, in whole or in part, or ongoing shortages of water to which we have rights or significantly higher costs to obtain sufficient quantities of water (or the failure to procure sufficient quantities of water) could result in the Company’s inability to maintain production at current or expected levels, require the Company to curtail or shut down mining production and could prevent the Company from pursuing expansion or development opportunities, which could adversely affect the Company’s results of operations and financial condition. Laws and regulations may be introduced in some jurisdictions in which the Company operates which could also limit access to sufficient water resources, thus adversely affecting the Company’s operations.

The Company is subject to litigation and may be subject to additional litigation in the future.

The Company is currently, and may in the future become, subject to other litigation, arbitration or proceedings with other parties. If decided adversely to the Company, these legal proceedings, or others that could be brought against the Company in the future, could have a material adverse effect on our financial position or prospects. For a more detailed discussion of pending litigation, see Note 21 to the Consolidated Financial Statements. In the event of a dispute arising at the Company’s foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or arbitral panels, or may not be successful in subjecting foreign persons to the jurisdiction of courts or arbitral panels in the United States. The Company’s inability to enforce its rights and the enforcement of rights on a prejudicial basis by foreign courts or arbitral panels could have an adverse effect on the Company’s results of operations and financial position.

The Company has the ability to issue additional equity securities, including in connection with an acquisition of other companies, which would lead to dilution of its issued and outstanding common stock and may materially and adversely affect the price of its common stock.

The issuance of additional equity securities or securities convertible into equity securities, whether to acquire new companies or businesses or for other strategic benefits, would result in dilution of the Company’s existing stockholders’ equity ownership. The Company is authorized to issue, without stockholder approval, 10.0 million shares of preferred stock in one or more series, to establish the number of shares to be included in each series and to fix the designation, powers, preferences and relative participating, optional, conversion and other special rights of the shares of each series as well as the qualification, limitations or restrictions on each series. Any series of preferred stock could contain dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences or other rights superior to the rights of holders of its common stock. If the Company issues additional equity securities, the price of its common stock may be materially and adversely affected.

Holders of our common stock may not receive dividends.

We have not historically declared cash dividends on our common stock. Holders of our common stock are entitled to receive only such dividends as our Board of Directors may declare out of funds legally available for such payments. We are incorporated in Delaware and governed by the Delaware General Corporation Law. Delaware law allows a corporation to pay dividends only out of surplus, as determined under Delaware law or, if there is no surplus, out of net profits for the fiscal year in which the dividend was declared and for the preceding fiscal year. Under Delaware law, however, we cannot pay dividends out of net profits if, after we pay the dividend, our capital would be less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets. Our ability to pay dividends will be subject to our future earnings, capital requirements and financial condition, as well as our compliance with covenants related to existing or future indebtedness and would only be declared in the discretion of our Board of Directors.

The Company’s operations in Bolivia are subject to political risks.

Until the Manquiri Divestiture closes, the Company remains subject to political risks associated with operating in Bolivia. 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 joint venture agreements, leases or subleases with third parties to the Bolivian state. The Company's wholly-owned subsidiary, Manquiri is currently party to various JV Agreements with local cooperatives and has also entered in to mining contracts directly with COMIBOL (which are not impacted by the decree). 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, which could have an adverse impact on financial condition, results of operations and cash flows. 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.

In addition, the potential effects of the Bolivian mining law enacted in 2014 remain uncertain until the regulations implementing the law are accompanied by a new contractual structure. The law regulates royalties and provides for mining contracts with the government rather than concession holding. The regulations promulgated under the new mining law may mandate a renegotiation of the terms of Manquiri's existing contracts with COMIBOL, this could materially adversely affect the profitability and cash flow of Manquiri's operations in Bolivia.

In addition, companies in Bolivia are also operating under Law No. 403 of September 18, 2013, and its regulatory Supreme Decree, which provides for the reversion of mining rights if the Ministry of Mines verifies that a person with mining rights has not initiated mining activities or developed the mining rights. The contracts with COMIBOL and the cooperatives are excluded from the application of Law No. 403. In April 2014, Manquiri was served by the Bolivian government with a reversion decision affecting nine mining rights wholly-owned by Manquiri. The affected area is not in an area of active mining by Manquiri and the Manquiri's San Bartolomé operations were not targeted as an area of interest in the decision since all of our past and current mining activity is performed through our contracts with COMIBOL and the mining cooperatives.

It is also uncertain if any new mining or investment policies or shifts in political attitude may affect mining in Bolivia.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

MINING PROPERTIES

Coeur Mining's significant production and development properties are described below. Operating statistics are presented in the section entitled "Operating Statistics" below.

Mexico — Palmarejo

The Palmarejo complex consists of (1) the Palmarejo processing facility; (2) the Guadalupe underground mine, located about eight kilometers southeast of the Palmarejo mine; (3) the Independencia underground mine, located approximately 800 meters northeast of the Guadalupe underground mine; and (4) other nearby deposits and exploration targets. The Palmarejo complex is located in the state of Chihuahua, Mexico. Access to the property is provided by air, rail, and all-weather paved and gravel roads from the state capitol of Chihuahua. Silver and gold production from the Palmarejo complex was approximately 7.2 million ounces and 121,569 ounces in 2017, respectively. At December 31, 2017, we reported 47.0 million ounces of silver reserves and 706,000 ounces of gold reserves at the Palmarejo complex.

The Palmarejo complex consists of 79 wholly-owned mining concessions, covering approximately 112,520 acres (45,535.18 hectares) of land. In total, the Palmarejo complex covers over 175 square miles. All mining concessions owned by Coeur Mexicana are valid until at least 2029.

The Palmarejo complex is located on the western flank of the Sierra Madre Occidental, a mountain range that comprises the central spine of northern Mexico. The north-northwest trending Sierra Madre Occidental is composed of a relatively flat-lying sequence of Tertiary volcanic rocks that forms a volcanic plateau, cut by numerous igneous intrusive rocks. This volcanic plateau is deeply incised in the Palmarejo mine area, forming steep-walled canyons. The Sierra Madre Occidental gives way to the west to an extensional terrain that represents the southward continuation of the Basin and Range Province of the western United States, and then to the coastal plain of western Mexico.

The gold and silver deposits at the Palmarejo complex, typical of many of the other silver and gold deposits in the Sierra Madre, are classified as epithermal deposits and are hosted in multiple veins, breccias, and fractures. These geologic structures trend generally northwest to southeast and dip either southwest or northeast. The dip on the structures ranges from about 45 degrees to 70 degrees. In the mineralized portions of the structures, gold and silver are zoned from top to bottom with higher silver values occurring in the upper parts of the deposit and higher gold values in the lower parts, sometimes accompanied by base metal mineralization, though local variations are common. The Palmarejo complex contains a number of mineralized zones or areas of interest. The most important of these to date is the Palmarejo zone in the north of the mining concessions, which covers the old Palmarejo gold-silver mine formed at the intersection of the northwest-southeast trending La Prieta and La Blanca gold-and-silver bearing structures. In addition to the Palmarejo zone, other mineralized vein and alteration systems in the district area have been identified all roughly sub-parallel to the Palmarejo zone. The most significant of these additional targets are the Guadalupe (including Animas), Independencia, and La Patria vein systems in the southern part of the property, which are currently under development (Guadalupe and Independencia) and exploration (La Patria) by the Company.

A portion of the Palmarejo complex (which excludes the properties acquired in the 2015 Paramount Gold & Silver Corp. acquisition) is subject to a gold stream agreement with a subsidiary of Franco-Nevada Corporation pursuant to which Coeur Mexicana sells 50% of applicable gold production for the lesser of $800 or spot price per ounce.

USA (Nevada) — Rochester

The Rochester mine, and associated heap leach facilities, is an open pit silver and gold mine located in Pershing County, Nevada, approximately thirteen miles northeast of the city of Lovelock. The Company owns 100% of the Rochester mine through Coeur Rochester. The mine consists of the main Rochester deposit and the adjacent Nevada Packard deposit, southwest of the Rochester mine. The Rochester mine is fully supported with electricity, supplied by a local power company on their public grid, telephone and radio communications, production water wells, and processing, maintenance, warehouse, and office facilities. Ore is mined using conventional open pit methods, with gold and silver recovered by heap leaching of crushed open-pit ore placed on pads located within the Rochester mining area. Based upon actual operating experience and metallurgical testing, the Company estimates ultimate recovery rates from the crushed ore of 61.5% for silver, depending on the ore being leached, and 92.5% for gold. Silver and gold production from Rochester was approximately 4.7 million ounces and 51,051 ounces in 2017, respectively. At December 31, 2017, we reported 117.6 million ounces of silver reserves and 757,000 ounces of gold reserves at the Rochester mine.

Coeur Rochester lands consist of approximately 16,494 net acres, which encompasses 733 Federal unpatented lode claims, appropriating approximately 11,075 net acres of Public Land, 21 patented lode claims, consisting of approximately 357 acres, interests owned in approximately 4,794 gross acres of additional real property and certain rights in and to approximately 269 acres, held either through lease, letter agreement or license.

The Company acquired the Rochester property from ASARCO in 1983 and commenced mining in 1986. No mining or processing was conducted at Rochester by the prior owner. The Company acquired its initial interest in the adjacent

Nevada Packard property in 1996, completed the full purchase in 1999 and commenced mining in 2003. However, mining of the Nevada Packard property has since ceased. The prior owner conducted very limited mining and processing at Nevada Packard. Collectively, the Rochester and Nevada Packard properties, together with other adjacent and contiguous lands subsequently acquired, comprise the Rochester silver and gold processing operation. The Federal unpatented lode claims are maintained via annual filings and timely payment of claim maintenance fees to the BLM, which acts as administrator of the claims.

At Rochester, silver and gold mineralization is hosted in folded and faulted volcanic rocks of the Rochester Formation and overlying Weaver Formation. Silver and gold, consisting of silver sulfosalt minerals, argentite, silver-bearing tetrahedrite and minor native gold, are contained in zones of multiple quartz veins and veinlets (vein, vein swarms and stockworks) with variable amounts of pyrite.
The Company is obligated to pay a NSR royalty to ASARCO, the prior owner, when the average quarterly market price of silver equals or exceeds $23.60 per ounce indexed for inflation up to a maximum rate of 5% with the condition that the Rochester mine achieves positive cash flow for the applicable year. If cash flow is negative in any calendar year, the maximum royalty payable is $250,000.
Coeur Rochester was obligated to pay a 3.4% NSR royalty on up to 39.4 million silver equivalent ounces produced and sold from a portion of the Rochester mine (including stockpile ore, mineral processing facilities and mining claims located in the Sections set forth in the NSR royalty agreement) commencing January 1, 2014. In May 2017, the Company repurchased the Rochester royalty obligation.
USA (Alaska) — Kensington
The Kensington underground gold mine and associated milling facilities are located on the east side of the Lynn Canal about 45 miles north-northwest of Juneau, Alaska. The Company controls 100% of the mine through Coeur Alaska. The mine is accessed by a horizontal tunnel and utilizes conventional and mechanized underground mining methods. Ore is processed in a flotation mill that produces a concentrate that is sold to third party smelters. Waste material is deposited in an impoundment facility on the property. Power is supplied by on-site diesel generators. Access to the mine is by either a combination of road vehicles, boat, helicopter, floatplane, or by boat direct from Juneau. Gold production from the Kensington mine was 115,094 ounces in 2017. At December 31, 2017, we reported 520,000 ounces of gold reserves at the Kensington mine.
Coeur Alaska controls two contiguous property groups: the Kensington Group and Jualin Group. The Kensington Group, totaling approximately 3,969 net acres, consists of 51 patented lode and patented mill site claims comprising approximately 766 net acres, 284 Federal unpatented lode claims covering approximately 3,108 net acres, and 13 State of Alaska mining claims covering approximately 95 net acres. The Jualin Group, totaling approximately 8,366 net acres, is comprised of 23 patented lode and patented mill site claims covering approximately 388 net acres, 471 Federal unpatented lode claims and 1 Federal unpatented mill site claim appropriating approximately 7,916 net acres, a State of Alaska upland mining lease comprising approximately 682 acres, one State of Alaska mining claim comprising approximately three acres and four State-selected mining claims covering approximately 70 acres. 14 of the 23 patented lode claims cover private surface estate only. The mineral estate to these 14 patented lode claims is owned by the State of Alaska, the mineral rights to which are secured by a State of Alaska upland mining lease. The Company controls properties comprising the Jualin Group, under a lease agreement with Hyak Mining Company, which is valid until August 5, 2035 and thereafter, provided mining and production are actively occurring within and from the leased premises.
The Federal unpatented lode and Federal unpatented mill site claims are maintained via annual filings and timely payment of claim maintenance fees to the BLM, which acts as administrator of the claims. State of Alaska mining claims and upland mining leases are maintained via fees and filings to the Alaska Department of Natural Resources, Division of Mining, Land and Water and the Juneau Recorder's Office. Real property taxes are paid annually to the City and Borough of Juneau for the patented lode claims. Private lease payments are paid annually and all leases are in good standing.
The Kensington ore deposit consists of multiple gold bearing mesothermal, quartz, carbonate and pyrite vein swarms and discrete quartz-pyrite veins hosted in Cretaceous-aged Jualin diorite. Most of the gold is contained in calaverite ($AuTe_2$) that occurs in association with native gold as inclusions in and interstitial to pyrite grains and in microfractures in pyrite.

USA (South Dakota) — Wharf
The Wharf mine is located in the northern Black Hills of western South Dakota, approximately four miles south and west of the city of Lead, South Dakota. Access is established by paved road with power supplied by a local power company. Coeur acquired the Wharf mine in 2015 and owns all of the issued and outstanding equity interests in Wharf and its wholly-owned subsidiary, Golden Reward Mining Limited Partnership ("Golden Reward"), the owners of the

Wharf mine. Gold production from the Wharf mine was 95,372 ounces in 2017. At December 31, 2017, we reported 869,000 ounces of gold reserves at Wharf.

There are two contiguous property groups located at the Wharf mine; the Wharf Group and the Golden Reward Group, owned or controlled by wholly-owned subsidiaries of Coeur and Wharf Resources. The Wharf Group is generally described as the northern and western portions of the project, while the Golden Reward Group is generally described as the southern and eastern portion of the project.

The Wharf Group comprises 362 patented lode claims, 35 government lots, 123 subdivided lots, and 59 federal unpatented lode claims. The Wharf Group is comprised of approximately 3,599 net acres of surface, 652 net mineral acres where both the Precambrian and younger formations are owned or controlled, 3,243 net mineral acres of non-Precambrian mineral estate, and

1,603 net mineral acres of Precambrian mineral estate and 287 net acres of federal unpatented lode claims. The Golden Reward Group encompasses 218 patented lode claims, 14 government lots, 19 subdivided lots and 34 federal unpatented lode claims. The Golden Reward Group is comprised of approximately 1,563 net acres of surface estate, 2,987 net mineral acres of mineral estate where both the Precambrian and younger formations are owned or controlled, 357 net mineral acres of Non-Precambrian mineral estate, 153 net mineral acres of Precambrian mineral estate and 25 net acres of federal unpatented lode claims.

The federal unpatented lode claims are maintained by the timely annual payment of claim maintenance fees, payable to the BLM. The patented lands are private land and therefore not subject to federal claim maintenance requirements. However, as private land, they are subject to ad valorem property taxes assessed by Lawrence County, South Dakota, which may be paid semi-annually.

Wharf and Golden Reward are obligated to pay a sliding scale production royalty to Royal Gold, Inc. The royalty encumbers the majority of the land comprising the Wharf Group, together with a small portion of the lands encompassing the Golden Reward Group, and wholly excludes the Precambrian Mineral Estate. The sliding scale provides for a 2.0% royalty on the gross value less state severance taxes with a monthly average PM LBMA Gold Price of $500 or more per ounce.

Wharf and Golden Reward are also obligated to pay a 3.0% non-participating royalty to Donald D. Valentine, et al, on gold that is produced from ores mined and delivered to heap leach pads or recovered from tailings. This royalty encumbers the mineral estate, including the Precambrian Mineral Estate, of much of the lands comprising the Wharf Group, together with a small portion of the lands encompassing the Golden Reward Group. Wharf holds a right of first refusal to purchase this royalty upon any proposed transfer by the royalty holder.

Canada (British Columbia) — Silvertip

The Silvertip Mine is located in British Columbia, Canada and consists of sixty-four (64) contiguous mineral claims containing 36,485 hectares (90,155.58 acres) and one mining lease containing 1,464 hectares (3,617.62 acres). In total, the Silvertip mine covers an area of approximately 37,949 hectares (93,773 acres). All mineral claims are 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 online, or register a payment instead of exploration and development work.

Coeur Silvertip maintains one mining lease which is also subject to the Mineral Tenure Act regulations. Coeur Silvertip’s mining lease covers 1,464 hectares (3,617.62 acres). Mining leases are held by making an annual rental payment of CAD20 per hectare. The mining lease expires 30 years after the grant date which, in this case, is September 1, 2045.

The Company is obligated to pay a 2.5% net smelter returns royalty payable to Maverix Metals, Inc. on all mineral products produced from the Silvertip Mine. The Company is also obligated to pay to Silvertip Resources Investment Cayman Ltd. a net smelter returns royalty of 1.429% on the first 1,434,000 tons of mineralized material mined, and 1.00% thereafter, on all mineral leases that underlie the Silvertip Mine and that were in existence at April 11, 2016.

The Company is party to a formal agreement with the Kaska Nation dated December 12, 2013, under which the Company is obligated to make an annual payment to the Kaska Nation that is calculated based on financial performance of the Silvertip mine and can increase or decrease based on the average price of silver for the relevant calendar year.

Bolivia — San Bartolomé

In December 2017, Coeur and certain of its subsidiaries entered into the Manquiri Agreement for the sale by Coeur and its subsidiaries of 100% of the issued and outstanding shares of Manquiri, which operates the San Bartolomé mine. Coeur expects to close the sale of Manquiri during the first quarter of 2018, subject to customary closing conditions.

The San Bartolomé silver mine, and associated milling operation, operated by Manquiri, is located on the flanks of the Cerro Rico mountain bordering the town of Potosí, in the department of Potosí, Bolivia. Access to the property and Manquiri’s processing facilities is by paved and all-weather gravel roads leading south-southwest from Potosí. Silver was first discovered in the area around 1545. Mining of silver and lesser amounts of tin and base metals has been

conducted nearly continuously since that time from multiple underground mines driven into Cerro Rico. Silver production from the San Bartolomé mine was approximately 4.3 million ounces in 2017. At December 31, 2017, we reported 4.9 million ounces of silver reserves at the San Bartolomé mine.
The silver mineralization at the San Bartolomé mine is hosted in unconsolidated sediments (pallacos), reworked sediments (sucus and troceras), and oxide stockpiles and dumps (desmontes) from past mining that occurred on Cerro Rico. Cerro Rico is a prominent mountain in the region that reaches an elevation of over 15,400 feet (over 4,700 meters). It is composed of Tertiary-aged volcanic and intrusive rocks that were emplaced into and over older sedimentary, and volcanic, basement rocks. Silver, along with tin and base metals, is located in multiple veins and vein swarms and stockworks that occur in a northeast trending belt, which

transects Cerro Rico. The upper parts of the Cerro Rico mineralized system were subsequently eroded and re-deposited into the flanking gravel deposits. Silver is hosted in all portions of the pallacos, sucus, and troceras with the best grades segregated to the coarser-grained silicified fragments. These deposits lend themselves to simple, free digging surface mining techniques and can be extracted without drilling and blasting. Of the several pallaco deposits that are controlled by Manquiri and surround Cerro Rico, three are of primary importance and are known as Huacajchi, Diablo, and Santa Rita.

The mineral and mining rights for the San Bartolomé mine are held through a mixture of JV Agreements, long-term lease agreements, and Autorizaciones Transitorias Especiales (similar to mining concessions) with seven independent mining cooperatives and the Bolivian state-owned mining organization COMIBOL. See "Item 1. Business - Government Regulation, Maintenance of Claims, Bolivia" for additional information. Manquiri controls three acres (one hectare) of land at San Bartolomé, around Cerro Rico, through these agreements and Autorizaciones Transitorias Especiales. The San Bartolomé agreements expire between 2021 and 2028 and are generally subject to a production royalty payable partially to the cooperatives and partially to COMIBOL. The royalty rate is 3% at silver prices below $4 per ounce and 6% at prices above $8 per ounce. Manquiri has additional mining rights, known as the Plahipo project, which include the mining rights to oxide dumps adjacent to the original property package. The oxide dumps included in the Plahipo project are subject to a sliding scale royalty payable to COMIBOL that is a function of silver price. Manquiri incurred royalty payment obligations to COMIBOL and the Cooperatives for these mining rights totaling $1.7 million and $2.8 million for the years ended 2017 and 2016, respectively.

NEAR-MINE EXPLORATION

Exploration expense from continuing operations was $30.3 million, $12.9 million, and $11.5 million in 2017, 2016 and 2015, respectively. Capitalized drilling from continuing operations was $11.6 million in 2017 and $12.4 million in 2016. Coeur's exploration program completed over 654,750 feet (199,750 meters) of combined core and reverse circulation drilling in 2017.

Mexico - Palmarejo

Exploration focused primarily on the expansion of the Guadalupe and Independencia underground mines, and several new discoveries including the Zapata and Nación-Dana vein deposits. Additionally, several new veins were discovered and are expected to be drilled with a focus on conversion to mineralized material in 2018. Exploration expense of $11.9 million related to mapping, sampling, drill target generation, and drilling new silver and gold mineralization (216,662 feet or 66,039 meters). Capitalized drilling of $3.7 million related to infill resource conversion drilling in the Guadalupe and Independencia ore bodies (72,061 feet or 21,694 meters).

The Company expects $10.0 million of exploration expense in 2018 to discover and expand mineralization near Guadalupe and Independencia mines, mainly focused on expansion of northern portions of Independencia, expansion of southern portions of Nación-Dana, expansion of southern portions La Bavisa vein, and resource growth of new veins located west and east of the Guadalupe mine. Additionally, the Company is planning to spend $4.7 million of conversion drilling in the Guadalupe and Independencia ore bodies.

USA (Alaska) - Kensington

Exploration expense of $8.6 million consisted of 77,730 feet (23,692 meters) while $5.7 million of conversion drilling completed 61,939 feet (18,879 meters) to expand and define mineralization in the main Kensington and Raven deposits. Exploration focused on testing new veins in the district as well as expansion of the high-grade Jualin deposit, which became the focus of a revised preliminary economic assessment in April 2015. Capitalized drilling was directed at infill drilling in the southern and deeper portions of the main Kensington deposit as well as the Raven vein. In 2018, the Company expects $3.5 million in exploration expense for additional discovery or expansion of mineralized material at Thomas-Comet-Seward, Jualin, upper Raven and lower Kensington, and $5.7 million of resource conversion drilling at Jualin, middle and upper Kensington.

USA (South Dakota) - Wharf

Conversion drilling of $1.0 million completed 30,490 feet (9,293 meters) of drilling primarily within the Portland Main deposit with only a limited amount of exploration discovery drilling (1,290 feet or 393 meters) at Bald Mountain. In 2018, the Company expects exploration expense of $0.2 million to continue drilling at Bald Mountain target, and $0.9 million to complete conversion drilling in the Portland Main and Portland Ridge layback areas.

USA (Nevada) - Rochester
Exploration expense was $1.4 million and capitalized drilling was $1.3 million. Exploration expense consisted of 25,620 feet (7,809 meters) testing areas near Packard Pit, in the South Charlie target area and the new East Rochester deposit, while conversion drilling consisted of 23,238 feet (7,083 meters) mainly within the main Rochester Pit deposit. In 2018, the Company expects $0.5 million of exploration expense to drill testing several targets around Rochester, including condemnation drilling in support of the next planned leach pads. Additionally, $1.9 million in conversion drilling is planned to infill South, North and East Rochester mineralized material.
Canada (British Columbia) - Silvertip
At Silvertip, underground development drilling began early during the fourth quarter and targeted conversion of mineralized material, while underground access was undergoing preparation for multiple drill rigs in 2018. The Company expects to spend $10.0 million on conversion of mineralized material and expansion drilling south and southeast of the Silver Creek mineralized material.
EARLY-STAGE EXPLORATION PROPERTIES
The Company invested $5.5 million completing target analysis and regional exploration with a focus on projects in Nevada, USA and La Morita, Mexico. A total of 29,185 feet (8,895 meters) of drilling was completed on two projects in the USA; Arabia, Nevada and Astoria, South Dakota, near Wharf. A total of 26,462 feet (8,066 meters) were drilled in Mexico at two projects; Todos Los Santos and La Morita, both in the state of Chihuahua. The Company began applying for drill permits on its lease/option agreement at the Mineral Hill Project, Wyoming, which it expects to receive late 2018. Additionally, four new option agreements were signed in 2017 near Tonopah, Nevada. The Company expects to invest $6.0 million in 2018 focused on new project reviews, drill target generation on existing projects and drilling at least four early-stage projects in USA and one in Mexico.
STREAMING AND ROYALTY INTERESTS
Australia - Endeavor
In July 2017, the Company sold its interest in a silver stream on the Endeavor mine. The Endeavor mine and associated mill facility is an underground silver and base metal operation in production since 1983 located in north-central New South Wales, Australia, about 30 miles (48 kilometers) northwest of the community of Cobar, accessible by paved road. The ore reserves at Endeavor are covered by five consolidated mining leases issued by the state of New South Wales to Cobar Operations Pty. Limited (“Cobar”), a wholly-owned subsidiary of CBH Resources Ltd., which in turn is a wholly-owned subsidiary of Toho Zinc Co. Ltd. The leases form a contiguous block of 10,121 acres in size and expire between 2019 and 2027. The mine employs bulk mining methods and utilizes a conventional flotation mill to produce a concentrate that is sold to a third-party smelter. Power to the mine and processing facilities is provided by the grid servicing the local communities. Silver production from Endeavor was approximately 0.1 million ounces in 2017. At July 1, 2016, we reported 2.6 million ounces of silver reserves at Endeavor.
ADVANCED-STAGE EXPLORATION PROPERTIES
Mexico - La Preciosa Project
The La Preciosa project is located approximately 52 miles (84 kilometers) northeast of the city of Durango in Durango State, Mexico. The veins at the La Preciosa project have been classified as low- to intermediate-sulfidation type. Two major vein and vein breccia systems are exposed on hills and ridges on either side of an approximately 800 meter wide valley, including the Martha, Abundancia, Gloria, Pica, Luz Elena, Sur, and Nueva veins.
In 2017, the Company produced a new geologic model and subsequently completed 77,648 feet (23,667 meters) of conversion drilling. A revised economic analysis is currently under review.

OPERATING STATISTICS

	Palmarejo			Rochester		
	2017	2016	2015	2017	2016	2015
Ore tons milled/placed	1,498,420	1,078,888	1,616,668	16,440,279	19,555,998	16,414,302
Ore grade silver (oz./ton)	5.62	4.66	3.78	0.53	0.57	0.63
Ore grade gold (oz./ton)	0.09	0.08	0.05	0.003	0.003	0.003
Recovery/Ag oz. (%)	86.0	88.4	84.3	54.0	41.0	44.7
Recovery/Au oz. (%)	90.0	86.5	80.6	105.0	85.9	100.2
Silver produced (oz.)	7,242,082	4,242,164	5,148,612	4,713,574	4,564,138	4,630,738
Gold produced (oz.)	121,569	73,913	70,922	51,051	50,751	52,588
Costs applicable to sales per silver equivalent oz.[1]	$9.44	$ 10.72	$ 14.07	$13.15	$ 11.90	$ 12.41
Costs applicable to sales per average spot silver equivalent oz.[1]	$8.45	$ 9.73	$ 12.75	$12.04	$ 10.97	$ 11.32

	Kensington			Wharf		
	2017	2016	2015	2017	2016	2015
Ore tons milled	668,727	620,209	660,464	4,560,442	4,268,105	3,600,279
Ore grade gold (oz./ton)	0.18	0.21	0.20	0.03	0.03	0.03
Recovery/Au oz. (%)	93.5	94.8	94.9	—	—	—
Gold produced (oz.)	115,094	124,331	126,266	95,372	109,175	78,132
Costs applicable to sales per gold equivalent oz.[1]	$922	$ 795	$ 803	$697	$ 606	$ 706

	San Bartolomé				Endeavor			
	2017	2016	2015		2017		2016	2015
Ore tons milled	1,509,708	1,866,787	1,713,079		133,904		219,430	767,314
Ore grade silver (oz./ton)	3.17	3.69	Gtd. Notes	3.914(a)		01/15/18	1,270	1,282,700
Gtd. Notes	7.000	06/01/20	4,700		4,958,500			
Gtd. Notes(b)	8.625	07/15/20	6,600		7,045,500			

See Notes to Financial Statements.

Portfolio of Investments

as of July 31, 2015 continued

Description	Interest Rate	Maturity Date	Principal Amount (000)#	Value (Note 1)
CORPORATE BONDS (Continued)				
Telecommunications (cont d.)				
Qwest Capital Funding, Inc., Gtd. Notes	6.500%	11/15/18	4,000	$ 4,280,000
Sprint Communications, Inc., Sr. Unsec d. Notes(b)	8.375	08/15/17	12,700	13,430,250
T-Mobile USA, Inc.,				
Gtd. Notes	6.542	04/28/20	1,375	1,448,425
Gtd. Notes	6.625	11/15/20	1,000	1,040,000
Windstream Corp., Gtd. Notes	7.750	10/15/20	2,000	1,831,250
Windstream Holdings, Inc., Gtd. Notes(b)	7.875	11/01/17	3,750	3,796,875
Zayo Group LLC/Zayo Capital, Inc., Gtd. Notes	10.125	07/01/20	4,521	5,018,310
				46,465,372
Transportation 2.3%				
Hertz Corp. (The),				
Gtd. Notes(b)	4.250	04/01/18	3,125	3,179,687
Gtd. Notes(b)	6.750	04/15/19	3,000	3,096,570
Gtd. Notes(b)	7.500	10/15/18	3,069	3,161,070
XPO Logistics, Inc., Sr. Unsec d. Notes, 144A(b)	7.875	09/01/19	6,100	6,519,375
				15,956,702
TOTAL CORPORATE BONDS (cost $632,730,326)				626,218,833
FOREIGN BONDS 39.3%				
Argentina 0.6%				
YPF SA,				
Sr. Unsec d. Notes, 144A	8.875%	12/19/18	3,830	3,983,200
Sr. Unsec d. Notes, RegS	8.875	12/19/18	400	416,000
				4,399,200
Australia 0.1%				
FMG Resources (August 2006) Pty Ltd., Gtd. Notes, 144A	8.250	11/01/19	972	707,130
Barbados 0.2%				
Columbus International, Inc., Gtd. Notes, RegS (original cost $1,075,000; purchased 06/11/15)(c)(d)	7.375	03/30/21	1,000	1,062,500

See Notes to Financial Statements.

Description	Interest Rate	Maturity Date	Principal Amount (000)#	Value (Note 1)
FOREIGN BONDS (Continued)				
Brazil 2.4%				
Bertin SA/Bertin Finance Ltd.,				
Gtd. Notes, 144A(b)	10.250%	10/05/16	1,980	$ 2,117,442
Gtd. Notes, RegS(b)	10.250	10/05/16	6,000	6,416,490
JBS USA LLC/JBS USA Finance, Inc., Gtd. Notes, 144A (original cost $1,068,500; purchased 06/10/15)(c)(d)	8.250	02/01/20	1,000	1,060,000
Minerva Luxembourg SA, Gtd. Notes, 144A	12.250	02/10/22	3,325	3,657,500
Petrobras Global Finance BV,				
Gtd. Notes	2.000	05/20/16	1,500	1,479,330
Gtd. Notes	3.875	01/27/16	2,000	2,002,760
				16,733,522
Canada 4.3%				
Bombardier, Inc.,				
Sr. Unsec d. Notes, 144A(b)	4.750	04/15/19	1,525	1,376,313
Sr. Unsec d. Notes, 144A(b)	7.500	03/15/18	6,375	6,434,766
Brookfield Residential Properties, Inc., Gtd. Notes, 144A	6.500	12/15/20	3,025	3,055,250
Kissner Milling Co., Ltd., Sr. Sec d. Notes, 144A (original cost $2,103,000; purchased 05/15/14 - 02/03/15)(c)(d)	7.250	06/01/19	2,100	2,086,875
Lundin Mining Corp., Sr. Sec d. Notes, 144A(b)	7.500	11/01/20	7,075	7,181,125
NCSG Crane & Heavy Haul Services, Sec d. Notes, 144A(b)	9.500	08/15/19	1,925	1,251,250
Telesat Canada/Telesat LLC, Gtd. Notes, 144A(b)	6.000	05/15/17	7,740	7,870,612
Tembec Industries, Inc., Sr. Sec d. Notes, 144A	9.000	12/15/19	1,250	1,012,500
				30,268,691
Colombia 0.4%				
Pacific Rubiales Energy Corp.,				
Gtd. Notes, 144A	5.375	01/26/19	400	284,000
Gtd. Notes, 144A(b)	7.250	12/12/21	4,000	2,820,000
				3,104,000
France 4.2%				
Alcatel-Lucent USA, Inc.,				
Gtd. Notes, 144A(b)	4.625	07/01/17	2,800	2,891,000
Gtd. Notes, 144A(b)	6.750	11/15/20	5,150	5,536,250
Gtd. Notes, 144A(b)	8.875	01/01/20	5,995	6,519,563

See Notes to Financial Statements.

Portfolio of Investments

as of July 31, 2015 continued

Description	Interest Rate	Maturity Date	Principal Amount (000)#		Value (Note 1)
FOREIGN BONDS (Continued)					
France (cont d.)					
Dry Mix Solutions Investissements SAS, Sr. Sec d. Notes, 144A(b)	4.236%(a)	06/15/21	EUR	3,500	$ 3,819,080
Financiere Quick SAS, Sr. Sec d. Notes, 144A(b)	4.731(a)	04/15/19	EUR	1,525	1,497,298
Numericable Group SA, Sr. Sec d. Notes, 144A(b)	4.875	05/15/19		5,470	5,552,050
Picard Groupe SA, Sr. Sec d. Notes, 144A	4.245(a)	08/01/19	EUR	825	908,411
THOM Europe SAS, Sr. Sec d. Notes, 144A(b)	7.375	07/15/19	EUR	2,500	2,893,201
					29,616,853
Germany 4.3%					
BMBG Bond Finance SCA, Sr. Sec d. Notes, 144A	4.981(a)	10/15/20	EUR	4,800	5,297,955
Galapagos SA, Sr. Sec d. Notes, 144A	4.736(a)	06/15/21	EUR	5,000	5,437,982
Schaeffler Holding Finance BV,					
Gtd. Notes, 144A(b)	3.250	05/15/19	EUR	2,000	2,216,816
Sr. Sec d. Notes, PIK, 144A	6.250	11/15/19		1,450	1,531,563
Sr. Sec d. Notes, PIK, 144A(b)	6.875	08/15/18		6,150	6,365,250
Sr. Sec d. Notes, PIK, 144A(b)	6.875	08/15/18	EUR	1,900	2,159,707
Techem GmbH, Sr. Sec d. Notes, MTN, RegS(b)	6.125	10/01/19	EUR	3,000	3,455,367
Trionista TopCo GmbH, Gtd. Notes, RegS	6.875	04/30/21	EUR	1,000	1,163,354
ZF North America Capital, Inc., Gtd. Notes, 144A	4.000	04/29/20		2,500	2,521,875
					30,149,869
Indonesia 0.9%					
Berau Capital Resources Pte Ltd. , Sr. Sec d. Notes, RegS (original cost $6,237,063; purchased 01/03/13 - 02/04/13)(c)(d)	12.500	07/08/49		5,725	3,583,850
TBG Global Pte Ltd.,					
Gtd. Notes, 144A	4.625	04/03/18		1,500	1,503,750
Gtd. Notes, RegS	4.625	04/03/18		500	501,250
Theta Capital Pte Ltd., Gtd. Notes, RegS	7.000	05/16/19		350	358,736
					5,947,586
Ireland 1.0%					
Ardagh Packaging Finance PLC/Ardagh Holdings USA, Inc.,					
Gtd. Notes, 144A	6.250	01/31/19		400	411,000
Gtd. Notes, 144A	6.750	01/31/21		1,950	1,998,750
Gtd. Notes, 144A	9.125	10/15/20		500	526,875

See Notes to Financial Statements.

Description	Interest Rate	Maturity Date	Principal Amount (000)#		Value (Note 1)
FOREIGN BONDS (Continued)					
Ireland (cont d.)					
Smurfit Kappa Acquisitions, Sr. Sec d. Notes, 144A	4.875%	09/15/18		4,038	$ 4,270,185
					7,206,810
Italy 1.9%					
GCL Holdings SCA, Sec d. Notes, RegS	9.375	04/15/18	EUR	1,400	1,606,739
Telecom Italia Capital SA, Gtd. Notes	6.999	06/04/18		6,175	6,792,500
Wind Acquisition Finance SA,					
Sr. Sec d. Notes, 144A	3.981(a)	07/15/20	EUR	2,000	2,195,400
Sr. Sec d. Notes, 144A	6.500	04/30/20		2,600	2,762,500
					13,357,139
Luxembourg 5.1%					
Altice Financing SA, Sr. Sec d. Notes, 144A	7.875	12/15/19		1,700	1,789,250
ArcelorMittal,					
Sr. Unsec d. Notes	5.125	06/01/20		800	802,000
Sr. Unsec d. Notes	5.250	02/25/17		4,300	4,445,125
Sr. Unsec d. Notes	6.125	06/01/18		7,100	7,515,890
Sr. Unsec d. Notes	6.250	03/01/21		1,100	1,111,000
Sr. Unsec d. Notes	10.600	06/01/19		1,115	1,331,031
ConvaTec Finance International SA, Sr. Unsec d. Notes, PIK, 144A	8.250	01/15/19		1,275	1,259,062
ConvaTec Healthcare E SA, Gtd. Notes, RegS	10.875	12/15/18	EUR	3,570	4,132,471
GCS Holdco Finance I SA, Sr. Sec d. Notes, RegS	6.500	11/15/18	EUR	1,287	1,469,985
Intelsat Jackson Holdings SA,					
Gtd. Notes	7.250	04/01/19		6,209	6,154,671
Gtd. Notes	7.250	10/15/20		2,000	1,982,500
Telenet Finance Luxembourg SCA, Sr. Sec d. Notes, RegS	6.375	11/15/20	EUR	3,000	3,434,775
					35,427,760
Mexico 1.3%					
Cemex Espana Luxembourg, Sr. Sec d. Notes, 144A(b)	9.875	04/30/19		5,500	6,022,500
Cemex Espana SA, Sr. Sec d. Notes, RegS	9.875	04/30/19		1,500	1,642,500
Cemex SAB de CV, Sr. Sec d. Notes, 144A	6.500	12/10/19		1,315	1,368,849
					9,033,849

See Notes to Financial Statements.

Portfolio of Investments

as of July 31, 2015 continued

Description	Interest Rate	Maturity Date	Principal Amount (000)#		Value (Note 1)
FOREIGN BONDS (Continued)					
Netherlands 1.3%					
AerCap Ireland Capital Ltd./AerCap Global Aviation Trust, Gtd. Notes	4.250%	07/01/20		1,000	$ 1,008,750
Carlson Wagonlit BV, Sr. Sec d. Notes, 144A (original cost $3,016,933; purchased 04/07/14)(b)(c)(d)	7.500	06/15/19	EUR	2,000	2,317,306
Hydra Dutch Holdings 2 BV, Sr. Sec d. Notes, RegS	5.481(a)	04/15/19	EUR	1,072	1,103,293
NXP BV/NXP Funding LLC,					
Gtd. Notes, 144A	3.750	06/01/18		100	101,250
Gtd. Notes, 144A(b)	4.125	06/15/20		4,485	4,501,819
					9,032,418
Peru 0.4%					
Peru Enhanced Pass-Through Finance Ltd., Pass-Through Certificates, RegS	1.389(e)	05/31/18		2,582	2,469,147
Poland 1.7%					
Eileme 2 AB,					
Sec d. Notes, RegS	11.625	01/31/20		1,000	1,096,250
Sr. Sec d. Notes, RegS	11.750	01/31/20	EUR	7,400	8,960,067
TVN Finance Corp. III AB, Gtd. Notes, RegS	7.875	11/15/18	EUR	1,666	1,897,565
					11,953,882
Russia 3.4%					
Evraz Group SA,					
Sr. Unsec d. Notes, 144A	7.400	04/24/17		3,000	3,071,130
Sr. Unsec d. Notes, RegS	7.400	04/24/17		500	511,855
Gazprom OAO Via GAZ Capital SA,					
Sr. Unsec d. Notes, 144A	4.300	11/12/15		1,500	1,508,367
Sr. Unsec d. Notes, 144A	8.146	04/11/18		2,000	2,148,000
Sr. Unsec d. Notes, RegS	3.755	03/15/17	EUR	2,000	2,209,256
Sr. Unsec d. Notes, RegS	5.092	11/29/15		500	504,500
Sr. Unsec d. Notes, RegS	6.212	11/22/16		1,000	1,042,500
Sr. Unsec d. Notes, RegS	8.146	04/11/18		815	875,310
Lukoil International Finance BV, Gtd. Notes, RegS	3.416	04/24/18		1,950	1,875,089
Russian Foreign Bond - Eurobond, Sr. Unsec d. Notes, RegS	3.500	01/16/19		1,400	1,382,500

See Notes to Financial Statements.

Description	Interest Rate	Maturity Date	Principal Amount (000)#		Value (Note 1)
FOREIGN BONDS (Continued)					
Russia (cont d.)					
Sberbank of Russia Via SB Capital SA, Sr. Unsec d. Notes, MTN, RegS	5.400%	03/24/17		1,000	$ 1,022,200
Severstal OAO Via Steel Capital SA, Sr. Unsec d. Notes, RegS	4.450	03/19/18		1,500	1,477,860
Vimpel Communications Via VIP Finance Ireland Ltd. OJSC,					
Sr. Unsec d. Notes, 144A	9.125	04/30/18		2,200	2,398,000
Sr. Unsec d. Notes, RegS	9.125	04/30/18		2,175	2,370,750
VTB Bank OJSC Via VTB Capital SA, Sr. Unsec d. Notes, RegS	6.000	04/12/17		1,000	1,015,310
					23,412,627
Spain 0.3%					
Gestamp Funding Luxembourg SA, Sr. Sec d. Notes, 144A	5.625	05/31/20		2,000	2,065,000
Sweden 0.2%					
Bravida Holding AB, Sr. Sec d. Notes, 144A	4.986(a)	06/15/19	EUR	1,200	1,314,605
Switzerland 0.4%					
Gategroup Finance SA, Gtd. Notes, MTN, RegS	6.750	03/01/19	EUR	2,143	2,465,366
United Kingdom 4.5%					
Elli Finance UK PLC, Sr. Sec d. Notes, RegS(b)	8.750	06/15/19	GBP	2,050	3,121,340
Fiat Chrysler Automobiles NV, Sr. Unsec d. Notes	4.500	04/15/20		1,275	1,290,937
Fiat Finance & Trade SA, Ser. G, Gtd. Notes, MTN, RegS	6.375	04/01/16	EUR	6,000	6,806,014
Gala Group Finance PLC, Sr. Sec d. Notes, RegS(b)	8.875	09/01/18	GBP	1,319	2,161,982
Galaxy Bidco Ltd., Sr. Sec d. Notes, 144A	5.567(a)	11/15/19	GBP	400	623,878
Iceland Bondco PLC, Sr. Sec d. Notes, 144A	4.834(a)	07/15/20	GBP	1,074	1,408,854
IDH Finance PLC,					
Sr. Sec d. Notes, 144A(b)	5.567(a)	12/01/18	GBP	1,700	2,634,887
Sr. Sec d. Notes, MTN, 144A(b)	6.000	12/01/18	GBP	1,500	2,365,894
Innovia Group Finance PLC, Sr. Sec d. Notes, 144A(b)	4.986(a)	03/31/20	EUR	2,000	2,193,292
Jaguar Land Rover Automotive PLC, Gtd. Notes, 144A	4.250	11/15/19		1,850	1,859,250

See Notes to Financial Statements.

Portfolio of Investments

as of July 31, 2015 continued

Description	Interest Rate	Maturity Date	Principal Amount (000)#		Value (Note 1)
FOREIGN BONDS (Continued)					
United Kingdom (cont d.)					
Jerrold Finco PLC, Sr. Sec d. Notes, 144A	9.750%	09/15/18	GBP	2,000	$ 3,435,621
Priory Group No. 3 PLC, Sr. Sec d. Notes, RegS(b)	7.000	02/15/18	GBP	2,265	3,649,497
					31,551,446
Venezuela 0.4%					
Petroleos de Venezuela SA, Gtd. Notes, RegS	8.500	11/02/17		4,400	2,998,600
TOTAL FOREIGN BONDS (cost $298,233,706)					274,278,000
TOTAL LONG-TERM INVESTMENTS (cost $973,393,897)					938,195,588
			Shares		
SHORT-TERM INVESTMENT 2.0%					
AFFILIATED MONEY MARKET MUTUAL FUND					
Prudential Investment Portfolios 2 - Prudential Core Taxable Money Market Fund (cost $13,850,526)(Note 3)(f)				13,850,526	13,850,526
TOTAL INVESTMENTS 136.3% (cost $987,244,423)(Note 5)					952,046,114
Liabilities in excess of other assets(g) (36.3)%					(253,456,866)
NET ASSETS 100.0%					$ 698,589,248

The following abbreviations are used in the portfolio descriptions:

144A Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may not be resold subject to that rule except to qualified institutional buyers. Unless otherwise noted, 144A securities are deemed to be liquid.

MTN Medium Term Note

PIK Payment-in-Kind

RegS Regulation S. Security was purchased pursuant to Regulation S and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

EUR Euro

GBP British Pound

See Notes to Financial Statements.

\# Principal amount shown in U.S. dollars unless otherwise stated.
(a) Variable rate instrument. The interest rate shown reflects the rate in effect at July 31, 2015.
(b) Represents security, or portion thereof, with an aggregate value of $554,540,013 segregated as collateral for amount of $275,000,000 borrowed and outstanding as of July 31, 2015.
(c) Indicates a security or securities that have been deemed illiquid (unaudited).
(d) Indicates a restricted security; the aggregate original cost of the restricted securities is $64,595,402. The aggregate value of $60,346,135 is approximately 8.6% of net assets.
(e) Represents zero coupon bond or principal only securities. Rate represents yield to maturity at purchase date.
(f) Prudential Investments LLC, the manager of the Fund, also serves as manager of the Prudential Investment Portfolios 2 - Prudential Core Taxable Money Market Fund.
(g) Includes net unrealized appreciation (depreciation) on the following derivative contracts held at reporting period end:

Forward foreign currency exchange contracts outstanding at July 31, 2015:

Purchase Contracts	**Counterparty**	**Notional Amount (000)**	**Value at Settlement Date**	**Current Value**	**Unrealized Appreciation (Depreciation)**
British Pound,					
Expiring 08/04/15	Goldman Sachs & Co.	GBP 22,974	$ 35,790,514	$ 35,876,678	$ 86,164
Euro,					
Expiring 08/04/15	Bank of America	EUR 11,285	12,455,959	12,394,520	(61,439)
Expiring 08/04/15	Barclays Capital Group	EUR 11,285	12,455,961	12,394,521	(61,440)
Expiring 08/04/15	Citigroup Global Markets	EUR 11,285	12,456,660	12,394,521	(62,139)
Expiring 08/04/15	Deutsche Bank AG	EUR 11,285	12,456,750	12,394,521	(62,229)
Expiring 08/04/15	Goldman Sachs & Co.	EUR 11,285	12,456,638	12,394,521	(62,117)
Expiring 08/04/15	JPMorgan Chase	EUR 11,285	12,455,961	12,394,521	(61,440)
Expiring 08/04/15	UBS AG	EUR 11,285	12,455,961	12,394,521	(61,440)
			$ 122,984,404	$ 122,638,324	$ (346,080)

Sale Contracts	**Counterparty**	**Notional Amount (000)**	**Value at Settlement Date**	**Current Value**	**Unrealized Appreciation (Depreciation)**
British Pound,					
Expiring 08/04/15	Goldman Sachs & Co.	GBP 22,974	$ 36,120,884	$ 35,876,678	$ 244,206
Expiring 09/02/15	Barclays Capital Group	GBP 447	698,135	698,633	(498)
Expiring 09/02/15	Goldman Sachs & Co.	GBP 22,974	35,783,162	35,869,153	(85,991)
Euro,					
Expiring 08/04/15	Bank of America	EUR 10,907	12,212,855	11,979,288	233,567
Expiring 08/04/15	Barclays Capital Group	EUR 10,907	12,213,151	11,979,289	233,862
Expiring 08/04/15	Barclays Capital Group	EUR 2,646	2,952,293	2,906,625	45,668
Expiring 08/04/15	Citigroup Global Markets	EUR 10,907	12,213,129	11,979,289	233,840
Expiring 08/04/15	Deutsche Bank AG	EUR 10,907	12,213,183	11,979,289	233,894

See Notes to Financial Statements.

Portfolio of Investments

as of July 31, 2015 continued

Sale Contracts	Counterparty	Notional Amount (000)	Value at Settlement Date	Current Value	Unrealized Appreciation (Depreciation)
Euro (cont d.),					
Expiring 08/04/15	Goldman Sachs & Co.	EUR 10,907	$ 12,213,511	$ 11,979,289	$ 234,222
Expiring 08/04/15	JPMorgan Chase	EUR 10,907	12,212,943	11,979,289	233,654
Expiring 08/04/15	UBS AG	EUR 10,907	12,213,281	11,979,289	233,992
Expiring 09/02/15	Bank of America	EUR 11,285	12,460,531	12,399,210	61,321
Expiring 09/02/15	Barclays Capital Group	EUR 947	1,047,202	1,041,007	6,195
Expiring 09/02/15	Barclays Capital Group	EUR 11,285	12,460,689	12,399,210	61,479
Expiring 09/02/15	Citigroup Global Markets	EUR 11,285	12,461,343	12,399,210	62,133
Expiring 09/02/15	Deutsche Bank AG	EUR 11,285	12,461,434	12,399,210	62,224
Expiring 09/02/15	Goldman Sachs & Co.	EUR 11,285	12,461,321	12,399,210	62,111
Expiring 09/02/15	JPMorgan Chase	EUR 11,285	12,460,700	12,399,210	61,490
Expiring 09/02/15	UBS AG	EUR 11,285	12,460,644	12,399,210	61,434
			$ 249,320,391	$ 247,041,588	$ 2,278,803
					$ 1,932,723

Various inputs are used in determining the value of the Fund s investments. These inputs are summarized in the three broad levels listed below.

Level 1 quoted prices generally in active markets for identical securities.

Level 2 quoted prices for similar securities, interest rates and yield curves, prepayment speeds, foreign currency exchange rates and other observable inputs.

Level 3 unobservable inputs for securities valued in accordance with Board approved fair valuation procedures.

The following is a summary of the inputs used as of July 31, 2015 in valuing such portfolio securities:

	Level 1	Level 2	Level 3
Investments in Securities			
Bank Loans	$	$ 37,698,755	$
Corporate Bonds		626,218,833	
Foreign Bonds		274,278,000	
Affiliated Money Market Mutual Fund	13,850,526		

Other Financial Instruments*			
Forward Foreign Currency Exchange Contracts		1,932,723	
Total	$ 13,850,526	$ 940,128,311	$

See Notes to Financial Statements.

The following is a reconciliation of assets in which unobservable inputs (Level 3) were used in determining fair value:

	Bank Loans	Corporate Bonds
Balance as of 7/31/14	$ 9,092,978	$ 836,409
Realized gain (loss)	314,660	
Change in unrealized appreciation (depreciation)	(496,514)	
Purchases		
Sales	(8,914,873)	
Accrued discount/premium	3,749	
Transfers into Level 3		
Transfers out of Level 3		(836,409)
Balance as of 7/31/15	$	$

* Other financial instruments are derivative instruments not reflected in the Portfolio of Investments, such as futures, forwards and exchange-traded swap contracts, which are recorded at the unrealized appreciation/depreciation on the instrument, and over-the-counter swap contracts which are recorded at fair value.

It is the Fund s policy to recognize transfers in and transfers out at the fair value as of the beginning of period. At the reporting period end, securities transferred levels as follows:

Investments in Securities	Amount Transferred	Level Transfer	Logic
Corporate Bonds	$ 836,409	L3 to L2	Single Broker Quote to Evaluated Bid

The industry classification of investments and liabilities in excess of other assets shown as a percentage of net assets as of July 31, 2015 was as follows (Unaudited):

Technology	15.1%
Healthcare & Pharmaceutical	13.2
Telecommunications	11.7
Building Materials & Construction	9.8
Cable & Satellite	8.1
Metals	8.0
Capital Goods	7.7
Foods	7.0
Gaming	6.1
Media & Entertainment	5.1
Chemicals	4.9
Non-Captive Finance	4.6
Packaging	3.7
Electric	3.6%
Automotive	3.5
Foreign Agency	2.8
Transportation	2.7
Retailers	2.1
Airlines	2.1
Leisure	2.0
Consumer	2.0
Affiliated Money Market Mutual Fund	2.0
Energy Other	1.5
Energy Integrated	1.2
Aerospace & Defense	1.1

Automobiles	1.0

See Notes to Financial Statements.

Portfolio of Investments

as of July 31, 2015 continued

Industry (cont d.)	
Cable	0.8%
Machinery	0.8
Paper	0.8
Pipelines & Other	0.7
Real Estate Investment Trusts	0.4
Insurance	0.1%
Home Construction	0.1
	136.3
Liabilities in excess of other assets	(36.3)
	100.0%

The Fund invested in derivative instruments during the reporting period. The primary type of risk associated with these derivative instruments is foreign exchange risk.

The effect of such derivative instruments on the Fund s financial position and financial performance as reflected in the Statement of Assets and Liabilities and Statement of Operations is presented in the summary below.

Fair values of derivative instruments as of July 31, 2015 as presented in the Statement of Assets and Liabilities:

Derivatives not accounted for as hedging instruments, carried at fair value	**Asset Derivatives**		**Liability Derivatives**	
	Balance Sheet Location	**Fair Value**	**Balance Sheet Location**	**Fair Value**
Foreign exchange contracts	Unrealized appreciation on forward foreign currency contracts	$ 2,451,456	Unrealized depreciation on forward foreign currency contracts	$ 518,733

The effects of derivative instruments on the Statement of Operations for the year ended July 31, 2015 are as follows:

Amount of Realized Gain or (Loss) on Derivatives Recognized in Income

Derivatives not accounted for as hedging instruments, carried at fair value	**Forward Currency Contracts(1)**
Foreign exchange contracts	$ 38,487,069

Change in Unrealized Appreciation or (Depreciation) on Derivatives Recognized in Income

Derivatives not accounted for as hedging instruments, carried at fair value	**Forward Currency Contracts(2)**
Foreign exchange contracts	$ (1,956,069)

(1) Included in net realized gain (loss) on foreign currency transactions in the Statement of Operations.
(2) Included in net change in unrealized appreciation (depreciation) on foreign currencies in the Statement of Operations.

See Notes to Financial Statements.

For the year ended July 31, 2015, the Fund s average volume of derivative activities is as follows:

Forward Foreign Currency Exchange Contracts Purchased(1)	Forward Foreign Currency Exchange Contracts Sold(1)	Cross Currency Exchange Contracts(2)
$ 149,661,278	$ 337,351,918	$ 3,531

(1) Value at settlement date.
(2) Notional Amount in USD (000).

Offsetting of over-the-counter (OTC) derivative assets and liabilities:

The Fund invested in OTC derivatives during the reporting period that are either offset in accordance with current requirements or are subject to enforceable master netting arrangements or similar agreements that permit offsetting. The information about offsetting and related netting arrangements for OTC derivatives, where the legal right to set-off exists, is presented in the summary below.

Counterparty	Gross Amounts of Recognized Assets(1)	Gross Amounts Available for Offset	Collateral Received(3)	Net Amount
Bank of America	$ 294,888	$ (61,439)	$ (279,435)	$
Barclays Capital Group	347,204	(61,938)	(271,868)	13,398
Citigroup Global Markets	295,973	(62,139)		233,834
Deutsche Bank AG	296,118	(62,229)	(133,576)	100,313
Goldman Sachs & Co.	626,703	(148,108)	(620,399)	
JPMorgan Chase	295,144	(61,440)		233,704
UBS AG	295,426	(61,440)		233,986
	$ 2,451,456			

See Notes to Financial Statements.

Portfolio of Investments

as of July 31, 2015 continued

Counterparty	Gross Amounts of Recognized Liabilities(2)	Gross Amounts Available for Offset	Collateral Pledged(3)	Net Amount
Bank of America	$ (61,439)	$ 61,439	$	$
Barclays Capital Group	(61,938)	61,938		
Citigroup Global Markets	(62,139)	62,139		
Deutsche Bank AG	(62,229)	62,229		
Goldman Sachs & Co.	(148,108)	148,108		
JPMorgan Chase	(61,440)	61,440		
UBS AG	(61,440)	61,440		
	$ (518,733)			

(1) Includes unrealized appreciation on swaps and forwards, premiums paid on swap agreements and market value of purchased options.
(2) Includes unrealized depreciation on swaps and forwards, premiums received on swap agreements and market value of written options.
(3) Amounts shown reflect actual collateral received or pledged by the Fund. Such amounts are applied up to 100% of the Fund s OTC derivative exposure by counterparty.

See Notes to Financial Statements.

Statement of Assets & Liabilities

as of July 31, 2015

Assets	
Investments at value:	
Unaffiliated Investments (cost $973,393,897)	$ 938,195,588
Affiliated Investments (cost $13,850,526)	13,850,526
Cash	12,215
Foreign currency, at value (cost $4,958,071)	4,964,665
Dividends and interest receivable	15,832,415
Receivable for investments sold	9,026,870
Unrealized appreciation on forward foreign currency exchange contracts	2,451,456
Total assets	984,333,735
Liabilities	
Loan payable (Note 7)	275,000,000
Payable for investments purchased	9,153,738
Management fee payable	704,330
Unrealized depreciation on forward foreign currency exchange contracts	518,733
Dividends payable	220,994
Accrued expenses and other liabilities	116,570
Deferred directors fees	22,935
Loan interest payable (Note 7)	7,187
Total liabilities	285,744,487
Net Assets	$ 698,589,248
Net assets were comprised of:	
Common stock, at par	$ 40,924
Paid-in capital in excess of par	780,305,040
	780,345,964
Undistributed net investment income	9,429,823
Accumulated net realized loss on investment and foreign currency transactions	(57,796,613)
Net unrealized depreciation on investments and foreign currencies	(33,389,926)
Net assets, July 31, 2015	$ 698,589,248
Net asset value and redemption price per share ($698,589,248 ÷ 40,923,879 shares of common stock issued and outstanding)	$ 17.07

See Notes to Financial Statements.

Statement of Operations

Year Ended July 31, 2015

Net Investment Income	
Income	
Interest income (net of foreign withholding taxes of $28,662)	$ 58,638,285
Affiliated dividend income	17,486
Total income	58,655,771
Expenses	
Management fee	8,502,470
Loan interest expense	2,609,323
Custodian and accounting fees	146,000
Shareholders reports	74,000
Legal fees and expenses	63,000
Directors fees	53,000
Audit fee	45,000
Registration fees	42,000
Transfer agent s fees and expenses	15,000
Insurance expenses	9,000
Miscellaneous	31,064
Total expenses	11,589,857
Net investment income	47,065,914
Realized And Unrealized Gain (Loss) On Investments And Foreign Currency Transactions	
Net realized gain (loss) on:	
Investment transactions	(34,627,277)
Foreign currency transactions	35,429,428
	802,151
Net change in unrealized appreciation (depreciation) on:	
Investments	(30,410,728)
Foreign currencies	(2,238,663)
	(32,649,391)
Net loss on investment and foreign currency transactions	(31,847,240)
Net Increase In Net Assets Resulting From Operations	$ 15,218,674

See Notes to Financial Statements.

Statement of Changes in Net Assets

	Year Ended July 31, 2015	2014
Increase (Decrease) in Net Assets		
Operations		
Net investment income	$ 47,065,914	$ 50,525,671
Net realized gain (loss) on investment and foreign currency transactions	802,151	(11,199,309)
Net change in unrealized appreciation (depreciation) on investments and foreign currencies	(32,649,391)	11,597,483
Net increase in net assets resulting from operations	15,218,674	50,923,845
Dividends from net investment income (Note 1)	(71,780,484)	(61,385,819)
Fund share transactions (Note 6)		
Common stock offering costs reimbursed (charged) to paid-in capital in excess of par		138,429
Net increase in net assets from Fund share transactions		138,429
Total decrease	(56,561,810)	(10,323,545)
Net Assets:		
Beginning of year	755,151,058	765,474,603
End of year(a)	$ 698,589,248	$ 755,151,058
(a) Includes undistributed net investment income of:	$ 9,429,823	$

See Notes to Financial Statements.

Statement of Cash Flows

For the Year Ended July 31, 2015

Increase (Decrease) in Cash	
Cash flows from operating activities:	
Interest and dividends paid (excluding discount and premium amortization of $(11,597,493))	$ 72,697,171
Operating expenses paid	(9,038,672)
Loan interest paid	(2,610,080)
Purchases of long-term portfolio investments	(605,388,325)
Proceeds from disposition of long-term portfolio investments	655,819,474
Net purchases and sales of short-term investments	(8,093,509)
Decrease in receivable for investments sold	146,638
Decrease in payable for investments purchased	(26,067,425)
Decrease in deposit with broker	600,000
Net cash received for foreign currency transactions	35,429,428
Effect of exchange rate changes	(1,923,643)
Net cash provided from operating activities	111,571,057
Cash flows from financing activities:	
Cash dividends paid	(71,831,272)
Decrease in payable to custodian	(238,803)
Decrease in borrowing	(41,000,000)
Net cash used in financing activities	(113,070,075)
Net increase /(decrease) in cash	(1,499,018)
Cash at beginning of year	6,475,898
Cash at the end of the year, including foreign currency	$ 4,976,880
Reconciliation of Net Increase in Net Assets to Net Cash Provided by Operating Activities	
Net increase in net assets resulting from operations	$ 15,218,674
Increase in investments	53,935,133
Net realized gain on investment and foreign currency transactions	(802,151)
Decrease in net unrealized depreciation on investments and foreign currencies	32,649,391
Net cash received for foreign currency transactions	35,429,428
Effect of exchange rate changes	(1,923,643)
Decrease in interest and dividends receivable	2,443,907
Decrease in receivable for investments sold	146,638
Decrease in deposit with broker	600,000
Decrease in payable for investments purchased	(26,067,425)
Decrease in loan interest payable	(757)
Decrease in accrued expenses and other liabilities	(71,903)
Increase in deferred directors fees	13,765
Total adjustments	96,352,383
Net cash provided from operating activities	$ 111,571,057

See Notes to Financial Statements.

Notes to Financial Statements

Prudential Global Short Duration High Yield Fund, Inc. (the Fund) is a diversified, closed-end management investment company, registered under the Investment Company Act of 1940, as amended (1940 Act). The Fund was incorporated as a Maryland corporation on July 23, 2012. The Fund s investment objective is to provide a high level of current income.

Note 1. Accounting Policies

The Fund follows investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 946 Financial Services-*Investment Companies*. The following accounting policies conform to U.S. generally accepted accounting principles. The Fund consistently follows such policies in the preparation of its financial statements.

Securities Valuation: The Fund holds securities and other assets that are fair valued at the close of each day the New York Stock Exchange (NYSE) is open for trading. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Board of Directors (the Board) has adopted Valuation Procedures for security valuation under which fair valuation responsibilities have been delegated to Prudential Investments LLC (PI or Manager). Under the current Valuation Procedures, the established Valuation Committee is responsible for supervising the valuation of portfolio securities and other assets. The Valuation Procedures permit the Fund to utilize independent pricing vendor services, quotations from market makers, and alternative valuation methods when market quotations are either not readily available or not deemed representative of fair value. A record of the Valuation Committee s actions is subject to the Board s review, approval, and ratification at its next regularly-scheduled quarterly meeting.

Various inputs determine how the Fund s investments are valued, all of which are categorized according to the three broad levels (Level 1, 2, or 3) detailed in the table following the Portfolio of Investments.

Common and preferred stocks, exchange-traded funds, and derivative instruments such as futures or options that are traded on a national securities exchange are valued at the last sale price as of the close of trading on the applicable exchange where the security principally trades. Securities traded via NASDAQ are valued at the NASDAQ official

Notes to Financial Statements

continued

closing price. To the extent these securities are valued at the last sale price or NASDAQ official closing price, they are classified as Level 1 in the fair value hierarchy.

In the event that no sale or official closing price on valuation date exists, these securities are generally valued at the mean between the last reported bid and ask prices, or at the last bid price in the absence of an ask price. These securities are classified as Level 2 in the fair value hierarchy.

Common and preferred stocks traded on foreign securities exchanges are valued using pricing vendor services that provide model prices derived using adjustment factors based on information such as local closing price, relevant general and sector indices, currency fluctuations, depositary receipts, and futures, as applicable. Securities valued using such model prices are classified as Level 2 in the fair value hierarchy. Such securities are valued using model prices to the extent that the valuation meets the established confidence level for each security. If the confidence level is not met or the vendor does not provide a model price, securities are valued in accordance with exchange-traded common and preferred stocks discussed above.

Participatory Notes (P-notes) are generally valued based upon the value of a related underlying security that trades actively in the market and are classified as Level 2 in the fair value hierarchy.

Investments in open-end, non-exchange-traded mutual funds are valued at their net asset values as of the close of the NYSE on the date of valuation. These securities are classified as Level 1 in the fair value hierarchy since they may be purchased or sold at their net asset values on the date of valuation.

Fixed income securities traded in the over-the-counter (OTC) market are generally valued at prices provided by approved independent pricing vendors. The pricing vendors provide these prices after evaluating observable inputs including, but not limited to yield curves, yield spreads, credit ratings, deal terms, tranche level attributes, default rates, cash flows, prepayment speeds, broker/dealer quotations, and reported trades. Securities valued using such vendor prices are classified as Level 2 in the fair value hierarchy.

OTC derivative instruments are generally valued using pricing vendor services, which derive the valuation based on inputs such as underlying asset prices, indices, spreads, interest rates, and exchange rates. These instruments are categorized as Level 2 in the fair value hierarchy.

Centrally cleared swaps listed or traded on a multilateral or trade facility platform, such as a registered exchange, are generally valued at the daily settlement price determined by the respective exchange. These securities are classified as Level 2 in the fair value hierarchy, as the daily settlement price is not public.

Securities and other assets that cannot be priced according to the methods described above are valued based on pricing methodologies approved by the Board. In the event that unobservable inputs are used when determining such valuations, the securities will be classified as Level 3 in the fair value hierarchy.

When determining the fair value of securities, some of the factors influencing the valuation include: the nature of any restrictions on disposition of the securities; assessment of the general liquidity of the securities; the issuer s financial condition and the markets in which it does business; the cost of the investment; the size of the holding and the capitalization of the issuer; the prices of any recent transactions or bids/offers for such securities or any comparable securities; any available analyst media or other reports or information deemed reliable by the investment adviser regarding the issuer or the markets or industry in which it operates. Using fair value to price securities may result in a value that is different from a security s most recent closing price and from the price used by other mutual funds to calculate their net asset values.

Restricted and Illiquid Securities: The Fund may invest in illiquid securities. Illiquid securities are those that, because of the absence of a readily available market or due to legal or contractual restrictions on resale, cannot be sold within seven days in the ordinary course of business at approximately the amount at which the Fund has valued the investment. Therefore, the Fund may find it difficult to sell illiquid securities at the time considered most advantageous by its Subadviser and may incur expenses that would not be incurred in the sale of securities that were freely marketable. Certain securities that would otherwise be considered illiquid because of legal restrictions on resale to the general public may be traded among qualified institutional buyers under Rule 144A of the Securities Act of 1933. These Rule 144A securities, as well as commercial paper that is sold in private placements under Section 4(2) of the Securities Act, may be deemed liquid by the Fund s Subadviser under the guidelines adopted by the Fund. However, the liquidity of the Fund s investments in Rule 144A securities could be impaired if trading does not develop or declines.

Forward Currency Contracts: A forward currency contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated forward rate. The Fund enters into forward currency contracts in order to hedge its exposure to changes

Notes to Financial Statements

continued

in foreign currency exchange rates on its foreign portfolio holdings or specific receivables and payables denominated in a foreign currency. The contracts are valued daily at current exchange rates and any unrealized gain or loss is included in net unrealized appreciation or depreciation on foreign currencies. Gain or loss is realized on the settlement date of the contract equal to the difference between the settlement value of the original and negotiated forward contracts. This gain or loss, if any, is included in net realized gain (loss) on foreign currency transactions. Risks may arise upon entering into these contracts from the potential inability of the counterparties to meet the terms of their contracts. Forward currency contracts involve risks from currency exchange rate and credit risk in excess of the amounts reflected on the Statement of Assets and Liabilities. The Fund s maximum risk of loss from counterparty credit risk is the net value of the cash flows to be received from the counterparty at the end of the contract s life.

Cross Currency Exchange Contracts: A cross currency contract is a forward contract where a specified amount of one foreign currency will be exchanged for an amount of another foreign currency.

Master Netting Arrangements: The Fund is subject to various Master Agreements, or netting arrangements, with select counterparties. These are agreements which a subadviser may have negotiated and entered into on behalf of the Fund. A master netting arrangement between the Fund and the counterparty permits the Fund to offset amounts payable by the Fund to the same counterparty against amounts to be received; and by the receipt of collateral from the counterparty by the Fund to cover the Fund s exposure to the counterparty. However, there is no assurance that such mitigating factors are easily enforceable. The right to set-off exists when all the conditions are met such that each of the parties owes the other determinable amounts, the reporting party has the right to set-off the amount owed with the amount owed by the other party, the reporting party intends to set-off and the right of set-off is enforceable by law. During the reporting period, there were no instances where the right of set-off existed and management has not elected to offset.

The Fund is party to ISDA (International Swaps and Derivatives Association, Inc.) Master Agreements with certain counterparties that govern over-the-counter derivative and foreign exchange contracts entered into from time to time. The Master Agreements may contain provisions regarding, among other things, the parties general obligations, representations, agreements, collateral requirements, events of default and early termination. With respect to certain counterparties, in accordance with the terms of the Master Agreements, collateral posted to the Fund is held in a segregated account by the Fund s custodian and with respect to those amounts which can be sold or re-pledged, are presented in the Portfolio of Investments. Collateral pledged by the Fund is segregated by the Fund s custodian and identified in the Portfolio of Investments. Collateral can be in the form of cash or debt securities issued by the U.S. Government or related agencies or other securities as agreed to by the Fund and the applicable counterparty. Collateral requirements are determined based on the Fund s net position with each counterparty. Termination events applicable to the Fund may occur upon a decline in the Fund s net assets below a specified threshold over a certain period of time. Termination events applicable to counterparties may occur upon a decline in the counterparty s long-term and short-term credit ratings below a specified level. In each case, upon occurrence, the other party may elect to terminate early and cause settlement of all derivative and foreign exchange contracts outstanding, including the payment of any losses and costs resulting from such early termination, as reasonably determined by the terminating party. Any decision by one or more of the Fund s counterparties to elect early termination could impact the Fund s future derivative activity.

In addition to each instrument s primary underlying risk exposure (e.g. interest rate, credit, equity or foreign exchange, etc.), swap agreements involve, to varying degrees, elements of credit, market and documentation risk. Such risks involve the possibility that no liquid market for these agreements will exist, the counterparty to the agreement may default on its obligation to perform or disagree on the contractual terms in the agreement, and changes in net interest rates will be unfavorable. In connection with these agreements, securities may be identified or received as collateral from the counterparty in accordance with the terms of the respective swap agreements to provide or receive assets of value and serve as recourse in the event of default or bankruptcy/insolvency of either party. Such over-the-counter derivative agreements include conditions which, when materialized, give the counterparty the right to cause an early termination of the transactions under those agreements. Any election by the counterparty for early termination of the contract(s) may impact the amounts reported on financial statements.

As of July 31, 2015, the Fund has not met conditions under such agreements that give the counterparty the right to call for an early termination.

Forward currency contracts, written options, short sales, swaps and financial futures contracts involve elements of both market and credit risk in excess of the amounts reflected on the Statement of Assets and Liabilities. Such risks may be mitigated by engaging in master netting arrangements.

Notes to Financial Statements

continued

Loan Participations: The Fund may invest in loan participations. When the Fund purchases a loan participation, the Fund typically enters into a contractual relationship with the lender or third party selling such participations (Selling Participant), but not the borrower. As a result, the Fund assumes the credit risk of the borrower and any other persons interpositioned between the Fund and the borrower. The Fund may not directly benefit from the collateral supporting the senior loan in which it has purchased the loan participation.

Payment In Kind Securities: The Fund may invest in open market or receive pursuant to debt restructuring, securities that pay in kind (PIK) the interest due on such debt instruments. The PIK interest, computed at the contractual rate specified, is added to the existing principal balance of the debt when issued bonds have the same terms as the bond or recorded as a separate bond when terms are different from the existing debt, and is recorded as interest income. The interest rate on PIK debt is paid out over time.

Cash Flow Information: The Fund invests in securities and distributes dividends from net investment income, which are paid in cash or are reinvested at the discretion of stockholders. These activities are reported in the Statement of Changes in Net Assets and additional information on cash receipts and cash payments is presented in the Statement of Cash Flows.

Accounting practices that do not affect reporting activities on a cash basis include carrying investments at value, accruing income on PIK (payment-in-kind) securities and accreting discounts and amortizing premiums on debt obligations.

Securities Transactions and Net Investment Income: Securities transactions are recorded on the trade date. Realized gains or losses from security and currency transactions are calculated on the identified cost basis. Dividend income is recorded on the ex-dividend date. Interest income, including amortization of premium and accretion of discount on debt securities, as required, is recorded on the accrual basis. Expenses are recorded on the accrual basis, which may require the use of certain estimates by management, that may differ from actual.

Dividends and Distributions: The Fund intends to make a level dividend distribution each month to the holders of Common Stock. The level dividend rate may be modified by the Board from time to time, and will be based upon the past and projected performance and expenses of the Fund. The Fund intends to also make a distribution during or with respect to each calendar year (which may be combined with a regular monthly distribution), which will generally include any net investment income and net realized capital gain for the year not otherwise distributed.

PI has received an order from the Securities and Exchange Commission granting the Fund an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder to permit certain closed-end funds managed by PI to include realized long-term capital gains as a part of their respective regular distributions to the holders of Common Stock more frequently than would otherwise be permitted by the 1940 Act (generally once per taxable year). The Fund intends to rely on this exemptive order. The Board may, at the request of PI, adopt a managed distribution policy.

Dividends and distributions to stockholders, which are determined in accordance with federal income tax regulations and which may differ from generally accepted accounting principles, are recorded on the ex-dividend date. Permanent book/tax differences relating to income and gains are reclassified amongst undistributed net investment income, accumulated net realized gain or loss and paid-in capital in excess of par, as appropriate.

Organization and Offering Costs: PI has agreed to pay all of the Fund s organizational costs and such amount of the Fund s offering costs (other than sales load) that exceed $0.04 per share of common stock. Organizational costs are expensed by the Fund as incurred.

Taxes: It is the Fund s policy to continue to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute all of its taxable net income and capital gains, if any, to its stockholders. Therefore, no federal income tax provision is required. Withholding taxes on foreign interest are recorded, net of reclaimable amounts, at the time the related income is earned.

Estimates: The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Note 2. Agreements

The Fund has a management agreement with PI. Pursuant to this agreement, PI has responsibility for all investment advisory services and supervises the subadviser s performance of such services. PI has entered into a subadvisory agreement with PIM. The subadvisory agreement provides that PIM will furnish investment advisory services in connection with the management of the Fund. In connection therewith,

Notes to Financial Statements

continued

PIM is obligated to keep certain books and records of the Fund. PI pays for the services of PIM, the cost of compensation of officers of the Fund, occupancy and certain clerical and bookkeeping costs of the Fund. The Fund bears all other cost and expenses.

The management fee paid to PI is accrued daily and payable monthly, at an annual rate of .85% of the average daily value of the Fund s investable assets. Investable assets refers to the net assets attributable to the outstanding Common Stock of the Fund plus the liquidation preference of any outstanding preferred stock issued by the Fund, the principal amount of any borrowings and the principal on any debt securities issued by the Fund.

PI and PIM are indirect, wholly-owned subsidiaries of Prudential Financial, Inc. (Prudential).

Note 3. Other Transactions with Affiliates

The Fund invests in the Prudential Core Taxable Money Market Fund (the Core Fund), a portfolio of the Prudential Investment Portfolios 2, registered under the 1940 Act, and managed by PI. Earnings from the Core Fund are disclosed on the Statement of Operations as affiliated dividend income.

Note 4. Fund Securities

Purchases and sales of portfolio securities, other than short-term investments, for the year ended July 31, 2015, aggregated $605,388,325 and $652,785,016, respectively.

Note 5. Distributions and Tax Information

Distributions to shareholders, which are determined in accordance with federal income tax regulations and which may differ from generally accepted accounting principles, are recorded on the ex-dividend date. In order to present undistributed net investment income, accumulated net realized loss on investment and foreign currency transactions and paid-in capital in excess of par on the Statement of Assets and Liabilities that more closely represent their tax character, certain adjustments have been made to undistributed net investment income and accumulated net

realized loss on investment and foreign currency transactions. For the year ended July 31, 2015, the adjustments were to increase undistributed net investment income and increase accumulated net realized loss on investment and foreign currency transactions by $35,662,928 due to differences in the treatment for book and tax purposes of premium amortization, certain transactions involving foreign currencies and paydown gains/losses. Net investment income, net realized gain (loss) on investments and foreign currency transactions and net assets were not affected by this change.

For the years ended July 31, 2015 and July 31, 2014, the tax character of dividends paid by the Fund were $71,780,484 and $61,385,819 of ordinary income, respectively.

As of July 31, 2015, the accumulated undistributed earnings on a tax basis was $11,815,265 of ordinary income. This differs from the amount shown on the Statement of Assets and Liabilities primarily due to cumulative timing differences between financial and tax reporting.

The United States federal income tax basis of the Fund s investments and the net unrealized depreciation as of July 31, 2015 were as follows:

Tax Basis	**Appreciation**	**Depreciation**	**Net Unrealized Depreciation**	**Other Cost Basis Adjustments**	**Total Net Unrealized Depreciation**
$1,002,636,016	$4,655,844	$(55,245,746)	$(50,589,902)	$(356,065)	$(50,945,967)

The difference between book basis and tax basis is primarily attributable to deferred losses on wash sales and differences in the treatment of premium amortization for book and tax purposes. The other cost basis adjustments are primary attributable to appreciation (depreciation) of foreign currencies, mark-to-market of receivables and payables and other book to tax adjustments.

For federal income tax purposes, the Fund had a capital loss carryforward as of July 31, 2015 of approximately $42,405,000 which can be carried forward for an unlimited period. No capital gains distributions are expected to be paid to shareholders until net gains have been realized in excess of such losses.

Management has analyzed the Fund s tax positions taken on federal, state and local income tax returns for all open tax years and has concluded that no provision for income tax is required in the Fund s financial statements for the current reporting period. The Fund s federal, state and local income and federal excise tax returns for

Notes to Financial Statements

continued

tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue.

Note 6. Capital

For the year ended July 31, 2015, the Fund did not issue any shares of Common Stock in connection with the Fund s dividend reinvestment plan. There are 1 billion shares of $0.001 par value Common Stock authorized. As of July 31, 2015, Prudential owned 6,565 shares of Common Stock of the Fund.

Note 7. Borrowings and Re-hypothecation

The Fund currently is a party to a committed credit facility (the credit facility) with a financial institution. The credit facility provides for a maximum commitment of $440 million or 50% of the net asset value based on the most recent fiscal year end. Interest on any borrowings under the credit facility is payable at the negotiated rates. The Fund s obligations under the credit facility are secured by the assets of the Fund segregated for the purpose of securing the amount borrowed. The purpose of the credit facility is to provide the Fund with portfolio leverage and to meet its general cash flow requirements.

During the year ended July 31, 2015, the Fund utilized the credit facility and had an average daily outstanding loan balance of $279,835,616 during the 365 day period that the facility was utilized, at an average interest rate of 0.93%. The maximum amount of loan outstanding during the period was $316,000,000. There was a balance of $275,000,000 outstanding at July 31, 2015.

Re-hypothecation: The Board recently approved an amendment to the credit facility, whereby the credit facility agreement permits, subject to certain conditions, the financial institution to re-hypothecate, up to the amount outstanding under the facility, portfolio securities segregated by the Fund as collateral. The Fund continues to receive interest on re-hypothecated securities. The Fund also has the right under the agreement to recall the re-hypothecated securities from financial institution on demand. If the financial institution fails to deliver the recalled security in a timely manner, the Fund will be compensated by the financial institution for any fees or losses related to the failed delivery or, in the event a recalled security will not be returned by financial institution, the Fund, upon notice to the financial institution, may reduce the loan balance outstanding by the value of the recalled security failed to be returned plus accrued interest. The Fund will receive a portion of the fees earned the financial institution in connection with the re-hypothecation of portfolio securities. Such earnings are disclosed in the statement of operations under Other Income. As of July 31, 2015, there were no earnings to be disclosed.

Note 8. Subsequent Event

Dividends and Distributions: On September 2, 2015 the Fund declared monthly dividends of $0.1100 per share payable on September 30, 2015, October 30, 2015 and November 30, 2015, respectively, to shareholders of record on September 18, 2015, October 16, 2015, and November 20, 2015, respectively. The ex-dividend dates are September 16, 2015, October 14, 2015, and November 18, 2015, respectively.

Note 9. New Accounting Pronouncement

In May 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-07 regarding Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share . The amendments in this update are effective for the Fund for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. ASU No. 2015-07 will eliminate the requirement to categorize investments in the fair value hierarchy if their fair value is measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the FASB s fair value measurement guidance. At this time, management is evaluating the implications of ASU No. 2015-07 and its impact on the financial statement disclosures has not yet been determined.

Financial Highlights

	Year Ended July 31,		December 26, 2012(a) through July 31,
	2015	2014	2013(b)
Per Share Operating Performance:			
Net Asset Value, Beginning Of Period	$18.45	$18.70	$19.10*
Income (loss) from investment operations:			
Net investment income	1.15	1.23	.64
Net realized and unrealized gain (loss) on investment transactions	(.78)	.02	(.26)
Total from investment operations	.37	1.25	.38
Less Dividends:			
Dividends from net investment income	(1.75)	(1.50)	(.75)
Fund share transactions:			
Common stock offering costs reimbursed (charged) to paid-in capital in excess of par	-	-(h)	(.04)
Accretion to net asset value from the exercise of the underwriters over-allotment option (Note 6)	-	-	.01
Total of share transactions	-	-	(.03)
Net asset value, end of period	$17.07	$18.45	$18.70
Market price, end of period	$14.70	$16.94	$17.18
Total Investment Return(c)	(3.28)%	7.39%	(10.52)%
Ratios/Supplemental Data:			
Net assets, end of period (000)	$698,589	$755,151	$765,475
Average net assets (000)	$720,504	$769,943	$761,359
Ratios to average net assets(d):			
Expenses after waivers and/or expense reimbursement	1.61%(e)	1.60%(e)	1.40%(e)(f)
Expenses before waivers and/or expense reimbursement	1.61%(e)	1.60%(e)	1.43%(e)(f)
Net investment income	6.53%	6.56%	5.70%(f)
Portfolio turnover rate	62%	65%	34%(g)
Asset coverage	354%	339%	361%
Total debt outstanding at period-end (000)	$275,000	$316,000	$293,000

* Initial public offering price of $20.00 per share less sales load of $0.90 per share.

(a) Commencement of operations.

(b) Calculated based on average shares outstanding during the period.

(c) Total investment return is calculated assuming a purchase of common stock at the current market price on the first day and a sale at the closing market price on the last day of each period reported. Dividends are assumed, for the purpose of this calculation, to be reinvested at prices obtainable under the Fund s dividend reinvestment plan. This amount does not reflect brokerage commissions or sales load. Total returns for periods less than a full year are not annualized.

(d) Does not include expenses of the underlying portfolio in which the Fund invests.

(e) Includes interest expense of 0.36% for the year ended July 31, 2015, 0.36% for the year ended July 31, 2014 and 0.25% for the period ended July 31, 2013.

(f) Annualized.

(g) Not annualized.

(h) Less than $.005 per share.

See Notes to Financial Statements.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Prudential Global Short Duration High Yield Fund, Inc.:

We have audited the accompanying statement of assets and liabilities of Prudential Global Short Duration High Yield Fund, Inc. (hereafter referred to as the Fund), including the portfolio of investments, as of July 31, 2015, and the related statements of operations and statement of cash flows for the year then ended, statements of changes in net assets for each of the years in the two-year period then ended and the financial highlights for the two-year period then ended and the period December 26, 2012 (commencement of operations) through July 31, 2013. These financial statements and financial highlights are the responsibility of the Fund s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of July 31, 2015, by correspondence with the custodian, transfer agent and brokers or by other appropriate auditing procedures when replies from brokers were not received. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Fund as of July 31, 2015, and the results of its operations, the cash flows, the changes in its net assets and the financial highlights for the periods described in the first paragraph above, in conformity with U.S. generally accepted accounting principles.

New York, New York

September 17, 2015

Tax Information

(Unaudited)

For the year ended July 31, 2015, the Fund reports the maximum amount allowable but not less than 52.15% as interest related dividends in accordance with Section 871(k)(1) and 881(e)(1) of the Internal Revenue Code.

Interest-related dividends do not include any distributions paid by a fund with respect to Fund tax years beginning after July 31, 2015. Consequently, this provision expires with respect to such distributions paid after the Fund s fiscal year end.

In January 2016, you will be advised on IRS Form 1099-DIV or substitute 1099-DIV as to the federal tax status of dividends received by you in calendar year 2015.

Other Information

(Unaudited)

Dividend Reinvestment Plan. Unless a holder of Common Stock elects to receive cash by contacting Computershare Trust Company, N.A. (the Plan Administrator), all dividends declared on Common Stock will be automatically reinvested by the Plan Administrator pursuant to the Fund s Automatic Dividend Reinvestment Plan (the Plan), in additional Common Stock. The holders of Common Stock who elect not to participate in the Plan will receive all dividends and other distributions (together, a Dividend) in cash paid by check mailed directly to the stockholder of record (or, if the Common Stock is held in street or other nominee name, then to such nominee) by the Plan Administrator as dividend disbursing agent. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by notice if received and processed by the Plan Administrator prior to the Dividend record date; otherwise such termination or resumption will be effective with respect to any subsequently declared Dividend. Such notice will be effective with respect to a particular Dividend. Some brokers may automatically elect to receive cash on behalf of the holders of Common Stock and may re-invest that cash in additional Common Stock.

The Plan Administrator will open an account for each common stockholder under the Plan in the same name in which such common stockholder s Common Stock is registered. Whenever the Fund declares a Dividend payable in cash, non-participants in the Plan will receive cash and participants in the Plan will receive the equivalent in Common Stock. The Common Stock will be acquired by the Plan Administrator for the participants accounts, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized Common Stock from the Fund (Newly Issued Common Stock) or (ii) by purchase of outstanding Common Stock on the open market (Open-Market Purchases) on the NYSE or elsewhere. If, on the payment date for any Dividend, the closing market price of the Common Stock plus per share fees (as defined below) is equal to or greater than the NAV per share of Common Stock (such condition being referred to as market premium), the Plan Administrator will invest the Dividend amount in Newly Issued Common Stock on behalf of the participants. The number of Newly Issued Common Stock to be credited to each participant s account will be determined by dividing the dollar amount of the Dividend by the NAV per share of Common Stock on the payment date, provided that, if the NAV per share of Common Stock is less than or equal to 95% of the closing market price per share of Common Stock on the payment date, the dollar amount of the Dividend will be divided by 95% of the closing market price per Common Stock on the payment date. If, on the payment date for any Dividend, the NAV per share of Common Stock is greater than the closing market value per share of Common Stock plus per share fees (such condition being referred to as market discount), the Plan Administrator will invest the Dividend amount in shares of Common Stock acquired on behalf of the participants in Open-Market Purchases.

Other Information

(Unaudited) continued

Per share fees include any applicable brokerage commissions the Plan Administrator is required to pay.

In the event of a market discount on the payment date for any Dividend, the Plan Administrator will have until the last business day before the next date on which the Common Stock trades on an ex-dividend basis or 30 days after the payment date for such Dividend, whichever is sooner (the Last Purchase Date), to invest the Dividend amount in Common Stock acquired in Open-Market Purchases on behalf of participants. If, before the Plan Administrator has completed its Open-Market Purchases, the market price per share of Common Stock exceeds the NAV per share of Common Stock, the average per share purchase price paid by the Plan Administrator for Common Stock may exceed the NAV per share of the Common Stock, resulting in the acquisition of fewer shares of Common Stock than if the Dividend had been paid in Newly Issued Common Stock on the Dividend payment date. Because of the foregoing difficulty with respect to Open-Market Purchases, the Plan provides that if the Plan Administrator is unable to invest the full Dividend amount in Open-Market Purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan Administrator may cease making Open-Market Purchases and may invest the uninvested portion of the Dividend amount in Newly Issued Common Stock at the NAV per share of Common Stock at the close of business on the Last Purchase Date, provided that, if the NAV is less than or equal to 95% of the then current market price per share of Common Stock, the dollar amount of the Dividend will be divided by 95% of the market price on the payment date for purposes of determining the number of shares issuable under the Plan.

The Plan Administrator maintains all stockholder accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by stockholders for tax records. Common Stock in the account of each Plan participant will be held by the Plan Administrator on behalf of the Plan participant, and each stockholder proxy will include those shares purchased or received pursuant to the Plan. The Plan Administrator will forward all proxy solicitation materials to participants and vote proxies for shares held under the Plan in accordance with the instructions of the participants.

In the case of the holders of Common Stock such as banks, brokers or nominees that hold shares of Common Stock for others who are the beneficial owners, the Plan Administrator will administer the Plan on the basis of the number of shares of Common Stock certified from time to time by the record stockholder s name and held for the account of beneficial owners who participate in the Plan.

The Plan Administrator s service fee, if any, and expenses for administering the plan will be paid for by the Fund. If a participant elects by written, Internet or telephonic notice to the Plan Administrator to have the Plan Administrator sell part or all of the shares held by the Plan Administrator in the participant s account and remit the proceeds to the participant, the Plan Administrator is authorized to deduct a $15.00 transaction fee plus a $0.12 per share fee. If a participant elects to sell his or her shares of Common Stock, the Plan Administrator will process all sale instructions received no later than five business days after the date on which the order is received by the Plan Administrator, assuming the relevant markets are open and sufficient market liquidity exists (and except where deferral is required under applicable federal or state laws or regulations). Such sale will be made through the Plan Administrator s broker on the relevant market and the sale price will not be determined until such time as the broker completes the sale. In every case the price to the participant shall be the weighted average sale price obtained by the Plan Administrator s broker net of fees for each aggregate order placed by the participant and executed by the broker. To maximize cost savings, the Plan Administrator will seek to sell shares in round lot transactions. For this purpose the Plan Administrator may combine a participant s shares with those of other selling participants.

There will be no brokerage charges with respect to shares of Common Stock issued directly by the Fund. However, each participant will pay a pro rata share of brokerage commissions incurred in connection with Open-Market Purchases. Each participant will be charged a per share fee (currently $0.05 per share) on all Open-Market Purchases. The automatic reinvestment of Dividends will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such Dividends. See Tax Matters. Participants that request a sale of Common Stock through the Plan Administrator are subject to brokerage commissions.

Each participant may terminate the participant s account under the Plan by so notifying the Plan Administrator via the Plan Administrator s website at www.computershare.com/investor, by filling out the transaction request form located at the bottom of the participant s Statement and sending it to the Plan Administrator or by calling the Plan Administrator. Such termination will be effective immediately if the participant s notice is received by the Plan Administrator prior to any dividend or distribution record date. Upon any withdrawal or termination, the Plan Administrator will cause to be delivered to each terminating participant a statement of holdings for the appropriate number of the Fund s whole book-entry shares of Common Stock and a check for the cash adjustment of any fractional share at the market value of the Fund s shares of Common Stock as of the close of business on the date the termination is effective less any applicable fees. In the event a participant s notice of

Other Information

(Unaudited) continued

termination is on or after a record date (but before payment date) for an account whose dividends are reinvested, the Plan Administrator, in its sole discretion, may either distribute such dividends in cash or reinvest them in shares of Common Stock on behalf of the terminating participant. In the event reinvestment is made, the Plan Administrator will process the termination as soon as practicable, but in no event later than five business days after the reinvestment is completed. The Plan may be terminated by the Fund upon notice in writing mailed to each participant at least 30 days prior to any record date for the payment of any dividend or distribution by the Fund.

The Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants with regard to purchases in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants.

All correspondence or questions concerning the Plan should be directed to the Plan Administrator, Computershare Trust Company, N.A., P.O. Box 43078, Providence, RI 02940-3078 or by calling (toll free) 800-451-6788.

Supplemental Proxy Information

An Annual Meeting of Stockholders was held on March 13, 2015. At such meeting the stockholders elected the following Class III Directors:

Approval of Directors

Class III	Affirmative Votes Cast	Shares Against/Withheld
Scott E. Benjamin	36,732,216	782,605
Linda W. Bynoe	36,692,592	822,299
Michael S. Hyland	36,673,060	841,761
James E. Quinn	36,691,969	822,852

Management of the Fund (Unaudited)

Information about the Directors and Officers of the Fund is set forth below. Directors who are not deemed to be interested persons of the Fund, as defined in the Investment Company Act of 1940 (the 1940 Act), are referred to as Independent Directors. Directors who are deemed to be interested persons of the Fund are referred to as Interested Directors. The Directors are responsible for the overall supervision of the operations of the Fund and perform the various duties imposed on the directors of investment companies by the 1940 Act. The Board in turn elects the Officers, who are responsible for administering the day-to-day operations of the Fund.

Independent Directors

Name, Address, Age Position(s) Portfolios Overseen	**Principal Occupation(s) During Past Five Years**	**Term of Office & Length of Time Served**	**Other Directorships Held**
Ellen S. Alberding (57) Director Portfolios Overseen: 66	President and Board Member, The Joyce Foundation (charitable foundation) (since 2002); Vice Chair, City Colleges of Chicago (community college system) (since 2011); Trustee, Skills for America s Future (national initiative to connect employers to community colleges) (since 2011); Trustee, National Park Foundation (charitable foundation for national park system) (since 2009); Trustee, Economic Club of Chicago (since 2009).	Since 2013 (Class I)	None.
Kevin J. Bannon (63) Director Portfolios Overseen: 66	Managing Director (April 2008-May 2015) and Chief Investment Officer (October 2008-November 2013) of Highmount Capital LLC (registered investment adviser); formerly Executive Vice President and Chief Investment Officer (April 1993-August 2007) of Bank of New York Company; President (May 2003-May 2007) of BNY Hamilton Family of Mutual Funds.	Since 2012 (Class II)	Director of Urstadt Biddle Properties (since September 2008).
Linda W. Bynoe (63) Director Portfolios Overseen: 66	President and Chief Executive Officer (since March 1995) and formerly Chief Operating Officer (December 1989-February 1995) of Telemat Ltd. (management consulting); formerly Vice President (January 1985-June 1989) at Morgan Stanley & Co. (broker-dealer).	Since 2012 (Class III)	Director of Simon Property Group, Inc. (retail real estate) (May 2003-May 2012); Director of Anixter International, Inc. (communication products distributor) (since January 2006); Director of Northern Trust Corporation (financial services) (since April 2006); Trustee of Equity Residential (residential real estate) (since December 2009).

Independent Directors			
Name, Address, Age Position(s) Portfolios Overseen	**Principal Occupation(s) During Past Five Years**	**Term of Office & Length of Time Served**	**Other Directorships Held**
Keith F. Hartstein (58) Director Portfolios Overseen: 66	Retired; Member (since November 2014) of the Governing Council of the Independent Directors Council (organization of independent mutual fund directors); formerly President and Chief Executive Officer (2005-2012), Senior Vice President (2004-2005), Senior Vice President of Sales and Marketing (1997-2004), and various executive management positions (1990-1997), John Hancock Funds, LLC (asset management); Chairman, Investment Company Institute s Sales Force Marketing Committee (2003-2008).	Since 2013 (Class II)	None.
Michael S. Hyland, CFA (69) Director Portfolios Overseen: 66	Retired (since February 2005); formerly Senior Managing Director (July 2001-February 2005) of Bear Stearns & Co, Inc.; Global Partner, INVESCO (1999-2001); Managing Director and President of Salomon Brothers Asset Management (1989-1999).	Since 2012 (Class III)	None.
Richard A. Redeker (72) Director & Independent Chair Portfolios Overseen: 66	Retired Mutual Fund Senior Executive (47 years); Management Consultant; Director, Mutual Fund Directors Forum (since 2014); Independent Directors Council (organization of independent mutual fund directors) Executive Committee, Chair of Policy Steering Committee, Governing Council.	Since 2012 (Class I)	None.
Stephen G. Stoneburn (72) Director Portfolios Overseen: 66	Chairman (since July 2011), President and Chief Executive Officer (since June 1996) of Quadrant Media Corp. (publishing company); formerly President (June 1995-June 1996) of Argus Integrated Media, Inc.; Senior Vice President and Managing Director (January 1993-1995) of Cowles Business Media; Senior Vice President of Fairchild Publications, Inc. (1975-1989).	Since 2012 (Class II)	None.

Management of the Fund (continued)

Interested Directors			
Name, Address, Age Position(s) Portfolios Overseen	**Principal Occupation(s) During Past Five Years**	**Term of Office & Length of Time Served**	**Other Directorships Held**
Stuart S. Parker (52) Director & President Portfolios Overseen: 66	President of Prudential Investments LLC (since January 2012); Executive Vice President of Prudential Investment Management Services LLC (since December 2012); Executive Vice President of Jennison Associates LLC and Head of Retail Distribution of Prudential Investments LLC (June 2005-December 2011).	Since 2015 (Class I)	None.
Scott E. Benjamin (42) Director & Vice President Portfolios Overseen: 66	Executive Vice President (since June 2009) of Prudential Investments LLC; Executive Vice President (June 2009-June 2012) and Vice President (since June 2012) of Prudential Investment Management Services LLC; Executive Vice President (since September 2009) of AST Investment Services, Inc.; Senior Vice President of Product Development and Marketing, Prudential Investments (since February 2006); Vice President of Product Development and Product Management, Prudential Investments (2003-2006).	Since 2012 (Class III)	None.
Grace C. Torres (56)* Director Portfolios Overseen: 64	Retired; formerly Treasurer and Principal Financial and Accounting Officer of the Prudential Investments Funds, Target Funds, Advanced Series Trust, Prudential Variable Contract Accounts and The Prudential Series Fund (1998-June 2014); Assistant Treasurer (March 1999-June 2014) and Senior Vice President (September 1999-June 2014) of Prudential Investments LLC; Assistant Treasurer (May 2003-June 2014) and Vice President (June 2005-June 2014) of AST Investment Services, Inc.; Senior Vice President and Assistant Treasurer (May 2003-June 2014) of Prudential Annuities Advisory Services, Inc.	Since 2015 (Class II)	Director (since July 2015) of SunBancorp, Inc. N.A.

* Note: Prior to her retirement in 2014, Ms. Torres was employed by Prudential Investments LLC. Due to her prior employment, Ms. Torres is considered to be an interested person under the 1940 Act. Ms. Torres serves as a non-management Interested Director, and receives compensation from the Fund for her service as a Director.

Visit our website at www.prudentialfunds.com

Fund Officers[a]		
Name, Address and Age Position with Fund	**Term of Office**	**Principal Occupation(s) During Past Five Years**
Raymond A. O Hara (60) Chief Legal Officer	Since 2012	Vice President and Corporate Counsel (since July 2010) of Prudential Insurance Company of America (Prudential); Vice President (March 2011-Present) of Pruco Life Insurance Company and Pruco Life Insurance Company of New Jersey; Vice President and Corporate Counsel (March 2011-Present) of Prudential Annuities Life Assurance Corporation; Chief Legal Officer of Prudential Investments LLC (since June 2012); Chief Legal Officer of PMFS (since June 2012) and Corporate Counsel of AST Investment Services, Inc. (since June 2012); formerly Assistant Vice President and Corporate Counsel (September 2008-July 2010) of The Hartford Financial Services Group, Inc.; formerly Associate (September 1980-December 1987) and Partner (January 1988-August 2008) of Blazzard & Hasenauer, P.C. (formerly, Blazzard, Grodd & Hasenauer, P.C.).
Chad A. Earnst (40) Chief Compliance Officer	Since 2014	Chief Compliance Officer (September 2014-Present) of Prudential Investments LLC; Chief Compliance Officer (September 2014-Present) of the Prudential Investments Funds, Target Funds, Advanced Series Trust, The Prudential Series Fund, Prudential s Gibraltar Fund, Inc., Prudential Global Short Duration High Yield Income Fund, Inc., Prudential Short Duration High Yield Fund, Inc. and Prudential Jennison MLP Income Fund, Inc.; formerly Assistant Director (March 2010-August 2014) of the Asset Management Unit, Division of Enforcement, US Securities & Exchange Commission; Assistant Regional Director (January 2010-August 2014), Branch Chief (June 2006-December 2009) and Senior Counsel (April 2003-May 2006) of the Miami Regional Office, Division of Enforcement, US Securities & Exchange Commission.
Deborah A. Docs (57) Secretary	Since 2012	Vice President and Corporate Counsel (since January 2001) of Prudential; Vice President (since December 1996) and Assistant Secretary (since March 1999) of Prudential Investments LLC; formerly Vice President and Assistant Secretary (May 2003-June 2005) of AST Investment Services, Inc.
Jonathan D. Shain (57) Assistant Secretary	Since 2012	Vice President and Corporate Counsel (since August 1998) of Prudential; Vice President and Assistant Secretary (since May 2001) of Prudential Investments LLC; Vice President and Assistant Secretary (since February 2001) of PMFS; formerly Vice President and Assistant Secretary (May 2003-June 2005) of AST Investment Services, Inc.
Claudia DiGiacomo (40) Assistant Secretary	Since 2012	Vice President and Corporate Counsel (since January 2005) of Prudential; Vice President and Assistant Secretary of Prudential Investments LLC (since December 2005); Associate at Sidley Austin Brown & Wood LLP (1999-2004).

Management of the Fund (continued)

Fund Officers[a]		
Name, Address and Age Position with Fund	**Term of Office**	**Principal Occupation(s) During Past Five Years**
Andrew R. French (52) Assistant Secretary	Since 2012	Vice President and Corporate Counsel (since February 2010) of Prudential; formerly Director and Corporate Counsel (2006-2010) of Prudential; Vice President and Assistant Secretary (since January 2007) of Prudential Investments LLC; Vice President and Assistant Secretary (since January 2007) of PMFS.
Amanda S. Ryan (37) Assistant Secretary	Since 2012	Director and Corporate Counsel (since March 2012) of Prudential; Director and Assistant Secretary (since June 2012) of Prudential Investments LLC; Associate at Ropes & Gray (2008-2012).
Theresa C. Thompson (53) Deputy Chief Compliance Officer	Since 2013	Vice President, Compliance, Prudential Investments LLC (since April 2004); and Director, Compliance, Prudential Investments LLC (2001-2004).
M. Sadiq Peshimam (51) Treasurer & Principal Financial and Accounting Officer	Since 2012	Assistant Treasurer of funds in the Prudential Mutual Fund Complex (2006-2014); Vice President (since 2005) of Prudential Investments LLC.
Peter Parrella (57) Assistant Treasurer	Since 2012	Vice President (since 2007) and Director (2004-2007) within Prudential Mutual Fund Administration; formerly Tax Manager at SSB Citi Fund Management LLC (1997-2004).
Lana Lomuti (48) Assistant Treasurer	Since 2014	Vice President (since 2007) and Director (2005-2007), within Prudential Mutual Fund Administration; formerly Assistant Treasurer (December 2007-February 2014) of The Greater China Fund, Inc.
Linda McMullin (54) Assistant Treasurer	Since 2014	Vice President (since 2011) and Director (2008-2011) within Prudential Mutual Fund Administration.

[a] Excludes Mr. Parker and Mr. Benjamin, Interested Directors of the Fund who also serve as President and Vice President, respectively.

Explanatory Notes to Tables:

Directors are deemed to be Interested, as defined in the 1940 Act, by reason of their affiliation with Prudential Investments LLC and/or an affiliate of Prudential Investments LLC.

Unless otherwise noted, the address of all Directors and Officers is c/o Prudential Investments LLC, Gateway Center Three, 100 Mulberry Street, Newark, New Jersey 07102-4077.

The Board of Directors is divided into three classes, each of which has three year terms. Class I term expires in 2016, Class II term expires in 2017 and Class III term expires in 2018. Officers are generally elected by the Board to one-year terms.

There is no set term of office for Directors or Officers. The Directors have adopted a retirement policy, which calls for the retirement of Directors on December 31 of the year in which they reach the age of 75.

Other Directorships Held includes only directorships of companies required to register or file reports with the SEC under the Securities Exchange Act of 1934 (that is, public companies) or other investment companies registered under the 1940 Act.

Portfolios Overseen includes all investment companies managed by Prudential Investments LLC. The investment companies for which Prudential Investments LLC serves as manager include the Prudential Investments Mutual Funds, The Prudential Variable Contract Accounts, Target Mutual Funds, Prudential Short Duration High Yield Fund, Inc., Prudential Global Short Duration High Yield Fund, Inc., The Prudential Series Fund, Prudential s Gibraltar Fund, Inc. and the Advanced Series Trust.

Approval of Advisory Agreements

Renewal of the Fund s Management and Subadvisory Agreements

The Fund s Board of Directors

The Board of Directors (the Board or the Directors) of Prudential Global Short Duration High Yield Fund, Inc. (the Fund) consists of ten individuals, seven of whom are not interested persons of the Fund, as defined in the Investment Company Act of 1940, as amended (the 1940 Act) (the Independent Directors). The Board is responsible for the oversight of the Fund and its operations, and performs the various duties imposed on the Directors of investment companies by the 1940 Act. The Independent Directors have retained independent legal counsel to assist them in connection with their duties. The Chair of the Board is an Independent Director. The Board has established two standing committees: the Audit Committee and the Nominating and Governance Committee. Each committee is chaired by, and composed of, Independent Directors.

Annual Approval of the Fund s Advisory Agreements

As required under the 1940 Act, the Board determines annually whether to renew the Fund s management agreement with Prudential Investments LLC (PI or the Manager) and the Fund s subadvisory agreement with Prudential Investment Management, Inc. (PIM). In considering the renewal of the agreements, the Board, including all of the Independent Directors, met on June 9-11, 2015 and approved the renewal of the agreements through July 31, 2016, after concluding that the renewal of the agreements was in the best interests of the Fund and its shareholders.

In advance of the meetings, the Board requested and received materials relating to the agreements, and had the opportunity to ask questions and request further information in connection with its consideration. Among other things, the Board considered comparative fee information from PI and PIM. Also, the Board considered comparisons with other mutual funds in relevant Peer Universes and Peer Groups, as is further discussed below.

In approving the agreements, the Board, including the Independent Directors advised by independent legal counsel, considered the factors it deemed relevant, including the nature, quality and extent of services provided by PI and PIM, the performance of the Fund, the profitability of PI and its affiliates, expenses and fees, and the potential for economies of scale that may be shared with the Fund and its shareholders as the Fund s assets grow. In their deliberations, the Directors did not identify any single factor which alone was responsible for the Board s decision to approve the agreements with respect to the Fund. In connection with its deliberations, the Board considered information provided by PI throughout the year at regular Board meetings, presentations from portfolio managers and other information, as well as information furnished at or in advance of the meetings on June 9-11, 2015.

Approval of Advisory Agreements (continued)

The Directors determined that the overall arrangements between the Fund and PI, which serves as the Fund s investment manager pursuant to a management agreement, and between PI and PIM, which serves as the Fund s subadviser pursuant to the terms of a subadvisory agreement with PI, are in the best interests of the Fund and its shareholders in light of the services performed, fees charged and such other matters as the Directors considered relevant in the exercise of their business judgment.

The material factors and conclusions that formed the basis for the Directors reaching their determinations to approve the continuance of the agreements are separately discussed below.

Nature, Quality and Extent of Services

The Board received and considered information regarding the nature, quality and extent of services provided to the Fund by PI and PIM. The Board considered the services provided by PI, including but not limited to the oversight of the subadviser for the Fund, as well as the provision of fund recordkeeping, compliance, and other services to the Fund. With respect to PI s oversight of PIM, the Board noted that PI s Strategic Investment Research Group (SIRG), which is a business unit of PI, is responsible for monitoring and reporting to PI s senior management on the performance and operations of PIM. The Board also considered that PI pays the salaries of all of the officers and interested Directors of the Fund who are part of Fund management. The Board also considered the investment subadvisory services provided by PIM, including investment research and security selection, as well as adherence to the Fund s investment restrictions and compliance with applicable Fund policies and procedures. The Board considered PI s evaluation of PIM, as well as PI s recommendation, based on its review of PIM, to renew the subadvisory agreement.

The Board considered the qualifications, backgrounds and responsibilities of PI s senior management responsible for the oversight of the Fund and PIM, and also considered the qualifications, backgrounds and responsibilities of PIM s portfolio managers who are responsible for the day-to-day management of the Fund s portfolio. The Board was provided with information pertaining to PI s and PIM s organizational structure, senior management, investment operations, and other relevant information pertaining to both PI and PIM. The Board also noted that it received favorable compliance reports from the Fund s Chief Compliance Officer (CCO) as to both PI and PIM. The Board noted that PIM is affiliated with PI.

The Board concluded that it was satisfied with the nature, extent and quality of the investment management services provided by PI and the subadvisory services provided to the Fund by PIM, and that there was a reasonable basis on which to conclude that the Fund benefits from the services provided by PI and PIM under the management and subadvisory agreements.

Costs of Services and Profits Realized by PI

The Board was provided with information on the profitability of PI and its affiliates in serving as the Fund s investment manager. The Board discussed with PI the methodology utilized in assembling the information regarding profitability and considered its reasonableness. The Board recognized that it is difficult to make comparisons of profitability from fund management contracts because comparative information is not generally publicly available and is affected by numerous factors, including the structure of the particular adviser, the types of funds it manages, its business mix, numerous assumptions regarding allocations and the adviser s capital structure and cost of capital. The Board further noted that PIM is affiliated with PI and that its profitability is reflected in PI s profitability report. Taking these factors into account, the Board concluded that the profitability of PI and its affiliates in relation to the services rendered was not unreasonable.

Economies of Scale

PI and the Board previously retained an outside business consulting firm to review management fee breakpoint usage and trends in management fees across the mutual fund industry. The consulting firm presented its analysis and conclusions as to the Funds management fee structures to the Board and PI. The Board and PI have discussed these conclusions extensively since that presentation.

The Board noted that the management fee schedule for the Fund does not contain breakpoints that would reduce the fee rate on assets above specified levels. The Board received and discussed information concerning whether PI realizes economies of scale as the Fund s assets grow beyond current levels. The Board considered that, as a closed-end fund, the Fund would not be expected to have inflows of capital that might produce increasing economies of scale.

The Board recognized the inherent limitations of any analysis of economies of scale, stemming largely from the Board s understanding that most of PI s costs are not specific to any individual funds, but rather are incurred across a variety of products and services. In light of the Fund s current size, performance and expense structure, the Board concluded that the absence of breakpoints in the Fund s fee schedule is acceptable at this time.

Other Benefits to PI and PIM

The Board considered potential ancillary benefits that might be received by PI and PIM and their affiliates as a result of their relationship with the Fund. The Board concluded that potential benefits to be derived by PI included fees received by affiliates of PI for serving as the Fund s securities lending agent, as well as benefits to its reputation or other intangible benefits resulting from PI s association with the Fund. The Board concluded that the potential benefits to be derived by PIM included the ability to use soft dollar credits, as well as the potential benefits consistent with those generally resulting from an increase in assets under management, specifically, potential access to additional research resources and benefits to its reputation. The Board concluded that the benefits derived by PI and PIM were consistent with the types of benefits generally derived by investment managers and subadvisers to mutual funds.

Performance of the Fund / Fees and Expenses

The Board considered certain additional specific factors and made related conclusions relating to the historical performance of the Fund for the one-year period ended December 31, 2014. The Board considered that the Fund commenced operations on December 26, 2012 and that longer-term performance was not yet available.

The Board also considered the Fund s actual management fee, as well as the Fund s net total expense ratio, for the fiscal year ended July 31, 2014. The Board considered the management fee for the Fund as compared to the management fee charged by PI to other funds and the fee charged by other advisers to comparable funds in a Peer Group. The actual management fee represents the fee rate actually paid by Fund shareholders and includes any fee waivers or reimbursements. The net total expense ratio for the Fund represents the actual expense ratio incurred by Fund shareholders.

The funds included in the Peer Universe (the Lipper Closed End High Yield Leveraged Funds Average) and the Peer Group were objectively determined by Lipper Inc. (Lipper), an independent provider of fund data. The comparisons placed the Fund in various quartiles, with the first quartile being the best 25% of the funds (for performance, the best performing funds and, for expenses, the lowest cost funds).

The section below summarizes key factors considered by the Board and the Board s conclusions regarding the Fund s performance, fees and overall expenses. The table sets forth gross performance comparisons (which do not reflect the impact on performance of fund expenses, or any subsidies, expense caps or waivers that may be applicable) with the Peer Universe, actual management fees with the Peer Group (which reflect the impact of any subsidies or fee waivers), and net total expenses with the Peer Group, each of which were key factors considered by the Board.

Performance	*1 Year*	*3 Years*	*5 Years*	*10 Years*
	4^{th} Quartile	N/A	N/A	N/A

Actual Management Fees: 2^{nd} Quartile

Net Total Expenses: 1^{st} Quartile

The Board noted that the Fund underperformed its benchmark index for the one-year period.

The Board noted PI s explanation that the Fund s underperformance against its Peer Universe was attributable to the fact that non-US high yield companies significantly underperformed the US high yield market in 2014.

The Board noted that the Fund does not yet have a three-year performance record and that, therefore, the subadviser should have more time to develop that record.

The Board concluded that, in light of the above, it would be in the best interests of the Fund and its shareholders to allow the Fund s performance record to continue to develop and to renew the agreements.

The Board concluded that the management fees (including subadvisory fees) and total expenses were reasonable in light of the services provided.

* * *

After full consideration of these factors, the Board concluded that the approval of the agreements was in the best interests of the Fund and its shareholders.

Approval of New Sub-Subadvisory Agreement

As required by the 1940 Act, at an in-person meeting of the Board held on March 3-5, 2015, the Board, including a majority of the Independent Directors, considered and approved a proposed sub-subadvisory agreement (the Sub-Subadvisory Agreement) between PIM (or the Subadviser) and Pramerica Investment Management Limited (PIML or the Sub-Subadviser), under which PIM may delegate subadvisory authority to PIML such that PIML may execute trades directly on behalf of the Fund.

In approving the Sub-Subadvisory Agreement, the Board, including the Independent Directors advised by independent legal counsel, considered the factors it deemed relevant, including the nature, quality and extent of services to be provided to the Funds by the Sub-Subadviser; any relevant comparable performance information; the fees, if any, proposed to be paid by PIM to the Sub-Subadviser under the Sub-Subadvisory Agreement and the potential for economies of scale that may be shared

Approval of Advisory Agreements (continued)

with the Fund and its shareholders. In connection with its deliberations, the Board considered information provided by the Manager, PIM and the Sub-Subadviser at or in advance of the meetings on March 3-5, 2015. In their deliberations, the Directors did not identify any single factor which alone was responsible for the Board s decision to approve the Sub-Subadvisory Agreement with respect to the Fund.

The Directors determined that the overall arrangements between the Manager, PIM and the Sub-Subadviser, which will serve as a sub-subadviser to the Fund pursuant to the terms of the Sub-Subadvisory Agreement, are in the best interests of the Fund and its shareholders in light of the services to be performed, the fees to be charged, if any, under the Sub-Subadvisory Agreement and such other matters as the Directors considered relevant in the exercise of their business judgment.

The material factors and conclusions that formed the basis for the Directors reaching their determinations to approve the Sub-Subadvisory Agreement with respect to the Fund are separately discussed below.

Nature, Quality and Extent of Services

The Board noted that it had received and considered information regarding the nature and extent of services currently provided to the Fund by PIM under the current subadvisory agreement at the meetings on June 9-11, 2014. The Board also noted that PIM proposed to formally delegate trading and limited management authority for the Fund to PIML so that PIML will be authorized to act on behalf of the Fund and conduct real-time trading in either the United States or the United Kingdom, where PIML is organized. The Board noted the Manager s statement that the existing arrangements, which require all trades on behalf of the Fund to be routed through PIM personnel in the US, create delays that potentially disadvantage the Fund and its shareholders.

With respect to the quality of services, the Board considered, among other things, the background and experience of the PIML management team and compliance personnel. The Board met with representatives from PIM and PIML and reviewed the qualifications, backgrounds and responsibilities of the personnel who would be authorized to act on behalf of the Funds. The Board was also provided with information pertaining to the organizational structure, senior management, investment operations, and other relevant information pertaining to PIML. The Board noted that it received a favorable compliance report from the Fund s Chief Compliance Officer (CCO) as to PIML.

The Board concluded that it was satisfied with the nature, extent and quality of the investment sub-subadvisory services anticipated to be provided to the Fund by PIML and that there was a reasonable basis on which to conclude that the Fund would benefit from the additional subadvisory services to be provided by PIML under the new Sub-Subadvisory Agreement. The Board noted the Manager s statement that no member of the PIML portfolio management team would serve as a portfolio manager of the Fund.

Performance of the Fund

The Board noted that performance of other accounts managed by PIML was not a relevant factor for its consideration since PIML would not be responsible for managing Fund assets under the Sub-Subadvisory Agreement. The Board noted the Manager s statements that PIML s role would be limited to trading on behalf of the Fund and that PIM portfolio managers will oversee all transactions executed by PIML.

Investment Subadvisory Fee Rates

The Board noted that under the Sub-Subadvisory Agreement PIML will be paid a subadvisory fee, if any, by PIM, not the Fund or the Manager. The Board noted the Manager s statement that the fees and expenses of the Fund and the fees paid by the Manager to PIM will not increase as a result of the Sub-Subadvisory Agreement.

Subadviser s Profitability

The Board noted that any fee to be paid to PIML for sub-subadvisory services would be paid by PIM, not the Manager or the Fund. The Board further noted that PIML is affiliated with PIM and the Manager and, a result, the Board will not separately consider PIML s profitability since PIML s profitability will be reflected in the Manager s profitability report.

Economies of Scale

The Board noted that any fee to be paid to PIML for sub-subadvisory services would be paid by PIM, not the Manager or the Fund. The Board noted that it would review economies of scale in connection with future annual reviews of advisory agreements.

Other Benefits to the Sub-Subadviser or its Affiliates from Serving as Sub-Subadviser

The Board considered potential fall-out or ancillary benefits that might be received by PIML and its affiliates as a result of their relationships with the Fund. The Board concluded that any potential benefits to be derived by PIML, which included

Approval of Advisory Agreements (continued)

potential access to additional research resources and benefits to its reputation, were consistent with the types of benefits generally derived by subadvisers to mutual funds.

* * *

After full consideration of these factors, the Board concluded that the approval of the Sub-Subadvisory Agreement was in the best interests of the Fund and its shareholders.

Privacy Notice

This privacy notice is being provided on behalf of the companies listed in this notice. It describes how information about you is handled and the steps we take to protect your privacy. We call this information customer data or just data. If you have other Prudential products or relationships, you may receive a separate privacy notice describing the practices that apply to those products or relationships. If your relationship with us ends, we will continue to handle data about you the same way we handle customer data.

Protecting Customer Data

We maintain physical, electronic, and procedural safeguards to protect customer data. The only persons who are authorized to have access to it are those who need access to do their jobs. We require them to keep the data secure and confidential.

Information We Collect

We collect data you give us and data about the products and relationships you have with us, so that we can serve you, including offering products and services to you. It includes, for example:

your name and address,
income and Social Security number.

We also collect data others give us about you, for example:

medical information for insurance applications,
consumer reports from consumer reporting agencies, and
participant information from organizations that purchase products or services from us for the benefit of their members or employees, for example, group life insurance.

Sharing Data

We may share data with affiliated companies and with other companies so that they can perform services for us or on our behalf. We may, for example, disclose data to other companies for customer service or administrative purposes. We may disclose limited information such as:

your name,
address, and
the types of products you own

to service providers so they can provide marketing services to us.

We may also disclose data as permitted or required by law, for example:

to law enforcement officials,
in response to subpoenas,
to regulators, or

to prevent fraud.

We do not disclose data to Prudential affiliates or other companies to allow them to market their products or services to you. We may tell you about a product or service that a Prudential company or other companies offer. If you respond, that company will know that you were in the group selected to receive the information.

Annual Notices

We will send notices at least once a year, as federal and state laws require. We reserve the right to modify this policy at any time.

If you have questions about Prudential s Privacy Notice please call us. The toll-free number is (800) 236-6848.

Many Prudential Financial companies are required to send privacy notices to their customers. This notice is being provided to customers of the Prudential Financial companies listed below:

Insurance Companies and Separate Accounts

Prudential Insurance Company of America, The

Prudential Annuities Life Assurance Corporation

Pruco Life Insurance Company

Pruco Life Insurance Company of New Jersey

Prudential Retirement Insurance and Annuity Company (PRIAC)

PRIAC Variable Contract Account A

CG Variable Annuity Account I & II (Connecticut General)

Prudential Legacy Insurance Company of New Jersey

All separate accounts that include the following names: Prudential, Pruco, or PRIAC

Insurance Agencies

Prudential Insurance Agency, LLC

Broker-Dealers and Registered Investment Advisers

AST Investment Services, Inc.

Prudential Annuities Distributors, Inc.

Global Portfolio Strategies, Inc.

Pruco Securities, LLC

Prudential Investment Management, Inc.

Prudential Investment Management Services LLC

Prudential Investments LLC

Prudential Private Placement Investors, L.P.

Bank and Trust Companies

Prudential Bank & Trust, FSB

Prudential Trust Company

Investment Companies and Other Investment Vehicles

Asia Pacific Fund, Inc., The

Prudential Investments Mutual Funds

Prudential Capital Partners, L.P.

Target Portfolio Trust, The

Advanced Series Trust

The Prudential Series Fund

Private Placement Trust Investors, LLC

All funds that include the following names: Prudential or PCP

MUTU-D5862

n **MAIL** Computershare P.O. Box 30170 College Station, TX 77842-3170	n **MAIL (OVERNIGHT)** Computershare 211 Quality Circle Suite 210 College Station, TX 77845	n **TELEPHONE** (800) 451-6788 n **WEBSITE** www.prudentialfunds.com

PROXY VOTING
The Board of Directors of the Fund has delegated to the Fund s investment subadviser the responsibility for voting any proxies and maintaining proxy recordkeeping with respect to the Fund. A description of these proxy voting policies and procedures is available without charge, upon request, by calling (800) 451-6788 or by visiting the Securities and Exchange Commission s (the Commission) website at *www.sec.gov.* Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available on the Fund s website and on the Commission s website.

DIRECTORS
Ellen S. Alberding Kevin J. Bannon Scott E. Benjamin Linda W. Bynoe Keith F. Hartstein Michael S. Hyland Stuart S. Parker Richard A. Redeker Stephen G. Stoneburn Grace C. Torres

OFFICERS
Stuart S. Parker, *President* Scott E. Benjamin, *Vice President* M. Sadiq Peshimam, *Treasurer and Principal Financial and Accounting Officer* Raymond A. O Hara, *Chief Legal Officer* Chad A. Earnst, *Chief Compliance Officer* Deborah A. Docs, *Secretary* Theresa C. Thompson, *Deputy Chief Compliance Officer* Jonathan D. Shain, *Assistant Secretary* Claudia DiGiacomo, *Assistant Secretary* Andrew R. French, *Assistant Secretary* Amanda S. Ryan, *Assistant Secretary* Peter Parrella, *Assistant Treasurer* Lana Lomuti, *Assistant Treasurer* Linda McMullin, *Assistant Treasurer*

MANAGER	Prudential Investments LLC	655 Broad Street Newark, NJ 07102
INVESTMENT SUBADVISER	Prudential Investment Management, Inc.	655 Broad Street Newark, NJ 07102
CUSTODIAN	The Bank of New York Mellon	One Wall Street New York, NY 10286
TRANSFER AGENT	Computershare Trust Company, N.A.	PO Box 30170 College Station, TX 77842-3170
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	KPMG LLP	345 Park Avenue New York, NY 10154
FUND COUNSEL	Sidley Austin LLP	787 Seventh Avenue New York, NY 10019

SHAREHOLDER COMMUNICATIONS WITH DIRECTORS

Shareholders can communicate directly with the Board of Directors by writing to the Chair of the Board, Prudential Global Short Duration High Yield Fund, Inc., Prudential Investments, Attn: Board of Directors, 655 Broad Street, Newark, NJ 07102. Shareholders can communicate directly with an individual Director by writing to the same address. Communications are not screened before being delivered to the addressee.

AVAILABILITY OF PORTFOLIO SCHEDULE

The Fund files its complete schedule of portfolio holdings with the Commission for the first and third quarters of each fiscal year on Form N-Q. The Fund s Forms N-Q are available on the Commission s website at *www.sec.gov*. The Fund s Forms N-Q may also be reviewed and copied at the Commission s Public Reference Room in Washington, D.C. Information on the operation and location of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund s schedule of portfolio holdings is also available on the Fund s website as of the end of each month.

CERTIFICATIONS

The Fund s Chief Executive Officer has submitted to the NYSE the required annual certifications and the Fund has also included the certifications of the Fund s Chief Executive Officer and Chief Financial Officer as required by Section 302 of the Sarbanes-Oxley Act, on the Fund s Form N-CSR filed with the Commission, for the period of this report.

This report is transmitted to shareholders of the Fund for their information. This is not a prospectus, circular, or representation intended for use in the purchase or sale of shares of the Fund or any securities mentioned in this report.

An investor should consider the investment objective, risks, charges, and expenses of the Fund carefully before investing.

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that the Fund may purchase, from time to time, shares of its common stock at market prices.

PRUDENTIAL GLOBAL SHORT DURATION HIGH YIELD FUND, INC.

NYSE	GHY
CUSIP	74433A109

PICE1001E 0281993-00001-00

Item 2 Code of Ethics See Exhibit (a)

As of the end of the period covered by this report, the registrant has adopted a code of ethics (the Section 406 Standards for Investment Companies Ethical Standards for Principal Executive and Financial Officers) that applies to the registrant s Principal Executive Officer and Principal Financial Officer; the registrant s Principal Financial Officer also serves as the Principal Accounting Officer.

The registrant hereby undertakes to provide any person, without charge, upon request, a copy of the code of ethics. To request a copy of the code of ethics, contact the registrant 973-367-7521, and ask for a copy of the Section 406 Standards for Investment Companies - Ethical Standards for Principal Executive and Financial Officers.

Item 3 Audit Committee Financial Expert

The registrant s Board has determined that Mr. Kevin J. Bannon, member of the Board s Audit Committee is an audit committee financial expert, and that he is independent, for purposes of this Item.

Item 4 Principal Accountant Fees and Services

(a) Audit Fees

For the fiscal years ended July 31, 2015 and July 31, 2014, KPMG, the Registrant s principal accountant, billed the Registrant $44,625 and $44,625, respectively, for professional services rendered for the audit of the Registrant s annual financial statements or services that are normally provided in connection with statutory and regulatory filings.

(b) Audit-Related Fees

For the fiscal years ended July 31, 2015 and July 31, 2014: none.

(c) Tax Fees

For the fiscal years ended July 31, 2015 and July 31, 2014: none.

(d) All Other Fees

For the fiscal years ended July 31, 2015 and July 31, 2014: none.

(e) (1) Audit Committee Pre-Approval Policies and Procedures

THE PRUDENTIAL MUTUAL FUNDS

AUDIT COMMITTEE POLICY

on

Pre-Approval of Services Provided by the Independent Accountants

The Audit Committee of each Prudential Mutual Fund is charged with the responsibility to monitor the independence of the Fund s independent accountants. As part of this responsibility, the Audit Committee must pre-approve any independent accounting firm s engagement to render audit and/or permissible non-audit services, as required by law. In evaluating a proposed engagement of the independent accountants, the Audit Committee will assess the effect that the engagement might reasonably be expected to have on the accountant s independence. The Committee s evaluation will be based on:

- a review of the nature of the professional services expected to be provided,
- a review of the safeguards put into place by the accounting firm to safeguard independence, and
- periodic meetings with the accounting firm.

Policy for Audit and Non-Audit Services Provided to the Funds

On an annual basis, the scope of audits for each Fund, audit fees and expenses, and audit-related and non-audit services (and fees proposed in respect thereof) proposed to be performed by the Fund s independent accountants will be presented by the Treasurer and the independent accountants to the Audit Committee for review and, as appropriate, approval prior to the initiation of such services. Such presentation shall be accompanied by confirmation by both the Treasurer and the independent accountants that the proposed services will not adversely affect the independence of the independent accountants. Proposed services shall be described in sufficient detail to enable the Audit Committee to assess the appropriateness of such services and fees, and the compatibility of the provision of such services with the auditor s independence. The Committee shall receive periodic reports on the progress of the audit and other services which are approved by the Committee or by the Committee Chair pursuant to authority delegated in this Policy.

The categories of services enumerated under Audit Services , Audit-related Services , and Tax Services are intended to provide guidance to the Treasurer and the independent accountants as to those categories of services which the Committee believes are generally consistent with the independence of the independent accountants and which the Committee (or the Committee Chair) would expect upon the presentation of specific proposals to pre-approve. The enumerated categories are not intended as an exclusive list of audit, audit-related or tax services, which the Committee (or the Committee Chair) would consider for pre-approval.

Audit Services

The following categories of audit services are considered to be consistent with the role of the Fund s independent accountants:

Annual Fund financial statement audits

- Seed audits (related to new product filings, as required)
- SEC and regulatory filings and consents

Audit-related Services

The following categories of audit-related services are considered to be consistent with the role of the Fund s independent accountants:

- Accounting consultations
- Fund merger support services
- Agreed Upon Procedure Reports
- Attestation Reports
- Other Internal Control Reports

Individual audit-related services that fall within one of these categories and are not presented to the Audit Committee as part of the annual pre-approval process will be subject to pre-approval by the Committee Chair (or any other Committee member on whom this responsibility has been delegated) so long as the estimated fee for those services does not exceed $30,000.

Tax Services

The following categories of tax services are considered to be consistent with the role of the Fund s independent accountants:

- Tax compliance services related to the filing or amendment of the following:
  - Federal, state and local income tax compliance; and,
  - Sales and use tax compliance
- Timely RIC qualification reviews
- Tax distribution analysis and planning

Tax authority examination services

Tax appeals support services

Accounting methods studies

Fund merger support services

Tax consulting services and related projects

Individual tax services that fall within one of these categories and are not presented to the Audit Committee as part of the annual pre-approval process will be subject to pre-approval by the Committee Chair (or any other Committee member on whom this responsibility has been delegated) so long as the estimated fee for those services does not exceed $30,000.

Other Non-audit Services

Certain non-audit services that the independent accountants are legally permitted to render will be subject to pre-approval by the Committee or by one or more Committee members to whom the Committee has delegated this authority and who will report to the full Committee any pre-approval decisions made pursuant to this Policy. Non-audit services presented for pre-approval pursuant to this paragraph will be accompanied by a confirmation from both the Treasurer and the independent accountants that the proposed services will not adversely affect the independence of the independent accountants.

Proscribed Services

The Fund s independent accountants will not render services in the following categories of non-audit services:

- Bookkeeping or other services related to the accounting records or financial statements of the Fund
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions, or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions or human resources
- Broker or dealer, investment adviser, or investment banking services
- Legal services and expert services unrelated to the audit
- Any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

Pre-approval of Non-Audit Services Provided to Other Entities Within the Prudential Fund Complex

Certain non-audit services provided to Prudential Investments LLC or any of its affiliates that also provide ongoing services to the Prudential Mutual Funds will be subject to pre-approval by the Audit Committee. The only non-audit services provided to these entities that will require pre-approval are those related directly to the operations and financial reporting of the Funds. Individual projects that are not presented to the Audit Committee as part of the annual pre-approval process will be subject to pre-approval by the Committee Chair (or any other Committee member on whom this responsibility has been delegated) so long as the estimated fee for those services does not exceed $30,000. Services presented for pre-approval pursuant to this paragraph will be accompanied by a confirmation from both the Treasurer and the independent accountants that the proposed services will not adversely affect the independence of the independent accountants.

Although the Audit Committee will not pre-approve all services provided to Prudential Investments LLC and its affiliates, the Committee will receive an annual report from the Fund s independent accounting firm showing the aggregate fees for all services provided to Prudential Investments and its affiliates.

(e) (2) Percentage of services referred to in 4(b)- (4)(d) that were approved by the audit committee

For the fiscal years ended July 31, 2015 and July 31, 2014: not applicable.

(f) Percentage of hours expended attributable to work performed by other than full time employees of principal accountant if greater than 50%.

The percentage of hours expended on the principal accountant s engagement to audit the registrant s financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant s full-time, permanent employees was 0%.

(g) Non-Audit Fees

The aggregate non-audit fees billed by KPMG for services rendered to the registrant s investment adviser and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant for the fiscal years ended July 31, 2015 and July 31, 2014 was $0 and $0, respectively.

(h) Principal Accountant s Independence

Not applicable as KPMG has not provided non-audit services to the registrant s investment adviser and any entity controlling, controlled by, or under common control with the investment adviser that provides ongoing services to the registrant that were not pre-approved pursuant to Rule 2-01(c)(7)(ii) of Regulation S-X.

Item 5 Audit Committee of Listed Registrants

The registrant has a separately designated standing audit committee (the Audit Committee) established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934. The members of the Audit Committee are Kevin J. Bannon (chair), Ellen S. Alberding, Linda W. Bynoe and Richard A. Redeker (ex-officio).

Item 6 Schedule of Investments The schedule is included as part of the report to shareholders filed under Item 1 of this Form.

Item 7 Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies

PROXY VOTING POLICIES OF THE SUBADVISER

PRUDENTIAL FIXED INCOME

Our policy is to vote proxies in the best economic interest of our clients. In the case of pooled accounts, our policy is to vote proxies in the best economic interest of the pooled account. Our proxy voting policy contains detailed voting guidelines on a wide variety of issues commonly voted upon by shareholders. These guidelines reflect our judgment of how to further the best economic interest of our clients through the shareholder or debt-holder voting process.

Prudential Fixed Income invests primarily in debt securities, thus there are few traditional proxies voted by us. We generally vote with management on routine matters such as the appointment of accountants or the election of directors. From time to time, ballot issues arise that are not addressed by our policy or circumstances may suggest a vote not in accordance with our established guidelines. In these cases, voting decisions are made on a case-by-case basis by the applicable portfolio manager taking into consideration the potential economic impact of the proposal. If a security is held in multiple accounts and two or more portfolio managers are not in agreement with respect to a particular vote, our proxy voting committee will determine the vote. Not all ballots are received by us in advance of voting deadlines, but when ballots are received in a timely fashion, we strive to meet our voting obligations. We cannot, however, guarantee that every proxy will be voted prior to its deadline.

With respect to non-US holdings, we take into account additional restrictions in some countries that might impair our ability to trade those securities or have other potentially adverse economic consequences. We generally vote non-US securities on a best efforts basis if we determine that voting is in the best economic interest of our clients.

Occasionally, a conflict of interest may arise in connection with proxy voting. For example, the issuer of the securities being voted may also be a client of ours. When we identify an actual or potential conflict of interest between the firm and our clients with respect to proxy voting, the matter is presented to senior management who will resolve such issue in consultation with the compliance and legal departments.

Any client may obtain a copy of our proxy voting policy, guidelines and procedures as well as the proxy voting records for that client s securities, by contacting the client service representative responsible for the client s account.

Item 8 Portfolio Managers of Closed-End Management Investment Companies

Portfolio Managers

The following individuals have primary responsibility for the day-to-day implementation of the Fund s investment strategy.

Paul Appleby, CFA, is a Managing Director and co-Head of Prudential Fixed Income s Leveraged Finance Team, which includes the US and European High Yield Bond and Bank Loan sector teams. Previously, he was Director of Credit Research and Chief Equity Strategist for Prudential Financial s proprietary portfolios. Mr. Appleby was also a high yield bond credit analyst and worked in Prudential Financial s private placement group. Before joining Prudential Financial in 1987, he was a strategic planner for Amerada Hess. Mr. Appleby received a BS in Economics from The Wharton School of the University of Pennsylvania and an MBA from the Sloan School at the Massachusetts Institute of Technology (MIT). He holds the Chartered Financial Analyst (CFA) designation.

Robert Cignarella, CFA, is a Managing Director and co-Head of Prudential Fixed Income s Leveraged Finance Team, which includes the US and European High Yield Bond and Bank Loan sector teams. Previously, Mr. Cignarella was a managing director and co-head of high yield and bank loans at Goldman Sachs Asset Management. He also held positions as a high yield portfolio manager and a high yield and investment grade credit analyst. Earlier, he was a financial analyst in the investment banking division of Salomon Brothers. Mr. Cignarella received an MBA from the University of Chicago, and a bachelor s degree in operations research and industrial engineering from Cornell University. He holds the Chartered Financial Analyst (CFA) designation.

Michael J. Collins, CFA, is a Managing Director and Senior Investment Officer for Prudential Fixed Income. He is also senior portfolio manager for Core Plus, Absolute Return, and other multi-sector Fixed Income strategies. Previously, Mr. Collins was a High Yield Portfolio Manager and Fixed Income Investment Strategist. He continues to work closely with the high yield team and other credit teams on portfolio strategy and construction. Earlier he was a credit research analyst, covering investment grade and high yield corporate credits. Additionally, he developed proprietary quantitative international interest rate and currency valuation models for our global bond unit. Mr. Collins began his career at Prudential Financial in 1986 as a software applications designer. He received a BS in Mathematics and Computer Science from the State University of New York at Binghamton and an MBA in Finance from New York University. Mr. Collins holds the Chartered Financial Analyst (CFA) designation and is a Fellow of the Life Management Institute (FLMI).

Daniel Thorogood, CFA, is a Vice President for Prudential Fixed Income s High Yield Team, responsible for portfolio strategy and managing high yield bond allocations in multi-sector portfolios. Prior to joining the High Yield Team, Mr. Thorogood was a member of Prudential Fixed Income s Quantitative Research and Risk Management Group. Mr. Thorogood was the head of a team of portfolio analysts who support the firm s credit-related strategies, including investment grade corporate, high yield corporate, and emerging market debt sectors. The team was primarily responsible for performing detailed portfolio analysis relative to benchmarks, monitoring portfolio risk exposures, and analyzing performance through proprietary return attribution models. Prior to joining the Quantitative Research and Risk Management Group in 1996, Mr. Thorogood was Associate Manager in Prudential Fixed Income s Trade Support and Operations Unit. He received a BS in Finance from Florida State University and an MBA in Finance from Rutgers University. Mr. Thorogood holds the Chartered Financial Analyst (CFA) designation.

Terence Wheat, CFA, is a Principal, global high yield portfolio manager and an emerging markets corporate portfolio manager at Prudential Fixed Income. Previously, he was a high yield portfolio manager for Prudential Fixed Income s High Yield Team for six years. Mr. Wheat also spent 12 years as a credit analyst in Prudential Fixed Income s Credit Research Group, where he was responsible for the consumer products, gaming and leisure, retail, supermarkets, and textile/apparel industries. Mr. Wheat covered high yield bonds from 1998 to 2003, and investment grade issues from 1993 to 1998. Earlier, he worked for Prudential s Financial Management Group. Mr. Wheat joined Prudential Financial in 1988. He received a BS in Accounting and an MBA from Rider University. Mr. Wheat holds the Chartered Financial Analyst (CFA) designation.

Robert Spano, CFA, CPA, is a Principal and a high yield portfolio manager for Prudential Fixed Income s High Yield Bond Team. Prior to assuming his current position in 2007, Mr. Spano was a high yield credit analyst for 10 years in Prudential Fixed Income s Credit Research Group, covering the health, lodging, consumer, gaming, restaurants, and chemical industries. Earlier, he worked as an investment analyst in the Project Finance Unit of Prudential Financial s private placement group. Mr. Spano also held positions in the internal audit and risk management units of Prudential Securities. He received a BS in Accounting from the University of Delaware and an MBA from New York University. Mr. Spano holds the Chartered Financial Analyst (CFA) and Certified Public Accountant (CPA) designations.

Ryan Kelly, CFA, is a Principal and a high yield portfolio manager for Prudential Fixed Income s High Yield Team. Prior to his current position, Mr. Kelly was a senior high yield credit analyst in Prudential Fixed Income s Credit Research Group, covering the automotive, energy, technology and finance sectors. Previously, Mr. Kelly was a senior high yield bond analyst at Muzinich & Company. Earlier, he was an investment banker at PNC Capital Markets/PNC Bank where he worked in the high yield bond, mergers and acquisition (M&A) and loan syndication groups. Mr. Kelly began his career in investment banking at Chase Manhattan Bank, working on project finance transactions and M&A advisory mandates for the electric power sector. He received a BA in Economics from Michigan State University and holds the Chartered Financial Analyst (CFA) designation.

Brian Clapp, CFA, is a Principal and a high yield portfolio manager for Prudential Fixed Income s High Yield Team. Mr. Clapp was previously a senior high yield credit analyst on Prudential Fixed Income s Credit Research team. He joined Prudential Financial in 2006 from Muzinich & Co. While there, Mr. Clapp held several positions, including portfolio manager for a high yield bond based hedge fund, hedge fund credit analyst, and credit analyst covering the chemical, industrial, and transportation sectors. Earlier at Triton Partners, an institutional high yield fund manager, Mr. Clapp was a credit analyst covering the metals and mining, healthcare, homebuilding, building products and transportation sectors. He received a BS in Finance from Bryant College, and an MS in Computational Finance, and an MBA from Carnegie Mellon. Mr. Clapp holds the Chartered Financial Analyst (CFA) designation.

Other Accounts Managed by the Portfolio Managers. The following tables set forth certain information with respect to the portfolio managers for the Fund. Unless noted otherwise, all information is provided as of July 31, 2015.

The table below identifies, for each portfolio manager, the number of accounts (other than the Fund) for which the portfolio manager has day-to-day management responsibilities and the total assets in such accounts, within each of the following categories: registered investment companies, other pooled investment vehicles, and other accounts. For each category, the number of accounts and total assets in the accounts whose fees are based on performance is indicated in *italic typeface*. In addition is information about portfolio manager ownership of Fund securities. The Ownership of Fund Securities column shows the dollar range of equity securities of the Fund beneficially owned by the portfolio manager.

Portfolio Managers	**Registered Investment Companies/ Total Assets**	**Other Pooled Investment Vehicles**	**Other Accounts/ Total Assets**	**Fund Ownership**
Paul Appleby, CFA	21 / $12,728,593,174	15 / $5,166,678,572 *24 / $8,132,882,139*	80 / $13,540,697,890 *1 / $0*	$ 50,001-$100,000
Michael J. Collins, CFA	21 / $36,092,833,024	6 / $5,511,556,133	40 / $15,281,451,028	$ 100,000+
Robert Spano, CFA, CPA	21 / $12,541,872,718	12 / $4,620,284,423	80 / $13,455,413,196 *1 / $0*	$ 10,001-$50,000
Terence Wheat, CFA	21 / $12,541,872,718	12 / $4,620,284,423	81 / $13,480,372,623 *1 / $0*	$ 50,001-$100,000
Daniel Thorogood, CFA	20 / $9,438,114,211	12 / $4,620,284,423	77 / $13,142,787,449 *1 / $0*	$ 0
Ryan Kelly, CFA	21 / $12,541,872,718	12 / $4,620,284,423	79 / $13,416,321,223 *1 / $0*	$ 0
Brian Clapp, CFA	21 / $12,541,884,721	12 / $4,620,284,423	75 / $12,173,018,393 *1 / $0*	$ 0
	21 / $12,728,604,208	12 / $4,620,284,423		$ 0

Robert Cignarella, CFA	75 / $12,173,018,393 *1 / $0*

Compensation and Conflicts Disclosure:

Prudential Investment Management, Inc. (PIM)

COMPENSATION. The base salary of an investment professional in the Prudential Fixed Income unit of PIM is based on market data relative to similar positions as well as the past performance, years of experience and scope of responsibility of the individual. Incentive compensation, including the annual cash bonus, the long-term equity grant and grants under Prudential Fixed Income s long-term incentive plan, is primarily based on such person s contribution to Prudential Fixed Income s goal of providing investment performance to clients consistent with portfolio objectives, guidelines and risk parameters and market-based data such as compensation trends and levels of overall compensation for similar positions in the asset management industry. In addition, an investment professional s qualitative contributions to the organization are considered in determining incentive compensation. Incentive compensation is not solely based on the performance of, or value of assets in, any single account or group of client accounts.

An investment professional s annual cash bonus is paid from an annual incentive pool. The pool is developed as a percentage of Prudential Fixed Income s operating income and is refined by business metrics, such as:

- business development initiatives, measured primarily by growth in operating income;
- the number of investment professionals receiving a bonus; and
- investment performance of portfolios relative to appropriate peer groups or market benchmarks.

Long-term compensation consists of Prudential Financial restricted stock and grants under the long-term incentive plan. Grants under the long-term incentive plan are participation interests in notional accounts with a beginning value of a specified dollar amount. The value attributed to these notional accounts increases or decreases over a defined period of time based, in part, on the performance of investment composites representing a number of Prudential Fixed Income s most frequently marketed investment strategies. An investment composite is an aggregation of accounts with similar investment strategies. The long-term incentive plan is designed to more closely align compensation with investment performance and the growth of Prudential Fixed Income s business. Both the restricted stock and participation interests are subject to vesting requirements.

CONFLICTS OF INTEREST. Like other investment advisers, Prudential Fixed Income is subject to various conflicts of interest in the ordinary course of its business. Prudential Fixed Income strives to identify potential risks, including conflicts of interest, that are inherent in its business, and conducts annual conflict of interest reviews. When actual or potential conflicts of interest are identified, Prudential Fixed Income seeks to address such conflicts through one or more of the following methods:

- elimination of the conflict;
- disclosure of the conflict; or
- management of the conflict through the adoption of appropriate policies and procedures.

Prudential Fixed Income follows the policies of Prudential Financial, Inc. (Prudential Financial) on business ethics, personal securities trading by investment personnel, and information barriers. Prudential Fixed Income has adopted a code of ethics, allocation policies and conflicts of interest policies, among others, and has adopted supervisory procedures to monitor compliance with its policies. Prudential Fixed Income cannot guarantee, however, that its policies and procedures will detect and prevent, or assure disclosure of, each and every situation in which a conflict may arise.

Side-by-Side Management of Accounts and Related Conflicts of Interest. Prudential Fixed Income s side-by-side management of multiple accounts can create conflicts of interest. Examples are detailed below, followed by a discussion of how Prudential Fixed Income addresses these conflicts.

- Performance Fees Prudential Fixed Income manages accounts with asset-based fees alongside accounts with performance-based fees. This side-by-side management may be deemed to create an incentive for Prudential Fixed Income and its investment professionals to favor one account over another. Specifically, Prudential Fixed Income could be considered to have the incentive to favor accounts for which it receives performance fees, and possibly take greater investment risks in those accounts, in order to bolster performance and increase its fees.

- Affiliated accounts Prudential Fixed Income manages accounts on behalf of its affiliates as well as unaffiliated accounts. Prudential Fixed Income could be considered to have an incentive to favor accounts of affiliates over others.

- Large accounts large accounts typically generate more revenue than do smaller accounts and certain of Prudential Fixed Income s strategies have higher fees than others. As a result, a portfolio manager could be considered to have an incentive when allocating scarce investment opportunities to favor accounts that pay a higher fee or generate more income for Prudential Fixed Income.

Long only and long/short accounts Prudential Fixed Income manages accounts that only allow it to hold securities long as well as accounts that permit short selling. Prudential Fixed Income may, therefore, sell a security short in some client accounts while holding the same security long in other client accounts. These short sales could reduce the value of the securities held in the long only accounts. In addition, purchases for long only accounts could have a negative impact on the short positions.

Securities of the same kind or class Prudential Fixed Income may buy or sell for one client account securities of the same kind or class that are purchased or sold for another client at prices that may be different. Prudential Fixed Income may also, at any time, execute trades of securities of the same kind or class in one direction for an account and in the opposite direction for another account due to differences in investment strategy or client direction. Different strategies trading in the same securities or types of securities may appear as inconsistencies in Prudential Fixed Income s management of multiple accounts side-by-side.

Financial interests of investment professionals Prudential Fixed Income investment professionals may invest in investment vehicles that it advises. Also, certain of these investment vehicles are options under the 401(k) and deferred compensation plans offered by Prudential Financial. In addition, the value of grants under Prudential Fixed Income s long-term incentive plan is affected by the performance of certain client accounts. As a result, Prudential Fixed Income investment professionals may have financial interests in accounts managed by Prudential Fixed Income or that are related to the performance of certain client accounts.

Non-discretionary accounts or models Prudential Fixed Income provides non-discretionary investment advice and non-discretionary model portfolios to some clients and manages others on a discretionary basis. Trades in non-discretionary accounts could occur before, in concert with, or after Prudential Fixed Income executes similar trades in its discretionary accounts. The non-discretionary clients may be disadvantaged if Prudential Fixed Income delivers the model investment portfolio or investment advice to them after it initiates trading for the discretionary clients, or vice versa.

How Prudential Fixed Income Addresses These Conflicts of Interest. Prudential Fixed Income has developed policies and procedures designed to address the conflicts of interest with respect to its different types of side-by-side management described above.

The head of Prudential Fixed Income and its chief investment officer periodically review and compare performance and performance attribution for each client account within its various strategies.

In keeping with Prudential Fixed Income s fiduciary obligations, its policy with respect to trade aggregation and allocation is to treat all of its accounts fairly and equitably over time. Prudential Fixed Income s trade management oversight committee, which generally meets quarterly, is responsible for providing oversight with respect to trade aggregation and allocation. Prudential Fixed Income has compliance procedures with respect to its aggregation and allocation policy that include independent monitoring by its compliance group of the timing, allocation and aggregation of trades and the allocation of investment opportunities. In addition, its compliance group reviews a sampling of new issue allocations and related documentation each month to confirm compliance with the allocation procedures. Prudential Fixed Income s compliance group reports the results of the monitoring processes to its trade management oversight committee. Prudential Fixed Income s trade management oversight committee reviews forensic reports of new issue allocation throughout the year so that new issue allocation in each of its strategies is reviewed at least once during each year. This forensic analysis includes such data as: (i) the number of new issues allocated in the strategy; (ii) the size of new issue allocations to each portfolio in the strategy; and (iii) the profitability of new issue transactions. The results of these analyses are reviewed and discussed at Prudential Fixed Income s trade management oversight committee meetings. Prudential Fixed Income s trade management oversight committee also reviews forensic reports on the allocation of trading opportunities in the secondary market. The procedures above are designed to detect patterns and anomalies in Prudential Fixed Income s side-by-side management and trading so that it may assess and improve its processes.

Prudential Fixed Income has policies and procedures that specifically address its side-by-side management of long/short and long only portfolios. These policies address potential conflicts that could arise from differing positions between long/short and long only portfolios. In addition, lending opportunities with respect to securities for which the market is demanding a slight premium rate over normal market rates are allocated to long only accounts prior to allocating the opportunities to long/short accounts.

Conflicts Related to Prudential Fixed Income s Affiliations. As an indirect wholly-owned subsidiary of Prudential Financial, Prudential Fixed Income is part of a diversified, global financial services organization. Prudential Fixed Income is affiliated with many types of U.S. and non-U.S. financial service providers, including insurance companies, broker-dealers, commodity trading advisors, commodity pool operators and other investment advisers. Some of its employees are officers of some of these affiliates.

Conflicts Arising Out of Legal Restrictions. Prudential Fixed Income may be restricted by law, regulation or contract as to how much, if any, of a particular security it may purchase or sell on behalf of a client, and as to the timing of such purchase or sale. These restrictions may apply as a result of its relationship with Prudential Financial and its other affiliates. For example, Prudential Fixed Income s holdings of a security on behalf of its clients may, under some SEC rules, be aggregated with the holdings of that security by other Prudential Financial affiliates. These holdings could, on an aggregate basis, exceed certain reporting thresholds that are monitored, and Prudential Fixed Income may restrict purchases to avoid exceeding these thresholds. In addition, Prudential Fixed Income could receive material, non-public information with respect to a particular issuer and, as a result, be unable to execute transactions in securities of that issuer for its clients. For example, Prudential Fixed Income s bank loan team often invests in private bank loans in connection with which the borrower provides material, non-public information, resulting in restrictions on trading securities issued by those borrowers. Prudential Fixed Income has procedures in place to carefully consider whether to intentionally accept material, non-public information with respect to certain issuers. Prudential Fixed Income is generally able to avoid receiving material, non-public information from its affiliates and other units within PIM by maintaining information barriers. In some instances, it may create an isolated information barrier around a small number of its employees so that material, non-public information received by such employees is not attributed to the rest of Prudential Fixed Income.

Conflicts Related to Outside Business Activity. From time to time, certain of Prudential Fixed Income employees or officers may engage in outside business activity, including outside directorships. Any outside business activity is subject to prior approval pursuant to Prudential Fixed Income s personal conflicts of interest and outside business activities policy. Actual and potential conflicts of interest are analyzed during such approval process. Prudential Fixed Income could be restricted in trading the securities of certain issuers in client portfolios in the unlikely event that an employee or officer, as a result of outside business activity, obtains material, nonpublic information regarding an issuer. The head of Prudential Fixed Income serves on the board of directors of the operator of an electronic trading platform. Prudential Fixed Income has adopted procedures to address the conflict relating to trading on this platform. The procedures include independent monitoring by Prudential Fixed Income s chief investment officer and chief compliance officer and reporting on Prudential Fixed Income s use of this platform to the President of PIM.

Conflicts Related to Investment of Client Assets in Affiliated Funds. Prudential Fixed Income may invest client assets in funds that it manages or subadvises for an affiliate. Prudential Fixed Income may also invest cash collateral from securities lending transactions in these funds. These investments benefit both Prudential Fixed Income and its affiliate.

PICA General Account. Because of the substantial size of the general account of The Prudential Insurance Company of America (PICA), trading by PICA s general account, including Prudential Fixed Income s trades on behalf of the account, may affect market prices. Although Prudential Fixed Income doesn t expect that PICA s general account will execute transactions that will move a market frequently, and generally only in response to unusual market or issuer events, the execution of these transactions could have an adverse effect on transactions for or positions held by other clients.

Conflicts Related to Securities Holdings and Other Financial Interests

Securities Holdings. PIM, Prudential Financial, PICA s general account and accounts of other affiliates of Prudential Fixed Income (collectively, affiliated accounts) hold public and private debt and equity securities of a large number of issuers and may invest in some of the same companies as other client accounts but at different levels in the capital structure. These investments can result in conflicts between the interests of the affiliated accounts and the interests of Prudential Fixed Income s clients. For example: (i) Affiliated accounts can hold the senior debt of an issuer whose subordinated debt is held by Prudential Fixed Income s clients or hold secured debt of an issuer whose public unsecured debt is held in client accounts. In the event of restructuring or insolvency, the affiliated accounts as holders of senior debt may exercise remedies and take other actions that are not in the interest of, or are adverse to, other clients that are the holders of junior debt. (ii) To the extent permitted by applicable law, Prudential Fixed Income may also invest client assets in offerings of securities the proceeds of which are used to repay debt obligations held in affiliated accounts or other client accounts. Prudential Fixed Income s interest in having the debt repaid creates a conflict of interest. Prudential Fixed Income has adopted a refinancing policy to address this conflict. Prudential Fixed Income may be unable to invest client assets in the securities of certain issuers as a result of the investments described above.

Conflicts Related to the Offer and Sale of Securities. Certain of Prudential Fixed Income s employees may offer and sell securities of, and interests in, commingled funds that it manages or subadvises. There is an incentive for Prudential Fixed Income s employees to offer these securities to investors regardless of whether the investment is appropriate for such investor since increased assets in these vehicles will result in increased advisory fees to it. In addition, such sales could result in increased compensation to the employee.

Conflicts Related to Long-Term Compensation. The performance of many client accounts is not reflected in the calculation of changes in the value of participation interests under Prudential Fixed Income s long-term incentive plan. This may be because the composite representing the strategy in which the account is managed is not one of the composites included in the calculation or because the account is excluded from a specified composite due to guideline restrictions or other factors. As a result of the long-term incentive plan, Prudential Fixed Income s portfolio managers from time to time have financial interests related to the investment performance of some, but not all, of the accounts they manage. To address potential conflicts related to these financial interests, Prudential Fixed Income has procedures, including trade allocation and supervisory review procedures, designed to ensure that each of its client accounts is managed in a manner that is consistent with Prudential Fixed Income s fiduciary obligations, as well as with the account s investment objectives, investment strategies and restrictions. Specifically, Prudential Fixed Income s chief investment officer reviews performance among similarly managed accounts to confirm that performance is consistent with expectations. The results of this review process are discussed at meetings of Prudential Fixed Income s trade management oversight committee.

Other Financial Interests. Prudential Fixed Income and its affiliates may also have financial interests or relationships with issuers whose securities it invests in for client accounts. These interests can include debt or equity financing, strategic corporate relationships or investments, and the offering of investment advice in various forms. For example, Prudential Fixed Income may invest client assets in the securities of issuers that are also its advisory clients.

In general, conflicts related to the securities holdings and financial interests described above are addressed by the fact that Prudential Fixed Income makes investment decisions for each client independently considering the best economic interests of such client.

Conflicts Related to Valuation and Fees.

When client accounts hold illiquid or difficult to value investments, Prudential Fixed Income faces a conflict of interest when making recommendations regarding the value of such investments since its management fees are generally based on the value of assets under management. Prudential Fixed Income believes that its valuation policies and procedures mitigate this conflict effectively and enable it to value client assets fairly and in a manner that is consistent with the client s best interests.

Conflicts Related to Securities Lending Fees

When Prudential Fixed Income manages a client account and also serves as securities lending agent for the account, it could be considered to have the incentive to invest in securities that would yield higher securities lending rates. This conflict is mitigated by the fact that Prudential Fixed Income s advisory fees are generally based on the value of assets in a client s account. In addition, Prudential Fixed Income s securities lending function has a separate reporting line to its chief operating officer (rather than its chief investment officer).

Item 9 Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers There have been no purchases of equity securities by the registrant or any affiliated purchasers during the period covered by this report.

Item 10 Submission of Matters to a Vote of Security Holders Not applicable.

Item 11 Controls and Procedures

(a) It is the conclusion of the registrant s principal executive officer and principal financial officer that the effectiveness of the registrant s current disclosure controls and procedures (such disclosure controls and procedures having been evaluated within 90 days of the date of this filing) provide reasonable assurance that the information required to be disclosed by the registrant has been recorded, processed, summarized and reported within the time period specified in the Commission s rules and forms and that the information required to be disclosed by the registrant has been accumulated and communicated to the registrant s principal executive officer and principal financial officer in order to allow timely decisions regarding required disclosure.

(b) There has been no significant change in the registrant s internal control over financial reporting that occurred during the registrant s most recent fiscal quarter of the period covered by this report that has materially affected, or is likely to materially affect, the registrant s internal control over financial reporting.

Item 12 Exhibits

(a) (1) Code of Ethics Attached hereto as Exhibit EX-99.CODE-ETH

(2) Certifications pursuant to Section 302 of the Sarbanes-Oxley Act Attached hereto as Exhibit EX-99.CERT.

(3) Any written solicitation to purchase securities under Rule 23c-1. Not applicable.

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act Attached hereto as Exhibit EX-99.906CERT.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant: Prudential Global Short Duration High Yield Fund, Inc.

By: /s/ Deborah A. Docs
Deborah A. Docs
Secretary

Date: September 18, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Stuart S. Parker
Stuart S. Parker
President and Principal Executive Officer

Date: September 18, 2015

By: /s/ M. Sadiq Peshimam
M. Sadiq Peshimam
Treasurer and Principal Financial and Accounting Officer

Date: September 18, 2015