GLAMIS GOLD LTD
Form 6-K
August 09, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

Current Report for August 2005

Glamis Gold Ltd.

(Translation of registrant s name into English)

5190 Neil Rd., Suite 310, Reno, Nevada 89502

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F o Form 40-F þ

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-________

Signatures

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

GLAMIS GOLD LTD.
(Registrant)

Date: August 5, 2005

By: /s/ Cheryl S. Maher

Cheryl S. Maher
Chief Financial Officer

GLAMIS GOLD LTD.
SECOND QUARTER 2005 REPORT
Financial Highlights
(in millions of U.S. dollars, except per share and per ounce amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2005	2004	**2005**	2004
Gold ounces produced	**109,377**	48,109	**203,098**	99,028
Gold ounces sold	**112,810**	47,037	**210,927**	99,700
Average revenue realized per gold ounce	**$ 430**	$ 394	**$ 429**	$ 404
Average market price per gold ounce	**$ 427**	$ 393	**$ 427**	$ 401
Total cash cost per gold ounce produced	**$ 191**	$ 183	**$ 190**	$ 194
Total production cost per gold ounce	**$ 295**	$ 268	**$ 294**	$ 279
Production Data:				
El Sauzal Mine:				
Ore tonnes milled	**429,578**		**732,555**	
Waste tonnes mined	**1,191,273**		**1,773,751**	
Grade (grams per tonne)	**3.473**		**3.380**	
Gold ounces produced	**44,502**		**88,037**	
Total cash cost per ounce	**$ 151**		**$ 138**	
Total production cost per ounce	**$ 267**		**$ 252**	
San Martin Mine:				
Ore tonnes processed	**1,432,564**	1,342,471	**2,891,640**	2,792,147
Waste tonnes mined	**883,619**	607,984	**2,074,135**	1,470,906
Grade (grams per tonne)	**0.647**	0.891	**0.639**	0.789
Gold ounces produced	**23,755**	22,418	**45,722**	51,344
Total cash cost per ounce	**$ 273**	$ 192	**$ 268**	$ 182
Total production cost per ounce	**$ 379**	$ 289	**$ 373**	$ 278
Marigold Mine (66.7%):				
Ore tonnes mined	**1,115,333**	1,892,571	**2,649,486**	3,057,149
Waste tonnes mined	**6,340,946**	4,092,732	**11,663,416**	9,623,281
Grade (grams per tonne)	**1.041**	0.960	**0.858**	0.857
Gold ounces produced	**41,120**	22,188	**69,339**	39,394
Total cash cost per ounce	**$ 187**	$ 160	**$ 204**	$ 198
Total production cost per ounce	**$ 275**	$ 240	**$ 295**	$ 277
Rand Mine (in reclamation):				
Gold ounces produced		3,503		8,290
Total cash cost per ounce		$ 268		$ 248
Total production cost per ounce		$ 311		$ 292
Financial Data:				
Working capital	**$ 29.3**	$ 73.0	**$ 29.3**	$ 73.0
Cash provided from operations	**$ 22.1**	$ 7.7	**$ 38.6**	$ 15.4

Net earnings	**$**	**8.2**	$	2.9	**$**	**10.4**	$	12.0
Basic earnings per share	**$**	**0.06**	$	0.02	**$**	**0.08**	$	0.09
Average shares outstanding		**131,002,303**		130,513,678		**130,951,724**		130,369,235

Glamis Gold Ltd.
Consolidated Balance Sheets
(Expressed in millions of U.S. dollars, except per share amounts)

	June 30 2005 (unaudited)	December 31, 2004
Assets		
Current assets:		
Cash and cash equivalents	**$ 24.8**	$ 27.0
Accounts and interest receivable	**1.8**	2.8
Inventories (note 2)	**26.0**	25.7
Prepaid expenses and other	**1.5**	1.3
	54.1	56.8
Mineral property, plant and equipment, net	**593.3**	542.3
Other assets	**12.3**	14.2
	$ 659.7	$ 613.3
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 22.3**	$ 24.8
Site closure and reclamation costs, current	**0.8**	0.9
Taxes payable	**1.7**	3.7
	24.8	29.4
Site closure and reclamation costs	**8.9**	7.6
Long-term debt (note 3)	**65.0**	30.0
Future income taxes	**88.2**	86.0
	186.9	153.0
Shareholders equity		
Share capital (note 4):		
Authorized:		
Unlimited (2004 200,000,000) common shares without par value		
5,000,000 preferred shares, Cdn$10 per share par value, issuable in series		
Issued and fully paid:		
131,018,753 (2004 130,863,953) common shares	**474.2**	472.7
Contributed surplus	**17.1**	16.5
Deficit	**(18.5)**	(28.9)
	472.8	460.3

	$	**659.7**	$	613.3

See accompanying notes to consolidated financial statements
Prepared by management without audit
Approved on behalf of the Board:

/s/ C. Kevin McArthur	/s/ A. Dan Rovig
C. Kevin McArthur	A. Dan Rovig
Director	Director

Glamis Gold Ltd.
Consolidated Statements of Operations
(Expressed in millions of U.S. dollars, except per share amounts)

	Three months ended June 30, **2005** (unaudited)	Three months ended June 30, 2004 (unaudited)	Six months ended June 30, **2005** (unaudited)	Six months ended June 30, 2004 (unaudited)
Revenue	**$ 48.7**	$ 18.6	**$ 90.8**	$ 40.3
Costs and expenses:				
Cost of sales	**21.4**	8.5	**39.2**	19.2
Depreciation and depletion	**12.5**	4.0	**23.2**	8.4
Exploration	**1.4**	0.8	**2.5**	1.9
General and administrative	**2.0**	1.6	**8.1**	4.0
Stock-based compensation	**1.2**		**1.8**	0.1
Other operating expenses	**0.6**	0.3	**0.9**	0.4
	39.1	15.1	**75.7**	34.0
Earnings from operations	**9.6**	3.4	**15.1**	6.3
Interest and other income	**0.4**	0.1	**0.6**	8.4
Earnings before income taxes	**10.0**	3.5	**15.7**	14.7
Provision for income taxes:				
Current	**2.0**		**3.1**	1.2
Future	**(0.2)**	0.6	**2.2**	1.5
	1.8	0.6	**5.3**	2.7
Net earnings	**$ 8.2**	$ 2.9	**$ 10.4**	$ 12.0
Earnings per share:				
Basic	**$ 0.06**	$ 0.02	**$ 0.08**	$ 0.09
Diluted	**$ 0.06**	$ 0.02	**$ 0.08**	$ 0.09
Weighted average common shares outstanding:				
Basic	**131,002,303**	130,513,678	130,951,724	130,369,235
Diluted	**132,278,716**	132,104,099	132,266,792	131,948,374

Consolidated Statements of Deficit
(Expressed in millions of U.S. dollars)

	Three months ended June 30, **2005** (unaudited)	Three months ended June 30, 2004 (unaudited)	Six months ended June 30, **2005** (unaudited)	Six months ended June 30, 2004 (unaudited)

Deficit, beginning of period	**$ (26.7)**	$ (40.7)	**$ (28.9)**	$ (36.7)
Adjustment for stock-based compensation (note 5)				(13.1)
Net earnings	**8.2**	2.9	**10.4**	12.0
Deficit, end of period	**$ (18.5)**	$ (37.8)	**$ (18.5)**	$ (37.8)

See accompanying notes to consolidated financial statements
Prepared by management without audit

Glamis Gold Ltd.
Consolidated Statements of Cash Flows
(Expressed in millions of U.S. dollars)

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	**2005**	2004
	(unaudited)		(unaudited)	
Cash flows from operating activities				
Net earnings	**$ 8.2**	$ 2.9	**$ 10.4**	$ 12.0
Non-cash items:				
Depreciation and depletion	**12.5**	4.0	**23.2**	8.4
Future income taxes	**(0.2)**	0.6	**2.2**	1.5
Loss (gain) on sale of properties and investments	**(0.2)**	0.1	**(0.3)**	(6.9)
Stock-based compensation	**1.2**		**1.8**	0.1
Other	**0.6**	0.1	**1.3**	0.3
	22.1	7.7	**38.6**	15.4
Changes in non-cash operating working capital:				
Accounts and interest receivable	**1.0**	(1.6)	**1.1**	(2.3)
Taxes recoverable/payable	**(2.7)**		**(2.1)**	
Inventories	**0.6**	(3.4)	**(0.5)**	(3.1)
Prepaid expenses and other	**0.5**	2.5	**(0.2)**	(0.7)
Accounts payable and accrued liabilities	**(3.2)**	16.4	**(3.1)**	19.7
Site closure and reclamation expenditures	**(0.8)**	(0.5)	**(1.3)**	(1.1)
Net cash provided by operating activities	**17.5**	21.1	**32.5**	27.9
Cash flows from (used in) investing activities				
Purchase of mineral property, plant and equipment, net of disposals	**(38.6)**	(58.8)	**(72.1)**	(93.2)
Net proceeds from sale of investments and properties	**0.5**		**0.5**	13.3
Other assets	**0.7**		**1.3**	
Net cash used in investing activities	**(37.4)**	(58.8)	**(70.3)**	(79.9)
Cash flows from financing activities				
Proceeds from long-term debt	**20.0**		**35.0**	
Proceeds from issuance of common shares	**0.4**	1.2	**0.6**	3.1
Net cash provided by financing activities	**20.4**	1.2	**35.6**	3.1
Increase (decrease) in cash and cash equivalents	**0.5**	(36.5)	**(2.2)**	(48.9)
Cash and cash equivalents, beginning of period	**24.3**	113.7	**27.0**	126.1

Cash and cash equivalents, end of period	**$**	**24.8**	$	77.2	**$**	**24.8**	$	77.2
Supplemental disclosure of cash flow information:								
Cash paid (received) during the period for:								
Interest, net of interest amounts paid and capitalized (note 3)	**$**	**(0.2)**	$	(0.3)	**$**	**(0.3)**	$	(0.7)
Taxes	**$**	**4.7**			**$**	**4.8**		
Non-cash financing activities:								
Shares received on sale of mineral property rights							$	0.7

See accompanying notes to consolidated financial statements
Prepared by management without audit

Glamis Gold Ltd.
Notes to Unaudited Interim Consolidated Financial Statements
(tables expressed in millions of U.S. dollars, except per share amounts)
Three months and six months ended June 30, 2005

1. General

In the opinion of management, the accompanying unaudited interim consolidated balance sheet and consolidated statements of operations, deficit and cash flows contain all adjustments, consisting only of normal recurring accruals, necessary to present fairly, in all material respects, the financial position of Glamis Gold Ltd. (the Company) as of June 30, 2005 and the results of its operations and its cash flows for the three-month and the six- month periods ended June 30, 2005 and 2004.

These unaudited interim consolidated financial statements should be read in conjunction with the Company s audited consolidated financial statements and related footnotes included in the Company s annual report to shareholders for the year ended December 31, 2004. Certain of the comparative figures have been reclassified to conform to the current period s presentation.

The financial statements are prepared using the same accounting policies and methods of application as those disclosed in note 2 to the Company s consolidated financial statements for the year ended December 31, 2004, except as described in note 6 to these financial statements. These statements have been prepared in accordance with accounting principles generally accepted in Canada which conform, in all material respects, with accounting principles generally accepted in the United States, except as described in note 7 hereof. All amounts are stated in U.S. dollars unless otherwise specified.

2. Inventories

	June 30, 2005 (unaudited)	December 31, 2004
Finished goods	**$ 1.7**	$ 2.5
Work-in-progress	**15.6**	17.3
Supplies and spare parts	**8.7**	5.9
	$ 26.0	$ 25.7

3. Long-term debt

On June 30, 2004, the Company signed a loan agreement with International Finance Corporation, a division of the World Bank providing for up to $45.0 million in funding, at a six-month LIBOR plus 2.625%-based interest rate, for development of the Company s Marlin Project in Guatemala. The facility is secured by a pledge of the Company s shares in the related Guatemalan subsidiaries. As at June 30, 2005, there was $45.0 million outstanding under the facility. The blended interest rate was 5.515% as of June 30, 2005; interest is payable semiannually. Principal repayments are scheduled to begin in January 2007 and will be made semi-annually through July 2009. For the three months ended June 30, 2005, $0.6 million of interest was capitalized to the Marlin Project (2004 nil); $1.1 million of interest was capitalized for the six months ended June 30, 2005 (2004 nil).

On March 4, 2005, the Company finalized a $50.0 million revolving credit facility with the Bank of Nova Scotia. The facility is available for borrowing and repayment at any time during the 3-year period ending March 4, 2008 at a LIBOR-based interest rate. The facility is secured by a pledge of the Company s shares in certain U.S. and Mexican mining subsidiaries. As of June 30, 2005, $20.0 million was outstanding under this facility. The interest rate was 4.51% as of June 30, 2005; interest is payable quarterly. For the three months and six months ended June 30, 2005 $0.1 million in interest was capitalized to the Marlin Project.

4. Share Capital
(a) Shares Outstanding

	Six months ended June 30, 2005 (unaudited)		Six months ended June 30, 2004 (unaudited)	
	Number of Shares	**Amount**	Number of shares	Amount
Issued and fully paid:				
Balance at beginning of period	**130,863,953**	**$ 472.7**	130,133,678	$ 465.4
Cumulative adjustment for change in accounting for stock-based compensation (note 6)				1.4
Issued during the period:				
Pursuant to the terms of Directors and Employees stock option plan	**97,800**	**0.8**	491,000	3.9
Pursuant to the terms of Directors and Employees restricted stock plan	**57,000**	**0.7**		
Balance at end of period	**131,018,753**	**$ 474.2**	130,624,678	$ 470.7
Directors and employees stock options outstanding, end of period	**3,996,200**		3,624,700	
Directors and employees stock options exercisable, end of period	**3,503,534**		3,617,200	

The Company had 200,000,000 shares of common stock without par value authorized as of December 31, 2004. At an extraordinary shareholders meeting on February 9, 2005, the restriction on the number of shares authorized was removed allowing the Company to issue an unlimited number of common shares without par value. Each common share is entitled to one vote.

(b) Stock-based compensation

The Company granted 340,000 options during the three months ended June 30, 2005 (2004 none). The Company used the Black-Scholes option pricing model to determine the fair value of options granted during the three months ended June 30, 2005 with the following weighted average assumptions: risk-free interest rate 2.88%, expected volatility 32.5% and expected life of the option 2.32 years. The Company also granted 378,000 options during the three months ended March 31, 2005 (2004 15,000 options). The Company used the Black-Scholes option pricing model to determine the fair value of options granted during the three months ended March 31, 2005 and 2004 with the following weighted average assumptions: risk-free interest rate 2.95% (2004 - 2.55%), expected volatility 35% (2004 55%), and expected life of the option 1.5 years (2004 2.5 years). The weighted average fair value of options granted in the three months ended June 30, 2005 was $1.1 million (2004 nil) and for the six months ended June 30, 2005 was $2.3 million (2004 $0.1 million).

During the three months ended March 31, 2005, the Company also issued 57,000 common shares as restricted stock, one third of which vested and the balance of which will vest over the next two years. The fair value of the common shares issued as restricted stock was $0.7 million of which $0.4 million has been deferred and will be charged to operations over the vesting period. There was no restricted stock issued in the three months ended June 30, 2005, or during the six months ended June 30, 2004.

The Company also has a stock-based management incentive plan that allows it to grant rights for a holder to receive the appreciation in the value of the stock-based right over the stated base price in shares of stock (SARs). During the three months ended June 30, 2005 the Company granted 843,000 SARs, of which 281,000 are vested. As at March 31, 2005 and December 31, 2004, there were no SARs outstanding. At June 30, 2005, the Company accrued $0.8 million for the excess of the Company s share price at June 30, 2005 over the stated base price of vested SARs. Total expense incurred by the Company in 2005 upon exercise of SARs was nil (2004 nil).

5. Segment Reporting
As at June 30, 2005 and 2004 and for the three and six months ended June 30, 2005 and 2004:

Three months ended June 30, 2005	El Sauzal	San Martin	Marigold	Rand	Marlin	Other	Total
Revenue	$ 19.7	$ 9.9	$ 18.6	$ 0.5	$	$	$ 48.7
Cost of sales	6.8	6.3	8.1	0.2			21.4
Depreciation and depletion	5.2	2.4	3.9	0.1		0.9	12.5
Other operating expenses	0.4	0.1	0.1		0.1	4.5	5.2
Earnings (loss) from operations	7.3	1.1	6.5	0.2	(0.1)	(5.4)	9.6
Other income (loss)	0.2	(0.2)	0.1	0.1		0.2	0.4
Earnings (loss) before taxes	$ 7.5	$ 0.9	$ 6.6	$ 0.3	$ (0.1)	$ (5.2)	$ 10.0
Cash from operating activities[1]	$ 12.6	$ 0.6	$ 10.4	$ 0.2	$ (0.1)	$ (1.6)	$ 22.1
Capital expenditures	$ 1.2	$ 0.9	$ 7.6	$	$ 29.1	$	$ 38.8

(1) Before changes in non-cash working capital and site closure and reclamation expenditures.

Three months ended June 30, 2004	El Sauzal	San Martin	Marigold	Rand	Marlin	Other	Total
Revenue	$	$ 8.5	$ 8.7	$ 1.4	$	$	$ 18.6
Cost of sales		4.2	3.4	0.9			8.5
Depreciation and depletion		2.0	1.8	0.2			4.0
Other operating expenses	0.1	0.1	0.3		0.1	2.1	2.7
Earnings (loss) from operations	(0.1)	2.2	3.2	0.3	(0.1)	(2.1)	3.4
Other income (loss)		(0.1)	0.1			0.1	0.1
Earnings (loss) before taxes	$ (0.1)	$ 2.1	$ 3.3	$ 0.3	$ (0.1)	$ (2.0)	$ 3.5
Cash from operating activities[1]	$ (0.1)	$ 4.2	$ 5.1	$ 0.6	$ (0.1)	$ (2.0)	$ 7.7
Capital expenditures	$ 29.2	$ 0.9	$ 11.2	$	$ 17.3	$ 0.1	$ 58.7

(1) Before changes in non-cash working capital

and site closure and reclamation expenditures.

Six months ended June 30, 2005	El Sauzal	San Martin	Marigold	Rand	Marlin	Other	Total
Revenue	$ 39.5	$ 19.5	$ 30.7	$ 1.1	$	$	$ 90.8
Cost of sales	12.3	12.1	14.3	0.5			39.2
Depreciation and depletion	10.2	4.7	6.6	0.2		1.5	23.2
Other operating expenses	0.6	0.1	0.2	0.1	0.1	12.2	13.3
Earnings (loss) from operations	16.4	2.6	9.6	0.3	(0.1)	(13.7)	15.1
Other income (loss)	0.2	(0.3)	0.1	0.2		0.4	0.6
Earnings (loss) before taxes	$ 16.6	$ 2.3	$ 9.7	$ 0.5	$ (0.1)	$ (13.3)	$ 15.7
Cash from operating activities[(1)]	$ 26.7	$ 3.5	$ 16.2	$ 0.6	$ (0.1)	$ (8.3)	$ 38.6
Capital expenditures	$ 2.2	$ 1.6	$ 10.3	$	$ 58.2	$	$ 72.3
Total assets	$ 230.6	$ 44.7	$ 78.6	$ 1.7	$ 287.5	$ 16.6	$ 659.7

(1) Before changes in non-cash working capital and site closure and reclamation expenditures.

Six months ended June 30, 2004	El Sauzal	San Martin	Marigold	Rand	Marlin	Other	Total
Revenue	$	$ 21.1	$ 15.7	$ 3.5	$	$	$ 40.3
Cost of sales		9.5	7.6	2.1			19.2
Depreciation and depletion		4.9	3.1	0.4			8.4
Other operating expenses	0.1	0.2	0.7	0.1	0.1	5.2	6.4
Earnings (loss) from operations	(0.1)	6.5	4.3	0.9	(0.1)	(5.2)	6.3
Other income (loss)		(0.2)	0.1			8.5	8.4
Earnings (loss) before taxes	$ (0.1)	$ 6.3	$ 4.4	$ 0.9	$ (0.1)	$ 3.3	$ 14.7
Cash from operating activities[(1)]	$ (0.1)	$ 11.3	$ 7.6	$ 1.4	$ (0.1)	$ (4.7)	$ 15.4
Capital expenditures	$ 51.4	$ 2.7	$ 15.1	$	$ 23.9	$ 0.1	$ 93.2

Total assets	$ 207.6	$ 54.1	$ 70.2	$ 3.7	$ 167.5	$ 69.4	$ 572.5

(1) Before changes in non-cash working capital and site closure and reclamation expenditures.

6. Change in Accounting Policies

Effective January 1, 2004, the Company retroactively adopted the amended Canadian Institute of Chartered Accountants Handbook Section 3870, Stock-Based Compensation and Other Stock-Based Payments (HB 3870). HB 3870 requires the use of the fair-value method to calculate all stock-based compensation associated with granting stock options to employees and directors, and the inclusion of that expense in the statement of operations. Prior to January 1, 2004, the Company disclosed the effects of the fair-value method in the notes to the financial statements and did not recognize stock-based compensation relating to stock options granted to employees and directors in the statement of operations. Under the revised accounting policy, the Company measures stock-based compensation on the date of the grant and recognizes this cost over the vesting period of the options in results from operations. The cumulative effect of this change in accounting for stock-based compensation of $13.1 million, determined as of January 1, 2004, for stock options granted on or after January 1, 2002, is reported separately in the consolidated statement of deficit and as an adjustment to contributed surplus. The fair value of options granted on or after January 1, 2002 and exercised prior to January 1, 2004 of $1.4 million has been recorded as an adjustment to share capital, with an offsetting reduction to contributed surplus as at January 1, 2004.

Effective January 1, 2005, the Company adopted the new CICA Accounting Guideline 15 Consolidation of Variable Interest Entities (AcG-15). The new guidance establishes when a company should consolidate a variable interest entity and requires a variable interest entity to be consolidated if a company is at risk of absorbing the variable interest entity s expected losses, or is entitled to receive a majority of the variable interest entity s residual returns, or both. The adoption of AcG-15 did not result in any changes to the Company s financial statements.

7. Differences Between Canadian and United States Generally Accepted Accounting Principles

Accounting in these unaudited interim consolidated financial statements under Canadian and U.S. generally accepted accounting principles is substantially the same, except as noted below.

United States accounting principles require the use of the asset and liability method of accounting for income taxes, which is comparable to the Canadian standard adopted in 2000. As previously disclosed, the $4.5 million charge recorded to opening deficit on adoption of the Canadian standard would have been recorded as an increase to the San Martin property at the time of the business acquisition under U.S. accounting principles. As a result, under United States accounting principles, at June 30, 2005, mineral property, plant and equipment for the San Martin Mine would be increased by $1.8 million (December 31, 2004 $2.0 million) over the amount presented under Canadian accounting principles, with a corresponding reduction in deficit. The resulting increase in depreciation and depletion charges as these costs are amortized would have reduced reported earnings for the three months ended June 30, 2005 by $0.1 million (2004 $0.1 million) and by $0.2 million for the six months ended June 30, 2005 (2004 $0.3 million).

The amended Canadian accounting standard for stock-based compensation is substantially the same as the United States accounting principles in its use of the fair-value method, however the transition provision under United States standards allow the effects of the fair-value method to be accounted for prospectively. As a result, the adjustments to deficit, share capital and contributed surplus as at January 1, 2004, disclosed in note 5, would not be made under United States accounting principles.

Statement of Financial Accounting Standards No. 115, Accounting for Investments in Debt and Equity Securities , requires that portfolio investments that have readily determinable fair values and are held principally for sale in the near term be presented at fair value with their unrealized holding gains and losses included in earnings. Investments that have readily determinable fair values and, while not held principally for sale in the near term, are available-for-sale, must also be presented at fair value with their holding gains and losses reported in a separate component of shareholders equity until realized. Both of these types of investments are presented on a cost basis under Canadian accounting principles. Under United States accounting principles, other assets and unrealized holding gains in shareholders equity at June 30, 2005 would each be increased by $0.2 million (December 31, 2004 an increase of $0.2 million), based on the quoted market price of the Company s share investments, which would be included in other comprehensive income for the three months and six months ended June 30, 2005. At June 30, 2005, the quoted market value of the shares of the investments not held in escrow was $0.5 million (December 31, 2004 $0.9 million).

Generally accepted accounting principles in the United States require that the Company classify items of other comprehensive income by their nature in a financial statement and display the accumulated balance of other comprehensive income separately from retained earnings (deficit) and contributed surplus in the equity section of the balance sheet. Under United States accounting principles, other comprehensive income for the three months ended June 30, 2005, which consists of the changes in the unrealized holding gains on investments held, would be a loss of $0.2 million (2004 loss of $0.7 million) and for the six months ended June 30, 2005 would be nil (2004 a loss of $0.3 million).

A reconciliation of net earnings for the period as shown in these consolidated financial statements to net earnings for the period in accordance with United States accounting principles and to comprehensive income for the period using United States accounting principles, is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2005	2004	**2005**	2004
Net earnings in these consolidated financial statements	$ 8.2	$ 2.9	$ 10.4	$ 12.0
Adjustment for differences in accounting for income taxes	(0.1)	(0.1)	(0.2)	(0.3)
Net earnings using United States accounting principles	8.1	2.8	10.2	11.7
Other comprehensive income, net of tax:				
Change in unrealized holding gains on investments	(0.2)	(0.7)		(0.3)
Comprehensive earnings using United States accounting principles	$ 7.9	$ 2.1	$ 10.2	$ 11.4
Basic earnings per share	$ 0.06	$ 0.02	$ 0.08	$ 0.09
Diluted earnings per share	$ 0.06	$ 0.02	$ 0.08	$ 0.09

At its March 2005 meeting, the Emerging Issues Task Force (EITF) of the Financial Accounting Standards Board (FASB) issued a consensus opinion, subsequently ratified by FASB, dealing with the accounting for stripping costs (the removal of overburden) incurred during production. The consensus is effective for the first reporting period in fiscal years beginning after December 15, 2005, with early application permitted. The EITF addressed the issue of stripping costs incurred in pre-production (capitalize and amortize over the mine life) and stripping costs incurred during the production phase (to be considered a variable cost and included in the cost of inventory produced during the period).

The Marigold Mine would be affected by this change. At June 30, 2005, the Company was assessing the impact of this new statement on future financial reporting.

SECOND QUARTER 2005 INTERIM MANAGEMENT S DISCUSSION AND ANALYSIS (AS OF AUGUST 5, 2005)

This management s discussion and analysis of the Company s operations for the three months and six months ended June 30, 2005 and 2004 is dated August 5, 2005 and should be read in conjunction with, and is qualified by, the consolidated financial statements and notes thereto (the financial statements). This financial information, which is expressed in United States dollars unless otherwise stated, was prepared in accordance with accounting principles generally accepted in Canada. Reference should be made to Note 7 of the notes to the consolidated financial statements for a reconciliation between Canadian and U.S. generally accepted accounting principles. Additional information, including the Company s Annual Information Form (AIF) can be found on SEDAR at www.sedar.com and the Form 40-F filed in the United States on EDGAR at www.sec.gov.

SUMMARY

The Company reported earnings for the second quarter of 2005 of $8.2 million, or $0.06 per share. In the second quarter of 2004 earnings were $2.9 million, or $0.02 per share. Earnings for the six months ended June 30, 2005 were $10.4 million ($0.08 per share), after recording a charge of $4.0 million ($0.03 per share) related to the tender offer for Goldcorp Inc. in the first quarter of 2005. Earnings for the six months ended June 30, 2004 were $12.0 million ($0.09 per share) which included $7.0 million ($0.05 per share), net of tax, from the final settlement on the sale of the Cerro San Pedro property and royalty and the sale of the Company s 50% interest in the Metates (Mexico) property.

At the operating mines, production totaled 109,377 ounces of gold in the second quarter of 2005, compared to 48,109 ounces produced during the second quarter of 2004. The difference was not only the production of 44,502 ounces of gold from El Sauzal, (which was not in operation in the second quarter of 2004), but also the dramatic increase in the ounces produced at Marigold (41,120 ounces of gold for the Company s account in the second quarter of 2005, compared to 22,188 ounces of gold produced in the second quarter of 2004). The San Martin mine had a very solid second quarter this year with 23,755 ounces of gold produced. While the Company continues to expect production of 400,000 ounces of gold for the 2005 year, the second quarter production exceeded expectations. The third quarter production is expected to decline somewhat as Marigold spends significantly more time on stripping overburden in the Basalt pit, and El Sauzal mines an area of lower-grade ore. The Company s average total cash cost per ounce of gold was $191 during the second quarter of 2005 compared to $183 in the comparable period in 2004. Significantly higher oil prices affected not only direct fuel costs but the cost of derivative products as well, such as power generation. Maintenance expenses and downtime at both Marigold and El Sauzal also contributed to the increased cash cost per ounce. The Company continued to realize higher gold prices during 2005; $430 per ounce of gold sold during the second quarter of 2005 compared to $394 per ounce of gold sold in the second quarter of 2004.

Exploration expenditures were $3.4 million during the second quarter of 2005, an increase over the $2.8 million expended in the second quarter 2004. General and administrative expense was $2.0 million in the three months ended June 30, 2005, slightly higher than the $1.6 million in the comparable period in 2004. Stock-based compensation was $1.2 million during the second quarter of 2005; there was no stock-based compensation in the second quarter of 2004. Capital expenditures totaled $38.8 million for the second quarter of 2005; year to date, the Company has spent $72.3 million on construction and development. The Marlin Project in Guatemala continues to be on track for a fourth quarter 2005 start-up.

RESULTS OF OPERATIONS

Gold Production and Costs Per Ounce

As noted above, all of the mines had a good production quarter. Shown below are the 3-month and 6-month production statistics for the mines.

Mine	**Three months ending June 30, 2005** Gold ounces	Cash cost per ounce	Total cost per ounce	Three months ending June 30, 2004 Gold ounces	Cash cost per ounce	Total cost per ounce
El Sauzal	44,502	$ 151	$ 267			
Marigold[(1)]	41,120	$ 187	$ 275	22,188	$ 160	$ 240
San Martin	23,755	$ 273	$ 379	22,418	$ 192	$ 289
Rand[(2)]				3,503	$ 268	$ 311
Total/average	109,377	$ 191	$ 295	48,109	$ 183	$ 268

Mine	**Six months ending June 30, 2005** Gold ounces	Cash cost per ounce	Total cost per ounce	Six months ending June 30, 2004 Gold ounces	Cash cost per ounce	Total cost per ounce
El Sauzal	88,037	$ 138	$ 252			
Marigold[(1)]	69,339	$ 204	$ 295	39,394	$ 198	$ 277
San Martin	45,722	$ 268	$ 373	51,344	$ 182	$ 278
Rand[(2)]				8,290	$ 248	$ 292
Total/average	203,098	$ 190	$ 294	99,028	$ 194	$ 279

Note: Cash cost and total costs per ounce are non-GAAP financial measures and are discussed further under Costs of Production .

(1) This represents the Company s 66.67% share of Marigold.

(2) Rand is currently rinsing its leach pad and the small amount of gold recovered is no longer being reported as production.

OPERATIONS REVIEW

El Sauzal Project, Chihuahua, Mexico

El Sauzal had another strong quarter producing 44,502 ounces of gold during the three months ended June 30, 2005. Cash costs of production rose to $151 as higher seasonal power charges began on May 16 and general and administrative costs were higher than expected. Mining of lower-grade ore increased the tonnage milled also leading to higher costs. The Company continues to expect El Sauzal to produce approximately 170,000 ounces of gold during 2005.

San Martin Mine, Honduras

The San Martin Mine produced 23,755 ounces of gold during the three months ended June 30, 2005 at a total cash cost of production of $273 per ounce of gold. The second quarter 2004 production was 22,418 ounces of gold, but cash costs were $192 per ounce of gold. The mine continues to meet expectations on budget and costs, with the effects of the lower-grade and lower-recovery Palo Alto ore being mined in 2005 accounting for much of the increase in costs, combined with the negative effects of high fuel costs at a mine which is totally diesel-generator-powered. The Company continues to expect San Martin to produce approximately 85,000 ounces of gold during 2005.

Marigold Mine, Nevada

The 66.7%-owned Marigold Mine had a very strong production quarter during the three months ended June 30, 2005, producing 41,120 ounces of gold for the Company s account at a per-ounce cash cost of gold production of $187. This compares to 22,188 ounces of gold produced during the second quarter of 2004 at a cash cost of $160 per ounce. The work-in-process inventory on the leach pad was drawn down by over 12,800 ounces of gold (Company s share) during the second quarter of 2005, which added to production, but higher period costs increased the total cash cost per ounce of production. On a per-ounce basis, unplanned maintenance costs of $1.0 million and fuel prices continued to offset the benefits of the increased production. Although Marigold has dramatically increased production quarter-on-quarter this year, the mine is entering a quarter of intense overburden stripping which is expected to cause production to slow during the third quarter. The Company continues to expect the mine to produce approximately 135,000 ounces of gold for the Company s account during 2005.

PROJECTS

Marlin Project, Western Guatemala

At the end of July, several areas of the Marlin Project had finished the construction phase and were being readied for testing and commissioning. The power line and sub-station work is complete and is awaiting sign-off by the government. Emergency generator power was successfully tested and full back-up generators are expected to be on site in August. Substantial work was completed on both the process facility and the tailings facility, although heavy rains slowed progress at both. Underground mine and open pit development continues. Evaluation of the remaining projected expenditures indicates that additional power, administrative and surface development costs may increase the originally projected construction cost of $140.0 million by an estimated $2.0 million. The Project continues to be on-track for commercial production in the fourth quarter 2005.

Imperial Project, California

During 2003, legislative and administrative actions were taken by the State of California to require that any new open pit metallic mines be completely back-filled at the completion of mining. The Company believes that these actions were taken directly to attempt to delay or stop the Company s Imperial Project, as a requirement to back-fill renders the project uneconomic. Consequently, the Company has filed a Notice of Arbitration against the United States pursuant to the North American Free Trade Agreement. The notice alleges that the Company s property rights in the Imperial Project in California have been unlawfully taken by various actions of the United States and the State of California, for which it is entitled to compensation. The Company is seeking recovery of the value of the Imperial Project, pre- and post-award interest and various costs incurred by the Company. A three-person arbitration panel has been selected, and the panel has recently issued a scheduling order which contemplates the claim being heard in July 2006. The Company cannot predict how long it may take to complete this legal process or whether it will be successful in its action.

EXPLORATION

The Company expended $3.4 million on exploration during the second quarter of 2005 of which $1.4 million was expensed and $2.0 million capitalized. Exploration expenditures for the six month period ended June 30, 2005 were $5.1 million of which $2.5 million was expensed and $2.6 million was capitalized. Exploration in the second quarter of 2005 was primarily at two Guatemala projects (Marlin and Cerro Blanco $1.8 million) and is expected to increase throughout the remainder of 2005. Additional work was performed at the El Sauzal Mine and elsewhere in Mexico ($0.5 million). The Marigold Mine spent $1.0 million, most of which was capitalized development drilling, while the Company s share of the Dee exploration venture was $0.1 million. Additional work is planned on all these projects through the balance of 2005, with increasing expenditures on the Cerro Blanco Project.

RECLAMATION ACTIVITIES

Rand Mine, California

The Rand Mine continues to recover a very small amount of gold from the leach pad as site closure and reclamation proceeds according to plan. The Company continues to expect Rand to substantially complete the required site closure and reclamation over the nine months.

Dee Mine, Nevada

The Company incurred additional charges of $0.4 million in the second quarter of 2005 as the final reclamation and closure of the Dee Mine is taking substantially longer to complete than originally expected. The extremely wet winter continued to hamper completion of the earthwork, and repairs to the drainage facilities caused by the high winter runoff were necessary. During the second quarter of 2005 a contractor was hired to complete the remaining reclamation work and additional funds were accrued for these costs. The Company believes that its final reclamation should be completed by the end of 2005, with on-going monitoring requirements thereafter.

FINANCIAL REVIEW

Revenues

Ounces of gold sold increased to 112,810 in the second quarter of 2005 from 47,037 ounces of gold sold during the second quarter of 2004. Revenues increased accordingly to $48.7 million from $18.6 million on the doubling of production as well as a 9% increase in the realized gold price. Gold sales for the six months ended June 30, 2005 were 210,927 ounces of gold compared to 99,700 ounces sold in the first six

months of 2004. Revenues of $90.8 million were realized in the first two quarters of 2005 compared to $40.3 million in the same period in 2004. Realized revenue was $430 per ounce of gold for the second quarter 2005 and $429 per ounce of gold for the first six months. Realized prices of gold were $394 per ounce for the second quarter of 2004 and $404 for the six months ended June 30, 2004. The London p.m. gold price averaged $427 per ounce of gold during the three months ended June 30, 2005 compared to $393 during the same period in 2004, and $427 compared to $401 for the six month periods.

Cost of Production

The Company s total cash cost of production includes mining, processing, direct mine overhead costs and royalties, but excludes selling, general and administrative costs at the corporate level. Total production costs include depreciation and depletion and amortization of site closure and reclamation accruals but exclude future income tax effects. There is a difference between cost of sales and cost of production relating to the difference in the cost of the ounces sold out of inventory during the year.

Cash costs of production should not be considered as an alternative to operating profit or net profit attributable to shareholders, or as an alternative to other Canadian or U.S. generally accepted accounting principle measures and may not be comparable to other similarly titled measures of other companies. However, the Company believes that cash costs of production per ounce of gold, by mine, is a useful indicator to investors and management of a mine s performance as it provides: (i) a measure of the mine s cash margin per ounce, by comparison of the cash operating costs per ounce by mine to the price of gold; (ii) the trend in costs as the mine matures; and (iii) an internal benchmark of performance to allow for comparison against other mines.

The difference between cost of sales as presented in the consolidated statements of operations and cash costs of production for the Company is due to the cost of any incremental ounces put into or sold out of finished goods inventory compared to those ounces actually produced during the year. During the first six months of 2005, approximately 3,000 ounces of gold produced by El Sauzal in the fourth quarter of 2004 were sold, decreasing the average cost per ounce of gold sold during the first six months of 2005 compared to the average cost per ounce of gold produced. The table below reconciles total cash costs per ounce of production and total costs per ounce of production based on the Gold Institute Production Cost Standard to cost per ounce sold per the financial statements.

Non-GAAP Financial Measure:

Reconciliation of Production Costs to Cost of Sales

(dollar amounts in millions of U.S. dollars, unless indicated)	Three months ended June 30, 2005	Three months ended June 30, 2004	Six months ended June 30, 2005	Six months ended June 30, 2004
Total ounces sold	**112,810**	47,037	**210,927**	99,700
Total ounces produced	**109,377**	48,109	**203,098**	99,028
Total cost of sales per the financial statements	**$ 21.4**	$ 8.5	**$ 39.2**	$ 19.2
Adjustments for revenue recognition (difference in cost of ounces sold out of inventory)	**(0.5)**	0.3	**(0.7)**	0.0
Total cash cost of production per Gold Institute Production Cost Standard	**$ 20.9**	$ 8.8	**$ 38.5**	$ 19.2
Total cash cost per ounce of gold sold	**$ 190**	$ 181	**$ 186**	$ 193
Total cash cost per ounce of gold produced per Gold Institute Production Cost Standard	**$ 191**	$ 183	**$ 190**	$ 194

Depreciation, depletion and amortization per the financial statements	**$ 12.5**	$ 4.0	**$ 23.2**	$ 8.4
Net adjustments for cost of ounces produced but not sold, non-production-related depreciation and future income tax effects	**(1.2)**	0.1	**(2.0)**	0.0
Total cost of production per Gold Institute Production Cost Standard	**$ 32.2**	$ 12.9	**$ 59.7**	$ 27.6
Total cost of production per ounce of gold produced per Gold Institute Production Cost Standard	**$ 295**	$ 268	**$ 294**	$ 279

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Depreciation and depletion charges were $12.5 million for the three months ending June 30, 2005 compared to $4.0 million for the comparable period in 2004. For the six month periods ended June 30, depreciation and depletion charges were $23.2 million during 2005 compared to $8.4 million during 2004. Over 60% of the depreciation and depletion charges were calculated on a unit-of-production basis and thus, as production and sales increased, these charges increased proportionally. The other significant difference was the inclusion of charges from the El Sauzal mine that was not yet in production in the second quarter of 2004. These charges included the amortization of the costs allocated to El Sauzal at the time of the Company s acquisition of Francisco Gold Corp. With the inclusion of El Sauzal production, the Company s year to date depreciation and depletion charges were approximately $104 per ounce of gold compared to 2004 s average of $85 per ounce of gold.

Other Income and Expenses

The Company expensed exploration expenditures of $1.4 million during the three months ended June 30, 2005, of which $0.8 million was expensed in Guatemala, $0.2 million in the United States and $0.4 million in Mexico. Exploration expense in the second quarter of 2004 was $0.8 million. During the first six months of 2005, the Company expensed $2.5 million on exploration compared to $1.9 million during the same period in 2004. Exploration activities in Mexico and expenditures on the Cerro Blanco Project in Guatemala account for the difference.

General and administrative expense was $2.0 million for the three months ended June 30, 2005, as compared to the $1.6 million expended in the same period in 2004. Staff increases, employment-related expenses and business development activities accounted for the difference. General and administrative expense was $8.1 million for the six months ended June 30, 2005, as compared to $4.0 million expended in the same period in 2004. The most significant difference between the six-month periods was the $4.0 million charge incurred in the first quarter of 2005 for expenses incurred during the tender offer for Goldcorp Inc. Stock-based compensation included non-cash charges of $1.2 million during the three month period ended June 30, 2005 (2004 nil) and $1.8 million for the six months ended June 30, 2005 (2004 $0.1 million). Other operating expenses in the second quarter of 2005 included non-cash charges of $0.6 million in accretion expense and other site closure accruals (2004 $0.3 million). For the six months ended June 30, 2005 these expenses totaled $0.9 million (2004 $0.4 million).

Interest and other income increased to $0.4 million during the three months ended June 30, 2005. This included interest income of $0.2 million, other income of $0.3 million, and a foreign exchange loss of $0.1 million. Interest and other income was $0.1 million in the three months ended June 30, 2004 comprised of interest income of $0.3 million offset by a foreign exchange loss of $0.2 million. Interest and other income for the six months ended June 30, 2005 was $0.6 million. This was made up of interest income of $0.3 million, other income of $0.5 million, and a foreign exchange loss of $0.2 million. Interest and other income was $8.4 million in the six months ended June 30, 2004. During the first six months of 2004, the Company recorded income of $7.3 million relating to the final payments due on the sale of the Cerro San Pedro Project to Metallica Resources Inc. The Company also sold its 50% interest in the Metates Project in Mexico to American Gold Capital Corporation (American Gold) and received common shares of American Gold. The Company valued these shares at $0.7 million, all of which was recorded as income.

In the second quarter of 2005, current tax expense was $2.0 million for cash taxes payable related primarily to the San Martin operation (2004 nil). Future income tax benefit was $0.2 million during the second quarter of 2005 compared to $0.6 million of expense during the second quarter of 2004. For the six months ended June 30, 2005, cash tax expense was $3.1 million. Future income tax expense of $2.2 million for the six-month period ended June 30, 2005 related primarily to tax-effecting the earnings at the El Sauzal Mine. In the comparable period of 2004, future income tax expense was $1.5 million relating to the San Martin operation.

SUMMARY OF QUARTERLY RESULTS

The Company s quarterly information for the last eight quarters is shown below:

(amounts in millions of US$ except per ounce and per share amounts)	3rd Q 2003	4th Q 2003	1st Q 2004	2nd Q 2004	3rd Q 2004	4th Q 2004	1st Q 2005	2nd Q 2005
Average realized price/oz. of gold	$ 371	$ 402	$ 412	$ 394	$ 406	$ 438	$ 429	$ 430
Ounces of gold sold	51,110	56,064	52,663	47,036	51,631	76,369	98,117	112,810
Revenues [(1)]	$ 19.0	$ 22.5	$ 21.7	$ 18.6	$ 21.0	$ 33.4	$ 42.1	$ 48.7
Net earnings[(2)]	$ 3.4	$ 8.6(3)	$ 9.1(3)	$ 2.9	$ 2.8	$ 6.1	$ 2.2(4)	$ 8.2
Basic earnings per share	$ 0.02	$ 0.07	$ 0.07	$ 0.02	$ 0.02	$ 0.05	$ 0.02	$ 0.06
Diluted earnings per share	$ 0.02	$ 0.07	$ 0.07	$ 0.02	$ 0.02	$ 0.05	$ 0.02	$ 0.06

(1) Net sales and total revenues are the same.

(2) Income from continuing operations and net earnings are the same.

(3) Includes income from the sale of the Cerro San Pedro and Metates properties of $1.5 million in the 4th quarter of 2003 and $6.9 million in the 1st quarter of 2004.

(4) Includes $4.0 million of expenses incurred during the tender offer for Goldcorp Inc.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital and Cash Flow

The Company had working capital of $29.3 million at June 30, 2005, compared to $27.4 million at December 31, 2004. The Company had cash flow from operations before working capital adjustments and reclamation expenditures of $22.1 million during the second quarter of 2005, compared to $7.7 million generated in the second quarter of 2004.

The Company s mining operations provided $23.8 million in cash during the second quarter of 2005 compared to $9.8 million during the second quarter of 2004 (revenues, less cost of sales, less cash reclamation expenditures). The major differences were a 140% increase in ounces of gold sold that accounted for $14.0 million of the difference; a 9% increase in the realized price of gold accounted for a $4.1 million increase both of which were offset by a $1.0 million decrease attributable to the increased cash cost per ounce (cash cost per ounce of gold sold was $190 in the second quarter of 2005 versus $181 during the first quarter of 2004). Cash flow from operations before working capital adjustments and reclamation was $38.6 million for the six months ended June 30, 2005 compared to $15.4 million during the period ended June 30, 2004. In addition, the Company received $13.25 million in cash received from the sale of the royalty on the Cerro San Pedro project and shares valued by the Company at $0.7 million in exchange for its Metates property interest. The substantial increase in production and sales in first six months of 2005 compared to the same period in 2004 drove the increase in cash flow along with a 6% realized gold price increase.

Capital expenditures totaled $38.8 million for the second quarter of 2005, and $72.3 million year to date. This compared to $58.7 million in the second quarter of 2004 and $93.2 million for the six months ended June 30, 2004. Capital expenditures this year were primarily for the Marlin Project construction. During 2004, both El Sauzal and Marlin were under construction. Expenditures in the quarter ended June 30, 2005 at Marlin totaled $29.1 million and included $12.7 million in expenditures on the process facilities, $2.2 million on the tailings facility, $1.8 million on mine equipment, $2.6 million on surface development, $1.2 million on underground development and $8.3 million on other development and support activities, including $0.6 million of capitalized interest. Marigold Mine expenditures were $4.5 million on deferred stripping, $1.5 million on leach pad construction and process facilities, $0.7 million for equipment and $0.9 million for mine development for a total of $7.6 million. The San Martin Mine spent $0.9 million for leach pad construction. At El Sauzal, $1.2 million was capitalized: $0.5 million at the process plant, $0.6 million on equipment and $0.1 million on infrastructure improvements. Capital expenditures of $72.3 million to date in 2005 were financed from the Company s operating cash flow and working capital and an additional $15.0 million drawn on the International Finance Corporation debt facility for the Marlin Project, and $20.0 million from the Company s revolving credit facility. The Company expects that all remaining capital expenditures in 2005 will be financed from the Company s cash flow and working capital and available credit facility (see below).

The Company received $0.4 million from the exercise of stock options in the three months ended June 30, 2005 compared to $1.2 million in the three months ended June 30, 2004. $0.6 million was received from exercise of stock options during the first six months of 2005 compared to $3.1 million during the same period in 2004.

Long-term liabilities increased to $162.1 million at June 30, 2005, compared to $123.6 million at December 31, 2004, primarily as a result of borrowing for construction of the Marlin Project. The long-term liabilities amount consisted of reserves for future reclamation costs, long-term debt, and future income taxes. At June 30, 2005, the non-current site closure and reclamation liability was $8.9 million ($7.6 million at December 31, 2004). Long-term debt incurred for construction at the Marlin Project increased to $65.0 million at June 30, 2005 ($30.0 million at December 31, 2004), as the project entered the final months of construction. Future income taxes increased slightly to $88.2 million from $86.0 million at December 31, 2004. Future income tax increases were due primarily to income generated from the El Sauzal Mine.

Capital Resources

On June 30, 2004, the Company signed a loan agreement with International Finance Corporation, a division of the World Bank providing for up to $45.0 million in funding, at a six-month LIBOR plus 2.625%-based interest rate, for development of the Company s Marlin Project in Guatemala. The facility is secured by a pledge of the Company s shares in the related Guatemalan subsidiaries. As at June 30, 2005 and August 5, 2005, there was $45.0 million outstanding under the facility. The blended interest rate was 5.515% as of June 30, 2005 and 6.445% as of August 5, 2005; interest is payable semiannually. Principal repayments are scheduled to begin in January 2007 and will be made semi-annually through July 2009. For the three months ended June 30, 2005, $0.6 million of interest was capitalized to the Marlin Project; $1.1 million of interest was capitalized for the six months ended June 30, 2005, (2004 nil).

On March 4, 2005, the Company finalized a $50.0 million revolving credit facility with the Bank of Nova Scotia. The facility is available for borrowing and repayment at any time during the 3-year period ending March 4, 2008 at a LIBOR-based interest rate. The facility is secured by a pledge of the Company s shares in certain U.S. and Mexican mining subsidiaries. As of June 30, 2005 and August 5, 2005, $20.0 million was outstanding under this facility. The interest rate was 4.51% as of June 30, 2005 and August 5, 2005; interest is payable quarterly. For the three-month and six-month periods ended June 30, 2005, $0.1 million in interest was capitalized to the Marlin Project.

In the course of its business, the Company may issue debt or equity securities to meet the growth plans of the Company if it determines that additional funding could be obtained under favorable financial terms. No assurance can be given that additional funding will be available or, if available, will be on terms acceptable to the Company.

COMMITMENTS AND CONTINGENCIES

In the course of its normal business, the Company incurs various contractual obligations and contingent liabilities. These contractual obligations and contingencies as at June 30, 2005 are shown in the table below:

(amounts in millions of U.S. dollars)

Contractual Obligations	Less than one year	1 3 years	4 5 years	More than 5 years	Total
Operating leases	$ 0.5	$ 1.1	$ 0.1		$ 1.7
Minimum royalty payments	$ 0.3	$ 0.9	$ 0.6	$ 1.7	$ 3.5
Construction and equipment purchase contracts	$ 17.2				$ 17.2
Long-term debt [1]	$	$ 42.5	$ 22.5		$ 65.0

Contingencies	Less than one year	1 3 years	4 5 years	More than 5 years	Total
Future site closure and reclamation costs [2]	$ 0.8	$ 0.9	$ 1.8	$ 19.7	$ 22.9

(1) Reflects the $65.0 million

principal outstanding as of June 30, 2005. Does not include future interest payments on the long-term debt.

(2) In the Company s financial statements, \$0.8 million of these obligations are included in current liabilities and \$8.9 million in long-term liabilities. The Company has \$10.0 million in cash and certificates of deposit as collateral backing these obligations.

OUTSTANDING SHARE INFORMATION

The Company had 131,018,753 common shares outstanding as of June 30, 2005 and as of August 5, 2005. The Company also had outstanding 3,996,200 stock options outstanding as of June 30, 2005 and August 5, 2005. All outstanding options are each exercisable into one common share.

The Company had 200,000,000 shares of common stock authorized as of December 31, 2004. At an extraordinary shareholders&rticipation in the Executives Deferred Compensation Plan and their respective aggregate account balances thereunder as of December 31, 2014 is set forth in the Nonqualified Deferred Compensation table on page 43 of this Proxy Statement.

Share Ownership Guidelines

We do not require our Named Executive Officers to own a minimum number of our Common Shares. However, we encourage our Named Executive Officers to own our Common Shares by making equity-based compensation a meaningful part of each executive s total compensation and providing our executives with the opportunity to defer payment of part or all of their annual cash performance bonus and receive Common Shares in lieu thereof at a future date under the Executives Deferred Compensation Plan.

We grant equity-based awards to align the interests of our Named Executive Officers and our shareholders. Accordingly, under our Insider Trading Policy, we prohibit our executives from buying or selling put options, call options or other derivative securities related to our Common Shares or engaging in short sales or hedging transactions (among other transactions) because we believe such securities and transactions are counter to the alignment we seek to achieve. Under our Insider Trading Policy, we also prohibit our executives from holding our Common Shares in a margin account or otherwise pledging Common Shares as collateral for a loan.

Tax Implications

Section 162(m) generally prohibits a company from deducting compensation paid to certain covered employees (its principal executive officer and three other most highly compensated executive officers (other than the principal financial officer)) in excess of $1 million per person in any year. Compensation that qualifies as performance-based is excluded for purposes of calculating the amount of compensation subject to the $1 million limit. The Committee considers the deductibility of our executive compensation under Section 162(m) and structures the annual cash performance bonus under our 2009 Annual Incentive Plan and the equity compensation awards under our 2009 LTIP with the goal of qualifying any compensation paid thereunder as performance-based compensation excluded from the $1 million cap. We believe all compensation paid to our Named Executive Officers for 2014 will be fully deductible for federal income tax purposes.

In certain cases, the Committee may award compensation that does not meet the requirements of Section 162(m) if, in its judgment, such compensation is necessary to meet our financial and strategic objectives or to adapt to changing circumstances.

Looking Forward 2015 Compensation

The Committee engaged Pearl Meyer to serve as its independent outside compensation consultant for 2015. In the course of the engagement, Pearl Meyer reviewed our executive compensation program as a whole and each principal component of the program and provided market data relating to the current executive compensation practices within our Peer Group. After reviewing our executive compensation program and the data provided by Pearl Meyer, consulting with Pearl Meyer and receiving input from our Chief Executive Officer and other members of management, in the first quarter of 2015, the Committee established our 2015 executive compensation program. The 2015 program includes the same components of compensation as 2014 and is substantially similar in design to our

2014 program. Set forth below is a summary of the principal components of the 2015 executive compensation program.

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Base Salary. The base salaries for Messrs. Schottenstein, Creek and Mason remain at $900,000, $600,000 and $450,000, respectively.

Annual Performance Bonus. For 2015, each Named Executive Officer is eligible to receive a cash performance bonus that is based on our Adjusted Pre-Tax Income in 2015. The maximum cash performance bonuses that Messrs. Schottenstein, Creek and Mason may receive for 2015 are 350%, 250% and 200% of their respective 2015 base salaries (the same maximum percentages of base salary that applied in 2014).

Equity-Based Compensation. In February 2015, the Committee awarded Messrs. Schottenstein, Creek and Mason stock options to purchase 82,500, 55,000 and 27,500 Common Shares, respectively, which, in each case, represents the same number of service-based stock options that he received in 2014. Consistent with past stock option awards, these options vest and become exercisable in 20% increments on December 31, 2015, 2016, 2017, 2018 and 2019, subject to the Named Executive Officer s continued employment on the applicable vesting date.

In addition, the Committee awarded Messrs. Schottenstein, Creek and Mason 28,195, 18,796 and 9,398 target number of PSU s. The PSU s will vest and be earned, if at all, after the completion of the performance period, which is the three-year period from January 1, 2015 through December 31, 2017, based (1) 80% on our cumulative Adjusted Pre-Tax Income and (2) 20% on our relative total shareholder return compared to our Peer Group over the performance period, and continued employment. The actual number of PSU s that will vest and be earned by each Named Executive Officer may be increased by up to 50% (from the target number) if we achieve the maximum performance levels for both of the performance goals and be decreased to zero if we fail to meet the threshold performance levels for both of the performance goals. If we achieve the threshold performance levels for both of the performance goals, 50% of each Named Executive Officer s target number of PSU s will vest and be earned. The percentage of the target number of PSU s that will vest and be earned for performance between (1) the threshold and target performance levels will increase proportionately from 50% to 100% based on our actual performance and (2) the target and maximum performance levels will increase proportionately from 100% to 150% based on our actual performance. The same minimum, target and maximum performance levels apply to each Named Executive Officer. The vested PSU s will be settled on a one-for-one basis in whole Common Shares. The PSU s have no dividend or voting rights. Any portion of the PSU s that do not vest will be forfeited.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board (and the Board approved) that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company s 2014 Form 10-K.

Compensation Committee:

Friedrich K. M. Böhm (Chairman)

Norman L. Traeger

Sharen Jester Turney

COMPENSATION OF EXECUTIVE OFFICERS

Summary Compensation Table for 2014

The following table summarizes the total compensation for the fiscal years ended December 31, 2014, 2013 and 2012 for the Company s Chief Executive Officer, Chief Financial Officer and Chief Legal Officer during the 2014 fiscal year:

Name and Principal Position	Year	Salary ($) (1)	Stock Awards ($) (2)	Option Awards ($) (3)	Non-Equity Incentive Plan Compensation ($) (4)	All Other Compensation ($) (5)	Total ($)
Robert H. Schottenstein	2014	900,000	585,911	1,042,800	2,441,565	11,954	4,982,230
Chairman, Chief Executive	2013	891,346	0	987,525	2,215,280	11,844	4,105,995
Officer and President	2012	816,346	0	438,750	1,260,875	22,456	2,538,427
Phillip G. Creek	2014	600,000	390,601	695,200	1,162,650	30,547	2,878,998
Executive Vice President,	2013	594,231	0	658,350	1,054,895	30,257	2,337,733
Chief Financial Officer and Director	2012	544,231	0	292,500	600,416	14,071	1,451,218
J. Thomas Mason	2014	450,000	195,289	347,600	697,590	11,954	1,702,433
Executive Vice President,	2013	450,000	0	329,175	614,583	11,844	1,405,602
Chief Legal Officer, Secretary and Director	2012	450,000	0	146,250	198,000	11,392	805,642

(1) The amounts shown reflect the base salaries earned by the Named Executive Officers for the 2014, 2013 and 2012 fiscal years.

(2) The amounts shown reflect the aggregate grant date fair value of the target number of PSU s granted under the 2009 LTIP during the 2014 fiscal year computed in accordance with FASB ASC Topic 718. These amounts do not represent the actual amounts that will be realized by the Named Executive Officers with respect to such awards. Assumptions used in the calculation of these amounts are included in Note 2 to the Company s audited consolidated financial statements for the fiscal year ended December 31, 2014, included in the Company s 2014 Form 10-K. The actual number of PSU s that will vest and be earned (if any) by each Named Executive Officer will be based (a) 80% on our cumulative Adjusted Pre-Tax Income over the Performance Period (which began on January 1, 2014 and ends on December 31, 2016) and (b) 20% on our relative total shareholder return compared to our Peer Group over the Performance Period, and continued employment. The aggregate grant date fair value of the PSU s assuming we achieve the maximum performance level is as follows: Mr. Schottenstein, $878,867; Mr. Creek, $585,890; and Mr. Mason, $292,935. See Compensation Discussion and Analysis Components of 2014 Executive Compensation Equity-Based Compensation on page 30 of this Proxy Statement and Compensation Discussion and Analysis Payments in Connection with Termination of Employment or Change in Control on page 34 of this Proxy Statement for more information concerning the PSU s granted in the 2014 fiscal year and PSU s granted under the 2009 LTIP generally.

(3) The amounts shown reflect the aggregate grant date fair value of stock options granted under the 2009 LTIP during the 2014, 2013 and 2012 fiscal years computed in accordance with FASB ASC Topic 718. These amounts do not represent the actual amounts that will be realized by the Named Executive Officers with respect to such awards. Assumptions used in the calculation of these amounts are included in Note 2 to the Company s audited consolidated financial statements for the fiscal year ended December 31, 2014, included in the Company s 2014 Form 10-K. The stock option awards underlying the aggregate grant date fair value for each Named Executive Officer with respect to the 2014, 2013 and 2012 fiscal years are as follows:

	2014	**2013**	**2012**
Name	**(# of shares)**	**(# of shares)**	**(# of shares)**
Robert H. Schottenstein	82,500 [(a)]	82,500 [(a)]	75,000 [(a)]
Phillip G. Creek	55,000 [(a)]	55,000 [(a)]	50,000 [(a)]
J. Thomas Mason	27,500 [(a)]	27,500 [(a)]	25,000 [(a)]

(a) These stock options were granted under the 2009 LTIP during the 2014, 2013 and 2012 fiscal years as the Named Executive Officer s annual service-based stock option award and vest and become exercisable over a five-year period in 20% increments beginning on December 31 of the year in which the option was granted (subject to the Named Executive Officer s continued employment on the applicable vesting date) and expire ten years after the date

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of grant unless sooner exercised or forfeited. See Compensation Discussion and Analysis Components of 2014 Executive Compensation Equity-Based Compensation on page 30 of this Proxy Statement and Compensation Discussion and Analysis Payments in Connection with Termination of Employment or Change in Control on page 34 of this Proxy Statement for more information concerning the annual service-based stock options granted in the 2014 fiscal year and stock options granted under the 2009 LTIP generally.

(4) The amounts shown reflect the non-equity incentive plan cash performance bonuses earned by the Named Executive Officers under the Company s 2009 Annual Incentive Plan for the 2014, 2013 and 2012 fiscal years. See Compensation Discussion and Analysis Components of 2014 Executive Compensation Annual Cash Performance Bonus on page 28 of this Proxy Statement for more information concerning the annual cash performance bonuses earned by the Named Executive Officers with respect to the 2014 fiscal year. With respect to J. Thomas Mason, the amount shown for 2012 includes $19,800 allocated to Common Shares (864 shares) pursuant to the Executives Deferred Compensation Plan. See Compensation Discussion and Analysis Deferred Compensation on page 36 of this Proxy Statement for a description of this plan and see the Nonqualified Deferred Compensation table on page 43 of this Proxy Statement for a description of benefits accrued under this plan.

(5) The following table sets forth the details of All Other Compensation paid to each Named Executive Officer with respect to the 2014, 2013 and 2012 fiscal years:

Name	Year	Vehicle Allowance ($) (a)	Tax Reimbursement ($) (b)	Life Insurance Premiums ($) (c)	Company Contributions to 401(k) Plan ($) (d)	Total ($)
Robert H. Schottenstein	2014	10,200			1,754	11,954
	2013	10,200			1,644	11,844
	2012	10,200	3,590	7,474	1,192	22,456
Phillip G. Creek	2014	10,200	1,866	16,727	1,754	30,547
	2013	10,200	1,703	16,710	1,644	30,257
	2012	10,200	869	1,810	1,192	14,071
J. Thomas Mason	2014	10,200			1,754	11,954
	2013	10,200			1,644	11,844
	2012	10,200			1,192	11,392

(a) The amounts shown reflect the aggregate cost to the Company attributable to a monthly automobile allowance.

(b) The amounts shown reflect the amounts paid by the Company for reimbursement of taxes incurred by the Named Executive Officer in connection with the Company s payment of such Named Executive Officer s portion of the premium for a supplemental split-dollar life insurance policy for his benefit.

(c) For 2014 and 2013 for Phillip G. Creek, the amount shown reflects the Company s payment of both its portion and Mr. Creek s portion of the premium for a supplemental split-dollar life insurance policy for the benefit of Mr. Creek. Until September 2013, the Company maintained a $4.0 million supplemental split-dollar life insurance policy for the benefit of Robert H. Schottenstein. In September 2013, the Company and a trust for the benefit of Mr. Schottenstein agreed to surrender the supplemental split-dollar life insurance policy that the Company maintained for Mr. Schottenstein and terminate the arrangement. In connection with such surrender and termination, the Company received from the net proceeds resulting from the surrender an amount equal to the amount of premiums that the Company had paid with respect to its portion of the premium during the life of the policy and the trustee, on behalf of the trust, received the balance of such net proceeds ($9,762). For 2012, the amounts shown reflect the Named Executive Officer s portion of the premium for the split-dollar policy for the benefit of such Named Executive Officer that was paid by the Company (as the Company elected not to fund its portion of the premium for the supplemental split-dollar life insurance policy for the benefit of either Mr. Schottenstein or Mr. Creek in 2012). See Compensation Discussion and Analysis Components of 2014 Executive Compensation Benefits and Perquisites on page 33 of this Proxy Statement for more information concerning this benefit.

(d) The amounts shown reflect profit-sharing contributions made by the Company to the Named Executive Officers pursuant to the Company s 401(k) Plan.

Grants of Plan-Based Awards for 2014

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	**Grant Date**	**Threshold ($) (1)**	**Target ($)**	**Maximum ($) (1)**	**Threshold (#) (2)**	**Target (#) (2)**	**Maximum (#) (2)**	**(#) (3)**	**($/Share)**	**($)**
Robert H. Schottenstein	-	1,417,500		3,150,000						
	2/18/2014				12,610	25,220	37,830			585,911(4)
	2/18/2014							82,500	23.79	1,042,800(5)
Phillip G. Creek	-	675,000		1,500,000						
	2/18/2014				8,406	16,813	25,219			390,601(4)
	2/18/2014							55,000	23.79	695,200(5)
J. Thomas Mason	-	405,000		900,000						
	2/18/2014				4,203	8,406	12,609			195,289(4)
	2/18/2014							27,500	23.79	347,600(5)

(1) The amounts shown reflect the minimum and maximum amounts that each Named Executive Officer was eligible to receive with respect to the 2014 fiscal year based on the Adjusted Pre-Tax Income performance goal established by the Compensation Committee for such Named Executive Officer pursuant to the 2009 Annual Incentive Plan as described in Compensation Discussion and Analysis Components of 2014 Compensation Annual Cash Performance Bonus beginning on page 28 of this Proxy Statement. While the Compensation Committee established minimum and maximum amounts with respect to the Adjusted Pre-Tax Income performance goal, it did not establish any target amount for this performance goal. In 2014, we achieved an Adjusted Pre-Tax Income of $73.2 million, which resulted in a bonus of $2,441,565, $1,162,650, and $697,590 for Robert H. Schottenstein, Phillip G. Creek and J. Thomas Mason, respectively.

(2) The amounts shown reflect the threshold, target and maximum number of PSU s that each Named Executive Officer is eligible to earn based (a) 80% on our cumulative Adjusted Pre-Tax Income over the Performance Period (which began on January 1, 2014 and ends on December 31, 2016) and (b) 20% on our relative total shareholder return compared to our Peer Group over the Performance Period, and continued employment. See Compensation Discussion and Analysis Components of 2014 Executive Compensation Equity-Based Compensation on page 30 of

this Proxy Statement and Compensation Discussion and Analysis Payments in Connection with Termination of Employment or Change in Control on page 34 of this Proxy Statement for more information concerning the PSU s granted in the 2014 fiscal year and PSU s granted under the 2009 LTIP generally.

(3) The amounts shown reflect the number of stock options granted under the 2009 LTIP as the Named Executive Officer s 2014 annual service-based stock option award. These stock options vest and become exercisable over a five-year period in 20% increments beginning on December 31, 2014 (subject to the Named Executive Officer s continued employment on the applicable vesting date) and expire on February 18, 2024 unless sooner exercised or forfeited. The stock options have an exercise price equal to the closing price of our Common Shares on the NYSE on the date of grant. See Compensation Discussion and Analysis Components of 2014 Executive Compensation Equity-Based Compensation on page 30 of this Proxy Statement and Compensation Discussion and Analysis Payments in Connection with Termination of Employment or Change in Control on page 34 of this Proxy Statement for more information concerning the annual service-based stock options granted in the 2014 fiscal year and stock options granted under the 2009 LTIP generally.

(4) The amounts shown reflect the aggregate grant date fair value of the target number of PSU s granted to the Named Executive Officer in the 2014 fiscal year computed in accordance with FASB ASC Topic 718.

(5) The amounts shown reflect the aggregate grant date fair value of the stock options granted to the Named Executive Officers in the 2014 fiscal year computed in accordance with FASB ASC Topic 718.

Outstanding Equity Awards at 2014 Fiscal Year-End

	Option Awards (1)				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(6)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(7)
Robert H. Schottenstein	65,000		54.85	2/16/2015		
	75,000		41.45	2/13/2016		
	60,000		33.86	2/13/2017		
	31,746		33.86	2/13/2017		
	14,400		13.12	2/9/2020		
	15,000	15,000 (2)	14.18	2/8/2021		
	15,000	30,000 (3)	12.23	2/8/2022		
	33,000	49,500 (4)	23.66	2/12/2023		
	16,500	66,000 (5)	23.79	2/18/2024		
					25,220	579,051
Phillip G. Creek	20,000		54.85	2/16/2015		
	30,000		41.45	2/13/2016		
	24,000		33.86	2/13/2017		
	15,873		33.86	2/13/2017		
	8,000		7.85	2/10/2019		
	48,000		13.12	2/9/2020		
	40,000	10,000 (2)	14.18	2/8/2021		
	30,000	20,000 (3)	12.23	2/8/2022		
	22,000	33,000 (4)	23.66	2/12/2023		
	11,000	44,000 (5)	23.79	2/18/2024		
					16,813	386,027
J. Thomas Mason	7,000		54.85	2/16/2015		
	12,500		41.45	2/13/2016		
	10,000		33.86	2/13/2017		
	4,960		33.86	2/13/2017		
	24,000		13.12	2/9/2020		
	20,000	5,000 (2)	14.18	2/8/2021		
	15,000	10,000 (3)	12.23	2/8/2022		
	11,000	16,500 (4)	23.66	2/12/2023		

	5,500	22,000 (5)	23.79	2/18/2024		
					8,406	193,002

(1) Each of the stock options set forth in this table with an expiration date prior to 2020 was granted under the 1993 Plan and expires ten years after the date of grant in accordance with the terms of the 1993 Plan. Each of the stock options set forth in this table with an expiration date in 2020 or later was granted under the 2009 LTIP and expires ten years after the date of grant in accordance with the terms of the 2009 LTIP.

(2) 100% of these unexercisable options vest on December 31, 2015.

(3) 50% of these unexercisable options vest on each of December 31, 2015 and 2016.

(4) 33 and 1/3% of these unexercisable options vest on each of December 31, 2015, 2016 and 2017.

(5) 25% of these unexercisable options vest on each of December 31, 2015, 2016, 2017 and 2018.

(6) The amounts shown reflect the target number of PSU s awarded to the Named Executive Officer in 2014 under the 2009 LTIP. The actual number of PSU s that will vest and be earned (if any) by each Named Executive Officer will be determined after the Performance Period (which began on January 1, 2014 and ends on December 31, 2016) based (a) 80% on our cumulative Adjusted Pre-Tax Income over the Performance Period and (b) 20% on our relative total shareholder return compared to our Peer Group over the Performance Period, and continued employment.

(7) The amounts shown reflect the market value as of December 31, 2014 of the target number of PSU s awarded to the Named Executive Officer in 2014, calculated by multiplying the target number of PSU s by the closing price of our Common Shares on the NYSE on December 31, 2014 ($22.96).

Option Exercises and Stock Vested in 2014

	Option Awards		**Stock Awards**	
	Number of Shares Acquired on Exercise	**Value Realized on Exercise**	**Number of Shares Acquired on Vesting**	**Value Realized on Vesting**
Name	**(#)**	**($) (1)**	**(#)**	**($)**
Robert H. Schottenstein	56,400	701,096		
Phillip G. Creek				
J. Thomas Mason	38,968	372,116		

(1) The amounts shown represent the difference between the exercise price of the option and the market price of the Common Shares at the time of exercise.

Nonqualified Deferred Compensation for 2014

	Executive Contributions in Last Fiscal Year	**Registrant Contributions in Last Fiscal Year**	**Aggregate Earnings in Last Fiscal Year**	**Aggregate Withdrawals/ Distributions in Last Fiscal Year**	**Aggregate Balance at Last Fiscal Year-End**
Name	**($) (1)**	**($) (2)**	**($) (3)**	**($) (4)**	**($) (5)**
Robert H. Schottenstein					
Phillip G. Creek			(1,059)	48,848	
J. Thomas Mason			(8,954)		82,564

(1) None of the Named Executive Officers made any contributions during the 2014 fiscal year under the Executives Deferred Compensation Plan. For more information concerning the Executives Deferred Compensation Plan, see Compensation Discussion and Analysis Deferred Compensation on page 36 of this Proxy Statement.

(2) The Company does not make any contributions under the Executives Deferred Compensation Plan on behalf of any of the participants in the plan.

(3) The amounts shown represent the notional change in the value of the Named Executive Officers accounts under the Executives Deferred Compensation Plan during the 2014 fiscal year based on the 10% decrease in the value of our Common Shares during the 2014 fiscal year. The Company paid no dividends on its Common Shares during the 2014 fiscal year. None of the amounts reported in this column are reported as compensation in the Summary Compensation Table on page 39 of this Proxy Statement.

(4) The amounts shown represent the market value of the Common Shares distributed to the Named Executive Officers during the 2014 fiscal year (based on the closing price of the Common Shares on the date of the distribution) pursuant to the Executives Deferred Compensation Plan.

(5) The amounts shown represent the market value as of December 31, 2014 of the Common Shares underlying the whole phantom stock units held in the Named Executive Officers accounts under the Executives Deferred Compensation Plan based on the closing price of our Common Shares on the NYSE on December 31, 2014. With respect to J. Thomas Mason, $66,242 of the amount shown has been previously reported as compensation in the Summary Compensation Table for previous years.

Potential Payments Upon Termination of Employment or Change in Control

As described in Compensation Discussion and Analysis Payments in Connection with Termination of Employment or Change in Control on page 34 of this Proxy Statement, we are a party to a Change in Control Agreement with each Named Executive Officer that provides certain severance and other enhanced benefits if we experience a change in control and the executive s employment is terminated in connection with that change in control. Other than the benefits that may be payable to the Named Executive Officers under the Change in Control Agreements, the accelerated vesting under certain circumstances of stock options and PSU s granted to the Named Executive Officers under the 2009 LTIP and certain payments that may be payable to the Named Executive Officers under the 2009 Annual Incentive Plan, we do not currently have employment or severance agreements or other plans or arrangements that provide payments or enhanced benefits to our Named Executive Officers in connection with a termination of employment or change in control.

The following table summarizes the potential payments to our Named Executive Officers upon a termination of employment and/or a change in control of the Company (assuming that the triggering event occurred on December 31, 2014):

Name and Type of Potential Payment	Death ($)	Disability ($)	Retirement ($)	Involuntary Not for Cause Termination ($)	Change in Control ($)	Involuntary Not for Cause Termination Followed by a Change in Control [5] ($)	Involuntary Not for Cause Termination or Voluntary Termination for Good Reason After a Change in Control [6] ($)
Robert H. Schottenstein							
Severance Benefits: [1]						11,967,611	12,111,259
Accelerated Vesting of Stock Options Under the 2009 LTIP: [2]	453,600	453,600	453,600		453,600		453,600
Accelerated Vesting of PSU s Under the 2009 LTIP: [3]	579,051	579,051	193,017	193,017	579,051	579,051	579,051

2009 Annual Incentive Plan Payments: (4)	2,441,565	2,441,565	2,441,565	2,441,565	2,299,500	2,441,565	2,299,500
Total:	3,474,216	3,474,216	3,088,182	2,634,582	3,332,151	14,988,227	15,443,410
Phillip G. Creek							
Severance Benefits: (1)						4,999,392	5,008,265
Accelerated Vesting of Stock Options Under the 2009 LTIP: (2)	302,400	302,400	302,400		302,400		302,400
Accelerated Vesting of PSU s Under the 2009 LTIP: (3)	386,027	386,027	128,676	128,676	386,027	386,027	386,027
2009 Annual Incentive Plan Payments: (4)	1,162,650	1,162,650	1,162,650	1,162,650	876,000	1,162,650	876,000
Total:	1,851,077	1,851,077	1,593,726	1,291,326	1,564,427	6,548,069	6,572,692
J. Thomas Mason							
Severance Benefits: (1)						3,049,969	3,100,971
Accelerated Vesting of Stock Options Under the 2009 LTIP: (2)	151,200	151,200	151,200		151,200		151,200
Accelerated Vesting of PSU s Under the 2009 LTIP: (3)	193,002	193,002	64,334	64,334	193,002	193,002	193,002
2009 Annual Incentive Plan Payments: (4)	697,590	697,590	697,590	697,590	657,000	697,590	657,000
Total:	1,041,792	1,041,792	913,124	761,924	1,001,202	3,940,561	4,102,173

(1) The amounts shown are based on the Change in Control Agreements with our Named Executive Officers as follows:

For Robert H. Schottenstein, of the amounts shown: (a) $5,454,701 represents a lump sum payment equal to the product of (i) 2.99 and (ii) the sum of his base salary at December 31, 2014 and his average annual bonus earned (whether paid in cash or equity) during the 2009-2013 fiscal years; (b) $2,441,565 represents a lump sum payment for his 2014 annual bonus (which amount is equal to the amount he earned under the 2009 Annual Incentive Plan with respect to the 2014 fiscal year and is based on the triggering event occurring on December 31, 2014 and the performance period ending on November 30, 2014, in accordance with the terms of his Change in Control Agreement); (c) $86,538 represents a lump sum payment for unused vacation; (d) $36,801 represents the estimated cost to the Company of providing continued coverage (at no cost to Mr. Schottenstein) in our group health plan for 24 months; (e) in the event of an involuntary not for cause termination followed by a change in control, $3,948,005 represents estimated excise tax payments payable to Mr. Schottenstein under his Change in Control Agreement; and (f) in the event of an involuntary not for cause termination or voluntary termination for good reason after a change in control, $4,091,653 represents estimated excise tax payments payable to Mr. Schottenstein under his Change in Control Agreement.

For Phillip G. Creek, of the amounts shown: (a) $2,080,300 represents a lump sum payment equal to the product of (i) 2.00 and (ii) the sum of his base salary at December 31, 2014 and his average annual bonus earned (whether paid in cash or equity) during the 2009-2013 fiscal years; (b) $1,162,650 represents a lump sum payment for his 2014 annual bonus (which amount is equal to the amount he earned under the 2009 Annual Incentive Plan with respect to the 2014 fiscal year and is based on the triggering event occurring on December 31, 2014 and the performance period ending on November 30, 2014, in accordance with the terms of his Change in Control Agreement); (c) $57,692 represents a lump sum payment for unused vacation; (d) $30,389 represents the estimated cost to the Company of providing continued coverage (at no cost to Mr. Creek) in our group health plan for 24 months; (e) in the event of an involuntary not for cause termination followed by a change in control, $1,668,361 represents estimated excise tax payments payable to Mr. Creek under his Change in Control Agreement; and (f) in the event of an involuntary not for cause termination or voluntary termination for good reason after a change in control, $1,677,235 represents estimated excise tax payments payable to Mr. Creek under his Change in Control Agreement.

For J. Thomas Mason, of the amounts shown: (a) $1,294,522 represents a lump sum payment equal to the product of (i) 2.00 and (ii) the sum of his base salary at December 31, 2014 and his average annual bonus earned (whether paid in cash or equity) during the 2009-2013 fiscal years; (b) $697,590 represents a lump sum payment for his 2014 annual bonus (which amount is equal to the amount he earned under the 2009 Annual Incentive Plan with respect to the 2014 fiscal year and is based on the triggering event occurring on December 31, 2014 and the performance period ending on November 30, 2014, in accordance with the terms of his Change in Control Agreement); (c) $43,269 represents a lump sum payment for unused vacation; (d) in the event of an involuntary not for cause termination followed by a change in control, $1,014,588 represents estimated excise tax payments payable to Mr. Mason under his Change in Control Agreement; and (e) in the event of an involuntary not for cause termination or voluntary termination for good reason after a change in control, $1,065,589 represents estimated excise tax payments payable to Mr. Mason under his Change in Control Agreement.

For more information concerning the Change in Control Agreements, see Compensation Discussion and Analysis Payments in Connection with Termination of Employment or Change in Control on page 34 of this Proxy Statement.

For purposes of each Change in Control Agreement, cause means: (a) any act of fraud, intentional misrepresentation, embezzlement or misappropriation or conversion of our assets or business opportunities; (b) conviction of a felony; (c) willful refusal to substantially perform his assigned duties; (d) willful engagement in gross misconduct materially injurious to the Company; or (e) breach of any material term of the Change in Control Agreement. However, cause will not arise due to any event that constitutes good reason under the Change in Control Agreement.

For purposes of each Change in Control Agreement, change in control means: (a) the acquisition by any person or group of the ownership of our stock that, together with the stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of our stock; (b) the acquisition by any person or group, within any twelve month period, of the ownership of our stock possessing 30% or more of the total voting power of our stock; (c) the date a majority of the members of the Board is replaced during any twelve month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; or (d) the acquisition by any person or group, within any twelve month period, of our assets that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of our assets immediately before such acquisition. The definition of change in control will be interpreted in a manner that is consistent with the definition of change in control event under Section 409A of the Code and the Treasury Regulations promulgated thereunder.

For purposes of each Change in Control Agreement, good reason means the occurrence of any of the following events during the 24 consecutive calendar months beginning after a change in control occurring during the term of the Change in Control Agreement to which the executive has not consented in writing: (a) any breach of the Change in Control Agreement of any nature whatsoever by or on behalf of the Company; (b) a reduction in his title, duties or responsibilities, as compared to either his title, duties or responsibilities immediately before the change in control or any enhanced or increased title, duties or responsibilities assigned to him after the change in control; (c) the permanent assignment to him of duties that are inconsistent with his office immediately before the change in control or any more senior office to which he is promoted after the change in control; (d) a reduction in his base salary; (e) a reduction in the annual cash bonus that he is eligible to receive or a change in the manner in which such annual cash bonus is calculated; (f) a material reduction in the aggregate value of his other annual compensation and/or fringe benefits; (g) a requirement that he relocate to a principal office or worksite (or accept indefinite assignment) to a location more than 30 miles from the principal office or worksite to which he was assigned immediately before the change in control or any location to which he agreed, in writing, to be assigned after the change in control; or (h) we attempt to amend or terminate the Change in Control Agreement except in accordance with the procedures described therein.

(2) Pursuant to the terms of the 2009 LTIP, if a participant s employment is terminated as a result of death, disability or retirement, all of the participant s unvested stock options will immediately vest and become exercisable. In the event of a change in control, the Compensation Committee may take such actions, if any, as it deems necessary or desirable with respect to any outstanding stock options, including (a) the acceleration of the vesting and exercisability of options, (b) the payment of cash in exchange for the cancellation of any options and/or (c) the issuance of substitute awards that preserve the value, rights and benefits of any options affected by the change in control. The table assumes that all unvested stock options under the 2009 LTIP will immediately vest and become exercisable upon a change in control. The amounts shown represent the value of the accelerated stock options as of December 31, 2014, calculated by multiplying the number of accelerated stock options by the difference between the exercise price and the closing price of our Common Shares on the NYSE on December 31, 2014. For more information concerning a participant s rights upon termination of employment or a change in control under the 2009 LTIP, see Compensation Discussion and Analysis Payments in Connection with Termination of Employment or Change in Control on page 34 of this Proxy Statement. As of December 31, 2014, all outstanding options under the 1993 Plan were vested and exercisable.

For purposes of the 2009 LTIP, disability means: (a) with respect to an incentive stock option, the participant has suffered a permanent and total disability, as defined in Section 22(e)(3) of the Code; and (b) with respect to any other award, unless otherwise provided in the related award agreement, (i) the participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months, (ii) the participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the participant s employer, or (iii) the participant is determined to be totally disabled by the Social Security Administration or Railroad Retirement Board.

For purposes of the 2009 LTIP, retirement means a participant s termination of employment (other than for cause) on or after the date on which the sum of the participant s years of service with the Company and its affiliates plus the participant s age is equal to or greater than 70, provided that the participant has attained the age of 55.

For purposes of the 2009 LTIP, change in control means: (a) the members of the Board on the effective date of the 2009 LTIP (including individuals whose election or nomination for election was approved by a majority of such directors) cease for any reason other than death to constitute at least a majority of the members of the Board; (b) the acquisition by any person or group, other than the Company, any subsidiary of the Company or any employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary of the Company, of beneficial ownership, directly or indirectly, of 30% or more of the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors of the Company; (c) the merger, consolidation or other business combination of the Company with or into another entity, or the acquisition by the Company of assets or shares or equity interests of another entity, as a result of which the shareholders of the Company immediately prior to such merger, consolidation, other business combination or acquisition, do not, immediately thereafter, beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the entity resulting from such merger, consolidation or other business combination of the Company; (d) the sale or other disposition of all or substantially all of the assets of the Company; or (e) the liquidation or dissolution of the Company. Notwithstanding the foregoing, with respect to the payment, exercise or settlement of any award that is subject to Section 409A of the Code, a change in control will not be deemed to have occurred unless the events or circumstances constituting a change in control also constitute a change in control event within the meaning of Section 409A of the Code and the Treasury Regulations promulgated thereunder.

(3) Pursuant to the terms of the 2009 LTIP, if, during a performance period, a participant s employment is terminated: (a) as a result of death or disability, then all of the PSU s that would have vested had the participant remained employed through the end of the performance period (based on our actual performance as of the end of the performance period) will vest at the end of the performance period; or (b) involuntarily without cause or as a result of the participant s retirement, a prorated portion (based on the full number of months that the participant was employed by us during the performance period) of the PSU s that would have vested had the participant remained employed through the end of the performance period (based on our actual performance as of the end of the performance period) will vest at the end of the performance period. For purposes of these termination events, the table assumes that the performance goals applicable to the PSU s will be achieved at the target level.

In the event of a change in control, the Compensation Committee may take such actions, if any as it deems necessary or desirable with respect to any outstanding PSU s, including (a) the acceleration of the vesting and settlement of any PSU s, (b) the payment of cash in exchange for the cancellation of any PSU s and/or (c) the issuance of substitute awards that preserve the value, rights and benefits of any PSU s affected by the change in control. The table assumes that all unvested PSU s will immediately vest at the target level upon a change in control.

The amounts shown represent the value of the accelerated PSU s as of December 31, 2014, calculated by multiplying the number of accelerated PSU s by the closing price of our Common Shares on the NYSE on December 31, 2014. For more information concerning a participant s rights upon termination of employment or a change in control under the 2009 LTIP, see Compensation Discussion and Analysis Payments in Connection with Termination of Employment or Change in Control on page 34 of this Proxy Statement.

(4) Pursuant to the terms of the 2009 Annual Incentive Plan, if, during a performance period, a participant s employment is terminated involuntarily without cause or as a result of the participant s death, disability or retirement, the participant will receive a prorated portion (based on the number of whole calendar months that the participant was employed by us during the performance period) of the compensation that would have been payable under the 2009 Annual Incentive Plan if the participant had remained employed for the full performance period. The amounts shown with respect to death, disability, retirement and involuntary not for cause termination represent a lump sum payment equal to the amounts earned by the Named Executive Officers under the 2009 Annual Incentive Plan with respect to the 2014 fiscal year. Pursuant to the terms of the 2009 Annual Incentive Plan, if a change in control occurs during a performance period, each outstanding award thereunder will be considered earned and payable at its target level. With respect to the 2014 fiscal year awards granted under the 2009 Annual Incentive Plan, the Compensation Committee established minimum and maximum levels of performance for each of the Named Executive Officers, but did not establish target levels of performance. The amounts shown with respect to a change in control represent a lump sum payment equal to an estimated target level under the 2009 Annual Incentive Plan for the 2014 fiscal year awards based on the Company s projected levels of performance with respect to the 2014 performance goals. For more information concerning a participant s rights upon termination of employment or a change in control under the 2009 Annual Incentive Plan, see Compensation Discussion and Analysis Payments in Connection with Termination of Employment or Change in Control on page 34 of this Proxy Statement.

For purposes of the 2009 Annual Incentive Plan, disability means: (a) the participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months; (b) the participant is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the participant s employer; or (c) the participant is determined to be totally disabled by the Social Security Administration or Railroad Retirement Board.

For purposes of the 2009 Annual Incentive Plan, retirement and change in control have substantially the same definitions as described in footnote (3) above with respect to the 2009 LTIP.

(5) For purposes of this column, we have assumed that, on December 31, 2014, the Named Executive Officer incurred an involuntary not for cause termination, which was followed by a change in control. For more information concerning a participant s rights upon termination of employment or a change in control, see Compensation Discussion and Analysis Payments in Connection with Termination of Employment or Change in Control on page 34 of this Proxy Statement.

(6) For purposes of this column, we have assumed that, on December 31, 2014 a change in control occurred, which was followed by the Named Executive Officer s involuntary not for cause termination or voluntary termination for good reason. For more information concerning a participant s rights upon termination of employment or a change in control, see Compensation Discussion and Analysis Payments in Connection with Termination of Employment or Change in Control on page 34 of this Proxy Statement.

In addition to the amounts shown in the table, pursuant to the terms of the Executives Deferred Compensation Plan, the phantom stock units held by each Named Executive Officer will be distributed in the form of whole Common Shares within 60 days of the earlier of the date specified by such Named Executive Officer in his deferral notice for the applicable plan year or the date his employment terminates for any reason other than disability or retirement (in which case, the date set forth in his deferral notice applies), except that, in the event of a change in control of the Company, the phantom stock units will be distributed in whole Common Shares within 60 days of the date of the change in control if such Named Executive Officer has so elected in his deferral notice. On December 31, 2014, the market value of the accounts of each of Robert H. Schottenstein, Phillip G. Creek and J. Thomas Mason under the Executives Deferred Compensation Plan was $0, $0 and $82,564, respectively. For more information concerning the Named Executive Officers rights under the Executives Deferred Compensation Plan, see Compensation Discussion and Analysis Deferred Compensation on page 36 of this Proxy Statement.

COMPENSATION OF DIRECTORS

The Board annually reviews and determines the compensation for our non-employee directors taking into account the recommendations of the Compensation Committee. In connection with this review and determination, the Board and the Compensation Committee consider the compensation paid to the non-employee directors of companies within our Peer Group, the current facts and circumstances relating to our business and our past practices. The Board believes that (1) non-employee director compensation should be generally competitive with companies in our Peer Group to ensure that we attract and retain qualified non-employee directors and (2) the compensation of our non-employee directors should include a combination of cash and equity-based compensation to align the interests of our non-employee directors and our shareholders. The Board does not have a pre-established policy or target for the allocation between cash and equity-based compensation and, instead, determines the mix of compensation based on what it believes is most appropriate under the circumstances. The Compensation Committee approves all equity-based compensation granted to the non-employee directors.

For the 2014 fiscal year, each non-employee director (other than the Lead Independent Director, the Chairman of the Audit Committee, the Chairman of the Compensation Committee and the Chairman of the Nominating and Governance Committee) received an annual retainer of $65,000 as payment for his or her service on the Board and any of its committees. The Chairman of the Audit Committee, the Chairman of the Compensation Committee and the Chairman of the Nominating and Governance Committee received an annual retainer of $95,000, $80,000 and $75,000, respectively, and the Lead Independent Director received an additional $15,000. All retainers are paid in equal quarterly installments after each quarterly Board meeting. Non-employee directors may defer payment of their retainer fees pursuant to the Director Deferred Compensation Plan. See footnote (1) to the Director Compensation Table below for a description of this plan. For 2014, each non-employee director also received a grant of 2,500 stock units under the 2009 LTIP. Pursuant to the 2009 LTIP, all stock units will be settled in Common Shares upon the director s separation of service from the Company. Any dividends paid with respect to our Common Shares after the grant date of stock units will accrue and be added to a director s stock units and will be paid in Common Shares upon separation of service.

The Compensation Committee generally awards all grants of stock units at its meeting held immediately following the Company s annual meeting of shareholders, and we do not have any program, plan or practice to time the grant of equity-based awards with the release of material non-public information.

For the 2015 fiscal year, we currently intend for the compensation program for our non-employee directors to be the same as the compensation program for our non-employee directors for the 2014 fiscal year.

Director Compensation Table for 2014

The following table summarizes the total compensation for the fiscal year ended December 31, 2014 for each of the Company s non-employee directors. Robert H. Schottenstein, Phillip G. Creek and J. Thomas Mason are not included in this table because they were employees of the Company during the 2014 fiscal year and received no additional compensation for their services as directors. The compensation received by Messrs. Schottenstein, Creek and Mason as employees of the Company is shown in the Summary Compensation Table on page 39 of this Proxy Statement.

Name	Fees Earned or Paid in Cash ($) (1)	Stock Awards ($) (2)	Total ($)

Joseph A. Alutto, Ph.D.	65,000	53,300	118,300
Friedrich K.M. Böhm	95,000	53,300	148,300
William H. Carter	95,000	53,300	148,300
Michael P. Glimcher	65,000	53,300	118,300
Thomas D. Igoe	65,000	53,300	118,300
Norman L. Traeger	75,000	53,300	128,300
Sharen Jester Turney	65,000	53,300	118,300

(1) The amounts shown reflect the annual retainers earned by our non-employee directors for the 2014 fiscal year. Pursuant to the Director Deferred Compensation Plan, each of our non-employee directors may elect to defer to a later date the payment of all or any portion of the retainer fees received for serving as a director. The deferred fees are credited to the non-employee director s deferred compensation account on the date of payment, where the fees are converted into that number of whole phantom stock units determined by dividing the amount of the deferred fees by the closing price of our Common Shares on the NYSE on such date. Each non-employee director s deferred compensation account is credited in an amount equal to any cash dividends paid on our Common Shares based on the phantom stock units held by the non-employee director at the time the cash dividends are declared. The amount so credited for dividends is also converted into phantom stock units. The phantom stock units held by a non-employee director are distributed in the form of whole Common Shares within 60 days of the earlier of the date specified by the non-employee director in his or her deferral notice or the date the non-employee director no longer serves as a director. The Board believes that, by encouraging ownership of our Common Shares, the Director Deferred Compensation Plan aligns the interests of our non-employee directors with the interests of our shareholders. With respect to Joseph A. Alutto, Ph.D. and William H. Carter, the amounts shown include $65,000 allocated to Common Shares (2,926 shares) and $95,000 allocated to Common Shares (4,276 shares), respectively, in each case pursuant to the Director Deferred Compensation Plan. For more information concerning the Director Deferred Compensation Plan, including the number of Common Shares held by our non-employee directors pursuant to the Director Deferred Compensation Plan, see Principal Shareholders on page 19 of this Proxy Statement.

(2) The amounts shown reflect the aggregate grant date fair value of the stock unit awards granted to our non-employee directors under the 2009 LTIP during the 2014 fiscal year computed in accordance with FASB ASC Topic 718. Assumptions used in the calculation of these amounts are included in Note 2 to the Company s audited consolidated financial statements for the fiscal year ended December 31, 2014, included in the Company s 2014 Form 10-K. The 2,500 stock units granted to each of the non-employee directors on May 6, 2014 (which were the only equity awards granted to the non-employee directors during the 2014 fiscal year) had a grant date fair value of $21.32 per unit (based on the closing price of our Common Shares on the date of grant). For the 2006, 2007 and 2008 fiscal years, we granted annual stock unit awards to the non-employee directors under the 2006 Director Plan. In connection with our shareholders approval of the 2009 LTIP, we terminated the 2006 Director Plan (although outstanding awards under the 2006 Director Plan remain in effect in accordance with their respective terms). The outstanding stock units under the 2009 LTIP and the 2006 Director Plan contain substantially the same terms. As of December 31, 2014, Joseph A. Alutto, Ph.D., Friedrich K.M Böhm, William H. Carter, Michael P. Glimcher, Thomas D. Igoe, , Norman L. Traeger and Sharen Jester Turney held 12,027, 12,027, 5,000, 4,000, 12,027, 12,027, and 6,000 stock units pursuant to the 2009 LTIP and/or the 2006 Director Plan, respectively.

AUDIT COMMITTEE MATTERS

Audit Committee Report

Purpose. The primary purpose of the Audit Committee is to assist the Board in its oversight of: (1) the integrity of the Company s consolidated financial statements and internal control over financial reporting; (2) the Company s compliance with legal and regulatory requirements; (3) the Company s independent registered public accounting firm s qualifications, independence and performance; and (4) the performance of the Company s internal audit function. The specific duties of the Audit Committee are set forth in its charter.

Responsibility. Management is responsible for the Company s internal controls, preparing the Company s consolidated financial statements and a report on management s assessment of the effectiveness of internal control over financial reporting. The Company s independent registered public accounting firm is responsible for performing an independent audit of the consolidated financial statements and issuing a report thereon, as well as for auditing the effectiveness of internal control over financial reporting. The independent registered public accounting firm s audits are performed in accordance with the standards of the Public Company Accounting Oversight Board (the PCAOB). The Audit Committee is responsible for overseeing the conduct of these activities and appointing the Company s independent registered public accounting firm. In performing its oversight function, the Audit Committee relies, without independent verification, on the information provided to it and representations made by management and the independent registered public accounting firm.

Meetings. During the fiscal year, the Audit Committee met eight times. In addition, the Chairman of the Audit Committee, on behalf of the Audit Committee, met eight times with the Company s senior financial management, including the internal auditors, and Deloitte & Touche LLP (D&T), the Company s independent registered public accounting firm, and discussed the Company s interim and fiscal year financial information prior to public release. These meetings were followed up with a telephonic report by the Audit Committee Chairman to the other members of the Audit Committee.

Auditor Independence. In fulfilling its oversight responsibility as to the audit process, the Audit Committee: (1) obtained from D&T a formal written statement describing all relationships between D&T and the Company that might bear on D&T s independence consistent with Independence Standards Board Standard No. 1, Responsibilities and Functions of the Independent Auditor, as adopted by the PCAOB in Rules 3520 & 3526; (2) discussed with D&T any relationships that may impact D&T s objectivity and independence; and (3) satisfied itself as to D&T s independence.

Auditor Required Communications. The Audit Committee reviewed and discussed with management, the internal auditors and D&T the quality and adequacy of the Company s internal control over financial reporting. In addition, the Audit Committee reviewed and discussed with D&T all communications required by generally accepted auditing standards, including those matters described in Auditing Standard 16, Communication with Audit Committees, and AU Section 150, Generally Accepted Auditing Standards, as adopted by the PCAOB in Rule 3100. The Audit Committee discussed and reviewed the results of D&T s audit of the consolidated financial statements with and without management present. The Audit Committee also reviewed and discussed the results of the Company s internal audits conducted throughout the year.

Annual Financial Statements and Internal Controls. The Audit Committee reviewed and discussed the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2014 with management and D&T. Management has represented to the Audit Committee that the audited consolidated financial statements were prepared in accordance with generally accepted accounting principles, consistently applied. The Audit Committee also reviewed, and discussed with management and D&T, management s report and D&T s report and attestation on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002.

Conclusion. Based on the Audit Committee s reviews and discussions with management and D&T noted above, the Audit Committee recommended to the Board (and the Board approved) that the Company s audited consolidated financial statements be included in the Company s 2014 Form 10-K that was filed with the SEC on February 27, 2015.

Audit Committee:

William H. Carter (Chairman)

Thomas D. Igoe

Friedrich K.M. Böhm

Norman L. Traeger

Independent Registered Public Accounting Firm Fees

The following table sets forth the aggregate fees billed to the Company by its independent registered public accounting firm for the fiscal years ended December 31, 2014 and December 31, 2013:

	Year Ended December 31,	
	2014	**2013**
Audit Fees	$ 966,250	$ 970,000
Audit-Related Fees	232,700	229,000
Tax Fees	30,800	25,800
All Other Fees		
Total	$ 1,229,750	$ 1,224,800

Audit Fees for the fiscal years ended December 31, 2014 and 2013 consisted of fees for professional services rendered for the audits of the annual consolidated financial statements of the Company and quarterly reviews of the condensed consolidated financial statements included in the Company s Quarterly Reports on Form 10-Q. In addition, the fees include $230,450 in 2014 and $185,000 in 2013 for the performance of audits of the Company s assessment of internal control over financial reporting.

Audit-Related Fees for the fiscal years ended December 31, 2014 and 2013 consisted of fees for annual audits of M/I Financial as well as assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and review of the Company s conclusions with respect to various accounting matters. In addition, the services in this category included services in 2013 related to our issuance of common shares and senior subordinated convertible notes.

Tax Fees for the fiscal years ended December 31, 2014 and December 31, 2013 consisted of fees for the review of our 2013 federal tax return and our 2012 federal tax return, respectively, and the preparation of our state and local tax returns.

Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services

The Audit Committee has adopted the following policy with respect to engagement of the Company s independent registered public accounting firm to perform services for the Company:

Annually, the independent registered public accounting firm will provide the Audit Committee with an engagement letter outlining the scope of the audit and permissible non-audit services proposed to be performed during the fiscal year, together with a schedule of fees for such services, for approval.

In addition to reviewing and approving the engagement letter, the Audit Committee will annually pre-approve a list of audit services (not covered by the audit engagement letter) and permissible audit-related services, tax services and other services as well as a range of fees for those services. Any services rendered by the independent registered public accounting firm during that fiscal year will be considered pre-approved by the Audit Committee provided that the services rendered fall within the list of pre-approved services and the fees do not exceed the pre-approved fees. To ensure prompt handling of unexpected matters, the Audit Committee has delegated to its Chairman the authority to amend or modify the list of pre-approved permissible audit and non-audit services and fees. The Chairman will report any action taken to the Audit Committee at its next meeting. The Audit Committee is regularly kept informed by management of the services provided by the independent registered public accounting firm.

During the 2014 and 2013 fiscal years, all services provided by D&T were pre-approved in accordance with the terms of the Audit Committee s pre-approval policy.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16 of the Exchange Act requires the Company s directors and officers and any person who beneficially owns more than ten percent of our Common Shares or Preferred Shares to file reports of ownership and changes in ownership of the Common Shares or Preferred Shares with the SEC. Based solely on a review of the reports filed on behalf of these persons and written representations from our officers and directors that no additional reports were required to be filed, the Company believes that, during the 2014 fiscal year, its officers, directors and greater than ten percent beneficial owners complied with such filing requirements.

SHAREHOLDER PROPOSALS FOR 2016 ANNUAL MEETING

Any proposals from shareholders which are intended to be presented at the 2016 Annual Meeting of Shareholders must be received by the Company by December 3, 2015 to be eligible for inclusion in next year s proxy statement and form of proxy. Such proposals may be included in next year s proxy statement and form of proxy if they comply with certain SEC Rules. In addition, if a shareholder intends to present a proposal at the 2016 Annual Meeting of Shareholders without the inclusion of that proposal in the proxy statement relating to the 2016 Annual Meeting of Shareholders and written notice of the proposal is not received by the Company on or before February 16, 2016, or if the Company meets other requirements of applicable SEC Rules, proxies solicited by the Board for the 2016 Annual Meeting of Shareholders will confer discretionary authority to vote on the proposal at the meeting. In each case, written notice must be given to M/I Homes, Inc., 3 Easton Oval, Suite 500, Columbus, Ohio 43219, c/o Chief Legal Officer and Secretary.

Pursuant to the advance notice provision in our Regulations relating to the nomination of one or more persons for election as a director at an annual meeting of shareholders, shareholders who wish to nominate one or more persons for election as a director at the 2016 Annual Meeting of Shareholders may do so only if they comply with the nomination procedures set forth in our Regulations. The advance notice provision requires that a shareholder give written notice of such shareholder s intent to make such nomination(s) by personal delivery or by United States Mail, postage pre-paid, to the Secretary of the Company not later than March 6, 2016 nor earlier than February 4, 2016. See Information Regarding the Board, its Committees and Corporate Governance Nomination of Directors beginning on page 8 of this Proxy Statement for information regarding our director nomination process.

EXPENSES OF SOLICITATION

The entire expense of preparing, assembling, printing and mailing this Proxy Statement, the accompanying proxy card and any other related materials, as well as other costs incurred in connection with the solicitation of proxies on behalf of the Board, will be paid by the Company, except for any Internet access fees and telephone service fees incurred by shareholders who elect to vote electronically via the Internet or telephonically. Proxies may be solicited personally or by telephone, mail, electronic mail, facsimile or telegraph. Officers or employees of the Company may assist with solicitations and will receive no additional compensation for their services. The Company will reimburse brokers, banks and other nominees for their reasonable expenses in forwarding proxy materials to beneficial owners of our Common Shares.

OTHER MATTERS

As of the date of this Proxy Statement, the Board knows of no other matters to be presented at the Annual Meeting. If any other matter requiring a vote of the shareholders is properly brought before the Annual Meeting, the persons named in the accompanying proxy card will vote and act according to their best judgments in light of the conditions then prevailing, to the extent permitted under applicable law.

You are urged to complete, sign, date and return the enclosed proxy card in the envelope provided or, alternatively, vote your proxy electronically via the Internet or telephonically. No postage is required if the

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envelope provided is mailed from within the United States. If you subsequently decide to attend the Annual Meeting and wish to vote your Common Shares in person, you may do so. Your cooperation in giving this matter your prompt attention is appreciated.

By Order of the Board of Directors,

/s/ J. Thomas Mason
J. Thomas Mason
Secretary

Using a **<u>black ink</u>** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. X

Electronic Voting Instructions

You can vote by Internet or telephone!

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Local Time, on May 5, 2015.

Vote by Internet
Go to **www.envisionreports.com/MHO**
Or scan the QR code with your smartphone
Follow the steps outlined on the secure website

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

q **IF YOU HAVE NOT VOTED VIA THE INTERNET <u>OR</u> TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

A **Proposals** **The Board of Directors recommends a vote <u>FOR</u> the director nominees listed in Proposal No. 1, and <u>FOR</u> Proposal No. 2 and Proposal No. 3.**

1. Election of Directors:	For	Withhold		For	Withhold	For	Withhold	+
	¨	¨	2 - J. Thomas Mason	¨	¨	¨	¨	

01 - Michael P. Glimcher	03 - Sharen Jester Turney

	For	Against	Abstain		For	Against	Abstain
2. A non-binding, advisory resolution to approve the compensation of the named executive officers of M/I Homes, Inc.	¨	¨	¨	3. To ratify the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for the 2015 fiscal year	¨	¨	¨

B Non-Voting Items

Change of Address Please print your new address below.

Comments Please print your comments below.

Meeting Attendance

Mark the box to the right if you plan to attend the Annual Meeting. ¨

C Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print date below.

/ /

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

2015 Annual Meeting Admission Ticket

2015 Annual Meeting of Shareholders of

M/I Homes, Inc.

Tuesday, May 5, 2015, 9:00 a.m., Local Time

M/I Homes, Inc.

3 Easton Oval

Columbus, Ohio 43219

Upon arrival, please present this admission ticket

and photo identification at the registration desk.

q **IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

Proxy M/I Homes, Inc.

3 Easton Oval, Columbus, Ohio 43219

This Proxy is solicited on behalf of the Board of Directors of M/I Homes, Inc. for the Annual Meeting of Shareholders to be held May 5, 2015.

The undersigned hereby appoints Robert H. Schottenstein and J. Thomas Mason, and each of them, as proxies for the undersigned, with full power of substitution, to attend the Annual Meeting of Shareholders to be held at the offices of M/I Homes, Inc., 3 Easton Oval, Columbus, Ohio 43219, on Tuesday, May 5, 2015, at 9:00 a.m., local time, or any adjournment thereof, and to vote as indicated herein all Common Shares of M/I Homes, Inc. which the undersigned is entitled to vote at such Annual Meeting or any adjournment thereof, with all powers the undersigned would possess if personally present.

This Proxy, when properly executed, will be voted in the manner directed herein by the undersigned shareholder. If no directive is made and if permitted by applicable law, the Common Shares represented by this Proxy will be voted <u>FOR</u> the election of the director nominees identified in Proposal No. 1, <u>FOR</u> the approval of the compensation of the named executive officers of M/I Homes, Inc. (Proposal No. 2), and <u>FOR</u> the ratification of Deloitte & Touche LLP as the Company s independent registered public accounting firm for 2015 (Proposal No. 3). If any other matters are properly brought before the Annual Meeting or any adjournment thereof, or if a nominee for election as a director named in Proposal No. 1 is unable to serve or for good cause will not serve, the Common Shares represented by this Proxy will be voted in the discretion of the proxies on such matters or for such substitute nominees as the Board of Directors may recommend.

The undersigned hereby acknowledges receipt of the Notice of the Annual Meeting of Shareholders, dated April 1, 2015, the Proxy Statement furnished therewith, and the M/I Homes, Inc. 2014 Annual Report to Shareholders, which includes the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2014. Any proxy previously given to vote the Common Shares which the undersigned is entitled to vote at the 2015 Annual Meeting of Shareholders is hereby revoked.

UNLESS VOTING ELECTRONICALLY OR TELEPHONICALLY, PLEASE COMPLETE, SIGN, DATE AND

RETURN THE PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting

The Notice of Annual Meeting of Shareholders, Proxy Statement, form of proxy and 2014 Annual Report to Shareholders

are available online at www.edocumentview.com/MHO.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. x

q **PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

A **Proposals** **The Board of Directors recommends a vote FOR the director nominees listed in Proposal No. 1, and FOR Proposal No. 2 and Proposal No. 3.**

1. Election of Directors:	For	Withhold		For	Withhold		For	Withhold	+
01 - Michael P. Glimcher	¨	¨	02 - J. Thomas Mason	¨	¨	03 - Sharen Jester Turney	¨	¨	

	For	Against	Abstain		For	Against	Abstain
2. A non-binding, advisory resolution to approve the compensation of the named executive officers of M/I Homes, Inc.	¨	¨	¨	3. To ratify the appointment of Deloitte & Touche LLP as the Company s independent registered public accounting firm for the 2015 fiscal year	¨	¨	¨

B **Authorized Signatures** **This section must be completed for your vote to be counted.** **Date and Sign Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

/dd/yyyy) Please print date below. Signature 1 Please keep signature within the box. Signature 2 Please keep signature within

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q **PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** q

Proxy M/I Homes, Inc.

3 Easton Oval, Columbus, Ohio 43219

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