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COEUR D ALENE MINES CORP
Form 10-Q/A
March 10, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q/A No. 1

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Amendment No. 1 to Quarterly Report on Form 10-Q for the quarter ended March 31, 2005

COEUR D ALENE MINES CORPORATION

(Exact name of registrant as specified in its charter)

Idaho

1-8641

84-0109423

(State or other jurisdiction of
incorporation or organization)

(Commission File Number)

(IRS Employer Identification No.)

400 Coeur d Alene Mines Bldg., 505 Front Avenue, Coeur d Alene, Idaho

83814

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (208) 667-3511

The undersigned registrant hereby amends the following items, financial statements, exhibits or other portions of its Quarterly Report on Form 10-Q for the quarter ended March 31, 2005, as previously filed on May 10, 2005, as set forth in the pages attached hereto:

Part I	Item 1	Financial Statements
	Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations
	Item 4	Controls and Procedures
Part II	Item 6	Exhibits - CEO and CFO Certifications

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

Coeur d Alene Mines Corporation

Date: March 10, 2006

By: /s/ James A. Sabala
James A. Sabala
Executive Vice President and Chief Financial Officer

COEUR D ALENE MINES CORPORATION

The purpose of this amendment to the Quarterly Report on Form 10-Q of Coeur d Alene Mines Corporation (the Company) for the quarter ended March 31, 2005, is to restate the financial statements for such quarter to correct an error in its financial statements relating to the calculation of the quantity of ore tons delivered to the leach pad at its Rochester Mine in January 2005. As a result of the error, the quarter-end inventory was understated, production costs applicable to sales were overstated and the net loss for the quarter

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was overstated by approximately \$625,000. As a result of that adjustment, the net loss from continuing operations for the quarter ended March 31, 2005 has been reduced from \$1,770,000, or \$0.01 per share, to \$1,145,000, or \$0.00 per share. (See Note C in the Notes to Consolidated Financial Statements.)

INDEX

	<u>Page No.</u>	
PART I.	Financial Information	
Item 1.	Financial Statements	
	Consolidated Balance Sheets -- Unaudited March 31, 2005 and December 31, 2004	3
	Consolidated Statements of Operations and Comprehensive Income (Loss) -- Unaudited Three Months Ended March 30, 2005 and 2004	5
	Consolidated Statements of Cash Flows -- Unaudited Three Months Ended March 31, 2005 and 2004	6
	Notes to Consolidated Financial Statements -- Unaudited	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	23
Item 4.	Controls and Procedures	42
PART II.	Other Information	
Item 6.	Exhibits	43

COEUR D ALENE MINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2005	December 31, 2004
ASSETS		
	(In Thousands)	
	(Restated)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 261,276	\$ 273,079
Short-term investments	52,920	48,993
Receivables	12,199	10,634
Ore on leach pad	14,322	15,046
Metal and other inventory	17,131	17,639
Deferred tax assets	1,824	2,592
Prepaid expenses and other	3,450	3,727
	363,122	371,710

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	March 31, 2005	December 31, 2004
	<u> </u>	<u> </u>
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	85,931	85,070
Less accumulated depreciation	(55,869)	(54,154)
	<u>30,062</u>	<u>30,916</u>
MINING PROPERTIES		
Operational mining properties	122,641	121,344
Less accumulated depletion	(102,484)	(100,079)
	<u>20,157</u>	<u>21,265</u>
Mineral interests	20,125	20,125
Non-producing and development properties	27,936	26,071
	<u>68,218</u>	<u>67,461</u>
OTHER ASSETS		
Non-current ore on leach pad	33,951	28,740
Restricted cash and cash equivalents	11,145	10,847
Debt issuance costs, net	5,681	5,757
Deferred tax assets	1,900	1,811
Other	8,274	8,535
	<u>60,951</u>	<u>55,690</u>
TOTAL ASSETS	<u>\$ 522,353</u>	<u>\$ 525,777</u>

See notes to consolidated financial statements.

3

COEUR D ALENE MINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2005	December 31, 2004
	<u> </u>	<u> </u>
	(In Thousands)	
	(Restated)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 7,144	\$ 8,389
Accrued liabilities and other	7,134	5,192
Accrued interest payable	473	1,035
Accrued salaries and wages	3,863	6,379
Current portion of remediation costs	802	1,041
Current portion of capital lease obligations	83	114
	<u>19,499</u>	<u>22,150</u>

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	March 31, 2005	December 31, 2004
	<u> </u>	<u> </u>
LONG-TERM LIABILITIES		
1 1/4% Convertible Senior Notes due January 2024	180,000	180,000
Reclamation and mine closure	24,089	23,670
Other long-term liabilities	6,625	6,503
	<u>210,714</u>	<u>210,173</u>
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Common Stock, par value \$1.00 per share-authorized 500,000,000 shares, issued 241,074,417 and 241,028,303 shares in 2005 and 2004 (1,059,211 shares held in treasury)	241,074	241,028
Additional paid-in capital	629,595	629,809
Accumulated deficit	(563,053)	(561,908)
Shares held in treasury	(13,190)	(13,190)
Accumulated other comprehensive loss	(2,286)	(2,285)
	<u>292,140</u>	<u>293,454</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	<u>\$ 522,353</u>	<u>\$ 525,777</u>

See notes to consolidated financial statements.

4

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
COEUR D ALENE MINES CORPORATION AND SUBSIDIARIES
(Unaudited)

	Three Months ended March 31,	
	2005	2004
	<u> </u>	<u> </u>
(In Thousands, except per share data)		
(Restated)		
REVENUES		
Sales of metal	\$ 36,207	\$ 29,650
Interest and other	1,941	(647)
	<u>38,148</u>	<u>29,003</u>
COSTS AND EXPENSES		
Production costs applicable to sales	20,634	16,950
Depreciation and depletion	4,661	4,846
Administrative and general	5,526	3,608
Exploration	3,118	1,944
Pre-development	2,369	1,614
Interest	570	938
Litigation settlement	1,600	--
Other holding costs	136	756
	<u> </u>	<u> </u>

	Three Months ended March 31,	
	38,614	30,656
Total cost and expenses	<u>38,614</u>	<u>30,656</u>
LOSS FROM CONTINUING OPERATIONS BEFORE TAXES		
	(466)	(1,653)
Income tax provision	<u>(679)</u>	<u>--</u>
NET LOSS	(1,145)	(1,653)
Other comprehensive loss	(1)	(208)
COMPREHENSIVE LOSS	<u>\$ (1,146)</u>	<u>\$ (1,861)</u>
BASIC AND DILUTED LOSS PER SHARE:		
Net loss	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>
Weighted average number of shares of common stock (000's)	<u>\$ 239,985</u>	<u>\$ 213,142</u>

See notes to consolidated financial statements.

COEUR D ALENE MINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
 Three Months Ended March 31, 2005 and 2004
 (Unaudited)

	Three Months ended March 31,	
	2005	2004
	<u>2005</u>	<u>2004</u>
	(In Thousands)	
	(Restated)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,145)	\$ (1,653)
Add (deduct) non-cash items:		
Depreciation and depletion	4,661	4,846
Deferred taxes	679	--
Unrealized gain on embedded derivative	(626)	(1,127)
Amortization of premium/discount	313	385
Amortization of restricted stock compensation	423	567
Amortization of debt issuance costs	76	181
Other charges	(2)	229
Changes in Operating Assets and Liabilities:		
Receivables	(1,564)	(3,435)
Prepaid and other current assets	882	436
Inventories	(3,978)	(4,650)
Accounts payable and accrued liabilities	<u>(2,182)</u>	<u>(3,854)</u>
CASH USED IN OPERATING ACTIVITIES	<u>(2,463)</u>	<u>(8,075)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		

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	Three Months ended March 31,	
Purchases of short-term investments	(10,546)	(52,107)
Proceeds from sales of short-term investments	6,015	9,590
Capital expenditures	(4,177)	(1,480)
Other	17	215
	<hr/>	<hr/>
CASH USED IN INVESTING ACTIVITIES	(8,691)	(43,782)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Retirement of Long Term Debt	--	(9,561)
Debt issuance costs	--	(6,097)
Proceeds from issuance of subordinated notes	--	180,000
Bank borrowings on working capital facility	--	6,056
Payments to bank on working capital facility	--	(5,696)
Common stock repurchase	(569)	(793)
Retirement of building loan	--	(1,200)
Other	(80)	45
	<hr/>	<hr/>
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:	(649)	162,754
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(11,803)	110,897
Cash and cash equivalents at beginning of period	273,079	62,417
	<hr/>	<hr/>
Cash and cash equivalents at end of period	\$ 261,276	\$ 173,314
	<hr/>	<hr/>

See notes to consolidated financial statements.

6

Coeur d Alene Mines Corporation
and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

NOTE A BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2005 are not necessarily indicative of the results that may be expected for the year ended December 31, 2005.

The balance sheet at December 31, 2004 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Coeur d Alene Mines Corporation (Coeur or the Company) Annual Report on Form 10-K for the year ended December 31, 2004.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the wholly-owned subsidiaries of the Company, the most significant of which are Coeur Rochester, Inc., Coeur Silver Valley, Inc., Coeur Alaska, Inc., CDE Cerro Bayo Ltd., Compania Minera Polimet S.A., and Empresa Minera Manquiri S.A. The consolidated financial statements also include all entities in which voting control of more than 50% is held by the Company. The Company has no investments in entities in which it has greater than 50% ownership interest accounted for using the equity method. Intercompany balances and transactions have been eliminated in consolidation. Investments in corporate joint ventures

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6

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where the Company has ownership of 50% or less and funds its proportionate share of expenses are accounted for under the equity method. The Company has no investments in entities in which it has greater than 20% ownership interest accounted for using the cost method.

Revenue Recognition: Pursuant to guidance in Staff Accounting Bulletin (SAB) No. 104, Revenue Recognition for Financial Statements , revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, no obligations remain and collectibility is probable. The passing of title to the customer is based on the terms of the sales contract. Product pricing is determined at the point revenue is recognized by reference to active and freely traded commodity markets (for example, the London Bullion Market for both gold and silver), in an identical form to the product sold.

Under our concentrate sales contracts with third-party smelters, final gold and silver prices are set on a specified future quotational period, typically one to three months, after the shipment date based on market metal prices. Revenues are recorded under these contracts at the time title passes to the buyer based on the forward price for the expected settlement period. The contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. Final settlement is based on the average applicable price for a specified future period, and generally occurs from three to six months after shipment. Final sales are settled using smelter weights, settlement assays (average of assays exchanged and/or umpire assay results) and are priced as specified in the smelter contract. The Company's provisionally priced sales contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of concentrates measured at the forward price at the time of sale. The embedded derivative does not qualify for hedge accounting. The embedded derivative is recorded as a derivative asset, in prepaid expenses and other or, a derivative liability on the balance sheet and is adjusted to fair value through revenue each period until the date of final gold and silver settlement. The form of the material being sold, after deduction for smelting and refining is in an identical form to that sold on the London Bullion Market. The form of the product is metal in flotation concentrate, which is the final process for which the Company is responsible.

7

The effects of forward sales contracts are reflected in revenue at the date the related precious metals are delivered or the contracts expire. Third party smelting and refining costs of \$2.8 million and \$3.2 million during the three months ended March 31, 2005 and 2004, respectively, are recorded as a reduction of revenue.

At March 31, 2005, the Company had outstanding provisionally priced sales of \$43.0 million, consisting of 3.8 million ounces of silver, 37,848 ounces of gold and 925,412 pounds of copper. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately \$38,000; for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately \$38,000; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately \$9,000. At March 31, 2004, the Company had outstanding provisionally priced sales of \$28.1 million consisting of 3.1 million ounces of silver, 19,613 ounces of gold and 937,396 pounds of copper. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately \$31,000; for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately \$20,000; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately \$9,000.

Cash and Cash Equivalents: Cash and cash equivalents include all highly-liquid investments with a maturity of three months or less at the date of purchase. The Company minimizes its credit risk by investing its cash and cash equivalents with major international banks and financial institutions located principally in the United States and Chile with a minimum credit rating of A1 as defined by Standard & Poor's. The Company's management believes that no concentration of credit risk exists with respect to investment of its cash and cash equivalents.

Short-term Investments: Short-term investments principally consist of highly-liquid United States, foreign government and corporate securities with original maturities in excess of three months and less than one year. The Company classifies all short-term investments as available-for-sale securities. Unrealized gains and losses on these investments are recorded in accumulated other comprehensive loss as a separate component of shareholders' equity. Any decline in market value considered to be other than temporary is recognized in determining net income/loss. Realized gains and losses from the sale of these investments are included in determining net income/loss.

Ore on Leach Pad: The heap leach process is a process of extracting silver and gold by placing ore on an impermeable pad and applying a diluted cyanide solution that dissolves a portion of the contained silver and gold, which are then recovered in metallurgical processes.

The Company uses several integrated steps to scientifically measure the metal content of ore placed on the leach pads. As the ore body is drilled in preparation for the blasting process, samples are taken of the drill residue which is assayed to determine estimated quantities of contained metal. The Company estimates the quantity of ore by utilizing global positioning satellite survey techniques. The Company then processes the ore through a crushing facility where the output is again weighed and sampled for assaying. A metallurgical reconciliation with the data collected from the mining operation is completed with appropriate adjustments made to previous estimates. The crushed ore is then transported to the leach pad for application of the leaching solution. As the leach solution is collected from the leach pads, it is continuously sampled for assaying. The quantity of leach solution is measured by flow meters throughout the leaching and precipitation process. After precipitation, the product is converted to dorè, which is the final product produced by the mine. The inventory is stated at lower of cost or market, with cost being determined using a weighted average cost method.

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The Company reported ore on the leach pads of \$48.3 million as of March 31, 2005. Of this amount, \$14.3 million is reported as a current asset and \$34.0 million is reported as a non-current asset. The distinction between current and non-current is based upon the expected length of time necessary for the leaching process to remove the metals from the broken ore. The historical cost of the metal that is expected to be extracted within twelve months is classified as current and the historical cost of metals contained within the broken ore that will be extracted beyond twelve months is classified as non-current.

8

The estimate of both the ultimate recovery expected over time and the quantity of metal that may be extracted relative to the time the leach process occurs requires the use of estimates which are inherently inaccurate since they rely upon laboratory testwork. Testwork consists of 60 day leach columns from which the Company projects metal recoveries up to five years in the future. The quantities of metal contained in the ore are based upon actual weights and assay analysis. The rate at which the leach process extracts gold and silver from the crushed ore is based upon laboratory column tests and actual experience occurring over approximately fifteen years of leach pad operations at the Rochester Mine. The assumptions used by the Company to measure metal content during each stage of the inventory conversion process includes estimated recovery rates based on laboratory testing and assaying. The Company periodically reviews its estimates compared to actual experience and revises its estimates when appropriate. The length of time necessary to achieve ultimate recoveries for silver and gold is currently estimated between 5 and 10 years. In 2003, the estimated recoveries for silver and gold were revised to 61.5% and 93%, respectively, from the 59% and 89% used in 2002. The impact of this change in recovery increased the estimated recoverable ounces of silver and gold contained in the heap by 1.8 million ounces and 41,000 ounces, respectively. However, the ultimate recovery will not be known until leaching operations cease which is currently estimated for 2011.

Metal and Other Inventory: Inventories include concentrate ore, dorè, ore in stockpiles and operating materials and supplies. The classification of inventory is determined by the stage at which the ore is in the production process. Inventories of ore in stock piles are sampled for gold and silver content and are valued based on the lower of actual costs incurred or estimated net realizable value based upon the period ending prices of gold and silver. Material that does not contain a minimum quantity of gold and silver to cover estimated processing expense to recover the contained gold and silver is not classified as inventory and is assigned no value. All inventories are stated at the lower of cost or market, with cost being determined using a weighted average cost method. Concentrate and dorè inventory includes product at the mine site and product held by refineries and are also valued at lower of cost or market value. Metal inventory costs include direct labor, materials, depreciation, depletion and amortization as well as administrative overhead costs relating to mining activities.

Property, Plant, and Equipment: Expenditures for new facilities, new assets or expenditures that extend the useful lives of existing facilities are capitalized and depreciated using the straight-line method at rates sufficient to depreciate such costs over the shorter of estimated productive lives of such facilities or the useful life of the individual assets. Productive lives range from 7 to 31 years for buildings and improvements, 3 to 13 years for machinery and equipment and 3 to 7 years for furniture and fixtures. Certain mining equipment is depreciated using the units-of-production method based upon estimated total proven and probable reserves. Maintenance and repairs are expensed as incurred.

Operational Mining Properties and Mine Development: Mineral exploration costs are expensed as incurred. When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, the costs incurred to develop such property including costs to further delineate the ore body and remove over burden to initially expose the ore body, are capitalized. Such costs are amortized using the units-of-production method over the estimated life of the ore body based on proven and probable reserves. Significant payments related to the acquisition of the land and mineral rights are capitalized as incurred. Prior to acquiring such land or mineral rights the Company generally makes a preliminary evaluation to determine that the property has significant potential to develop an economic ore body. The time between initial acquisition and full evaluation of a property's potential is variable and is determined by many factors including: location relative to existing infrastructure, the property's stage of development, geological controls and metal prices. If a mineable ore body is discovered, such costs are amortized when production begins using the units-of-production method based on proven and probable reserves. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value. Interest expense allocable to the cost of developing mining properties and to construct new facilities is capitalized until assets are ready for their intended use. Gains or losses from sales or retirements of assets are included in other income or expense. Costs incurred during the start-up phase of a mine are expensed as incurred. Ongoing mining expenditures on producing properties are charged against earnings as incurred. Major development expenditures incurred to increase production or extend the life of the mine are capitalized.

9

Asset Impairment: Management reviews and evaluates its long-lived assets for impairment when events and changes in circumstances indicate that the related carrying amounts of its assets may not be recoverable. The Company follows Statement of Financial Accounting Standard (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to evaluate the recoverability of its assets. An impairment is considered to exist if total estimated future cash flows or probability-weighted cash flows on an undiscounted basis, are less than the carrying amount of the assets, including property plant and equipment, mineral property, development property, and any deferred costs such as deferred stripping. An impairment loss is measured and recorded based on discounted estimated future cash flows or the application of an expected present value technique to estimate fair value in the absence of a market price. Future cash flows include estimates of proven and

probable recoverable ounces, gold and silver prices (considering current and historical prices, price trends and related factors), production levels, capital and reclamation costs, all based on life-of-mine plans and projections. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Any differences between significant assumptions and market conditions and/or the Company's operating performance could have a material effect on the Company's determination of ore reserves, or its ability to recover the carrying amounts of its long-lived assets resulting in impairment charges. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of cash flows from other asset groups. Generally, in estimating future cash flows, all assets are grouped at a particular mine for which there is identifiable cash flow.

Restricted Cash and Cash Equivalents: The Company, under the terms of its lease, self insurance, and bonding agreements with certain banks, lending institutions and regulatory agencies, is required to collateralize certain portions of the Company's obligations. The Company has collateralized these obligations by assigning certificates of deposit that have maturity dates ranging from three months to a year, to the respective institutions or agency. At March 31, 2005 and March 31, 2004, the Company held certificates of deposit and cash restricted under these agreements of \$11.1 million and \$8.7 million, respectively, restricted for this purpose. The ultimate timing for the release of the collateralized amounts is dependent on the timing and closure of each mine. In order to release the collateral, the Company must seek approval from certain government agencies responsible for monitoring the mine closure status. Collateral could also be released to the extent the Company was able to secure alternative financial assurance satisfactory to the regulatory agencies. The Company believes there is a reasonable probability that the collateral will remain in place beyond a twelve-month period and has therefore classified these investments as long-term.

Deferred Stripping Costs: The Rochester mine is the only mine that has previously capitalized deferred stripping costs. Deferred stripping costs are unique to the mining industry and are determined based on the Company's estimates for the life of mine waste-to-ore ratio for each mine, calculated as the ratio of total waste tons to be moved to total proven and probable ore tons to be moved, which results in the deferral and recognition of the costs of waste removal activities over the life of the mine as silver is produced. These costs are capitalized in periods when the life of mine ratio is below the current mining waste-to-ore ratio, and amortized during periods where the life of mine waste-to-ore ratio is above the current waste-to-ore ratio. The life of mine waste-to-ore ratio that was used to accumulate the deferred stripping amounts was 1.8 to 1 and was based on the estimated average waste-to-ore ratio for the life of the mine, compared to the then current ratio of 2.2 to 1. At present the remaining life of mine plan estimates the future waste-to-ore ratio as .65 to 1, and the remaining costs will be amortized over the remaining life of the mine. At March 31, 2005 and March 31, 2004 the carrying amount of the deferred stripping costs were \$0.7 million and \$1.1 million, respectively, and are included in other assets in the accompanying balance sheet and amortized amounts are reported in the statement of operations as depletion and depreciation. Deferred stripping costs are evaluated for loss in value under the Company's asset impairment review as facts and circumstances warrant. No additional deferred stripping costs were capitalized during the periods presented. Based on current reserves and current production levels complete amortization should occur in less than three years commensurate with the Company's remaining mine life at the Rochester mine to end mid-2007. Amounts that were amortized and therefore increased the Company's reported production costs as compared to actual production costs for the quarters ended March 31, 2005 and 2004 were \$0.1 million and \$0.1 million, respectively.

Reclamation and Remediation Costs: Effective January 1, 2003, the Company adopted SFAS No. 143, *Accounting for Asset Retirement Obligations*, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and normal use of the asset. Prior to the adoption of SFAS No. 143, reclamation costs were accrued on an undiscounted, units-of-production basis. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. An accretion cost, representing the increase over time in the present value of the liability, is recorded each period. As reclamation work is performed or liabilities are otherwise settled, the recorded amount of the liability is reduced.

Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the undiscounted costs expected to be incurred at the site. Such cost estimates include, where applicable, ongoing care and maintenance and monitoring costs. Changes in estimates are reflected in earnings in the period an estimate is revised. Refer to Note H for additional disclosure.

Foreign Currency: Substantially all assets and liabilities of foreign subsidiaries are translated at exchange rates in effect at the end of each period. Revenues and expenses are translated at the average exchange rate for the period. Foreign currency transaction gains and losses are included in the determination of net income.

Derivative Financial Instruments: On January 1, 2001, the Company adopted SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, (as amended by SFAS No. 137) and SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. These Statements require recognition of all derivatives as either assets or liabilities on the balance sheet and measurement of those instruments at fair value. Appropriate accounting for changes in the fair value of derivatives held is dependent on whether the derivative transaction qualifies as an accounting hedge and on the classification of the hedge transaction.

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For derivative instruments that are designated and qualify as cash flow hedges, the effective portions of changes in fair value of the derivative are recorded in other comprehensive income (loss), and are recognized in the Statement of Consolidated Operations when the hedged item affects net income (loss) for the period. Ineffective portions of changes in the fair value of cash flow hedges are recognized currently in earnings. Refer to Note I Derivative Financial Instruments and Fair Value of Financial Instruments.

Stock-based Compensation Plans: The Company applies the intrinsic-value method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations, to account for its stock-based compensation plans. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, Accounting for Stock-Based Compensation established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As allowed under SFAS No. 123, the Company has elected to continue to apply the intrinsic-value-based method of accounting described above, and has adopted only the disclosure requirements of SFAS No. 123.

11

In December 2004, FASB issued SFAS No. 123R (revised 2004), Share-Based Payment, which revises SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion 25, Accounting for Stock Issued to Employees. This Statement changes the accounting for transactions in which an entity exchanges its equity instruments for goods or services by requiring the fair-value-based method of accounting and eliminates the alternative to use APB Opinion 25's intrinsic value method of accounting that was provided in SFAS No. 123 as originally issued. SFAS No. 123R addresses financial statement users and other parties' concerns of faithfully representing the economic transactions affecting an entity by requiring the entity to recognize the cost of employee services received in share-based payment transactions, thereby reflecting the economic consequences of those transactions in the financial statements. The Statement was also issued to (i) improve the comparability of reported financial information by eliminating alternative accounting methods, (ii) simplify US GAAP, and (iii) converge with international accounting standards. On April 14, 2005, the SEC amended the compliance dates for adoption. This means that financial statements for calendar year-end companies that do not file as small business issuers do not need to comply with Statement No. 123R until the interim financial statements for the first quarter of 2006. The Company has performed a review of the provisions of the Statement and has determined that it will defer adoption until the first quarter of 2006, at which time it will begin recognizing compensation expense on the remaining portion of outstanding awards for which the requisite service period has not been rendered and for any awards granted, modified, repurchased or cancelled after the effective date. It is believed that adoption will not have a material impact on our financial reporting and disclosure. Had compensation costs for the Company's options been determined based on the fair value at the grant dates consistent with SFAS No. 123, the Company would have recorded the pro forma amounts presented below:

	Quarter Ended March 31,	
	2005	2004
	(Restated)	
Net loss as reported	\$ (1,145)	\$ (1,653)
Add stock-based employee compensation expense included in reported net loss	400	675
Deduct total stock-based employee compensation expense determined under fair value method for all awards	(603)	(657)
Pro forma net loss	\$ (1,348)	\$ (1,635)
Basic and diluted net loss per share as reported	\$ (0.00)	\$ (0.01)
Basic and diluted pro forma net loss per share	\$ (0.01)	\$ (0.01)

The fair value of each option grant was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 4.23% and 4.15% for the quarters ended March 31, 2005 and 2004, respectively; expected option life of 2-10 years for officers and directors; expected volatility of 73.16% and 94.05% for the quarters ended March 31, 2005 and 2004, respectively, and no expected dividends.

Income Taxes: The Company computes income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires an asset and liability approach which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the financial reporting basis and the tax basis of assets and liabilities, as well as operating loss and tax credit carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse.

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In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. A valuation allowance has been provided for the portion of the Company's net deferred tax assets for which it is more likely than not that they will not be realized.

12

Comprehensive Loss: Comprehensive loss includes net loss as well as changes in stockholders' equity that results from transactions and events other than those with stockholders. Items of comprehensive loss include the following:

	March 31, 2005	March 31, 2004
Unrealized gain (loss) on marketable securities	\$ 48	\$ 74
Change in fair value of derivative hedging, net of settlement	(49)	(282)
Comprehensive loss	\$ (1)	\$ (208)

Net Income/(Loss) Per Share: Net loss per share is computed by dividing the net income/(loss) attributable to common stock by the weighted average number of common shares outstanding during each period. All stock options outstanding at each period end have been excluded from the weighted average share calculation. The effect of potentially dilutive stock options outstanding was antidilutive in the three months ended March 31, 2005 and 2004.

Detail of potentially dilutive shares excluded from earnings per share calculation due to antidilution:

	March 31, 2005	March 31, 2004
Options	2,352,367	1,888,318
1.25% Debentures Convertible at \$7.60	23,684,211	23,684,211
Total potentially dilutive shares	26,036,578	25,572,529

Debt Issuance Costs: Costs associated with the issuance of debt are included in other noncurrent assets and are amortized over the term of the related debt using the straight-line method.

Use of Estimates: The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in their consolidated financial statements and accompanying notes. The more significant areas requiring the use of management estimates relate to mineral reserves, reclamation and remediation costs, valuation allowance for deferred tax assets, useful lives utilized for depreciation, depletion, amortization and accretion calculations of future cash flows from long-lived assets. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications of prior year balances have been made to conform to current year presentation.

Recent Accounting Pronouncements: In November 2004, FASB issued SFAS No. 151, Inventory Costs, which amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). This Statement now requires that these items be recognized as current-period expenses regardless of whether they meet the criterion of so abnormal as previously stated in ARB No. 43, Chapter 5. In addition, this Statement requires that the allocation of fixed production overheads to costs of conversion be based on the normal capacity of the production facility. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company has performed a review of the provisions of the Statement and has determined that its current accounting practice is to recognize idle facilities as a current-period expense and, therefore, does not believe that adoption will have a material impact on its financial statements.

During 2004, a committee of the Emerging Issues Task Force (EITF) began discussing the accounting treatment for stripping costs incurred during the production phase of a mine. During March 2005, the EITF reached a consensus that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of inventory produced during the period that the stripping costs are incurred. The Financial Accounting Standards Board ratified the EITF consensus. The EITF consensus is effective for the first reporting period in fiscal years beginning after December 15, 2005, with early adoption permitted. The Company is currently evaluating the impact on the Company's financial position and result of operations.

NOTE C- RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The Company is restating its consolidated financial statements for the first quarter of 2005 to correct an error in the Company's calculation of the quantity of ore delivered to the leach pad at its Rochester mine in January 2005 and its effect on the calculation of ore on the leach pad inventory. The adjustment to correct the error increased inventory and decreased production costs applicable to sales resulting in a decrease in the net loss for the three months ended March 31, 2005 of \$0.6 million. The consolidated balance sheet as of March 31, 2005, the consolidated statement of operations and comprehensive loss and the consolidated statement of cash flows for the quarter ended March 31, 2005 have been restated. The accompanying notes to the consolidated financial statements have been restated as necessary to reflect the restatement adjustments.

The effects of the revisions on the consolidated balance sheet as of March 31, 2005 are summarized in the following table:

	<u>March 31, 2005</u>	
	<u>Previously Reported</u>	<u>Restated</u>
	(in thousands)	
Ore on leach pad	\$ 14,137	\$ 14,322
CURRENT ASSETS	\$ 362,937	\$ 363,122
Non-current ore on leach pad	\$ 33,511	\$ 33,951
OTHER ASSETS	\$ 60,511	\$ 60,951
TOTAL ASSETS	\$ 521,728	\$ 522,353
Accumulated deficit	\$ (563,678)	\$ (563,053)
SHAREHOLDERS' EQUITY	\$ 291,515	\$ 292,140
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 521,728	\$ 522,353

The consolidated statement of operations and comprehensive loss for the quarter ended March 31, 2005 was adjusted to decrease production costs applicable to sales by \$0.6 million, thereby reducing net loss for the quarter ended March 31, 2005 by \$0.6 million.

The effects of the revisions on the consolidated statements of operations and comprehensive loss for the quarter ended March 31, 2005 are summarized in the following table:

	<u>March 31, 2005</u>	
	<u>Previously Reported</u>	<u>Restated</u>

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	<u>March 31, 2005</u>	
	(in thousands except per share data)	
Production cost applicable to sales	\$ 21,259	\$ 20,634
TOTAL COSTS AND EXPENSES	\$ 39,239	\$ 38,614
LOSS FROM CONTINUING OPERATIONS BEFORE TAXES	\$ (1,091)	\$ (466)
NET LOSS	\$ (1,770)	\$ (1,145)
Comprehensive loss	\$ (1,771)	\$ (1,146)
BASIC AND DILUTED LOSS PER SHARE:		
Net loss	\$ (0.01)	\$ (0.00)

The effects of the revision on the consolidated statement of cash flows for the quarter ended March 31, 2005 are summarized in the following table:

	<u>March 31, 2005</u>	
	<u>Previously Reported</u>	<u>Restated</u>
	(in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (1,770)	\$ (1,145)
Changes in Operating Assets and Liabilities:		
Inventories	\$ (3,353)	\$ (3,978)

The restatement adjustment had no impact on cash used in operating activities, cash used in investing activities or cash used in financing activities for the quarter ended March 31, 2005.

NOTE D- METAL AND OTHER INVENTORIES

Inventories consist of the following:

	<u>March 31, 2005</u>	<u>December 31, 2004</u>
	(in thousands)	
Concentrate and dorè inventory	\$ 11,088	\$ 11,876
Supplies	6,043	5,763
Metal and other inventory	\$ 17,131	\$ 17,639

NOTE E- INCOME TAXES

The Company computes income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires an asset and liability approach which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of those assets and liabilities, as well as net operating loss and tax credit carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse. The Company has U.S. net operating loss carryforwards which expire in 2008 through 2024 while the foreign country net operating losses have an indefinite carryforward period.

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For the year ended December 31, 2004, the Company reported a net deferred tax asset (\$2.6 million current and \$1.8 million long-term) and a corresponding deferred tax benefit approximating \$4.4 million related to the anticipated utilization of foreign net operating losses at CDE Cerro Bayo Ltd. in Chile. For the three months ended March 31, 2005, the Company reported a net deferred foreign income tax provision of approximately \$0.7 million. The Company's \$0.7 million net deferred income tax provision is comprised of a \$1.0 million deferred tax provision, based upon actual earnings for the quarter then ended, reduced by a \$0.3 million deferred tax benefit arising from increased proven and probable reserves and revised projected future taxable income at CDE Cerro Bayo Ltd. resulting in a net reduction of the net foreign deferred tax asset to approximately \$3.7 million (\$1.8 million current and \$1.9 million long-term). For the three months ended March 31, 2005, the Company did not report any domestic tax provision, nor did the Company report any domestic or foreign tax provision for the three months ended March 31, 2004, as management determined that it was more likely than not that the net deferred tax assets would not be utilized.

The income tax provision for the first three months of 2005 and 2004, varies from the statutory rate primarily because of foreign operations and management determination that it is more likely than not that all of the net deferred tax assets would not be utilized.

NOTE F LONG-TERM DEBT

On January 13, 2004 the Company completed its offering of \$180 million aggregate principal amount of 1.25% Convertible Senior Notes due 2024 (the 1.25% Notes). The 1.25% Notes are convertible into shares of Coeur common stock at a conversion rate of approximately 131.5789 shares of Coeur common stock per \$1,000 principal amount of Notes, representing a conversion price of \$7.60 per share. Interest on the notes is payable in cash at the rate of 1.25% per annum beginning July 15, 2004. The Company intends to use the proceeds of the 1.25% Notes for general corporate purposes, which may include the development of its Kensington gold project and its San Bartolome silver project or the acquisition of precious metals properties or businesses. The 1.25% Notes are general unsecured obligations, senior in right of payment to Coeur's other indebtedness. The offering of the 1.25% Notes was made by means of a prospectus under Coeur's existing shelf registration statement.

On March 11, 2004, the Company redeemed the remaining outstanding \$9.6 million principal amount of the Company's 7 1/4% Convertible Subordinated Debentures due October 15, 2005.

NOTE G- SEGMENT REPORTING

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision making group is comprised of the Chief Executive Officer, the Chief Financial Officer and the Senior Vice President of North America Operations and President of the South America Operations.

16

During the first quarter, the Company reassessed its reportable segments and as a result has expanded its segment disclosures to include the Martha mine and the San Bartolome project. The operating segments are managed separately because each segment represents a distinct use of Company resources and contribution to the Company's cash flows in its respective geographic area. The Company's reportable operating segments are the Rochester, Coeur Silver Valley, Cerro Bayo and Martha mining properties. The Kensington property, the San Bartolome development property and the Company's exploration programs are included as other. All operating segments are engaged in the discovery and/or mining of gold and silver and generate the majority of their revenues from the sale of precious metal concentrates and/or refined precious metals. The Coeur Silver Valley and Cerro Bayo/Martha mines sell precious metal concentrates, typically under long term contracts to smelters located in Canada (Noranda Inc. and Teck Cominco Metals Ltd.) and Japan (Sumitomo Ltd. and DOWA Mining Company). Refined gold and silver produced by the Rochester mine is primarily sold on a spot basis to precious metal trading banks such as Standard Bank and Mitsui.

Intersegment revenues consist of precious metal sales to the Company's metals marketing division and are transferred at the market value of the respective metal on the date of the transfer. The other segment includes earnings from unconsolidated subsidiaries accounted for by the equity method, the corporate headquarters, elimination of intersegment transactions and other items necessary to reconcile to consolidated amounts. Revenues in the other segment are generated principally from interest received from the Company's cash and investments that are not allocated to the operating segments. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the Company's Annual Report on Form 10-K. The Company evaluates performance and allocates resources based on each segment's profit or loss before interest, income taxes, depreciation and amortization, unusual and infrequent items, and extraordinary items.

Segment Reporting
(In Thousands)

Rochester Mine	Galena Mine	Cerro Bayo Mine	Martha Mine	San Bartolome	Other	Total
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	(Restated) (see Note C)					(Restated) (see Note C)	
Three Months Ended March 31, 2005							
Total net sales and revenues	\$ 15,308	\$ 4,489	\$ 14,576	\$ 1,776	\$ 1	\$ 1998	\$ 38,148
Depreciation and depletion	2,629	512	1,271	170	--	79	4,661
Interest income	--	--	20	--	--	1,825	1,845
Interest expense	--	--	--	--	--	570	570
Litigation Settlement	--	--	--	--	--	(1,600)	(1,600)
Income tax (credit) expense	--	--	679	--	--	--	679
Profit (loss)	5,937	151	7,263	(467)	(114)	(6,405)	6,365
Segment assets (A)	76,331	12,752	30,218	4,455	23,188	32,389	179,333
Capital expenditures for property	187	678	587	671	1,879	175	4,177
	Rochester Mine	Galena Mine	Cerro Bayo Mine	Martha Mine	San Bartolome	Other	Total
Three Months Ended March 31, 2004							
Total net sales and revenues	\$ 12,534	\$ 9,292	\$ 6,353	\$ 1,121	\$ --	\$ (297)	\$ 29,003
Depreciation and depletion	2,233	463	1,654	422	1	73	4,846
Interest income	--	--	--	--	--	639	639
Interest expense	1	--	38	--	--	899	938
Loss on forward sales contracts	--	--	--	--	--	937	937
Profit (loss)	4,757	3,256	2,740	(248)	(1,025)	(4,412)	5,068
Segment assets (A)	69,494	12,795	28,030	3,179	20,234	31,687	165,419
Capital expenditures for property	392	378	370	232	--	108	1,480

Notes:

(A) Segment assets consist of receivables, prepaids, inventories, property, plant and equipment, and mining properties

17

Segment Reporting
(In Thousands)

	Three Months Ended March 31, 2005		2004	
	(Restated)		(see Note C)	
<u>Income (Loss)</u>				
Total income (loss) from reportable segments	\$ 6,365	\$ 5,068		
Depreciation, depletion and amortization expense	(4,661)	(4,846)		
Interest expense	(570)	(938)		
Litigation Settlement & Other	(1,600)	(937)		
Loss before income taxes	\$ (466)	\$ (1,653)		
	March 31, 2005		2004	
	(Restated)		(see Note C)	
<u>Assets</u>				
Total assets for reportable segments	\$ 179,333	\$ 165,419		

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	March 31,	
Cash and cash equivalents	261,276	173,314
Short-term investments	52,920	61,462
Other assets	28,824	23,755
	<u> </u>	<u> </u>
Total consolidated assets	\$ 522,353	\$ 423,950
	<u> </u>	<u> </u>

<u>Geographic Information</u> (In thousands)	Three Months Ended	
	March 31,	March 31,
	2005	2004
	<u>Revenues^(a)</u>	<u>Revenues</u>
United States	\$ 21,793	\$ 21,537
Chile	14,578	6,345
Argentina	1,776	1,121
Bolivia	1	--
Other Foreign Countries	--	--
	<u> </u>	<u> </u>
Consolidated Total	\$ 38,148	\$ 29,003
	<u> </u>	<u> </u>

	March 31,	
	2005	2004
	<u>Long-Lived Assets</u>	<u>Long-Lived Assets</u>
United States	\$ 59,007	\$ 63,995
Chile	14,589	14,374
Argentina	1,558	1,810
Bolivia	22,982	20,157
Other Foreign Countries	144	145
	<u> </u>	<u> </u>
Consolidated Total	\$ 98,280	\$ 100,481
	<u> </u>	<u> </u>

(a) Revenues are geographically separated based upon the country in which operations and the underlying assets generating those revenues reside.

NOTE H- RECLAMATION AND REMEDIATION

Reclamation and remediation costs are based principally on legal and regulatory requirements. Management estimates costs associated with reclamation of mining properties as well as remediation cost for inactive properties. The estimated undiscounted cash flows generated by our assets and the estimated liabilities for reclamation and remediation are determined using the Company's assumptions about future costs, mineral prices, mineral processing recovery rates, production levels and capital and reclamation costs. Such assumptions are based on the Company's current mining plan and the best available information for making such estimates. On an ongoing basis, management evaluates its estimates and assumptions; however, actual amount could differ from those based on such estimates and assumptions.

The following is a description of the changes to the Company's asset retirement obligations from January 1 to March 31, of 2005:

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	(in thousands)
Asset Retirement Obligation - January 1, 2005	\$ 23,436
Accretion	438
Additions	--
Settlements	(18)
	<hr/>
Asset Retirement Obligation - March 31, 2005	\$ 23,856
	<hr/>

NOTE I- DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

For the first three months of 2005, the Company recorded a realized loss of approximately \$4,300 in connection with its foreign currency hedging program.

The Company no longer has forward sales in its gold price protection program. In the first quarter of 2004, the Company closed out all of its forward sales positions and recorded a loss of \$0.9 million.

The following table summarizes the information at March 31, 2005 associated with the Company's financial and derivative financial instruments that are sensitive to changes in interest rates, commodity prices and foreign exchange rates. For long-term debt obligations, the table presents principal cash flows and related average interest rates. For foreign currency exchange contracts, the table presents the notional amount in Chilean Pesos to be purchased along with the average foreign exchange rate.

(dollars in thousands)	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value 3/31/05
Liabilities								
Long Term Debt ^(A)								
Fixed Rate	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 180,000	\$ 180,000	\$ 157,050
Average Interest Rate	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%	

(A) Debt due 2024

Foreign Currency

Contracts

Chilean Peso - USD	\$ 1,800	--	--	--	--	--	\$ 1,800	\$ (49)
Exchange Rate (CLP to USD)	574	--	--	--	--	--		

Fair value is determined by trading information on or near the balance sheet date. Long term debt represents the face amount of the outstanding convertible debentures and timing of when these become due. Interest rates presented in the table are calculated using the weighted average of the outstanding face amount of each debenture for the period remaining in each period presented. All long term debt is denominated in US dollars.

NOTE J- DEFINED BENEFIT, POST-RETIREMENT MEDICAL BENEFIT, DEFINED CONTRIBUTION AND 401(k) PLANS

Pension and Post-Retirement Obligations

Components of Net Period Benefit Cost: (In thousands)	Three Months Ended March 31			
	Defined Benefit Plan		Post-Retirement Medical Plan	
	2005	2004	2005	2004
Service cost	\$ 86	\$ 87	\$ 5	\$ 4
Interest cost	111	94	28	29

NOTE J- DEFINED BENEFIT, POST-RETIREMENT MEDICAL BENEFIT, DEFINED CONTRIBUTION AND 401(k)

Three Months Ended March 31

Expected return on plan assets	(66)	(53)	--	--
Amortization of prior service cost	15	14	--	--
Amortization of the net (gain) loss	71	67	--	--
	<hr/>	<hr/>	<hr/>	<hr/>
Net periodic benefit cost	\$ 217	\$ 209	\$ 33	\$ 33
	<hr/>	<hr/>	<hr/>	<hr/>

Contributions:

The Company previously disclosed in its financial statements for the year ended December 31, 2004, that it expected to contribute \$0.7 million to its pension plans in 2005. As of March 31, 2005 and 2004, \$0.2 million and \$0.2 million, respectively, of contributions have been made.

Defined Contribution Plan and 401(k) Plan

The Company provides a noncontributory defined contribution retirement plan for all eligible U.S. employees. Total plan expenses charged to net income (loss) were \$0.2 million in the first quarter of 2005 and 2004, which is based on a percentage of salary of qualified employees.

401(k) Plan

The Company maintains a savings plan (which qualifies under Section 401(k) of the U.S. Internal Revenue Code) covering all eligible U.S. employees. Under the plan, employees may elect to contribute up to 100% of their cash compensation, subject to ERISA limitations. The Company is required to make matching cash contributions equal to 50% of the employees' contribution or up to 3% of the employees' compensation. Employees have the option of investing in thirteen different types of investment funds. Total plan expenses charged to operations were \$0.2 million and \$0.2 million in the first quarter of 2005 and 2004 respectively.

NOTE K- COMMITMENTS AND CONTINGENCIES**Significant Customers**

The Company markets its metals products and concentrates primarily to two bullion trading banks and three third party smelters. These customers then sell the metals to end users for use in industry applications such as electronic circuitry, jewelry and silverware production and the manufacture and development of photographic film. Sales of metals to bullion trading banks amounted to approximately 42% and 43% of total metals sales in the first quarter of 2005 and 2004, respectively. Generally, the loss of a single bullion trading bank customer would not adversely affect the Company in view of liquidity of the product and availability of alternative trading banks.

The Company currently markets its silver and gold concentrates to third party smelters in Canada and Japan. Sales of metals concentrates to third party smelters amounted to approximately 58% and 57% of metals sales in the first quarter of 2005 and 2004, respectively. The loss of any one smelter customer could have a material adverse effect in the event of the possible unavailability of alternative smelters.

20

NOTE L- LITIGATION AND OTHER EVENTS**Federal Natural Resources Action**

On March 22, 1996, an action was filed in the United States District Court for the District of Idaho by the United States against various defendants, including the Company, asserting claims under CERCLA and the Clean Water Act for alleged damages to federal natural resources in the Coeur d'Alene River Basin of Northern Idaho. The damages are claimed to result from alleged releases of hazardous substances from mining activities conducted in the area since the late 1800s.

In May 2001, the Company and representatives of the U.S. Government, including the Environmental Protection Agency, the Department of Interior and the Department of Agriculture, reached an agreement to settle the lawsuit. The terms of settlement are set forth in a Consent Decree issued by the court. Pursuant to the terms of the Consent Decree, dated May 14, 2001, the Company has paid the U.S. Government a total of approximately \$3.9 million, of which \$3.3 million was paid in May 2001 and the remaining \$0.6 million was paid in June 2001. In addition, the Company will (i) pay the United States 50% of any future recoveries from insurance companies for claims for defense and indemnification under general liability insurance policies in excess of \$0.6 million, (ii) accomplish certain cleanup work on the Mineral Point property and Caladay property, and (iii) make a conveyance to the U.S. or the State of Idaho of certain real property to possibly be used as a

Federal Natural Resources Action

18

waste repository. Finally, commencing five years after effectiveness of the settlement, the Company will be obligated to pay net smelter return royalties on its operating properties, up to a maximum of \$3 million, amounting to a 2% net smelter royalty on silver production if the price of silver exceeds \$6.50 per ounce, and a \$5.00 per ounce net smelter royalty on gold production if the price of gold exceeds \$325 per ounce. The royalty payment obligation expires after 15 years commencing five years after May 14, 2001. The Company recorded \$4.2 million of expenses, which included \$3.9 million of settlement payments, in the fourth quarter of 2000 in connection with the settlement.

States of Maine, Idaho And Colorado Superfund Sites Related to Callahan Mining Corporation

During 2001, the United States Forest Service made a formal request for information regarding the Deadwood Mine Site located in central Idaho. Callahan Mining Corporation had operated at this site during the 1940 s. The Forest Service believes that some cleanup action is required at the location. However, Coeur d Alene Mines Corporation did not acquire Callahan until 1991, more than 40 years after Callahan disposed of its interest in the Deadwood property. The Company did not make any decisions with respect to generation, transport or disposal of hazardous waste at the site. Therefore, it is believed that the Company is not liable for any cleanup, and if Callahan might be liable, it has no substantial assets with which to satisfy any such liability. To date no claim has been made by the United States for any dollar amount of cleanup costs against either the Company or Callahan.

During 2002, the EPA made a formal request for information regarding a Callahan mine site in the State of Maine. Callahan operated there in the late 1960 s, shut the operations down in the early 1970 s and disposed of the property. The EPA contends that some cleanup action is warranted at the site, and listed it on the National Priorities List in late 2002. The Company believes that because it made no decisions with respect to generation, transport or disposal of hazardous waste at this location, it is not liable for any cleanup costs. If Callahan might have liability, it has no substantial assets with which to satisfy such liability. To date, no claim has been made for any dollar amount of cleanup costs against either the Company or Callahan.

In January 2003, the U.S. Forest Service made a formal request for information regarding a Callahan mine site in the State of Colorado known as the Akron Mine Site. Callahan operated there in approximately the late 1930s through the 1940s, and to the Company s knowledge, disposed of the property. The Company is not aware of what, if any, cleanup action the Forest Service is contemplating. However, the Company did not make decisions with respect to generation, transport or disposal of hazardous waste at this location, and therefore believes it is not liable for any cleanup costs. If Callahan might have liability, it has no substantial assets with which to satisfy such liability. To date, no claim has been made for any dollar amount of cleanup costs against either the Company or Callahan.

Suit By Credit Suisse First Boston

On December 2, 2003, suit was filed by Credit Suisse First Boston against the Company in the United States District Court for the Southern District of New York (Docket No. 03 Civ 9547). The plaintiff alleges that the Company breached a contract between the parties providing for services to be furnished by the plaintiff to the defendant. Plaintiff alleges that it is entitled to damages in the amount of \$2.4 million attributed to the breach. On April 6, 2005, the Company agreed to settle the suit for \$1.6 million which will be paid in the second quarter of 2005.

Argentina Regulatory Issues

In September 2004 the Provincial government in Argentina made a formal demand upon the Company s wholly owned subsidiary which operates the Martha Mine for royalty payment attributed to ore mined and shipped in excess of payments made before the demand. The government takes the position that insufficient royalty is being paid. The demand was in the approximate amount of \$200,000. The Company paid the demand under protest and is contesting the amount through an administrative review procedure. The Provincial government may make further such demands attributed to additional ore shipped from the mine. The Company is not able to predict at this time what the position of the Provincial government will be nor the amount of dollar exposure associated with further demands, if such demands are made.

Coeur learned on November 19, 2004 that its wholly owned subsidiary, Compania Minera Polimet S.A. (Polimet), the owner of the Martha mine, is being investigated by Argentine governmental agencies. Based on discussions between the Company s counsel and governmental authorities, the Company currently believes that the investigation relates to operations carried out by the predecessor owner of Polimet. In particular, the Company understands that the investigation may focus on shipments of ore from the Martha mine made by the predecessor owner of Polimet in 2001 and early 2002, and whether such shipments complied with applicable export control laws. The Company acquired the stock of Polimet in April 2002.

At this point, neither the Company, Polimet nor any officer or director has been served with any complaint or subpoena, given any official written notice or formally charged with any offense. Consequently, the Company cannot state with certainty or specificity any allegations that may ultimately be brought against the Company, Polimet or their individual directors or officers, or what remedies may ultimately be sought or obtained against the Company. If the Company suffers any losses or damages related to operation of the Martha mine prior to the Company s

ownership, the Company will pursue indemnification against the previous owner of Polimet.

The Company believes it has fully complied with Argentine law since it acquired the Martha mine. If the Company or Polimet is formally charged or notified of a pending action, the Company will cooperate fully with the Argentine government authorities to resolve the matter.

NOTE M SUBSEQUENT EVENT

On April 7, 2005, the Company agreed to acquire all of the silver production and reserves contained at the Endeavor Mine in Australia, which is owned and operated by CBH Resources Ltd. (CBH) for \$38.5 million.

The Endeavor Mine is located 720 km northwest of Sydney in New South Wales and has been in production since 1983. In addition to principal production of lead and zinc, Endeavor is expected to produce approximately 1.3 million ounces of silver annually from mineral reserves containing approximately 24.0 million silver ounces.

22

Under the terms of the agreement, CDE Australia, a wholly-owned subsidiary of Coeur, will pay CBH \$15.4 million of cash at the closing. In addition, CDE Australia will pay CBH \$23.1 million of cash upon the determination by Coeur that a recently installed paste backfill plant at the Endeavor Mine is operating successfully. This determination is expected to take place in the third quarter of 2005. In addition to these upfront payments, Coeur will pay CBH an operating cost contribution of US\$1.00 for each ounce of payable silver plus a further increment when the silver price exceeds the twenty-year average price of \$5.23 per ounce. This further increment begins on the second anniversary of this agreement and is 50% of the amount by which the silver price exceeds \$5.23 per ounce. A cost contribution of \$0.25 per ounce is also payable in respect of new ounces of proven and probable silver reserves as they are discovered. In addition, under the terms of the agreement, Coeur is entitled to receive a maximum of 17.7 million payable silver ounces from the current contained resource at the Endeavor Mine.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This document contains numerous forward-looking statements relating to the Company's gold and silver mining business. The United States Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. Operating, exploration and financial data, and other statements in this document are based on information the Company believes reasonable, but involve significant uncertainties as to future gold and silver prices, costs, ore grades, estimation of gold and silver reserves, mining and processing conditions, changes that could result from the Company's future acquisition of new mining properties or businesses, the risks and hazards inherent in the mining business (including environmental hazards, industrial accidents, weather or geologically related conditions), regulatory and permitting matters, and risks inherent in the ownership and operation of, or investment in, mining properties or businesses in foreign countries. Actual results and timetables could vary significantly from the estimates presented. Readers are cautioned not to put undue reliance on forward-looking statements. The Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise.

Management's Discussion and Analysis includes references to total cash costs per ounce of silver produced both on an individual mine basis and on a consolidated basis. Total cash costs per ounce represent a non-U.S. generally accepted accounting principles (GAAP) measurement that management uses to monitor and evaluate the performance of its mining operations. A reconciliation of total cash costs per ounce to U.S. GAAP Production Expenses is also provided herein and should be referred to when reading the total cash cost per ounce measurement.

General

The results of the Company's operations are significantly affected by the market prices of silver and gold which may fluctuate widely and are affected by many factors beyond the Company's control, including, without limitation, interest rates, expectations regarding inflation, currency values, governmental decisions regarding the disposal of precious metals stockpiles, global and regional political and economic conditions, and other factors.

The average prices of silver (Handy & Harman) and gold (London Final) for the first three months of 2005 were \$7.01 and \$427.35 per ounce, respectively. The market prices of silver and gold on May 3, 2005 were \$6.89 per ounce and \$427.90 per ounce, respectively.

The Company's operating mines are the Rochester mine in Nevada, the Galena mine in the Coeur d'Alene Mining District of Idaho, the Cerro Bayo mine in Chile, and the Martha mine in Argentina.

Operating Highlights and Statistics

South American Operations

At the Cerro Bayo mine in Southern Chile, silver production was 659,293 ounces and 14,868 ounces of gold in the first quarter of 2005 compared to 796,545 ounces of silver and 9,957 ounces of gold in the first quarter of 2004.

Total cash cost per ounce in the first quarter of 2005 was a negative \$(.15) per ounce compared to \$1.52 per ounce in 2004. The decline in silver production was primarily due to a decrease in ore grades as compared to the first quarter of 2004. The increase in gold production was due to a 48.6% increase in the gold ore grade. The cash cost per ounce decrease is due to the higher gold credit compared to the first quarter of 2004.

At the Martha Mine in Southern Argentina, silver production was 379,060 ounces in the first quarter of 2005 compared to 421,271 ounces in the first quarter of 2004. Total cash costs per ounce in the first quarter of 2005 were \$5.07 per ounce compared to \$3.81 per ounce in 2004. The higher cash costs per ounce and decline in silver production was primarily due to lower ore grades compared to the first quarter of 2004.

North American Operations

At the Rochester mine, silver production decreased 13.3% to 1,135,997 and gold production increased 21.9% to 13,992 ounces during the first quarter of 2005 compared to 1,310,295 ounces of silver and 11,475 ounces of gold in the first quarter of the prior year. Total cash costs per ounce increased to \$6.30 from \$5.58 in the first quarter of 2004. The decline in silver production is due to a 25% decrease in silver recoveries placed on the leach pad. The increase in gold production is due to a 25% increase in gold recoveries being placed on the leach pad.

At Coeur Silver Valley (Galena Mine), silver production decreased 21.7% to 710,296 from 906,980 ounces produced in the first quarter of 2004. Total cash costs per ounce increased to \$6.73 from \$4.93 per ounce in the first quarter of the prior year. Lower production and higher costs per ounce are due to lower production grades as mining operations adjusted to changing geological ground conditions in more productive mining areas.

Operating Statistics

The following table sets forth the amounts of silver and gold produced by the following mining properties, each of which is wholly owned by the Company, and the cash and full costs of such production during the three-month periods ended March 31, 2005 and 2004:

	Three Months Ended March 31,	
	2005	2004
<i>ROCHESTER MINE</i>		
Silver ozs.	1,135,997	1,310,295
Gold ozs.	13,992	11,475
Cash Costs per oz./silver	\$6.30	\$5.58
Full Costs per oz./silver	\$8.53	\$7.21
<i>GALENA MINE</i>		
Silver ozs.	710,296	906,980
Gold ozs.	92	101
Cash Costs per oz./silver	\$6.73	\$4.93

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	Three Months Ended March 31,	
	2005	2004
Full Costs per oz./silver	\$7.45	\$5.44
<i>CERRO BAYO^{(A)(B)}</i>		
Silver ozs.	659,293	796,545
Gold ozs.	14,868	9,957
Cash Costs per oz./silver	\$(0.15)	\$1.52
Full Costs per oz./silver	\$1.78	\$3.59
<i>MARTHA MINE^(B)</i>		
Silver ozs	379,060	421,271
Gold ozs	471	579
Cash Costs per oz./silver	\$5.07	\$3.81
Full Costs per oz./silver	\$5.51	\$4.80
CONSOLIDATED PRODUCTION TOTALS		
Silver ozs.	2,884,646	3,435,091
Gold ozs.	29,423	22,011
Cash costs per oz./Silver	\$4.77	\$4.25
Full Costs per oz./Silver	\$6.32	\$5.61
CONSOLIDATED SALES TOTALS		
Silver ozs. sold	3,265,000	3,293,000
Gold ozs. sold	35,000	20,000
Realized price per silver oz.	\$6.85	\$6.94
Realized price per gold oz.	\$424	\$392

^(A) The negative cash cost per ounce of silver is the result of the gold by-product credit as a reduction of operating costs.

^(B) During the first quarter of 2005, the Company has segregated operating statistics to conform to current year presentation.

Note: Cash Costs per Ounce are calculated by dividing the cash costs computed for each of the Company's mining properties for a specified period by the amount of gold ounces or silver ounces produced by that property during that same period. Management uses cash costs per ounce produced as a key indicator of the profitability of each of its mining properties. Gold and silver are sold and priced in the world financial markets on a US dollar per ounce basis. By calculating the cash costs from each of the Company's mines on the same unit basis, management can easily determine the gross margin that each ounce of gold and silver produced is generating.

Cash Costs are costs directly related to the physical activities of producing silver and gold and include mining, processing and other plant costs, deferred mining adjustments, third-party refining and smelting costs, marketing expense, on-site general and administrative costs, royalties, in-mine drilling expenditures that are related to production and other direct costs. Sales of by-product metals (primarily gold and copper) are deducted from the above in computing cash costs. Cash costs exclude depreciation, depletion and amortization, corporate general and administrative expense, exploration, interest, and pre-feasibility costs and accruals for mine reclamation. Cash costs are calculated and presented using the Gold Institute Production Cost Standard applied consistently for all periods presented.

Total cash costs per ounce is a non-GAAP measurement and investors are cautioned not to place undue reliance on it and are urged to read all GAAP accounting disclosures presented in the consolidated financial statements and accompanying footnotes. In addition, see the reconciliation of cash costs to production costs under Costs and Expenses set forth below:

The following tables present a reconciliation between cash costs per ounce and GAAP production costs reported in the Statement of Operations:

Three months ended March 31, 2005

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	Rochester	Silver Valley	Cerro Bayo	Martha	Total
	(Restated) (see Note C)				(Restated) (see Note C)
Production of Silver (ounces)	1,135,997	710,296	659,293	379,060	2,884,646
Cash Costs per ounce	\$ 6.30	\$ 6.73	\$ (0.15)	\$ 5.07	\$ 4.77
Total Cash Costs (thousands)	\$ 7,153	\$ 4,782	\$ (98)	\$ 1,921	\$ 13,758
Add/(Subtract):					
Third Party Smelting Costs	(210)	(1,206)	(1,008)	(222)	(2,646)
By-Product Credit	5,991	938	6,348	201	13,478
Deferred Stripping and other adjustments	(100)	--	--	--	(100)
Change in Inventory	(3,557)	(697)	673	(275)	(3,856)
Production costs applicable to sales	\$ 9,277	\$ 3,817	\$ 5,915	\$ 1,625	\$ 20,634

Three months ended March 31, 2004

	Rochester	Silver Valley	Cerro Bayo	Martha	Total
Production of Silver (ounces)	1,310,295	906,980	796,545	421,271	3,435,091
Cash Costs per ounce	\$ 5.58	\$ 4.93	\$ 1.52	\$ 3.81	\$ 4.25
Total Cash Costs (thousands)	\$ 7,317	\$ 4,468	\$ 1,208	\$ 1,603	\$ 14,596
Add/(Subtract):					
Third Party Smelting Costs	(232)	(1,279)	(757)	(448)	(2,716)
By-Product Credit	4,688	793	4,071	237	9,789
Deferred Stripping and other adjustment	(101)	--	--	--	(101)
Change in Inventory	(3,895)	1,260	(1,644)	(339)	(4,618)
Production costs applicable to sales	\$ 7,777	\$ 5,242	\$ 2,878	\$ 1,053	\$ 16,950

Exploration and Development Projects

Exploration Projects:

Exploration at Cerro Bayo during the first quarter of 2005 focused on reserve development/delineation drilling and discovery of new mineralization. Approximately 21,000 meters (69,000 feet) out of a full year plan of approximately 64,000 meters (210,000 feet), were drilled in the two programs. The majority of the first quarter drilling was devoted to reserve development drilling, from both surface and underground positions, on fifteen (15) different veins and veins systems. Results from drilling are expected to produce additional reserves though the impact of the new drilling will not be fully evaluated until the program is completed.

At Martha, the program to define the full potential of the Martha area progressed well. A total of 8,700 meters (28,500 feet) of drilling, versus a full year budget of nearly 30,000 meters (97,000 feet), was accomplished during the first quarter. Results obtained from drilling R4 Deep, Francisca and Catalina have expanded the strike and depth of the mineralization in those veins, which were discovered in 2004. Drilling will continue throughout the year on these and other targets in the Martha mine district.

At the Galena Mine, over 19,000 feet of new core drilling was completed, out of a full-year budget of 49,200 feet. Six veins and targets were tested with this drilling which is part of the Company's strategic plan to define sufficient new mineralization and reserves to extend the

Exploration Projects:

current life of mine and a potential increase in annual production. The 2005 program is the second full-year of a three-year program.

In the first quarter, the Company continued exploration on its properties in the Lake Victoria Goldfields District of northern Tanzania. Most of the work was focused on the Geita 2 tenement, a concession of over 103 square kilometers (25,500 acres) in size that straddles the western extension of the Geita greenstone belt, where an in-fill soil sampling and trenching program and airborne geophysical survey were completed.

Development Projects:

San Bartolome (Bolivia)

During 2004, the Company completed an updated feasibility study, obtained all required permits and commenced construction of the San Bartolome mine. Based upon the results of the updated feasibility study, we estimate the capital cost of the project to be approximately \$135 million, the annual production to be approximately 6-8 million ounces of silver over an initial mine life of approximately 14 years, and the cash costs per ounce of silver produced to be approximately \$3.50.

We expect construction will take approximately twenty months, meaning that commercial production could commence in the second half of 2006.

During the first quarter of 2005, the Company capitalized \$1.9 million in connection with construction activities at San Bartolome.

The San Bartolome project involves risks that are inherent in any mining venture, as well as particular risks associated with the location of the project. The estimate of mineral resources indicated by the geologic studies performed to date are preliminary in nature and may differ materially after further metallurgical testing is completed. Also, managing mining projects in the altiplano area of Bolivia, where Cerro Rico is located, presents logistical challenges. The political and cultural differences of a foreign country may also present challenges.

We have obtained a political risk insurance policy from the Overseas Private Insurance Corporation (OPIC) and another private insurer. The policy is in the amount of \$155 million and covers 85% of any loss arising from expropriation, political violence or currency inconvertibility. The policy is expected to cost approximately \$3.4 million during the course of construction and \$0.21 per ounce of silver produced when the project commences commercial production.

Kensington (Alaska)

On July 7, 1995, Coeur, through its wholly-owned subsidiary, Coeur Alaska, Inc. (Coeur Alaska), acquired the 50% ownership interest of Echo Bay Exploration Inc. (Echo Bay) in the Kensington property from Echo Bay and Echo Bay Alaska, Inc. (collectively the Sellers), giving Coeur 100% ownership of the Kensington property. The Kensington project consists of approximately 6,000 acres, of which approximately 750 acres are patented claims. The property is located on the east side of Lynn Canal between Juneau and Haines, Alaska. Coeur Alaska is obligated to pay Echo Bay a scaled net smelter return royalty on 1.0 million ounces of future gold production after Coeur Alaska recoups the \$32.5 million purchase price and its construction and development expenditures incurred after July 7, 1995 in connection with placing the property into commercial production. The royalty ranges from 1% at \$400 gold prices to a maximum of 2 1/2% at gold prices above \$475, with the royalty to be capped at 1.0 million ounces of production.

In the second quarter of 2004, we completed an updated feasibility study based on an alternative operating scenario which would eliminate the need for a man camp, simplify operating logistics and focus mining on higher-grade areas of the deposit (thereby reducing significantly the size of the mill facilities). This plan significantly reduces capital and operating costs while preserving the ability to expand production as market conditions warrant. Based upon the results of the feasibility study, we estimate the direct capital costs of the project to be approximately \$91.5 million, the annual production to be 100,000 ounces of gold over an initial mine life of ten years and the cash cost per ounce of gold produced to be approximately \$220. The property has been permitted under a previous operating plan. In connection with the updated plan, the Company prepared a Final Supplemental Environmental Impact Statement (FSEIS). During the fourth quarter of 2004, a major permitting milestone was reached with the issuance of the Record of Decision (ROD) for the FSEIS by the U.S. Forest Service. The Forest Service ROD supports the preferred operating and development plan as set forth by the Company. The ROD is also supported by the Army Corps of Engineers, the State of Alaska and the City and Borough of Juneau. On February 7, 2005, the Southeast Alaska Conservation Council and a group of other community and private environmental groups filed an appeal with the Regional Forester of the U.S. Forest Service in Juneau, Alaska seeking to set aside the ROD for the FSEIS for the Kensington Gold Project. The appellants alleged numerous threats to the Berners Bay ecological, cultural and recreational value in violation of the Endangered Species Act, the Alaska National Interest Lands Conservation Act, the National Environmental Policy Act, the National Forest Management Act, the Clean Water Act and other laws and agency regulations. The Company objected to the appellants' allegations in support of the ROD for the FSEIS issued by the U.S. Forest Service. On March 23, 2005, the US Forest Service upheld the decision to approve the FSEIS. SEACC has also threatened to sue the U.S. Forest Service if relief is not obtained in the course of its

administrative appeal. The Company is unable to predict what the outcome of a suit would be, if one is filed, or its impact upon the permitting process.

We expect to obtain all required construction permits by the end of the second quarter of 2005. Upon the receipt of remaining permits, we could make a construction decision in the first half of 2005. We expect construction to take eighteen months, meaning that commercial production could commence 2006.

The Kensington ore deposit consists of multiple, precious metals bearing, mesothermal, quartz, carbonate, pyrite vein swarms and discrete quartz-pyrite veins hosted in the Cretaceous aged Jualin diorite. The gold-telluride-mineral calaverite and other ore minerals are associated with the pyrite mineralization.

We believe the Kensington property package has excellent exploration potential. Not all Kensington ore zones have been fully delineated at depth and several peripheral zones and veins remain to be explored. The Company has identified an exploration program designed to convert 300,000 to 400,000 ounces of gold currently reported as mineral resources to reserves, with potential to increase total gold production and to identify higher grade sections of the deposit that might be mined in the earlier years of the operation. The program is expected to cost approximately \$2.6 million. In addition, the Company possesses the right to develop the Jualin property, an exploratory property located adjacent to the Kensington Property. A budget of \$0.7 million is allocated for 2005 at Jualin which consists of approximately 8,500 acres, of which approximately 335 acres are patented claims. The Company's rights to use and develop the Jualin property are subject to an agreement which must be renewed in May 2007 unless certain conditions with respect to development of or production from the property are met by that date.

Total expenditures by the Company at the Kensington property in the first quarter of 2005 were \$2.4 million. Such expenditures were used to continue the permitting and pre-development activities. The Company plans approximately \$7.0 million for currently planned project expenditures during 2005. Additional expenditures will be dependent upon the receipt of remaining permits which are expected by the end of the second quarter of 2005.

Coeur continues to complete the permitting process. No assurance can be given as to whether or when the required regulatory approvals will be obtained or as to whether the Company will place the Kensington project into commercial production.

Critical Accounting Policies and Estimates

Management considers the following policies to be most critical in understanding the judgments that are involved in preparing the Company's consolidated financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows. Our consolidated financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. We have identified the policies below as critical to our business operations and the understanding of our results of operations. Management's discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in conformity with U.S. GAAP. The preparation of these statements requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. We base these estimates on historical experience and on assumptions that we consider reasonable under the circumstances; however, reported results could differ from those based on the current estimates under different assumptions or conditions. The impact and any associated risks related to these policies on our business operations are discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations. The areas requiring the use of management's estimates and assumptions relate to recoverable ounces from proven and probable reserves that are the basis of future cash flow estimates and units-of-production, depreciation and amortization calculations; estimates of recoverable gold and silver ounces in ore on leach pad; reclamation and remediation costs; and post-employment and other employee benefit liabilities. The preparation of this Quarterly Report on Form 10-Q requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates.

Reserve Estimates. The most critical accounting principles upon which the Company's financial status depends are those requiring estimates of recoverable ounces from proven and probable reserves and/or assumptions of future commodity prices. There are a number of uncertainties inherent in estimating quantities of reserves, including many factors beyond our control. Ore reserves estimates are based upon engineering evaluations of samplings of drill holes and other openings. These estimates involve assumptions regarding future silver and gold prices, the geology of our mines, the mining methods we use and the related costs we incur to develop and mine our reserves. Changes in these assumptions could result in material adjustments to our reserve estimates. We use reserve estimates in determining the units-of-production depreciation and amortization expense, as well as in evaluating mine asset impairments.

We review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. We utilize the methodology set forth in Statement of Financial Accounting Standard (SFAS) No. 144,

Accounting for the Impairment or Disposal of Long-Lived Asset, to evaluate the recoverability of capitalized mineral property costs. An impairment is considered to exist if total estimated future cash flows or probability-weighted cash flows on an undiscounted basis is less than the carrying amount of the assets, including property, plant and equipment, mineral property, development property, and any deferred costs such as deferred stripping. The accounting estimates related to impairment are critical accounting estimates because the future cash flows used to determine whether an impairment exists is dependent on reserve estimates and other assumptions including, silver and gold prices, production levels, and capital and reclamation costs, all of which are based on detailed engineering life-of-mine plans. An impairment loss exists when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Any impairment loss recognized represents the excess of the asset's carrying value as compared to its estimated fair value. The Company reviews the carrying value of its assets whenever events or changes in circumstances indicate that the carrying amount of its assets may not be fully recoverable.

We depreciate our property, plant and equipment, mining properties and mine development using the units-of-production method over the estimated life of the ore body based on our proven and probable recoverable reserves or on a straight-line basis over the useful life, whichever is shorter. The accounting estimates related to depreciation and amortization are critical accounting estimates because the 1) determination of reserves involves uncertainties with respect to the ultimate geology of our reserves and the assumptions used in determining the economic feasibility of mining those reserves and 2) changes in estimated proven and probable reserves and useful asset lives can have a material impact on net income.

Ore on leach pad. The Rochester Mine utilizes the heap leach process to extract silver and gold from ore. The heap leach process is a process of extracting silver and gold by placing ore on an impermeable pad and applying a diluted cyanide solution that dissolves a portion of the contained silver and gold, which are then recovered in metallurgical processes.

The key stages in the conversion of ore into silver and gold are (i) the blasting process in which the ore is broken into large pieces; (ii) the processing of the ore through a crushing facility that breaks it into smaller pieces; (iii) the transportation of the crushed ore to the leach pad where the leaching solution is applied; (iv) the collection of the leach solution; (v) subjecting the leach solution to the precipitation process, in which gold and silver is converted back to a fine solid; (vi) the conversion of the precipitate into dorè; and (vii) the conversion by a third party refinery of the dorè into refined silver and gold bullion.

We use several integrated steps to scientifically measure the metal content of ore placed on the leach pads during the key stages. As the ore body is drilled in preparation for the blasting process, samples of the drill residue are assayed to determine estimated quantities of contained metal. We estimate the quantity of ore by utilizing global positioning satellite survey techniques. We then process the ore through a crushing facility where the output is again weighed and sampled for assaying. A metallurgical reconciliation with the data collected from the mining operation is completed with appropriate adjustments made to previous estimates. We then transport the crushed ore to the leach pad for application of the leaching solution. As the leach solution is collected from the leach pads, we continuously sample for assaying. We measure the quantity of leach solution by flow meters throughout the leaching and precipitation process. After precipitation, the product is converted to dorè, which is the final product produced by the mine. We again sample and assay the dorè. Finally, a third party smelter converts the dorè into refined silver and gold bullion. At this point we are able to determine final ounces of silver and gold available for sale. We then review this end result and reconcile it to the estimates we had used and developed throughout the production process. Based on this review, we adjust our estimation procedures when appropriate.

Our reported inventories include metals estimated to be contained in the ore on the leach pads of \$48.3 million as of March 31, 2005. Of this amount, \$14.3 million is reported as a current asset and \$34.0 million is reported as a noncurrent asset. The distinction between current and noncurrent is based upon the expected length of time necessary for the leaching process to remove the metals from the broken ore. The historical cost of the metal that is expected to be extracted within twelve months is classified as current and the historical cost of metals contained within the broken ore that will be extracted beyond twelve months is classified as noncurrent.

The estimate of both the ultimate recovery expected over time, and the quantity of metal that may be extracted relative to such twelve month period, requires the use of estimates which are inherently inaccurate since they rely upon laboratory testwork. Testwork consists of 60 day leach columns from which we project metal recoveries up to five years in the future. The quantities of metal contained in the ore are based upon actual weights and assay analysis. The rate at which the leach process extracts gold and silver from the crushed ore is based upon laboratory column tests and actual experience occurring over approximately fifteen years of leach pad operation at the Rochester Mine. The assumptions we use to measure metal content during each stage of the inventory conversion process includes estimated recovery rates based on laboratory testing and assaying. We periodically review our estimates compared to actual experience and revise our estimates when appropriate. The length of time necessary to achieve our currently estimated ultimate recoveries of 61.5% for silver and 93% for gold is estimated to be between 5 and 10 years. However, the ultimate recovery will not be known until leaching operations cease, which is currently estimated for 2011.

If our estimate of ultimate recovery requires adjustment, the impact upon our inventory valuation and upon our income statement would be as follows:

	Positive/Negative Change in Silver Recovery			Positive/Negative Change in Gold Recovery		
	1%	2%	3%	1%	2%	3%
Quantity of recoverable						
ounces	1.6	3.1	4.7	11,100	22,200	33,300
million			million			
Positive impact on future cost of production per silver equivalent ounce for increases in recovery rates (Restated, see Note C)	\$0.68	\$1.19	\$1.59	\$0.31	\$0.59	\$0.83
Negative impact on future cost of production per silver equivalent ounce for decreases in recovery rates (Restated, see Note C)	\$0.93	\$2.29	\$4.48	\$0.36	\$0.77	\$1.25

Inventories of ore on leach pads are valued based upon actual costs incurred to place such ore on the leach pad, less costs allocated to minerals recovered through the leach process. The costs consist of those production activities occurring at the mine site and include the costs, including depreciation, associated with mining, crushing and precipitation circuits. In addition, refining is provided by a third party refiner to place the metal extracted from the leach pad in a saleable form. These additional costs are considered in the valuation of inventory.

Reclamation and remediation costs. Reclamation and remediation costs are based principally on legal and regulatory requirements. Management estimates costs associated with reclamation of mining properties as well as remediation cost for inactive properties. Future remediation costs for inactive mines are accrued based on management's best estimate at the end of each period of the undiscounted costs expected to be incurred at the site. Such cost estimates include, where applicable, ongoing care and maintenance and monitoring costs. Changes in estimates are reflected in earnings in the period an estimate is revised. In June 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. SFAS No. 143 requires entities to record the fair value of asset retirement obligations using the present value of projected future cash flows, with an equivalent amount recorded as basis in the related long-lived asset. An accretion cost, representing the increase over time in the present value of the liability, is recorded each period and the capitalized cost is depreciated over the useful life of the related asset. As reclamation work is performed or liabilities are otherwise settled, the recorded amount of the liability is reduced.

The estimated undiscounted cash flows generated by our assets and the estimated liabilities for reclamation and remediation are determined using the Company's assumptions about future costs, mineral prices, mineral processing recovery rates, production levels and capital and reclamation costs. Such assumptions are based on the Company's current mining plan and the best available information for making such estimates. On an ongoing basis, management evaluates its estimates and assumptions; however, actual amounts could differ from those based on such estimates and assumptions.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

Revenues

Sales of metal in the first quarter of 2005 increased by \$6.6 million, or 22%, from the first quarter of 2004 to \$36.2 million. The increase in product sales of metal is attributable to an increase in the quantity of gold sold and higher realized gold prices. In the first quarter of 2005, the Company sold 3,265,000 ounces of silver and 35,000 ounces of gold compared to 3,293,000 ounces of silver and 20,000 ounces of gold for the same period in 2004. Realized silver and gold prices were \$6.85 and \$424 per ounce, respectively, in the first quarter of 2005 compared to \$6.94 and \$392 in the comparable quarter of 2004.

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In the first quarter of 2005, the Company produced a total of 2,884,646 ounces of silver and 29,423 ounces of gold, compared to 3,435,091 ounces of silver and 22,011 ounces of gold in the first quarter of 2004. The decrease in silver production is primarily due to slower than expected recoveries from the Rochester mine leach pad and lower than expected ore grades from Coeur Silver Valley, Cerro Bayo and Martha mines. The increase in gold production is due to higher than expected ore grades from the Cerro Bayo mine.

Interest and other income in the first quarter of 2005 increased by \$2.6 million compared with the first quarter of 2004. The increase was primarily due to increased interest income from short-term investments due to higher levels of cash and short-term investments on hand. In addition, during the first quarter of 2004, the Company closed out its gold hedging portfolio resulting in a loss of \$0.9 million.

Costs and Expenses

Production costs applicable to sales in the first quarter of 2005 increased by \$3.7 million, or 22%, from the first quarter of 2004 to \$20.6 million. The increase is the result of increased production costs at the Company's mine operations due to higher diesel and operating materials and supplies expenses.

Depreciation and depletion decreased in the first quarter of 2005 by \$0.2 million, from the prior year's first quarter.

Administrative and general expenses increased in the first quarter of 2005 compared to the same period in 2004 by \$1.9 million due to higher outside audit services of \$1.1 million primarily related to Sarbanes-Oxley compliance activities and \$0.8 million in increased general administration costs.

Exploration expenses increased by \$1.2 million in the first quarter of 2005 compared to the same period in 2004 as a result of expanded exploration efforts at the Kensington, Cerro Bayo and Martha mines.

Pre-development expenses increased \$0.8 million to \$2.4 million from the first quarter of 2004 as a result of increased activities at the Kensington property.

Interest expense decreased by \$0.4 million in the first quarter of 2005 compared with the first quarter of 2004 to \$0.6 million from \$0.9 million due to a reduction in the interest rate on the Company's outstanding debt as a result of the completion, in the first quarter of 2004, of the Company's debt restructuring program.

The Company recorded a litigation settlement of \$1.6 million related to the Company's settlement of the suit by Credit Suisse First Boston on April 6, 2005. See Note L - Litigation and Other Events.

32

Income Taxes

The Company recorded an income tax provision of \$0.7 million for a valuation allowance of the amount of the Company's net deferred assets at the Cerro Bayo Mine in Chile. During the quarter ended March 31, 2005, the Company reduced the net deferred tax assets to approximately \$3.7 million (\$1.8 million current and \$1.9 million non-current).

Net Loss

As a result of the aforementioned factors, the Company's net loss amounted to \$1.1 million, or \$0.00 per share, in the first quarter of 2005 compared to a net loss of \$1.7 million, or \$0.01 per share, in the first quarter of 2004.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital; Cash and Cash Equivalents

The Company's working capital at March 31, 2005, decreased by \$5.9 million to approximately \$343.6 million compared to \$349.6 million at December 31, 2004. The decrease in working capital was primarily attributed to the decrease in cash and cash equivalents and short-term investments. The ratio of current assets to current liabilities was 18.6 to 1 at March 31, 2005, compared to 16.8 to 1 at December 31, 2004.

Net cash used in operating activities in the three months ended March 31, 2005 was \$2.5 million compared to net cash used in operating activities of \$8.1 million in the three months ended March 31, 2004. The increase in cash flow from operations is primarily due to decreased receivables and inventory associated with the timing and payment of concentrate shipments. Net cash used in investing activities in the first

quarter of 2005 was \$8.7 million compared to net cash used in investing activities of \$43.8 million in the prior year's comparable period. The decrease in cash used in investing activities primarily resulted from a decrease in short-term investments purchased. Net cash provided by financing activities was \$0.7 million in the first quarter of 2005, compared to \$162.8 million provided in the first quarter of 2004. The decrease was primarily a result of the receipt in 2004 of the \$180 million of proceeds from the issuance of the 1 1/4% Convertible Senior Notes due 2024 offset in part by \$9.6 million of retirement of long-term debt. As a result of the above, cash and cash equivalents decreased by \$11.8 million in the first quarter of 2005 compared to an increase of \$110.9 million for the comparable period in 2004.

Debt and Capital Resources

At March 31, 2005, the Company had \$261.3 million of cash and cash equivalents. Management therefore believes that its existing and available cash and cash flow from operations will allow it to meet its obligations for the next twelve months.

2004 Final Redemption of Remaining 7 1/4% Debentures

On March 11, 2004 the Company redeemed the remaining outstanding \$9.6 million principal amount of the Company's 7 1/4% Convertible Subordinated Debentures due October 15, 2005.

Issuance of 1 1/4% Convertible Senior Notes

On January 13, 2004 the Company completed its offering of \$180 million aggregate principal amount of 1.25% Convertible Senior Notes due 2024 (the 1.25% Notes). The 1.25% Notes are convertible into shares of Coeur common stock at a conversion rate of approximately 131.5789 shares of Coeur common stock per \$1,000 principal amount of Notes, representing a conversion price of \$7.60 per share. Interest on the notes is payable in cash at the rate of 1.25% per annum beginning July 15, 2004. The Company intends to use the proceeds of the offering for general corporate purposes, which include the construction of its San Bartolome silver project and the development of its Kensington gold project which is subject to the receipt of final permits and final construction decision. The 1.25% Notes are general unsecured obligations, senior in right of payment to Coeur's other indebtedness.

33

Litigation and Other Events

Federal Natural Resources Action

On March 22, 1996, an action was filed in the United States District Court for the District of Idaho by the United States against various defendants, including the Company, asserting claims under CERCLA and the Clean Water Act for alleged damages to federal natural resources in the Coeur d'Alene River Basin of Northern Idaho. The damages are claimed to result from alleged releases of hazardous substances from mining activities conducted in the area since the late 1800s.

The Company and representatives of the U.S. Government, including the Environmental Protection Agency, the Department of Interior and the Department of Agriculture, reached an agreement to settle the lawsuit. The terms of settlement are set forth in a Consent Decree issued by the court. Pursuant to the terms of the Consent Decree, dated May 14, 2001, the Company has paid the U.S. Government a total of approximately \$3.9 million, of which \$3.3 million was paid in May 2001 and the remaining \$.6 million was paid in June 2001. In addition, the Company will (i) pay the United States 50% of any future recoveries from insurance companies for claims for defense and indemnification under general liability insurance policies in excess of \$0.6 million, and (ii) make a conveyance to the U.S. or the State of Idaho of certain real property to possibly be used as a waste repository. Commencing in 2006, the Company will be obligated to pay net smelter return royalties on its operating properties, up to a maximum of \$3 million, amounting to a 2% net smelter royalty on silver production if the price of silver exceeds \$6.50 per ounce, and a \$5.00 per ounce net smelter royalty on gold production if the price of gold exceeds \$325 per ounce. The royalty payment obligation expires after 15 years commencing five years after May 14, 2001.

States of Maine, Idaho And Colorado Superfund Sites Related to Callahan Mining Corporation

During 2001, the United States Forest Service made a formal request for information regarding the Deadwood Mine Site located in central Idaho. Callahan Mining Corporation had operated at this site during the 1940's. The Forest Service believes that some cleanup action is required at the location. However, Coeur d'Alene Mines Corporation did not acquire Callahan until 1991, more than 40 years after Callahan disposed of its interest in the Deadwood property. The Company did not make any decisions with respect to generation, transport or disposal of hazardous waste at the site. Therefore, it is believed that the Company is not liable for any cleanup, and if Callahan might be liable, it has no substantial assets with which to satisfy any such liability. To date no claim has been made by the United States for any dollar amount of cleanup costs against either the Company or Callahan.

During 2002, the EPA made a formal request for information regarding a Callahan mine site in the State of Maine. Callahan operated there in the late 1960 s, shut the operations down in the early 1970 s and disposed of the property. The EPA contends that some cleanup action is warranted at the site, and listed it on the National Priorities List in late 2002. The Company believes that because it made no decisions with respect to generation, transport or disposal of hazardous waste at this location, it is not liable for any cleanup costs. If Callahan might have liability, it has no substantial assets with which to satisfy such liability. To date, no claim has been made for any dollar amount of cleanup costs against either the Company or Callahan.

In January 2003, the U.S. Forest Service made a formal request for information regarding a Callahan mine site in the State of Colorado known as the Akron Mine Site. Callahan operated there in approximately the late 1930s through the 1940s, and to the Company s knowledge, disposed of the property. The Company is not aware of what, if any, cleanup action the Forest Service is contemplating. However, the Company did not make decisions with respect to generation, transport or disposal of hazardous waste at this location, and therefore believes it is not liable for any cleanup costs. If Callahan might have liability, it has no substantial assets with which to satisfy such liability. To date, no claim has been made for any dollar amount of cleanup costs against either the Company or Callahan.

Suit By Credit Suisse First Boston

On December 2, 2003, suit was filed by Credit Suisse First Boston against the Company in the United States District Court for the Southern District of New York (Docket No. 03 Civ 9547). The plaintiff alleges that the Company breached a contract between the parties providing for services to be furnished by the plaintiff to the defendant. Plaintiff alleges that it is entitled to damages in the amount of \$2.4 million attributed to the breach. On April 6, 2005, the Company agreed to settle the suit for \$1.6 million which will be paid in the second quarter of 2005.

RISK FACTORS

The following information sets forth information relating to important risks and uncertainties that could materially adversely affect the Company s business, financial condition or operating results. References to we, our and us in these risk factors refer to the Company. Additional risks and uncertainties that we do not presently know or that we currently deem immaterial may also impair our business operations.

Risks Relating to our Business

We have incurred losses in the last five years due to several factors, including historically low gold and silver market prices, and may continue to incur losses in the future.

We have incurred net losses in the last five years, and have had losses from continuing operations in each of those periods. Factors that significantly contributed to our losses are:

until recently, historically low gold and silver market prices;

our deliberate pursuit of a growth policy prior to 2003 calling for the acquisition of mining properties and companies and financing such growth principally by incurring convertible indebtedness which had a high coupon rate, thereby increasing our interest expense to \$17.0 million in 2000, \$14.6 million in 2001, \$21.9 million in 2002, \$12.9 million in 2003 and \$2.8 million in 2004;

write-offs for impaired assets and other holding costs in 2000 (\$12.2 million), 2001 (\$6.1 million), and 2002 (\$19.0 million); and

losses on the early retirement of debt of \$19.1 million in 2002, and \$41.6 million in 2003.

If silver and gold prices decline and we are unable to reduce our production costs, our losses may continue. If lower silver and gold prices make mining at our properties uneconomical, we may be required to recognize additional impairment write-downs, which would increase our operating losses and negatively impact our results of operations.

We may be required to incur additional indebtedness to fund our capital expenditures.

We have historically financed our operations through the issuance of common stock and convertible debt, and may be required to incur additional indebtedness in the future. During 2004, we commenced construction at the San Bartolome project and we anticipate that we could reach a final decision to develop the Kensington project in 2005. Construction of both projects would require a total capital investment of approximately \$226.5 million. While we believe that our cash, cash equivalents and short-term investments combined with cash flow generated from operations will be sufficient for us to make this level of capital investment, no assurance can be given that additional capital investments will not be required to be made at these or other projects. If we are unable to generate enough cash to finance such additional capital expenditures through operating cash flow and the issuance of common stock, we may be required to issue additional indebtedness. Any additional indebtedness would increase our debt payment obligations, and may negatively impact our results of operations.

35

We have not had sufficient earnings to cover fixed charges in recent years and presently expect that situation to continue.

As a result of our net losses, our earnings have not been adequate to satisfy fixed charges (i.e., interest, preferred stock dividends and that portion of rent deemed representative of interest) in each of the last five years. The amounts by which earnings were inadequate to cover fixed charges were approximately, \$47.5 million in 2000, \$3.1 million in 2001, \$80.8 million in 2002, \$63.9 million in 2003, and \$22.7 million in 2004. As of December 31, 2004, we are required to make fixed payments on \$180 million principal amount of our 1¼% Senior Convertible Notes due 2024, requiring annual interest payments of approximately \$2.25 million until their maturity.

We expect to satisfy our fixed charges and other expense obligations in the future from cash flow from operations and, if cash flow from operations is insufficient, from working capital, which amounted to approximately \$343.6 million at March 31, 2005. In the last five years, we have been experiencing negative cash flow from operating activities. The amount of net cash used in our operating activities amounted to approximately \$23.8 million for the year ended December 31, 2000, \$29.9 million in 2001, \$8.5 million in 2002, \$5.1 million in 2003 and \$18.6 million in 2004. The availability of future cash flow from operations or working capital to fund the payment of interest on the notes and other fixed charges will be dependent upon numerous factors, including our results of operations, silver and gold prices, levels and costs of production at our mining properties and the amount of our capital expenditures and expenditures for acquisitions, developmental and exploratory activities.

The market prices of silver and gold are volatile. If we experience low silver and gold prices it may result in decreased revenues and increased losses, and may negatively affect our business.

Silver and gold are commodities. Their prices fluctuate, and are affected by many factors beyond our control, including interest rates, expectations regarding inflation, speculation, currency values, governmental decisions regarding the disposal of precious metals stockpiles, global and regional demand and production, political and economic conditions and other factors. Because we currently derive approximately 65% of our revenues from sales of silver, our earnings are primarily related to the price of this metal.

The market price of silver (Handy & Harman) and gold (London Final) on May 3, 2005 was \$6.89 and \$427.90 per ounce, respectively. The price of silver and gold may decline in the future. Factors that are generally understood to contribute to a decline in the price of silver include sales by private and government holders, and a general global economic slowdown.

If the prices of silver and gold are depressed for a sustained period, our net losses will continue, we may be forced to suspend mining at one or more of our properties until the price increases, and record additional asset impairment write-downs. Any lost revenues, continued or increased net losses or additional asset impairment write-downs would affect our results of operations.

We have recorded significant write-downs of mining properties in recent years and may have to record additional write-downs, which could negatively impact our results of operations.

Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144) established accounting standards for impairment of the value of long-lived assets such as mining properties. SFAS 144 requires a company to review the recoverability of the cost of its assets by estimating the future undiscounted cash flows expected to result from the use and eventual disposition of the asset. Impairment must be recognized when the carrying value of the asset exceeds these cash flows, and recognizing impairment write-downs has negatively impacted our results of operations in recent years.

If silver or gold prices decline or we fail to control production costs or realize the mineable ore reserves at our mining properties, we may recognize further asset write-downs. We also may record other types of additional mining property write-downs in the future to the extent a property is sold by us for a price less than the carrying value of the property, or if liability reserves have to be created in connection with the

closure and reclamation of a property. Additional write-downs of mining properties could negatively impact our results of operations.

The estimation of ore reserves is imprecise and depends upon subjective factors. Estimated ore reserves may not be realized in actual production. Our operating results may be negatively affected by inaccurate estimates.

The ore reserve figures presented in our public filings are estimates made by our technical personnel. Reserve estimates are a function of geological and engineering analyses that require us to make assumptions about production costs and silver and gold market prices. Reserve estimation is an imprecise and subjective process and the accuracy of such estimates is a function of the quality of available data and of engineering and geological interpretation, judgment and experience. Assumptions about silver and gold market prices are subject to great uncertainty as those prices have fluctuated widely in the past. Declines in the market prices of silver or gold may render reserves containing relatively lower grades of ore uneconomic to exploit, and we may be required to reduce reserve estimates, discontinue development or mining at one or more of our properties, or write down assets as impaired. Should we encounter mineralization or geologic formations at any of our mines or projects different from those we predicted, we may adjust our reserve estimates and alter our mining plans. Either of these alternatives may adversely affect our actual production and operating results.

We based our ore reserve determinations as of December 31, 2004 on a long-term silver price average of \$6.00 per ounce and a long-term gold price average of \$390 per ounce except for the Kensington reserves which are estimated using a gold price of \$375. On May 3, 2005 silver and gold prices were \$6.89 per ounce and \$427.90 per ounce, respectively.

The estimation of the ultimate recovery of metals contained within the heap leach pad inventory is inherently inaccurate and subjective and requires the use of estimation techniques. Actual recoveries can be expected to vary from estimations.

The Rochester mine utilizes the heap leach process to extract silver and gold from ore. The heap leach process is a process of extracting silver and gold by placing ore on an impermeable pad and applying a diluted cyanide solution that dissolves a portion of the contained silver and gold, which are then recovered in metallurgical processes.

The key stages in the conversion of ore into silver and gold are (i) the blasting process in which the ore is broken into large pieces; (ii) the processing of the ore through a crushing facility that breaks it into smaller pieces; (iii) the transportation of the crushed ore to the leach pad where the leaching solution is applied; (iv) the collection of the leach solution; (v) subjecting the leach solution to the precipitation process, in which gold and silver is converted back to a fine solid; (vi) the conversion of the precipitate into doré; and (vii) the conversion by a third party refinery of the doré into refined silver and gold bullion.

We use several integrated steps to scientifically measure the metal content of ore placed on the leach pads during the key stages of the conversion process. As the ore body is drilled in preparation for the blasting process, samples of the drill residue are assayed to determine estimated quantities of contained metal. We estimate the quantity of ore by utilizing global positioning satellite survey techniques. We then process the ore through a crushing facility where the output is again weighed and sampled for assaying. A metallurgical reconciliation with the data collected from the mining operation is completed with appropriate adjustments made to previous estimates. We then transport the crushed ore to the leach pad for application of the leaching solution. As the leach solution is collected from the leach pads, we continuously sample for assaying. We measure the quantity of leach solution with flow meters throughout the leaching and precipitation process. After precipitation, the product is converted to doré, which is the final product produced by the mine. We again weigh, sample and assay the doré. Finally, a third party smelter converts the doré so we are able to determine final ounces of silver and gold available for sale. We then review this end result and reconcile it to the estimates we developed and used throughout the production process. Based on this review, we adjust our estimation procedures when appropriate.

Our reported inventories include metals estimated to be contained in the ore on the leach pads of \$48.3 million as of March 31, 2005. Of this amount, \$14.3 million is reported as a current asset and \$34.0 million is reported as a noncurrent asset. The distinction between current and noncurrent is based upon the expected length of time necessary for the leaching process to remove the metals from the crushed ore. The historical cost of the metal that is expected to be extracted within twelve months is classified as current and the historical cost of metals contained within the crushed ore that will be extracted beyond twelve months is classified as noncurrent.

The estimate of both the ultimate recovery expected over time, and the quantity of metal that may be extracted relative to such twelve month period, requires the use of estimates which are inherently inaccurate since they rely upon laboratory test work. Test work consists of 60

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day leach columns from which we project metal recoveries into the future. The quantities of metal contained in the ore are based upon actual weights and assay analysis. The rate at which the leach process extracts gold and silver from the crushed ore is based upon laboratory column tests and actual experience occurring over approximately eighteen years of leach pad operation at the Rochester mine. The assumptions we use to measure metal content during each stage of the inventory conversion process includes estimated recovery rates based on laboratory testing and assaying. We periodically review our estimates compared to actual experience and revise our estimates when appropriate. The length of time necessary to achieve our currently estimated ultimate recoveries of between 59% and 61.5%, depending on the area being leached, for silver and 93% for gold is estimated to be between 5 and 10 years. However, the ultimate recovery will not be known until leaching operations cease, which is currently estimated for 2011.

When we began leach operations in 1986, based solely on laboratory testing, we estimated the ultimate recovery of silver and gold at 50% and 80%, respectively. Since 1986, we have adjusted the expected ultimate recovery three times (once in each of 1989, 1997 and 2003) based upon actual experience gained from leach operations. In 2003, we revised our estimated recoveries for silver and gold of between 59% and 61.5%, depending on the area being leached, and 93%, respectively, which increased the estimated recoverable ounces of silver and gold contained in the heap by 1.8 million ounces and 41,000 ounces, respectively.

If our estimate of ultimate recovery requires adjustment, the impact upon our inventory valuation and upon our income statement would be as follows:

	Positive/Negative Change in Silver Recovery			Positive/Negative Change in Gold Recovery		
	1%	2%	3%	1%	2%	3%
Quantity of recoverable ounces	1.6 million	3.1 million	4.7 million	11,100	22,200	33,300
Positive impact on future cost of production per silver equivalent ounce for increases in recovery rates (Restated, see Note C)	\$0.68	\$1.19	\$1.59	\$0.31	\$0.59	\$0.83
Negative impact on future cost of production per silver equivalent ounce for decreases in recovery rates (Restated, see Note C)	\$0.93	\$2.29	\$4.48	\$0.36	\$0.77	\$1.25

Inventories of ore on leach pads are valued based upon actual costs incurred to place such ore on the leach pad, less costs allocated to minerals recovered through the leach process. The costs consist of those production activities occurring at the mine site and include the costs, including depreciation, associated with mining, crushing and precipitation circuits. In addition, refining is provided by a third party refiner to place the metal extracted from the leach pad in a saleable form. These additional costs are considered in the valuation of inventory. Negative changes in our inventory valuations and correspondingly on our income statement would have an adverse impact on our results of operations.

38

Our estimates of current and non-current inventories may not be realized in actual production and operating results, which may negatively affect our business.

We use estimates, based on prior production results and experiences, to determine whether heap leach inventory will be recovered more than one year in the future, and is non-current inventory, or will be recovered within one year, and is current inventory. The estimates involve assumptions that may not prove to be consistent with our actual production and operating results. We cannot determine the amount ultimately recoverable until leaching is completed. If our estimates prove inaccurate, our operating results may be less than anticipated.

Significant investment risks and operational costs are associated with our exploration, development and mining activities, such as San Bartolome and Kensington. These risks and costs may result in lower economic returns and may adversely affect our business.

Our ability to sustain or increase our present production levels depends in part on successful exploration and development of new ore bodies and/or expansion of existing mining operations. Mineral exploration, particularly for silver and gold, involves many risks and is

frequently unproductive. If mineralization is discovered, it may take a number of years until production is possible, during which time the economic viability of the project may change. Substantial expenditures are required to establish ore reserves, extract metals from ores and, in the case of new properties, to construct mining and processing facilities. The economic feasibility of any development project is based upon, among other things, estimates of the size and grade of ore reserves, proximity to infrastructures and other resources (such as water and power), metallurgical recoveries, production rates and capital and operating costs of such development projects, and metals prices. Development projects are also subject to the completion of favorable feasibility studies, issuance of necessary permits and receipt of adequate financing.

Development projects, such as San Bartolome and Kensington, have no operating history upon which to base estimates of future operating costs and capital requirements. Particularly for development projects items such as estimates of reserves, metal recoveries and cash operating costs are to a large extent based upon the interpretation of geologic data obtained from a limited number of drill holes and other sampling techniques and feasibility studies. Estimates of cash operating costs are then derived based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the orebody, expected recovery rates of metals from the ore, comparable facility and equipment costs, anticipated climate conditions and other factors. As a result, actual cash operating costs and economic returns of any and all development projects may materially differ from the costs and returns estimated, and accordingly, our business results of operations may be negatively affected.

The Company's marketing of metals concentrates could be adversely affected if there were to be a significant delay or disruption of purchases by its third party smelter customers.

The Company currently markets its silver and gold concentrates to third party smelters in Japan and Canada. In April 2005, the Company concluded contracts which allow for 50% of the concentrate from Cerro Bayo previously being sold to a smelter in Japan to be sold to a Mexican smelter. The smelter in Japan will continue to be obligated to take the remaining 50%. The loss of any one smelter customer could have a material adverse effect on us in the event of the possible unavailability of alternative smelters. No assurance can be given that alternative smelters would be timely available if the need for them were to arise, or that delays or disruptions in sales could not be experienced that would result in a materially adverse effect on our operations.

39

Our silver and gold production may decline, reducing our revenues and negatively impacting our business.

Our future silver and gold production may decline as a result of an exhaustion of reserves and possible closure of mines. It is our business strategy to conduct silver and gold exploratory activities at our existing mining and exploratory properties as well as at new exploratory projects, and to acquire silver and gold mining properties and businesses that possess mineable ore reserves and are expected to become operational in the near future. We can provide no assurance that our silver and gold production in the future will not decline. Accordingly, our revenues from the sale of silver and gold may decline, negatively affecting our results of operations.

There are significant hazards associated with our mining activities, not all of which are fully covered by insurance. To the extent we must pay the costs associated with such risks, our business may be negatively affected.

The mining business is subject to risks and hazards, including environmental hazards, industrial accidents, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, reduced production and delays in mining, asset write-downs, monetary losses and possible legal liability. Although we maintain insurance in an amount that we consider to be adequate, liabilities might exceed policy limits, in which event we could incur significant costs that could adversely affect our results of operation. Insurance fully covering many environmental risks (including potential liability for pollution or other hazards as a result of disposal of waste products occurring from exploration and production) is not generally available to us or to other companies in the industry. The realization of any significant liabilities in connection with our mining activities as described above could negatively affect our results of operations.

We are subject to significant governmental regulations, and their related costs and delays may negatively affect our business.

Our mining activities are subject to extensive federal, state, local and foreign laws and regulations governing environmental protection, natural resources, prospecting, development, production, post-closure reclamation, taxes, labor standards and occupational health and safety laws and regulations including mine safety, toxic substances and other matters related to our business. Although these laws and regulations have

never required us to close any mine, the costs associated with compliance with such laws and regulations are substantial. Possible future laws and regulations, or more restrictive interpretations of current laws and regulations by governmental authorities could cause additional expense, capital expenditures, restrictions on or suspensions of our operations and delays in the development of our properties. Moreover, governmental authorities and private parties may bring lawsuits based upon damage to property and injury to persons resulting from the environmental, health and safety impacts of our past and current operations, which could lead to the imposition of substantial fines, penalties and other civil and criminal sanctions. Substantial costs and liabilities, including for restoring the environment after the closure of mines, are inherent in our operations. Although we believe we are in substantial compliance with applicable laws and regulations, we cannot assure you that any such law, regulation, enforcement or private claim will not have a negative effect on our business, financial condition or results of operations.

Some of our mining wastes are currently exempt to a limited extent from the extensive set of federal Environmental Protection Agency (EPA) regulations governing hazardous waste under the Resource Conservation and Recovery Act (RCRA). If the EPA designates these wastes as hazardous under RCRA, we would be required to expend additional amounts on the handling of such wastes and to make significant expenditures to construct hazardous waste disposal facilities. In addition, if any of these wastes causes contamination in or damage to the environment at a mining facility, such facility may be designated as a Superfund site under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). Under CERCLA, any owner or operator of a Superfund site since the time of its contamination may be held liable and may be forced to undertake extensive remedial cleanup action or to pay for the government's cleanup efforts. Additional regulations or requirements are also imposed upon our tailings and waste disposal areas in Idaho and Alaska under the federal Clean Water Act (CWA) and in Nevada under the Nevada Water Pollution Control Law which implements the CWA. Airborne emissions are subject to controls under air pollution statutes implementing the Clean Air Act in Nevada, Idaho and Alaska. Compliance with CERCLA, the CWA and state environmental laws could entail significant costs, which could have a material adverse effect on our operations.

40

In the context of environmental permits, including the approval of reclamation plans, we must comply with standards and regulations which entail significant costs and can entail significant delays. Such costs and delays could have a dramatic impact on our operations.

We are required to obtain government permits to expand operations or begin new operations. The costs and delays associated with such approvals could affect our operations, reduce our revenues, and negatively affect our business as a whole.

Mining companies are required to seek governmental permits for expansion of existing operations or for the commencement of new operations such as the Kensington development project. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings. The duration and success of permitting efforts are contingent on many factors that are out of our control. The governmental approval process may increase costs and cause delays depending on the nature of the activity to be permitted, and could cause us to not proceed with the development of a mine. Accordingly, this approval process could harm our results of operations.

On February 2, 2005, the Southeast Alaska Conservation Council (SEACC) and a group of other community and private environmental groups filed an appeal of the U.S. Forest Service Record of Decision for the Final Supplemental Environmental Impact Statements for the Kensington Gold Project, alleging numerous ecological, cultural and recreational value threats posed by the project under various environmental and other laws and regulations. On March 23, 2005, the US Forest Service upheld its decision to approve the FSEIS. SEACC has also threatened to sue the U.S. Forest Service if relief is not obtained in the course of its administrative appeal. The Company is unable to predict what the outcome of a suit would be, if one is filed, or its impact upon the permitting process.

We are an international company and are exposed to risks in the countries in which we have significant operations or interests. Foreign instability or variances in foreign currencies may cause unforeseen losses, which may affect our business.

Chile, Argentina and Bolivia are the most significant foreign countries in which we directly or indirectly own or operate mining properties or developmental projects. We also conduct exploratory projects in these countries. Argentina, while currently economically and politically stable, has experienced political instability, currency value fluctuations and changes in banking regulations in recent years. Although the governments and economies of Chile and Bolivia have been relatively stable in recent years, property ownership in a foreign country is generally subject to the risk of expropriation or nationalization with inadequate compensation. Any foreign operations or investment may also be adversely affected by exchange controls, currency fluctuations, taxation and laws or policies of particular countries as well as laws and policies of the United States affecting foreign trade investment and taxation. We may enter into agreements which require us to purchase currencies of foreign countries in which we do business in order to ensure fixed exchange rates. In the event that actual exchange rates vary from those set forth in the hedge contracts, we will experience U.S. dollar-denominated currency gains or losses. Future economic or political instabilities or changes in the laws of foreign countries in which we have significant operations or interests and unfavorable fluctuations in foreign currency exchange rates could negatively impact our foreign operations and our business as whole.

Any of our future acquisitions may result in significant risks, which may adversely affect our business.

An important element of our business strategy is the opportunistic acquisition of silver and gold mines, properties and businesses. While it is our practice to engage independent mining consultants to assist in evaluating and making acquisitions, any mining properties we may acquire may not be developed profitably or, if profitable when acquired, that profitability might not be sustained. In connection with any future acquisitions, we may incur indebtedness or issue equity securities, resulting in dilution of the percentage ownership of existing shareholders. We intend to seek shareholder approval for any such acquisitions to the extent required by applicable law, regulations or stock exchange rules. We cannot predict the impact of future acquisitions on the price of our business or our common stock. Unprofitable acquisitions, or additional indebtedness or issuances of securities in connection with such acquisitions, may impact the price of our common stock and negatively affect our results of operations.

Our ability to find and acquire new mineral properties is uncertain. Accordingly, our prospects are uncertain for the future growth of our business.

Because mines have limited lives based on proven and probable ore reserves, we are continually seeking to replace and expand our ore reserves. Identifying promising mining properties is difficult and speculative. Furthermore, we encounter strong competition from other mining companies in connection with the acquisition of properties producing or capable of producing silver and gold. Many of these companies have greater financial resources than we do. Consequently, we may be unable to replace and expand current ore reserves through the acquisition of new mining properties on terms we consider acceptable. As a result, our revenues from the sale of silver and gold may decline, resulting in lower income and reduced growth.

Third parties may dispute our unpatented mining claims, which could result in losses affecting our business.

The validity of unpatented mining claims, which constitute a significant portion of our property holdings in the United States, is often uncertain and may be contested. Although we have attempted to acquire satisfactory title to undeveloped properties, we, in accordance with mining industry practice, do not generally obtain title opinions until a decision is made to develop a property. As a result, some titles, particularly titles to undeveloped properties, may be defective. Defective title to any of our mining claims could result in litigation, insurance claims, and potential losses affecting our business as a whole.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures

The Company's disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by it in its periodic reports filed with the Securities and Exchange Commission is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Based on an evaluation of the Company's disclosure controls and procedures conducted by the Company's Chief Executive Officer and Chief Financial Officer, such officers concluded at March 31, 2005, that the Company's disclosure controls and procedures were effective; however, the Company's Chief Executive Officer and Chief Financial Officer have re-evaluated the Company's disclosure controls and procedures, in light of the restatement of the Company's financial statements filed herein, and concluded that the Company's disclosure controls and procedures were not effective as of March 31, 2005. Such conclusion was based on the Company's identification of a material weakness with regard to its calculation of the ore on leach pad inventory at the Rochester operation.

(b) Changes in Internal Control Over Financial Reporting

Based on an evaluation by the Company's Chief Executive Officer and Chief Financial Officer, such officers concluded that there was no change in the Company's internal control over financial reporting during the quarter ending March 31, 2005 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Subsequent to March 31, 2005, the Company implemented the following procedures as part of its ongoing effort to improve internal controls over financial reporting:

(b) Changes in Internal Control Over Financial Reporting

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requiring operating units to complete quarterly reporting packages for all significant financial accounts including ore on leach pad inventory and the support for additions and reductions thereto at each location;
subjecting the account detail provided within the financial reporting packages to an additional level of monitoring, which includes re-performance and other procedures to determine the amounts as reported are appropriate, by the Company's Assistant Controller and Controller; and
increasing the level of monitoring by the Company's internal audit department related to all significant financial operations.

These controls were deemed to have remediated the material weakness identified above.

42

PART II. Other Information

Item 6. Exhibits

a) Exhibits.

31.1A Certification of the CEO

31.2A Certification of the CFO

32.1A Certification of the CEO (18 U.S.C. Section 1350)

32.2A Certification of the CFO (18 U.S.C. Section 1350)

43