

COEUR D ALENE MINES CORP
Form 10-Q
May 12, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2008

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____
Commission file number 1-8641

COEUR D ALENE MINES CORPORATION
(Exact name of registrant as specified in its charter)

Idaho

82-0109423

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

PO Box I,
505 Front Ave.
Coeur d Alene, Idaho

83816

(Address of principal executive offices)

(Zip Code)

(208) 667-3511

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

Applicable only to corporate issuers: Indicate the number of shares outstanding of each of Issuer's classes of common stock, as of the latest practicable date: Common stock, par value \$1.00, of which 550,873,535 shares were issued and outstanding as of May 7, 2008.

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

| | March 31, 2008 | December 31, 2007 |
|--|-------------------|----------------------|
| | (In thousands) | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 206,178 | \$ 98,671 |
| Short-term investments | 92,526 | 53,039 |
| Receivables | 71,591 | 56,121 |
| Ore on leach pad | 20,817 | 25,924 |
| Metal and other inventory | 21,288 | 18,918 |
| Deferred tax assets | 3,359 | 3,573 |
| Prepaid expenses and other | 12,240 | 7,821 |
| | 427,999 | 264,067 |
| PROPERTY, PLANT AND EQUIPMENT | | |
| Property, plant and equipment | 363,755 | 322,733 |
| Less accumulated depreciation | (76,117) | (69,937) |
| | 287,638 | 252,796 |
| MINING PROPERTIES | | |
| Operational mining properties | 144,606 | 143,324 |
| Less accumulated depletion | (126,470) | (124,401) |
| | 18,136 | 18,923 |
| Mineral interests | 1,757,953 | 1,731,715 |
| Less accumulated depletion | (12,750) | (11,639) |
| | 1,745,203 | 1,720,076 |
| Non-producing and development properties | 334,519 | 311,469 |
| | 2,097,858 | 2,050,468 |
| OTHER ASSETS | | |
| Ore on leach pad, non-current portion | 23,135 | 24,995 |
| Restricted assets | 26,264 | 25,760 |
| Receivables, non-current | 16,379 | 18,708 |
| Debt issuance costs, net | 13,139 | 4,848 |
| Deferred tax assets | 769 | 1,109 |
| Other | 8,745 | 8,943 |

| | | |
|--------------|--------------|--------------|
| | 88,431 | 84,363 |
| TOTAL ASSETS | \$ 2,901,926 | \$ 2,651,694 |

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

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

| | March 31, 2008 | December 31, 2007 |
|--|--------------------------------------|----------------------|
| | (In thousands, except share data) | |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 64,249 | \$ 49,642 |
| Accrued liabilities and other | 11,158 | 9,072 |
| Accrued income taxes | 10,297 | 7,547 |
| Accrued payroll and related benefits | 5,540 | 9,342 |
| Accrued interest payable | 713 | 1,060 |
| Current portion of long-term debt and capital lease obligations | 30,927 | 30,831 |
| Current portion of reclamation and mine closure | 4,620 | 4,183 |
| | 127,504 | 111,677 |
| LONG-TERM LIABILITIES | | |
| 3 1/4% Convertible Senior Notes due March 2028 | 230,000 | |
| 1 1/4% Convertible Senior Notes due January 2024 | 180,000 | 180,000 |
| Reclamation and mine closure | 30,409 | 30,629 |
| Deferred income taxes | 572,538 | 573,681 |
| Obligations under capital leases | 21,359 | 23,661 |
| Other long-term liabilities | 5,707 | 4,679 |
| | 1,040,013 | 812,650 |
| COMMITMENTS AND CONTINGENCIES | | |
| (See Notes F, I, J, K, L, M, N and O) | | |
| SHAREHOLDERS EQUITY | | |
| Common Stock, par value \$1.00 per share; authorized 750,000,000 shares in 2008 and 2007, issued 551,841,250 shares in 2008 and 551,512,230 shares in 2007 (1,059,211 shares held in treasury) | 551,841 | 551,512 |
| Additional paid-in capital | 1,609,016 | 1,607,737 |
| Accumulated deficit | (414,609) | (419,331) |
| Shares held in treasury | (13,190) | (13,190) |
| Accumulated other comprehensive income | 1,351 | 639 |
| | 1,734,409 | 1,727,367 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | \$ 2,901,926 | \$ 2,651,694 |

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

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

| | Three Months Ended March | |
|---|--------------------------|------------------|
| | 2008 | 31, 2007 |
| REVENUES | | |
| Sales of metal | \$ 57,286 | \$ 50,860 |
| COSTS AND EXPENSES | | |
| Production costs applicable to sales | 25,285 | 21,020 |
| Depreciation and depletion | 5,663 | 7,021 |
| Administrative and general | 8,524 | 6,174 |
| Exploration | 3,742 | 2,882 |
| Pre-development | 5,785 | |
| Litigation settlement | | 507 |
| Total cost and expenses | 48,999 | 37,604 |
| OPERATING INCOME | 8,287 | 13,256 |
| OTHER INCOME AND EXPENSE | | |
| Interest and other income | 1,331 | 4,550 |
| Interest expense, net of capitalized interest | (821) | (87) |
| Total other income and expense | 510 | 4,463 |
| Income from continuing operations before income taxes | 8,797 | 17,719 |
| Income tax provision | (4,076) | (3,701) |
| NET INCOME | 4,721 | 14,018 |
| Other comprehensive income (loss) | 712 | (172) |
| COMPREHENSIVE INCOME | \$ 5,433 | \$ 13,846 |
| BASIC AND DILUTED INCOME PER SHARE | | |
| Basic income per share: | | |
| Net income | \$ 0.01 | \$ 0.05 |
| Diluted income per share: | | |
| Net income | \$ 0.01 | \$ 0.05 |

Weighted average number of shares of common stock

| | | |
|---------|---------|---------|
| Basic | 549,965 | 277,677 |
| Diluted | 574,798 | 302,170 |

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

COEUR D ALENE MINES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| | Three Months Ended March 31, | |
|---|---------------------------------|-----------------|
| | 2008 | 2007 |
| | (In Thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 4,721 | \$ 14,018 |
| Add (deduct) non-cash items: | | |
| Depreciation and depletion | 5,663 | 7,021 |
| Deferred taxes | (928) | 373 |
| Unrealized gain on embedded derivatives, net | (1,174) | (35) |
| Loss on foreign currency translation | 1,211 | (46) |
| Share based compensation | 1,591 | 562 |
| Other charges | 115 | 67 |
| Changes in Operating Assets and Liabilities: | | |
| Receivables and other current assets | (14,298) | 7,408 |
| Inventories | 4,597 | (5,041) |
| Accounts payable and accrued liabilities | (9,147) | (1,660) |
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | (7,649) | 22,667 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of short-term investments | (91,679) | (33,311) |
| Proceeds from sales of short-term investments | 51,799 | 60,160 |
| Capital expenditures | (64,509) | (42,003) |
| Other | 51 | 468 |
| CASH USED IN INVESTING ACTIVITIES | (104,338) | (14,686) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issuance of convertible notes | 230,000 | |
| Repayment of long-term debt and capital leases | (2,488) | (286) |
| Payments of debt issuance costs | (8,385) | |
| Proceeds from short-term borrowings | 703 | |
| Common stock repurchased | (372) | (277) |
| Other | 36 | (102) |
| CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES: | 219,494 | (665) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 107,507 | 7,316 |
| Cash and cash equivalents at beginning of period | 98,671 | 270,672 |
| Cash and cash equivalents at end of period | \$ 206,178 | \$ 277,988 |

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

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
(dollars in thousands, except per share, per ounce amounts)

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, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. The balance sheet at December 31, 2007 has been derived from the audited financial statements at that date. 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 ending December 31, 2007.

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 Alaska, Inc., CDE Cerro Bayo Ltd., Coeur Argentina, CDE Australia and Empresa Minera Manquiri S.A., Bolnisi Gold N.L. and Palmarejo Silver and Gold Corporation. 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 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 a 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, net of treatment and refining charges, from a sale when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, no obligations remain and collectability 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 and production costs applicable to sales are recorded on a gross basis 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 assets or as a derivative liability in accrued liabilities and

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (Continued)
(dollars in thousands, except per share, per ounce amounts)

other 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.

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 \$2.4 million and \$1.8 million during the three months ended March 31, 2008 and 2007, respectively, are recorded as a reduction of revenue.

At March 31, 2008, the Company had outstanding provisionally priced sales of \$61.0 million, consisting of 2.7 million ounces of silver and 18,800 ounces of gold, which had a fair value of approximately \$64.7 million including the embedded derivative. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately \$27,000 and for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately \$18,800. At March 31, 2007, the Company had outstanding provisionally priced sales of \$51.4 million, consisting of 2.8 million ounces of silver and 23,000 ounces of gold, which had a fair value of approximately \$52.5 million including the embedded derivative.

Short-term Investments: Short-term investments principally consist of highly-liquid United States, foreign government and corporate securities and investment-grade auction rate securities, all classified as available-for-sale and reported at fair value with maturities that range from three months to forty years. Unrealized gains and losses on these investments are recorded in accumulated other comprehensive income 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. The Company maintains a pledge of collateral agreement to reserve \$1.0 million against the investment portfolio to cover credit exposure related to ACH transactions.

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 crushing facilities 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.

The Company reported ore on leach pad of \$43.9 million as of March 31, 2008. Of this amount, \$20.8 million is reported as a current asset and \$23.1 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

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (Continued)
(dollars in thousands, except per share, per ounce amounts)

contained within the broken ore that will be extracted beyond twelve months is classified as non-current. Inventories of ore on leach pad are valued based on actual production costs incurred to produce and place ore on the leach pad, adjusted for effects on monthly production of costs of abnormal production levels, less costs allocated to minerals recovered through the leach process.

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 twenty 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. In August 2007, the Company terminated mining and crushing operations at the Rochester mine as ore reserves were fully mined. Residual heap leach activities are expected to continue through 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. To the extent there is work in process inventories at the Endeavor and Broken Hill mines, such amounts will be carried as inventories. 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, assets acquired pursuant to capital leases, 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: Mine development costs include engineering and metallurgical studies, drilling and other related costs to delineate an ore body, the removal of overburden to initially expose an ore body at open pit surface mines and the building of access ways, shafts, lateral access, drifts, ramps and other infrastructure at underground mines. Costs incurred before mineralization is classified as proven and probable reserves are expensed and classified as Exploration or Pre-development expense. Capitalization of mine development costs begins once all operating permits are secured, mineralization is classified as proven and probable reserves and a final feasibility study is completed. All capitalized costs are amortized using the units of production method over the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves. Interest

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (Continued)
(dollars in thousands, except per share, per ounce amounts)

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. Drilling and related costs are capitalized for an ore body where proven and probable reserves exist and the activities are directed at obtaining additional information on the ore body or converting non-reserve mineralization to proven and probable reserves and the benefit is expected to be realized over a period beyond one year. Drilling costs incurred during the production phase for operational ore control are allocated to inventory costs and then included as a component of production costs applicable to sales. All other drilling and related costs are expensed as incurred.

The costs of removing overburden and waste materials to access the ore body at an open pit mine prior to the production phase are referred to as pre-stripping costs. Pre-stripping costs are capitalized during the development of an open pit mine. Stripping costs incurred during the production phase of a mine are variable production costs that are included as a component of inventory to be recognized in production costs applicable to sales in the same period as the revenue from the sale of inventory.

Mineral Interests: 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 recoverable ounces to be mined from 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. The Company amortizes its mineral interests in the Endeavor and Broken Hill mines using the units of production method.

Asset Impairment: 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. 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. 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. An impairment loss is measured and recorded based on the difference between book value and 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 recoverable ounces, gold and silver prices (considering current and historical prices, price trends and related factors), production levels and capital, all based on life-of-mine plans and projections. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. If the assets are impaired, a calculation of fair value is performed and if the fair value is lower than the carrying value of the assets, the assets are reduced to their fair market value. 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

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (Continued)
(dollars in thousands, except per share, per ounce amounts)

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, 2008 and December 31, 2007, the Company held certificates of deposit and cash under these agreements of \$26.3 million and \$25.8 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.

Reclamation and Remediation Costs: The Company follows 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. 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 in depreciation, depletion and amortization expense. 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.

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: The Company accounts for derivative financial instruments in accordance with 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 instrument is designated and qualifies as an accounting hedge and on the classification of the hedge transaction.

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: Effective January 1, 2006, the Company began recording compensation expense associated with awards of equity instruments in accordance with Statement of

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (Continued)
(dollars in thousands, except per share, per ounce amounts)

Financial Accounting Standards (SFAS) No. 123(R), Share-Based Payment . Prior to January 1, 2006, the Company accounted for awards of equity instruments according to the provisions of SFAS No. 123 and related interpretations, and therefore no related compensation expense was recorded for awards granted with no intrinsic value. The Company adopted the modified prospective transition method provided for under SFAS No. 123(R), and, consequently, has not retroactively adjusted results from prior periods. Under this transition method, compensation cost associated with awards of equity instruments recognized includes: 1) amortization related to the remaining unvested portion of all awards granted for the fiscal years 1995 to 2005, based on the grant date fair value, estimated in accordance with the original provisions of SFAS No. 123, Accounting for Stock-Based Compensation ; and 2) amortization related to all equity instrument awards granted subsequent to December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS No. 123(R). The compensation costs are included in administrative and general expenses, production costs applicable to sales and the cost of self-constructed property, plant and equipment as deemed appropriate.

The Company continues to estimate the fair value of each stock option award using the Black-Scholes option valuation model. In addition, the Company estimates the fair value of performance share grants using a Monte Carlo simulation valuation model. The Company now estimates forfeitures of stock based awards on historical data and periodically adjusts the forfeiture rate. The adjustment of the forfeiture rate will result in a cumulative adjustment in the period the forfeiture estimate is changed.

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 or benefits 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.

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.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company has substantially concluded all U.S. federal income tax matters for years through 1999. Federal income tax returns for 2000 through 2006 are subject to examination. The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. There were no significant interest or penalties accrued at March 31, 2008.

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

| | Three Months Ended March 31, | |
|--|---------------------------------|-----------|
| | 2008 | 2007 |
| Net income | \$ 4,721 | \$ 14,018 |
| Unrealized gain (loss) on marketable securities | (94) | 95 |
| Change in fair value of cash flow hedges, net of settlements | 806 | (273) |
| Other | | 6 |
| | \$ 5,433 | \$ 13,846 |

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (Continued)
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Net Income Per Share: The Company follows SFAS No. 128, Earnings Per Share, which requires the presentation of basic and diluted earnings per share. Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The effect of potentially dilutive stock options and convertible senior notes outstanding in the three months ended March 31, 2008 and 2007 are as follows:

| | For the Period Ended March 31, 2008 | | | For the Period Ended March 31, 2007 | | |
|---|--|-------------------------|---------------------|--|-------------------------|---------------------|
| | Income (Numerator) | Shares (Denominator) | Per-Share Amount | Income (Numerator) | Shares (Denominator) | Per-Share Amount |
| Basic EPS | | | | | | |
| Net income available to common stockholders | \$ 4,721 | 549,965 | \$ 0.01 | \$ 14,018 | 277,677 | \$ 0.05 |
| Effect of Dilutive Securities | | | | | | |
| Equity awards | | 1,149 | | | 809 | |
| 1.25% Convertible Notes | 63 | 23,684 | | 74 | 23,684 | |
| Diluted EPS | | | | | | |
| Net income available to common stockholders | \$ 4,784 | 574,798 | \$ 0.01 | \$ 14,092 | 302,170 | \$ 0.05 |

For the three months ended March 31, 2008, options to purchase 864,508 shares of common stock at prices between \$4.81 to \$8.19 per share were not included in the computation of diluted EPS because the options exercise price was greater than the average market price of the common shares. The options expire between 2008 and 2018. The 3 1/4% Convertible Senior Notes were not included in the computation of diluted EPS because there is no excess conversion value over the principal amount of the notes.

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.

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 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; useful lives utilized for depreciation, depletion and amortization; estimates of future cash flows for long lived assets; estimates of recoverable gold and silver ounces in ore on leach pad; the amount and timing of reclamation and remediation costs; valuation allowance for deferred tax assets; and other employee benefit liabilities.

Reclassifications: Certain reclassifications of prior year balances have been made to conform to the current year presentation. These reclassifications had no impact on the Company's consolidated financial position, results of operations or cash flows for the periods presented.

Recent Accounting Pronouncements and Developments:

Derivative Instruments

In March 2008, the FASB issued FASB Statement No. 161, Disclosure about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (FAS 161) which provides revised guidance for

enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and the related hedged items are accounted for under FAS 133,

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and how derivative instruments and the related hedged items affect an entity's financial position, financial performance and cash flows. FAS 161 is effective for the Company's fiscal year beginning January 1, 2009. The Company is currently evaluating the potential impact of adopting this statement on the Company's derivative instrument disclosures.

Accounting for Convertible Debt Instruments

In May 2008, the FASB issued FSP No. APB 14-a Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (the FSP). The FSP applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under FASB Statement No. 133. Convertible debt instruments within the scope of the FSP are not addressed by the existing APB 14. The FSP would require that the liability and equity components of convertible debt instruments within the scope of the FSP shall be separately accounted for in a manner that reflects the entity's nonconvertible debt borrowing rate. This will require an allocation of the convertible debt proceeds between the liability component and the embedded conversion option (i.e., the equity component). The difference between the principal amount of the debt and the amount of the proceeds allocated to the liability component would be reported as a debt discount and subsequently amortized to earnings over the instrument's expected life using the effective interest method. The staff position is effective for the Company's fiscal year beginning January 1, 2009. The Company is currently evaluating the potential impact of adopting this statement on the accounting for convertible debt instruments.

NOTE C- RECENTLY ADOPTED AND RECENTLY ISSUED ACCOUNTING STANDARDS

On January 1, 2008, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (fair value option) with changes in fair value reported in earnings. The Company already records marketable securities at fair value in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, and derivative instruments and hedging activities at fair value in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS No. 133). The adoption of SFAS 159 had no impact on the financial statements as management did not elect the fair value option for any other financial instruments or certain other assets and liabilities.

On January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements as it relates to financial assets and financial liabilities. In February 2008, the FASB staff issued Staff Position No. 157-2 Effective Date of FASB Statement No. 157 (FSP FAS 157-2). FSP FAS 157-2 delayed the effective date of FAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The provisions of FSP FAS 157-2 are effective for the Company's fiscal year beginning January 1, 2009. FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard is now the single source in GAAP for the definition of fair value, except for the fair value of leased property as defined in SFAS 13. SFAS 157 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the

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best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FAS 157 are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quotes prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs that are both significant to the fair value measurement and unobservable.

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by FAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

| | Fair Value at March 31, 2008 | | | |
|-------------------------------|-------------------------------------|------------------|------------------|-----------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Cash equivalents | \$ 18,160 | \$ 18,160 | \$ | \$ |
| Marketable equity securities | 724 | 724 | | |
| Marketable debt securities | 90,526 | | 90,526 | |
| Asset-backed commercial paper | 5,227 | | | 5,227 |
| Derivative instruments, net | 4,575 | | 4,575 | |
| | \$ 119,212 | \$ 18,884 | \$ 95,101 | \$ 5,227 |
| Liabilities: | | | | |
| 1.25% debentures | \$ 159,300 | \$ 159,300 | \$ | \$ |
| 3.25% debentures | 222,254 | 222,254 | | |
| | 381,554 | 381,554 | | |

The Company's cash equivalents are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The cash equivalents that are valued based on quoted market prices in active markets are primarily commercial paper and U.S. Treasury securities.

The Company's marketable equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

The Company's marketable debt securities include investments in corporate and government bonds. These debt securities are valued based on indicative pricing from the underwriting bank. Such investments are generally classified within Level 2 of the fair value hierarchy. The asset backed commercial paper falls within Level 3 of the fair value hierarchy because there are no observable market quotes. For these instruments, management uses significant other observable inputs adjusted for various factors such as liquidity or management's best estimate.

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Notes to Consolidated Financial Statements (Unaudited) (Continued)
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The Company's derivative instruments are valued using quoted market prices and significant other observable inputs. Such financial instruments consist of foreign currency contracts and commodities. Such instruments are typically classified within Level 2 of the fair value hierarchy.

The Company's debentures are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets.

NOTE D- INVESTMENTS AND OTHER MARKETABLE SECURITIES

The Company classifies its investment securities as available-for-sale securities. Pursuant to SFAS 115,

Accounting for Certain Investments in Debt and Equity Securities, such securities are measured at fair market value in the financial statements with unrealized gains or losses recorded in other comprehensive income. At the time securities are sold or otherwise disposed of, gains or losses are included in net income. The following is a summary of available-for-sale securities (In thousands):

| | Cost | Available-For-Sale Securities | | Estimated |
|-------------------------|-----------|-------------------------------|------------------------------|---------------|
| | | Gross Unrealized Losses | Gross Unrealized Gains | Fair Value |
| As of March 31, 2008 | | | | |
| U.S. Corporate | \$ 16,639 | \$ 8 | \$ 1 | \$ 16,632 |
| U.S. Government | 75,894 | | | 75,894 |
| Total debt securities | 92,533 | 8 | 1 | 92,526 |
| Equity securities | 99 | | 626 | 725 |
| | \$ 92,632 | \$ 8 | \$ 627 | \$ 93,251 |
| As of December 31, 2007 | | | | |
| U.S. Corporate | \$ 2,000 | \$ | \$ | \$ 2,000 |
| U.S. Government | 51,031 | | 8 | 51,039 |
| Total debt securities | 53,031 | | 8 | 53,039 |
| Equity securities | 99 | | 702 | 801 |
| | \$ 53,130 | \$ | \$ 710 | \$ 53,840 |

Gross realized gains and losses are based on a carrying value (cost, net of discount or premium) of short-term investments sold or adjusted for other than temporary decline in market value. Short-term investments mature at various dates. There were no realized gains and/or losses in 2008 and 2007.

Asset-Backed Commercial Paper (ABCP)

The Company acquired certain asset-backed securities in connection with the Bolnisi and Palmarejo acquisition. Palmarejo has investments in non-bank sponsored ABCP, of which \$6.3 million is invested in Apsley Trust Class E and \$0.5 million in Aurora Trust Class A.

Since a portion of the assets supporting the commercial paper was invested in U.S. sub-prime residual mortgage-backed securities, the Company determined the fair value of the investments based on the best available market data for such investments at the date of acquisition. Consequently, the Company recorded these investments, as a non-current asset, at their estimated fair value of \$5.3 million.

The fair value of the ABCP is determined based on the Company's assessment of market conditions at the date of acquisition. No impairments beyond the value initially recorded were deemed necessary at March 31, 2008. The fair value reported may change materially in subsequent periods.

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NOTE E METAL AND OTHER INVENTORIES

Inventories consist of the following:

| | March 31, 2008 | December 31, 2007 |
|--------------------------------|----------------------|-------------------------|
| | (in thousands) | |
| Concentrate and doré inventory | \$ 12,169 | \$ 11,221 |
| Supplies | 9,119 | 7,697 |
| Metal and other inventories | \$ 21,288 | \$ 18,918 |

NOTE F STOCK-BASED COMPENSATION PLANS

The Company has an Annual Incentive Plan, a Long-Term Incentive Plan (the 2003 Long-Term Incentive Plan) and the 2005 Non-Employee Directors Equity Incentive Plan (2005 Non-Employee Directors Plan). Total employee compensation expense charged to operations and capital projects under these Plans was \$2.7 million and \$1.4 million for the three months ended March 31, 2008 and 2007, respectively.

Annual Incentive Plan

Under the Annual Incentive Plan, the Board of Directors may annually approve cash-based awards to the executive officers and key management employees based on certain Company and employee performance measures. Cash payments for the three months ended March 31, 2008 and 2007, amounted to \$2.6 million and \$2.2 million, respectively, and relate to accruals in years 2007 and 2006, respectively.

1989 Long-Term Incentive Plan

Under the 1989 Long-Term Incentive Plan, as amended by shareholders in 1995, the Company may grant non-qualified and incentive stock options that are exercisable at prices equal to the fair market value of the shares on the date of grant and vest cumulatively at an annual rate of one third during the three-year period following the date of grant. In addition to stock options, the Company s 1989 Long-Term Incentive Plan provides for grants of stock appreciation rights (SARs), restricted stock, restricted stock units, performance shares, performance units, cash based awards, and stock based awards.

The number of shares authorized to be issued under this plan was 2.9 million shares. There were 0.6 million shares reserved for issuance under this plan at March 31, 2008 for stock options previously awarded. No further awards will be made under this plan.

2003 Long-Term Incentive Plan

The 2003 Long-Term Incentive Plan (the LTIP) was approved by our shareholders on May 20, 2003, and replaced our prior 1989 Long-Term Incentive Plan. Under the plan, we may grant nonqualified stock options, incentive stock options, SARs, restricted stock, restricted stock units, performance shares, performance units, cash-based awards and other stock-based awards to our executive officers and other key employees.

The number of shares authorized for grant under this plan was 6.8 million shares. There were 5.5 million shares reserved for issuance under this plan at March 31, 2008. Of the 5.5 million shares, 3.4 million shares can be issued for future grants. There are 1.6 million options and 0.6 million performance shares outstanding under this plan at March 31, 2008.

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Non-Employee Directors Plan

On June 3, 2005, the Company's shareholders approved the 2005 Non-Employee Directors Equity Incentive Plan and authorized 500,000 shares of common stock for issuance under the plan. During the first quarter of 2008 and 2007, 55,782 and 35,486 shares were issued in lieu of \$0.3 million and \$0.2 million, respectively, of Directors' fees. At March 31, 2008, 0.3 million shares are reserved for issuance under this plan.

Under the previous Directors' plan, options were granted only in lieu of annual directors' fees. At March 31, 2008, 0.4 million shares are reserved for issuance under this plan for stock options previously awarded. No further grants of options will be made under this plan.

As of March 31, 2008 and 2007, options to purchase 2,562,127 shares and 2,535,065 shares of common stock, respectively, were outstanding under the Long-Term and the Directors' Plans described above. The options are exercisable at prices ranging from \$0.74 to \$8.19 per share.

Stock options granted under the Company's incentive plans vest over three years and are exercisable over a period not to exceed ten years from the grant date. Exercise prices are equal to the fair market value of the shares on the date of the grant. The value of each option award is estimated on the date of the grant using the Black-Scholes option pricing model.

Restricted stock grants are recorded based on the fair value of the underlying shares on the date of grant and vest in equal installments annually over three years. An additional restricted stock grant of 138,296 shares was issued in the first quarter of 2008, which vests equally over two years. Holders of the restricted stock are entitled to vote the shares and to receive any dividends declared on the shares.

Performance share grants are valued using a Monte Carlo simulation valuation model on the date of grant. Compensation costs ultimately recognized are equal to the grant date fair value. Vesting is contingent on meeting certain market conditions based on relative total shareholder return. The performance shares vest at the end of the three-year service period if the market conditions are met and the employee remains an employee of the Company. The existence of a market condition requires recognition of compensation cost over the requisite period regardless of whether the market condition is ever satisfied.

The compensation expense recognized in the Company's consolidated financial statements for the three months ended March 31, 2008 and 2007 for awards of equity instruments was \$1.7 million and \$0.6 million, respectively. As of March 31, 2008, there was \$2.6 million of total unrecognized compensation cost (net of estimated forfeitures) related to unvested stock options, restricted stock grants and performance share grants which is expected to be recognized over a weighted-average vesting period of 2.4 years.

The weighted average fair value of stock options on the date of grant, and the assumptions used to estimate the fair value of the stock options using the Black-Scholes option valuation model were as follows:

| | Three Months Ended March 31, | |
|--|---------------------------------|---------|
| | 2008 | 2007 |
| Weighted average fair value of options granted | \$2.55 | \$2.35 |
| Expected volatility | 56.2% | 58.9% |
| Expected life | 6 years | 6 years |
| Risk-free interest rate | 3.0% | 4.5% |
| Expected dividend yield | | |

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The expected volatility of the option is determined using historical volatilities based on historical stock prices. The Company estimated the expected life of options granted using the midpoint between the vesting date and the original contractual term. The risk free rate was determined using the yield available on U.S. Treasury Zero-coupon issues with a remaining term equal to the expected life of the option. The Company has not paid dividends on its common stock since 1996.

The following table summarizes stock option activity during the three months ended March 31, 2008:

| | Shares | Weighted Average Exercise Price |
|--|-----------|---------------------------------------|
| Stock options outstanding at December 31, 2007 | 2,281,595 | \$ 3.42 |
| Granted | 418,486 | 4.62 |
| Exercised | (9,053) | 3.92 |
| Canceled/expired | (128,901) | 5.23 |
| Stock options outstanding at March 31, 2008 | 2,562,127 | \$ 3.53 |

Options to purchase 1,895,172 shares were exercisable at March 31, 2008 at a weighted average exercise price of \$3.19.

As of March 31, 2008, the total future compensation cost related to non-vested options not yet recognized in the statement of income was \$0.6 million and the weighted average period over which these awards are expected to be recognized was 2.5 years.

The following table summarizes restricted stock activity during the three months ended March 31, 2008:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|----------------------------------|---------------------|---|
| Outstanding at December 31, 2007 | 603,195 | \$ 4.20 |
| Granted | 353,143 | 4.62 |
| Vested | (265,705) | 4.22 |
| Forfeited | (53,569) | 4.41 |
| Outstanding at March 31, 2008 | 637,064 | \$ 4.41 |

As of March 31, 2008, there was \$1.1 million of total unrecognized compensation cost related to restricted awards to be recognized over a weighted-average period of 2.5 years.

The following table summarizes performance shares activity during the three months ended March 31, 2008:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|----------------------------------|---------------------|---|
| Outstanding at December 31, 2007 | 420,543 | \$ 4.45 |
| Granted | 214,847 | 6.27 |

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| | | | |
|-------------------------------|----------|----|------|
| Forfeited | (76,916) | | 4.99 |
| Outstanding at March 31, 2008 | 558,474 | \$ | 5.08 |

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As of March 31, 2008, there was \$0.9 million of total unrecognized compensation cost related to performance shares to be recognized over a weighted average period of 2.3 years.

NOTE G- 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 2025. Net operating losses in foreign countries have an indefinite carryforward period.

For the three months ended March 31, 2008, the Company reported an income tax provision of approximately \$4.1 million compared to an income tax provision of \$3.7 million at March 31, 2007. The following table summarizes the components of the Company's income tax provision for the three months ended March 31, 2008 and 2007:

| | Three Months Ended March 31, | |
|---------------------------------------|---------------------------------|------------|
| | 2008 | 2007 |
| Current: | | |
| United States Alternative minimum tax | \$ | \$ (233) |
| United States Foreign withholding | (177) | (383) |
| Argentina | (2,093) | (1,598) |
| Australia | (2,728) | (1,114) |
| Mexico | (6) | |
| Deferred: | | |
| United States | 474 | |
| Argentina | 309 | 175 |
| Australia | 510 | 100 |
| Chile | (1,137) | (648) |
| Mexico | 772 | |
| Income tax benefit (provision) | \$ (4,076) | \$ (3,701) |

The income tax provision for the three months ended March 31, 2008 and 2007 varies from the statutory rate primarily because of differences in tax rates for the Company's foreign operations and changes in valuation allowances for net deferred tax assets.

NOTE H- 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, Chief Financial Officer, the Senior Vice President of Operations and the President of South American Operations.

The operating segments are managed separately because each segment represents a distinct use of company resources which contribute to Company cash flows in its respective geographic area. The Company's reportable operating segments include the Rochester, Cerro Bayo, Martha, San Bartolomé, Kensington, Palmarejo, Endeavor and Broken Hill mining properties. 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

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of these precious metal concentrates and/or refined precious metals. The Cerro Bayo and Martha mines sell precious metal concentrates, typically under long-term contracts, to smelters located in Japan (Dowa Mining Ltd.), Mexico (Met-Mex Penoles) and Germany (Nordeutsche). Refined gold and silver produced by the Rochester mine is principally sold on a spot basis to precious metals trading banks such as Standard Bank and Mitsui. Concentrates produced at the Endeavor and Broken Hill mines are sold to Nystar (formerly Zinifex), an Australia smelter. The Company's exploration programs are reported as other. The other segment also includes the corporate headquarters, elimination of intersegment transactions and other items necessary to reconcile to consolidated amounts. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies above. The Company evaluates performance and allocates resources based on profit or loss before interest, income taxes, depreciation and amortization, unusual and infrequent items, and extraordinary items.

Financial information relating to the Company's segments is as follows:

Segment Reporting

| | Rochester Mine | Cerro Bayo Mine | Martha Mine | Endeavor Mine | Broken Hill Mine | San Bartolomé Project | Kensington Project | Palmarejo Project | Other | Total |
|--|-------------------|-----------------------|----------------|------------------|------------------------|-----------------------------|-----------------------|----------------------|-------------|--------------|
| Three Months Ended March 31, 2008 | | | | | | | | | | |
| Total net sales of metals | \$ 19,985 | \$ 16,957 | \$ 8,747 | \$ 5,191 | \$ 6,406 | \$ | \$ | \$ | \$ | \$ 57,286 |
| Productions costs applicable to sales | 12,790 | 8,056 | 3,356 | 398 | 685 | | | | | 25,285 |
| Depreciation and depletion | 590 | 2,818 | 909 | 427 | 684 | | | 106 | 129 | 5,663 |
| Exploration expense | 43 | 863 | 999 | | | 25 | 22 | 1,002 | 788 | 3,742 |
| Other operating expenses | | 4 | 9 | | | | 150 | 5,785 | 8,361 | 14,309 |
| Interest and other income | 5 | 1,322 | (172) | | | | 22 | (562) | 716 | 1,331 |
| Interest expense | | | | | | | | | 821 | 821 |
| Income tax (benefit) expense | | 1,137 | 1,784 | | | | | (772) | 1,927 | 4,076 |
| Profit (loss) | \$ 6,567 | \$ 5,401 | \$ 1,518 | \$ 4,366 | \$ 5,037 | \$ (25) | \$ (150) | \$ (6,683) | \$ (11,310) | \$ 4,721 |
| Segment assets (A) | \$ 54,308 | \$ 62,278 | \$ 38,703 | \$ 45,017 | \$ 28,332 | \$ 211,585 | \$ 310,640 | \$ 1,775,954 | \$ 7,750 | \$ 2,534,567 |
| Capital expenditures | \$ 10 | \$ 1,240 | \$ 1,816 | \$ | \$ | \$ 36,460 | \$ 9,648 | \$ 15,326 | \$ 9 | \$ 64,509 |

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Revenues from silver sales were \$43.3 million and \$35.1 million for the three months ended March 31, 2008 and 2007, respectively. Revenues from gold sales were \$13.9 million and \$15.8 million for the three months ended March 31, 2008 and 2007, respectively.

| | Rochester Mine | Cerro Bayo Mine | Martha Mine | Endeavor Mine | Broken Hill Mine | San Bartolomé Project | Kensington Project | Other | Total |
|--|-------------------|-----------------------|----------------|------------------|------------------------|-----------------------------|-----------------------|------------|------------|
| Three Months Ended March 31, 2007 | | | | | | | | | |
| Total net sales of metals | \$ 27,462 | \$ 9,781 | \$ 8,012 | \$ 1,879 | \$ 3,726 | \$ | \$ | \$ | \$ 50,860 |
| Productions costs applicable to sales | 11,756 | 4,244 | 4,281 | 156 | 583 | | | | 21,020 |
| Depreciation and depletion | 4,416 | 1,391 | 350 | 157 | 594 | | | 113 | 7,021 |
| Exploration expense | | 694 | 1,210 | | | | 143 | 835 | 2,882 |
| Other operating expenses | | 31 | 5 | | | | 22 | 6,623 | 6,681 |
| Interest and other income | 53 | 150 | (23) | | | | 3 | 4,367 | 4,550 |
| Interest expense | | 11 | | | | | | 76 | 87 |
| Income tax expense | | 648 | 1,496 | | | | 20 | 1,537 | 3,701 |
| Profit (loss) | \$ 11,343 | \$ 2,912 | \$ 647 | \$ 1,566 | \$ 2,549 | \$ | \$ (182) | \$ (4,817) | \$ 14,018 |
| Segment assets (A) | \$ 88,091 | \$ 43,451 | \$ 11,672 | \$ 17,541 | \$ 30,787 | \$ 75,282 | \$ 234,624 | \$ 6,405 | \$ 507,853 |
| Capital expenditures | \$ 1,013 | \$ 1,943 | \$ 629 | \$ 2,018 | \$ | \$ 11,298 | \$ 24,918 | \$ 184 | \$ 42,003 |

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

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (Continued)
(dollars in thousands, except per share, per ounce amounts)

| | 2008 | March 31, 2007 |
|--------------------------------------|-----------------|-------------------|
| Assets | | |
| Total assets for reportable segments | \$2,534,567 | \$507,853 |
| Cash and cash equivalents | 206,178 | 277,988 |
| Short-term investments | 92,526 | 43,414 |
| Other assets | 68,655 | 38,330 |
| Total consolidated assets | \$2,901,926 | \$867,585 |

Geographic Information

| Three Months Ended March 31, 2008 | Revenues | Long-Lived Assets |
|--------------------------------------|--------------|----------------------|
| United States | \$19,985 | \$ 314,468 |
| Australia | 11,597 | 67,964 |
| Chile | 16,957 | 26,608 |
| Argentina | 8,747 | 19,541 |
| Bolivia | | 185,647 |
| Mexico | | 1,771,087 |
| Other Foreign Countries | | 181 |
| Total | \$57,286 | 2,385,496 |

| Three Months Ended March 31, 2007 | Revenues | Long-Lived Assets |
|--------------------------------------|--------------|----------------------|
| United States | \$27,462 | \$241,632 |
| Australia | 5,605 | 45,523 |
| Chile | 9,781 | 20,974 |
| Argentina | 8,012 | 3,986 |
| Bolivia | | 65,186 |
| Other Foreign Countries | | 206 |
| Total | \$50,860 | \$377,507 |

NOTE I- 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 Company uses 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.

Changes to the Company's asset retirement obligations are as follows:

| | | Three Months Ended March 31, | |
|-----------------------------|-----------|------------------------------|----------|
| | | 2008 | 2007 |
| Asset retirement obligation | January 1 | \$33,135 | \$29,909 |
| Accretion | | 629 | 565 |
| Settlements | | (318) | (306) |
| Asset retirement obligation | March 31 | \$33,446 | \$30,168 |

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (Continued)
(dollars in thousands, except per share, per ounce amounts)

In addition, the Company has accrued \$1.6 million and \$1.7 million as of March 31, 2008 and 2007, respectively, for reclamation liabilities related to former mining activities. These amounts are also included in reclamation and mine closure liabilities.

NOTE J DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company enters into derivative instruments to manage the Company's exposure to foreign currency exchange rates and market prices associated with changes in gold and silver commodity prices. The Company accounts for its derivative contracts in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. Accordingly, unrealized gains and losses related to the change in fair market value of derivative contracts, which qualify and are designated as cash flow hedges, are recorded as other comprehensive income or loss and such amounts are recognized into earnings as the associated contracts are settled.

Forward Foreign Exchange Contracts

The Company, from time to time, enters into forward foreign currency exchange contracts to reduce the foreign exchange risk associated with forecasted Chilean peso operating costs for 2008 at its Cerro Bayo mine. The contracts require the Company to exchange U.S. dollars for Chilean pesos at a weighted average exchange rate of 503 pesos to each U.S. dollar. At March 31, 2008, the Company had foreign exchange contracts of \$6.8 million in U.S. dollars. For the three months ended March 31, 2008 and 2007, the Company recorded a realized gain (loss) of \$0.2 million and (\$0.1) million, respectively, in connection with its foreign currency hedging program. As of March 31, 2008, the fair value of the foreign exchange contracts was an asset of \$0.7 million. Change in gains (losses) accumulated in other comprehensive income (loss) for cash flow hedging contracts are as follows:

| | March 31, | |
|------------------------------|-----------|---------|
| | 2008 | 2007 |
| Beginning balance | \$ (82) | \$ (60) |
| Reclassification to earnings | (234) | 22 |
| Change in fair value | 1,040 | (295) |
| Ending balance | \$ 724 | \$(333) |

Commodity Derivatives

The Company has occasionally entered into forward metal sales contracts to manage the price risk associated with a portion of its cash flows against fluctuating gold prices. As of March 31, 2008, the Company had no outstanding forward sales contracts for either gold or silver.

Concentrate Sales Contracts

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

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (Continued)
(dollars in thousands, except per share, per ounce amounts)

At March 31, 2008, the Company had outstanding receivables for provisionally priced sales of \$61.0 million, consisting of 2.7 million ounces of silver and 18,800 ounces of gold, which had a fair value of approximately \$64.7 million, including the embedded derivative. At March 31, 2007, the Company had outstanding receivables for provisionally priced sales of \$51.4 million, consisting of 2.8 million ounces of silver and 22,600 ounces of gold, which had a fair value of approximately \$52.5 million, including the embedded derivative.

NOTE K- LONG-TERM DEBT

3 1/4% Convertible Senior Notes

On March 18, 2008, the Company completed an offering of \$230 million in aggregate principal amount of senior convertible notes due 2028. The notes are unsecured and bear interest at a rate of 3 1/4% per year, payable on March 15 and September 15 of each year, beginning on September 15, 2008. The notes mature on March 15, 2028, unless earlier converted, redeemed or repurchased by the Company.

Each holder of the notes may require that the Company repurchase some or all of the holder's notes on March 15, 2013, March 15, 2015, March 15, 2018 and March 15, 2023 at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, in cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election. Holders will also have the right, following certain fundamental change transactions, to require the Company to repurchase all or any part of their notes for cash at a repurchase price equal to 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest. The Company may redeem the notes for cash in whole or in part at any time on or after March 22, 2015 at 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest.

The notes provide for net share settlement of any conversions. Pursuant to this feature, upon conversion of the notes, the Company (1) will pay the note holder an amount in cash equal to the lesser of the conversion obligation or the principal amount of the notes, and (2) will settle any excess of the conversion obligation above the notes' principal amount in the Company's common stock, cash or a combination thereof, at the Company's election.

The notes will be convertible under certain circumstances, at the holder's option, at an initial conversion rate of 176.0254 shares of the Company's common stock per \$1,000 principal amount of notes, which is equivalent to an initial conversion price of approximately \$5.68 per share of common stock, subject to adjustment in certain circumstances.

The fair value of the 3 1/4% Senior Convertible Notes is determined by market transactions on or near March 31, 2008. The fair value of the 3 1/4% Senior Convertible Notes as of March 31, 2008 was \$222.3 million.

1 1/4% Senior Convertible Notes

The \$180.0 million principal amount of 1 1/4% Senior Convertible Notes due January 2024 outstanding at March 31, 2008 are convertible into shares of common stock at the option of the holder on January 15, 2011, 2014 and 2019, unless previously redeemed, at a conversion price of \$7.60 per share, subject to adjustment in certain circumstances.

The Company is required to make semi-annual interest payments. The Senior Convertible Notes are redeemable at the option of the Company before January 18, 2011, if the closing price of the Company's common stock over a specified number of trading days has exceeded 150% of the conversion price, and

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (Continued)
(dollars in thousands, except per share, per ounce amounts)

anytime thereafter. Before January 18, 2011, the redemption price is equal to 100% of the principal amount of the notes plus an amount equal to 8.75% of the principal amount of the notes, less the amount of any interest actually paid on the notes on or prior to the redemption date. The Senior Convertible Notes are due at maturity on January 15, 2024.

The fair value of the 1 1/4% Senior Convertible Notes is determined by market transactions on or near March 31, 2008 and December 31, 2007, respectively. The fair value of the Senior Convertible Notes as of March 31, 2008 and December 31, 2007 was \$159.3 million and \$156.6 million, respectively.

Bridging Debt Facility

On October 22, 2007, Bolnisi entered into a \$20 million credit facility with Macquarie Bank Limited to fund further exploration and development of the Palmarejo silver/gold project, the exploration and development of the Yecora gold/silver project and the El Realito gold/silver project and for working capital purposes. The credit facility was extended to June 30, 2008, and bears interest at a variable rate (LIBOR) plus a margin of 2.45%. As of March 31, 2008, the Company had \$20 million outstanding under the facility bearing an interest rate of 5.47% included in current portion of long-term debt and capital lease obligations in the balance sheet.

Bank Loan

On August 30, 2007 (as amended on October 9, 2007), Palmarejo entered into a temporary credit facility of \$2.0 million secured by the Company's investments in Asset-Backed Commercial Paper, to fund working capital requirements. The credit facility has been extended through May 31, 2008. As of March 31, 2008, \$2.0 million had been drawn on the facility, which bears interest at prime less 1.5%. The Company is required to reduce the amount of the outstanding credit facility with any proceeds received from the sale of the Asset-Backed Commercial Paper.

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (Continued)
(dollars in thousands, except per share, per ounce amounts)

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

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 recognized in the Company's consolidated financial statements were \$0.2 million and \$0.3 million in the first quarter of 2008 and 2007, respectively.

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. Under the matching formula in this plan, the Company matches 100% of the employee's deferral contribution to a maximum of 3% and matches 50% of the employee's deferral contribution to a maximum of an additional 1% of the employee's compensation. Employees have the option of investing in thirteen different types of investment funds. Total plan expenses recognized in the Company's consolidated financial statements were \$0.3 million and \$0.3 million in the first quarter of 2008 and 2007, respectively.

As a result of the sale of Coeur Silver Valley, the Company no longer maintains a post-retirement medical and/or defined benefit pension plans.

NOTE M COMMITMENTS AND CONTINGENCIES

Labor Union Contracts

The Company maintains two labor agreements in South America, consisting of a labor agreement with Sindicato de Trabajadores de Compañía Minera Cerro Bayo Ltd. at its Cerro Bayo mine in Chile and with Asociacion Obrera Minera Argentina at its Martha mine in Argentina. The agreement at Cerro Bayo is effective from December 24, 2007 to December 21, 2010 and the agreement at Mina Martha is effective from June 12, 2006 to June 1, 2008. Additionally certain employees at San Bartolomé are covered by a labor agreement that became effective October 11, 2007; this Bolivian labor agreement does not have a fixed term. As of March 31, 2008, the Company had approximately 37.8% of its worldwide labor force covered by collective bargaining agreements.

Termination Benefits

In September 2005, the Company established a one-time termination benefit program at the Rochester mine as the mine approaches the end of its mine life. The employees will be required to render service until they are terminated in order to be eligible for benefits. Approximately 84% of the workforce was severed by the end of the first quarter of 2008, while the remaining 16% are expected to stay on for residual leaching and reclamation activities. As of March 31, 2008, the total amount expected to be incurred under this plan is approximately \$4.9 million. The liability is recognized ratably over the minimum future service period. The amount accrued as of March 31, 2008 was \$0.5 million.

| | Three Months Ended March 31, | |
|-------------------|---------------------------------|----------|
| | 2008 | 2007 |
| Beginning Balance | \$ 820 | \$ 1,959 |
| Accruals | 102 | 139 |
| Payments | (387) | (89) |
| Ending Balance | \$ 535 | \$ 2,009 |

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (Continued)
(dollars in thousands, except per share, per ounce amounts)

The Company does not have a written severance plan for any of its foreign operations including Chile, Argentina, Bolivia and Mexico. However, laws in these foreign jurisdictions require payment of certain minimum statutory termination benefits. Accordingly, in situations where minimum statutory termination benefits must be paid to the affected employees, the Company records employee severance costs in accordance with SFAS No. 112, Employers Accounting for Postemployment Benefits. The Company has accrued obligations for postemployment benefits in these locations of approximately \$3.4 million as of March 31, 2008.

NOTE N- SIGNIFICANT CUSTOMERS

The Company markets its metals products and concentrates primarily to bullion trading banks and five 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 34.9% and 54.0% of total metals sales for the three months ended March 31, 2008 and 2007, respectively. Generally, the loss of a single bullion trading bank customer would not adversely affect the Company in view of the liquidity of the markets and availability of alternative trading banks.

The Company currently markets its silver and gold concentrates to third party smelters in Japan, Mexico, Australia and Germany. Sales of metals concentrates to third party smelters amounted to approximately 65.1% and 46.0% of metals sales for the three months ended March 31, 2008 and 2007, respectively. The loss of any one smelter customer could have a material adverse effect in the event of the possible unavailability of alternative smelters.

NOTE O- LITIGATION AND OTHER EVENTS

Federal District Court of Alaska Permit Challenge

On September 12, 2005 three environmental groups (Plaintiffs) filed a lawsuit in Federal District Court in Alaska against the U.S. Army Corps of Engineers (Corps of Engineers) and the U.S. Forest Service (USFS) seeking to invalidate the permit issued to Coeur Alaska, Inc. for the Company s Kensington mine. The Plaintiffs claim the Clean Water Act (CWA) Section 404 permit issued by the Corps of Engineers authorizing the deposition of mine tailings into Lower Slate Lake conflicts with the CWA. They additionally claim the USFS s approval of the Amended Plan of Operations is arbitrary and capricious because it relies on the 404 permit issued by the Corps of Engineers. Following the District Court s remand of the Section 404 permit to the Corps of Engineers for further review, the Corps reinstated the Company s permit on March 29, 2006. The lawsuit challenging the permit was re-opened on April 6, 2006; Coeur Alaska filed its answer to the Amended Complaint; and Coeur Alaska, the State of Alaska, and Goldbelt, Inc., a local native corporation, were granted Defendant-Intervenor status to join the agencies in their defense of the permit.

On August 4, 2006, the Federal District Court in Alaska dismissed the Plaintiffs challenge and upheld the Section 404 permit. On August 7, 2006 the Plaintiffs filed a Notice of Appeal of the decision to the Ninth Circuit Court of Appeals (Ninth Circuit Court) and on August 9, 2006 the Plaintiffs additionally filed a Motion for Injunction Pending Appeal with the Ninth Circuit Court. The Ninth Circuit Court granted a temporary injunction pending appeal on August 24, 2006, enjoining certain activities relating to the lake tailings facility.

On May 22, 2007 the Ninth Circuit Court reversed the District Court s August 4, 2006 decision which had upheld the Company s 404 permit and issued its opinion that remanded the case to the District Court with instructions to vacate the Company s 404 permit as well as the USFS Record of Decision approving the general tailings disposal plan as well as the Goldbelt 404 permit to construct the Cascade

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) (Continued)
(dollars in thousands, except per share, per ounce amounts)

Point Marine Facility. On August 20, 2007, Coeur Alaska filed a Petition for Rehearing En Banc with the Ninth Circuit Court, as did the State of Alaska and Goldbelt, Inc. The Department of Justice, on behalf of the Corps of Engineers, and USFS additionally filed a limited Petition for Rehearing with the Ninth Circuit panel seeking reconsideration of the mandate of the May 22, 2007 panel decision. On October 29, 2007, the Ninth Circuit denied the Petitions for Rehearing En Banc. On November 14, 2007 the Ninth Circuit granted a stay of the mandate pending further appeal to the Supreme Court, subject to the development of a reclamation plan for the lake area. The Company and the State of Alaska filed Petitions for Certiorari to the Supreme Court of the United States on January 28, 2008. The Company cannot now predict the potential for obtaining further appeal or if it will prevail upon appeal if one is granted.

This litigation has contributed to an increase in capital costs. While the Company cannot now predict with certainty the outcome of this litigation, it believes it should ultimately prevail. In the event that the Company does not prevail, it could be necessary to seek an alternate site for the tailings disposal facility. The Company has identified an alternate site which it believes can be permitted and has submitted a modified plan to the USFS and other government agencies. Based upon the Company's current estimates, an impairment writedown could be necessary should the expectation of the long-term price for gold decrease below approximately \$606 per ounce. As of March 31, 2008, the carrying value of the Kensington project's long-lived assets was \$307.1 million.

No assurance can be given as to whether or when regulatory permits and approvals granted to the Company may be further challenged, appealed or contested by third parties or issuing agencies, or as to whether the Company will ultimately place the Kensington project into commercial production.

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

During 1991, the Company acquired all of the outstanding common stock of Callahan Mining Corporation.

During 2001, the United States Forest Service (USFS) 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 USFS 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 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 cleanup costs against either the Company or Callahan.

In January 2003, the USFS 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 USFS 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 cleanup costs against either the Company or Callahan.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is designed to provide a reader of our financial statements with a narrative from the perspective of management on our financial condition, results of operations, liquidity and other factors that may affect our future results. We believe it is important to read our MD&A in conjunction with our Annual Report on SEC Form 10-K for the year ended December 31, 2007, as well as other publicly available information.

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 risks and uncertainties, including the risks set forth under Part II Item 1A below, 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 costs 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 price of silver (Handy & Harman) and gold (London Final) for the first three months of 2008 was \$17.62 and \$925 per ounce, respectively. The market price of silver and gold on May 7, 2008 was \$16.57 per ounce and \$868 per ounce, respectively.

Coeur d'Alene Mines Corporation is a large primary silver producer located in North America and is engaged, through its subsidiaries, in the operation and/or ownership, development and exploration of silver and gold mining properties and companies located primarily within South America (Chile, Argentina and Bolivia), the United States (Nevada and Alaska), Australia (New South Wales), Mexico (Chihuahua) and Africa (Tanzania). Coeur d'Alene Mines Corporation and its subsidiaries are hereinafter referred collectively as "Coeur" or the "Company".

The Company's business strategy is to capitalize on the ore reserve/mineralized material bases located at its operating mines and the expertise of its management team to continue as a leading primary

silver production company through long-term, cash flow generating growth. The principal elements of the Company's business strategy are to: (i) increase the Company's silver production and reserves; (ii) decrease cash costs and increase production at the Company's existing silver mining operations; (iii) transform development-stage properties into producing mines; (iv) acquire operating mines, mineral interests and exploration and/or development properties with a view to reducing the Company's cash and total costs, providing short-term positive cash flow return and expanding its silver production base and reserves; and (v) continue to explore for new silver and gold discoveries primarily near its existing mine sites and evaluate new opportunities to expand its production through acquisitions and exploration.

In addition to the matters discussed above with respect to the key factors of the Company's business strategy, the most important matters with which management is concerned in evaluating the Company's financial condition and results of operations include:

Rochester Mine. As scheduled, mining activities at Rochester ceased in August 2007 as the mine entered its residual leaching phase, which is expected to continue through 2011. The Company continues to explore its options with respect to this property, including a potential sale of the property and possible follow-up activities related to any favorable results from the Company's exploration program conducted in the district during 2007. The reduced production being experienced in the residual leaching stage, and ultimate cessation of activities there, will result in a reduction in net sales.

Kensington Mine. The Company continues to achieve major milestones in its effort to enable the Kensington Mine to commence production, including the completion of Kensington's mill, related surface facilities and a tunnel connecting the Kensington and Jualin properties. In addition, the Company continues to cooperate with environmental conservation groups with respect to the use of an alternative site for the construction of the mine's tailings disposal facility. Further delay in the commencement of production at the Kensington Mine would adversely affect the Company's costs and liquidity.

Cerro Bayo Mine. The Company's top priority with respect to this mine is to reduce operating costs and increase gold and silver production. As part of the ongoing operational improvement program at the Cerro Bayo mine, in April 2008, the Company announced a temporary suspension of mining operations at this mine, expected to last approximately six weeks, in order to upgrade its electrical infrastructure. On May 5, 2008, the Company announced that the mine has resumed operations ahead of schedule. The continued successful implementation of the improvement program at Cerro Bayo will be key to achieving the Company's goals of reducing costs and increasing production at this mine.

Palmarejo. In December 2007, Coeur completed the acquisition of the Palmarejo project. Capital expenditures for this property are currently estimated to be approximately \$225 million and construction activities there are already underway. The Company currently expects to commence commercial production during the first half of 2009. Any significant increase in the capital expenditures and/or delay in the commencement of production would adversely affect the Company's costs and liquidity.

San Bartolome. The Company expects to commence commercial production at its open pit silver development property in Bolivia in the second quarter of 2008, and estimates that initial full scale operating costs will approximate \$4.10 per ounce, excluding royalties and production taxes. Other uncertainties associated with the project include the estimated amount of mineralized material there and logistical and other risks associated with mining in Bolivia. If there is a delay in the expected commencement of commercial production, or if operating costs prove to be higher than now estimated, the Company's results of operations will be adversely affected.

Operating Highlights and Statistics

South American Operations

Cerro Bayo Mine:

On April 8, 2008, the Company announced that as part of the ongoing operational improvement program at the Company's Cerro Bayo mine in southern Chile, the mine would be upgrading its electrical infrastructure, resulting in a temporary suspension of mining operations for approximately 6 weeks. On May 5, 2008, the Company announced the resumption of operating activities at Cerro Bayo and that the electrical upgrades had been completed ahead of schedule.

In early 2008, the Company implemented a recovery plan at Cerro Bayo to address the higher costs and lower production rates experienced at the mine in 2007. Key components of this plan include increased underground mine development to provide more operational flexibility, reducing the size of the workforce, improving the training of the workforce using new, more efficient mining methods, an organizational restructuring, and a cost improvement program. The temporary suspension of mining operations is to allow the improvements of the contractor installed electrical distribution systems for both the surface and underground facilities to be undertaken to further improve operational reliability and performance. These investments will also significantly improve worker safety at the mine, which remains the Company's top priority at all of its operations and projects.

Silver production was 434,030 ounces and gold production was 10,129 ounces in the first quarter of 2008 compared to 351,948 ounces of silver and 9,428 ounces of gold in the first quarter of 2007. The silver production increase was primarily due to a 56.6% increase in tons mined as a result of the recovery plan initiated late last year to improve mine productivity, grade control and organizational efficiency. Total cash costs per ounce of silver in the first quarter of 2008 were \$1.25 per ounce compared to \$1.21 per ounce in 2007.

Martha Mine:

Silver production was 650,636 ounces in the first quarter of 2008 compared to 623,098 ounces in the first quarter of 2007. The increase in silver production was primarily due to higher tons mined, partially offset by lower silver grades. Total cash costs per ounce in the first quarter of 2008 were \$6.67 per ounce compared to \$6.11 per ounce in 2007. The increase in total cash cost per ounce was primarily due to higher costs of labor, taxes and increased royalties resulting from higher realized metal prices in the first quarter of 2008 compared to the first quarter of 2007.

North American Operations

Rochester Mine:

In August of 2007, the Company terminated mining and crushing operations at the Rochester mine as ore reserves were fully mined. Residual heap leaching activities are now ongoing and are expected to continue through 2011. Consequently, silver production was 680,510 ounces and gold production was 5,851 ounces during the first quarter of 2008 compared to 1,182,796 ounces of silver and 14,289 ounces of gold in the first quarter of 2007. Total cash costs per ounce decreased to \$(1.26) from \$4.92 in the first quarter of 2007. The decrease in cash cost per ounce is primarily due to (i) the fact that only processing costs are being incurred now that mining activities have ceased; and (ii) the by-product credits from the gold produced exceeded operating costs in the 2008 period.

Australia Operations

Endeavor Mine:

Silver production at the Endeavor mine in the first quarter of 2008 was 228,499 ounces of silver compared to 160,277 ounces of silver in the first quarter of 2007. This 43% increase in silver production was primarily due to an 81% increase in silver ore grades as compared to the first quarter of 2007. Total cash costs per ounce of silver produced were \$2.35 in the first quarter of 2008 compared to \$3.19 in the first quarter of 2007. The decrease in cash cost per ounce is primarily due to the increase in silver ounce production.

On May 23, 2005, the Company acquired all of the silver production and reserves, up to a maximum of 17.7 million payable ounces, contained at the Endeavor Mine in Australia, which is owned and operated by Cobar Operations Pty. Limited (Cobar), a wholly-owned subsidiary of CBH Resources Ltd. (CBH), for \$43.7 million. The Endeavor Mine is located 720 km northwest of Sydney in New South Wales and has been in production since 1983. Under the terms of the original agreement, CDE Australia, a wholly-owned subsidiary of Coeur, paid Cobar \$15.4 million of cash at the closing. In addition, CDE Australia will pay Cobar approximately \$26.2 million upon the receipt of a report confirming that the reserves at the Endeavor mine are equal to or greater than the reported ore reserves for 2004. In January 2008, the mine met the criteria for payment of the additional \$26.2 million. On April 1, 2008, the Company paid this amount plus accrued interest at a rate of 7.5% per annum from January 24, 2008. In addition to these upfront payments, Coeur originally committed to pay Cobar an operating cost contribution of \$1.00 for each ounce of payable silver plus a further increment when the silver price exceeds \$5.23 per ounce. This further increment was to have begun 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 by Coeur in respect of new ounces of proven and probable silver reserves as they are discovered. During the first quarter of 2007, \$2.0 million was paid for additional ounces of proven and probable silver reserves under the terms of the contract. The amount was capitalized as a portion of the mineral interest and amortized using the units of production method.

On March 28, 2006, CDE Australia Pty, Ltd. (CDE Australia) reached an agreement with CBH Resources Ltd. to modify the terms of the original silver purchase agreement. Under the modified terms, CDE Australia owns all silver production and reserves up to a total of 20.0 million ounces, up from 17.7 million ounces in the original agreement. The conditions relating to the second payment were also modified and tied to certain paste fill plant performance criteria and mill throughput tests. The Company has received approximately 1.6 million payable ounces to date and the current ore reserve contains approximately 14.4 million payable ounces based on current metallurgical recovery and current smelter contract terms. Expansion of the ore reserve will be required to achieve the maximum payable ounces of silver production as set forth in the modified contract. It is expected that future expansion to the ore reserve will occur as a result of the conversion of portions of the property's existing inventory of mineralized material and future exploration discoveries. CBH conducts regular exploration to discover new mineralization and to define reserves from surface and underground drilling platforms. The silver price-sharing provision is deferred until such time as Coeur has received approximately 2 million cumulative ounces of silver from the mine or June 2007, whichever is later. In addition, the silver price-sharing threshold increased to US\$7.00 per ounce, from the previous level of US\$5.23 per ounce.

In connection with the modification of the terms of the agreement, CDE Australia agreed to provide CBH with an advance of up to A\$15.0 million of the A\$30 million that remains to be paid under the terms of the original agreement. The remaining payment from Coeur to CBH is subject to the Endeavor mine achieving certain operational benchmarks. The advance, in the form of a loan facility, bears interest at 7.75% per annum once drawn by CBH. The term is for a twelve month period with an option for CBH to extend the term for an additional six months. As of March 31, 2008, the facility has terminated and no advances were made under the facility.

As of March 31, 2008, the Company has recovered approximately 30.9% of the transaction consideration consisting of 1.6 million payable ounces, or 7.9%, of the 20 million payable silver ounces to which Coeur is entitled under the terms of the silver sale and purchase agreement.

Broken Hill Mine:

Silver production at the Broken Hill Mine in the first quarter of 2008 was 386,481 ounces compared to 302,848 ounces in the first quarter of 2007. The increase in silver production is primarily due to a 66% increase in tons mined, partially offset by a decrease in silver ore grades and recoveries. Total cash costs per ounce of silver production were \$3.72 in the first quarter of 2008 compared to \$3.16 in the first quarter of 2007.

On September 8, 2005, the Company acquired all of the silver production and reserves, up to 17.2 million payable ounces (24.5 million contained ounces), contained at the Broken Hill mine in Australia, which is owned and operated by Perilya Broken Hill Ltd. (PBH) for \$36.9 million. In addition, CDE Australia will pay PBH an operating cost contribution of approximately \$2.00 for each ounce of payable silver. Under the terms of the agreement, PBH may earn up to US\$0.75 million per year of additional consideration by meeting certain silver production thresholds. No additional payments pursuant to production thresholds were made during the first quarter of 2008.

While the Company is entitled to all of the silver production and reserves up to a maximum of 17.2 million payable ounces, to date the Company has received 4.5 million payable ounces and the current ore reserve contains approximately 12.5 million payable ounces based on current metallurgical recovery and current smelter contract terms. Expansion of the ore reserve will be required to achieve the maximum payable ounces of silver production as set forth in the contract. It is expected that future expansion of the ore reserves will occur as a result of conversion of portions of the property's inventory of mineralized material and future exploration discoveries on the property. Perilya conducts regular exploration to discover new mineralization and define reserves from surface and underground drilling platforms. For its fiscal year 2007/2008 (July/June), Perilya has budgeted A\$5.8 million (US\$5.1 million) for this work. The Company is not required to contribute to ongoing capital costs at the mine.

As of March 31, 2008, the Company has recovered approximately 98.1% of the transaction consideration consisting of 4.5 million payable ounces, or 26.2%, of the 17.2 million payable silver ounces to which Coeur is entitled under the terms of the silver sale agreement.

On March 26, 2008, Perilya Limited, the parent company of PBH, announced a proposal to merge with CBH to create a significant global producer of both zinc and lead concentrates. The proposed transaction is subject to a number of conditions, including CBH shareholder and convertible note holder approvals and Court approval, which Perilya Limited expects to be completed by the end of July, 2008. It is expected that this merger, if completed, will not impact the current agreements between the Company and PBH and CBH, respectively.

Operating Statistics From Continuing Operations

The following table presents information by mine and consolidated sales information for the three-month periods ended March 31, 2008 and 2007:

| | Three Months Ended March 31, | |
|-------------------------------|------------------------------|-----------|
| | 2008 | 2007 |
| Rochester | | |
| Tons processed | | 2,083,272 |
| Ore grade/Ag oz | | 0.76 |
| Ore grade/Au oz | | 0.007 |
| Recovery/Ag oz ^(A) | | 75.0% |
| Recovery/Au oz ^(A) | | 92.6% |
| Silver production ounces | 680,510 | 1,182,796 |
| Gold production ounces | 5,851 | 14,289 |
| Cash cost/oz | \$ (1.26) | \$ 4.92 |
| Total cost/oz | \$ (0.24) | \$ 8.77 |
| Martha Mine | | |
| Tons milled | 8,977 | 8,200 |
| Ore grade/Ag oz | 74.46 | 79.64 |
| Ore grade/Au oz | 0.081 | 0.108 |
| Recovery/Ag oz | 97.3% | 95.4% |
| Recovery/Au oz | 89.9% | 94.5% |
| Silver production ounces | 650,636 | 623,098 |
| Gold production ounces | 654 | 835 |
| Cash cost/oz | \$ 6.67 | \$ 6.11 |
| Total cost/oz | \$ 7.96 | \$ 6.55 |
| Cerro Bayo | | |
| Tons milled | 91,517 | 58,450 |
| Ore grade/Ag oz | 5.10 | 6.35 |
| Ore grade/Au oz | 0.123 | 0.171 |
| Recovery/Ag oz | 93.0% | 94.9% |
| Recovery/Au oz | 90.2% | 94.1% |
| Silver production ounces | 434,030 | 351,948 |
| Gold production ounces | 10,129 | 9,428 |
| Cash cost/oz | \$ 1.25 | \$ 1.21 |
| Total cost/oz | \$ 7.65 | \$ 5.09 |
| Broken Hill | | |
| Tons milled | 500,970 | 301,617 |
| Ore grade/Ag oz | 1.04 | 1.14 |
| Recovery/Ag oz | 74.3% | 87.9% |
| Silver production ounces | 386,481 | 302,848 |
| Cash cost/oz | \$ 3.72 | \$ 3.16 |
| Total cost/oz | \$ 5.49 | \$ 5.12 |
| Endeavor | | |
| Tons milled | 247,163 | 281,781 |
| Ore grade/Ag oz | 1.63 | 0.90 |
| Recovery/Ag oz | 56.8% | 62.9% |
| Silver production ounces | 228,499 | 160,277 |
| Cash cost/oz | \$ 2.35 | \$ 3.19 |

| | | |
|---|-----------|-----------|
| Total cost/oz | \$ 4.22 | \$ 4.17 |
| CONSOLIDATED PRODUCTION TOTALS | | |
| Silver ounces | 2,380,156 | 2,620,967 |
| Gold ounces | 16,634 | 24,552 |
| Cash cost per oz/silver | \$ 2.52 | \$ 4.40 |
| Total cost/oz | \$ 4.80 | \$ 7.05 |
| CONSOLIDATED SALES TOTALS ^(B) | | |
| Silver ounces sold | 2,412,317 | 2,676,435 |
| Gold ounces sold | 14,762 | 24,632 |
| Realized price per silver ounce | \$ 18.45 | \$ 13.74 |
| Realized price per gold ounce | \$ 965 | \$ 645 |

(A) The leach cycle at Rochester requires 5 to 10 years to recover gold and silver contained in the ore. The Company estimates the ultimate recovery to be approximately 61.5% for silver and 93% for gold. However, ultimate recoveries will not be

known until leaching operations cease, which is currently estimated for 2011. Current recovery may vary significantly from ultimate recovery. In August 2007, mining and crushing activities were terminated and ore reserves were fully mined. See Critical Accounting Policies and Estimates - Ore on Leach Pad.

- (B) Units sold at realized metal prices will not match reported metal sales due primarily to the effects on revenues of mark-to-market adjustments on embedded derivatives in the Company's provisionally priced sales contracts.

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 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.

Cash Costs are costs directly related to the physical activities of producing silver and gold, and include mining, processing and other plant costs, 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 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 set forth below.

The following tables present a reconciliation between non-GAAP cash costs per ounce to GAAP production costs applicable to sales reported in the Statement of Operations:

Three Months Ended March 31, 2008

(In thousands except ounces and per ounce costs)

| | Rochester | Cerro Bayo | Martha | Endeavor | Broken Hill | Total |
|--|-----------|---------------|----------|----------|----------------|-----------|
| Production of Silver (ounces) | 680,510 | 434,030 | 650,636 | 228,499 | 386,481 | 2,380,156 |
| Cash Costs per ounce | \$ (1.26) | \$ 1.25 | \$ 6.67 | \$ 2.35 | \$ 3.72 | \$ 2.52 |
| Total Cash Costs | \$ (855) | \$ 544 | \$ 4,340 | \$ 537 | \$ 1,436 | \$ 6,002 |
| Add/Subtract: | | | | | | |
| Third Party Smelting Costs | | (1,245) | (374) | (310) | (678) | (2,607) |
| By-Product Credit | 5,393 | 9,465 | 612 | | | 15,470 |
| Other Adjustments | 102 | | 354 | | | 456 |
| Change in Inventory | 8,150 | (708) | (1,576) | 171 | (73) | 5,964 |
| Depreciation, depletion and amortization | 590 | 2,778 | 837 | 427 | 684 | 5,316 |
| Production costs applicable to sales | \$ 13,380 | \$ 10,834 | \$ 4,193 | \$ 825 | \$ 1,369 | \$ 30,601 |

Three Months Ended March 31, 2007

(In thousands except ounces and per ounce costs)

| | Rochester | Cerro Bayo | Martha | Endeavor | Broken Hill | Total |
|--|-----------|---------------|----------|----------|----------------|-----------|
| Production of Silver (ounces) | 1,182,796 | 351,948 | 623,098 | 160,277 | 302,848 | 2,620,967 |
| Cash Costs per ounce | \$ 4.92 | \$ 1.21 | \$ 6.11 | \$ 3.19 | \$ 3.16 | \$ 4.40 |
| Total Cash Costs | \$ 5,821 | \$ 427 | \$ 3,809 | \$ 511 | \$ 958 | \$ 11,526 |
| Add/Subtract: | | | | | | |
| Third Party Smelting Costs | | (606) | (519) | (368) | (367) | (1,860) |
| By-Product Credit | 9,277 | 6,139 | 544 | | | 15,960 |
| Other Adjustments | 139 | | | | | 139 |
| Change in Inventory | (3,481) | (1,787) | 518 | 12 | (7) | (4,745) |
| Depreciation, depletion and amortization | 4,416 | 1,365 | 271 | 157 | 594 | 6,803 |
| Production costs applicable to sales | \$ 16,172 | \$ 5,538 | \$ 4,623 | \$ 312 | \$ 1,178 | \$ 27,823 |

Exploration Activity

In the first quarter, the Company committed approximately \$4.5 million (US) to its global exploration program. The majority of this was devoted to exploration around its large operating properties.

Cerro Bayo Mine (Chile)

Exploration at Cerro Bayo during the first quarter of 2008 focused on reserve development/delineation drilling and discovery of new mineralization, principally at the Coiues Este, which occurs about one kilometer east the mill facility. Approximately 9,900 meters (32,400 feet) were drilled in the two programs. Positive results were received from both programs and are expected to produce additional reserves and mineralized material. In addition, exploratory drilling was also conducted in the Cascada area in the southern part of the large Cerro Bayo district.

Martha Mine (Argentina)

At Martha, 2,700 meters (8,858 feet) of drilling was completed during the first quarter of 2008 to expand reserves and discover new mineralization. The focus of this work was at the Martha mine and the new Betty and Isabel vein systems to the north of the mine. Drilling will continue throughout the year on these and other targets in the Martha mine district.

In addition to its exploration program near the Martha mine, the Company also conducts exploration in other parts of the Santa Cruz province of Argentina. In the first quarter of 2008, the Company focused this effort on the Joaquin, Sol de Mayo and Satellite properties. Joaquin is one of two properties on which the Company has an option to acquire a joint venture interest with Mirasol Resources Ltd. Sol de Mayo and Satellite are controlled by the Company under separate options to purchase with private Argentina business interests.

Palmarejo (Mexico)

Exploration is underway at the Company's new Palmarejo property in the Sierra Madre Occidental of northern Mexico. The focus of this work was drilling on the Guadalupe deposit designed to expand the size of the known silver and gold mineralization. A total of 2,995 meters (9,824 feet) of drilling was completed in the quarter.

Tanzania (Africa)

In the first quarter of 2008, the Company continued exploration on its properties in the Lake Victoria Goldfields District of northern Tanzania, consisting of additional mapping, sampling and data modeling to refine the next phase of drilling. Core drilling is expected to commence in the second quarter initially at Kiziba Hill.

Development Projects:

San Bartolomé (Bolivia)

During 2004, the Company completed an updated feasibility study, obtained all required permits and commenced construction of the San Bartolomé mine. The Company estimates the total capital cost (excluding political risk insurance premiums and capitalized interest) at San Bartolomé to be approximately \$228 million, of which \$157.7 million has been incurred as of March 31, 2008. The Company estimates initial operating costs, once the plant achieves full scale operations, of \$4.10 per silver ounce, excluding insurance, royalties and production taxes of \$2.03 per ounce. Based on the current development schedule, the Company expects commercial production to begin in the second quarter of 2008 and expects to produce 6 million ounces of silver during the remainder of 2008 and production of

approximately 9 million ounces of silver during 2009. No assurances can be made that the project will achieve its schedule and cost estimates as discussed above.

The San Bartolomé 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 mineralized material 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 Bolivia 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, which is capitalized during the development and construction phases and expensed (at approximately \$0.21 per ounce of silver produced) when the project commences commercial production.

Palmarejo (Mexico)

On December 21, 2007, the company acquired all of the outstanding stock of Bolnisi Gold NL (Bolnisi), an Australian company listed on the Australian Stock Exchange, and Palmarejo Silver and Gold Corporation (Palmarejo) a Canadian company listed on the TSX Venture Exchange. The principal asset of Bolnisi was its ownership of 72.8% of the outstanding common shares of Palmarejo. Palmarejo is engaged in the exploration and development of silver and gold properties located in the state of Chihuahua in northern Mexico and its principal silver and gold properties are collectively referred to as the Palmarejo project. The Palmarejo project is currently under development and is expected to commence commercial production in the first half of 2009.

The Palmarejo project (including the Trogon license area), the principal asset of Bolnisi and Palmarejo, is located in the state of Chihuahua in northern Mexico, approximately 15 kilometers northwest of the township of Temoris, where Bolnisi has established field headquarters. Temoris is approximately 420 kilometers southwest from the city of Chihuahua, the state capital, where Bolnisi has established its Mexican headquarters. In addition to the Palmarejo project, the Company also acquired the Yecora exploration-stage property located in Sonora, on the border with Chihuahua and the El Realito exploration-stage property in Chihuahua. Due to the focus of activities on the Palmarejo project, no exploration work was undertaken at the Yecora or El Realito projects during the first quarter of 2008.

The Palmarejo project contains a number of mineralized zones or areas of interest. The most important of these to date is the Palmarejo zone in the far north of the concessions which covers the old Palmarejo gold-silver mine based on the northwest-southeast trending La Prieta and La Blanca gold-silver bearing structures. In addition to Palmarejo, mineralized vein and alteration systems have been identified in the district, roughly sub-parallel to the Palmarejo zone. The most significant of these additional targets are the Guadalupe (including Animas) and La Patria vein systems in the southern part of the property and are currently under investigation by the Company's exploration teams.

The Palmarejo project consists of approximately 12,115 hectares covered by mining concessions, of which about 11,817 hectares are owned outright by Planet Gold, a wholly-owned subsidiary of the Company, with an additional 226 hectares held by means of leases and options to purchase, which agreements are summarized below. In addition, Planet Gold has obtained the rights to, but has not yet made all payments to complete, the purchase of 72 additional hectares.

The Chihuahua Informe Pericial (Mines Department) administers the lands in the Palmarejo project area. The claim boundaries are surveyed as part of the process of obtaining mining concessions in Mexico. Access to Palmarejo from Chihuahua is via paved Highway 127, a two-lane road, to the town of

San Rafael and then by gravel road to Temoris and finally Palmarejo. The Chihuahua-Pacifico rail service operates between Chihuahua and Los Mochis on the southwest coast of Mexico. Two passenger trains and one freight train operate daily from Chihuahua. Access from the rail station at the town of Temoris to Palmarejo is along 35 km of government-maintained gravel road, which is the extension of Highway 127, that continues on through to Chinipas. The climate of the area is moderate. Average maximum temperature is about 34°C, with an average minimum temperature of about 5°C. Rainfall occurs mainly during the summer months, with average annual precipitation of about 800 millimeters. The elevation of Palmarejo is about 1,150 meters above sea level. All anticipated exploration work can be conducted year round.

The capital cost of the project, from the time the Company acquired it on December 21, 2007 to the commencement of commercial production, is currently estimated to be approximately \$225 million. Based upon the original prefeasibility report, it is expected that the project will commence commercial production in the first half of 2009 and is expected to produce approximately 10.5 million ounces of silver and 115,000 ounces of gold annually at an average cash cost per silver ounce of (\$1.40) including gold by-product credit. The Company is currently completing the final updated feasibility study, which is expected to be completed in the second quarter of 2008. No assurances can be made that the project will achieve its schedule and cost estimates.

The Company has budgeted over \$8.0 million for exploration at the Palmarejo District in 2008, its first year of exploration since completion of the acquisition, in an attempt to discover new silver and gold mineralization and define new ore reserves.

Kensington (Alaska)

The Kensington property, which contains the project's reserves, consists of over 6,100 acres of patented (750 acres) and unpatented federal mining claims and state claims. The adjacent Jualin property to the south consists of 9,236 acres of patented and unpatented federal mining claims and state claims.

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 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.

On September 12, 2005 three environmental groups (Plaintiffs) filed a lawsuit in Federal District Court in Alaska against the U.S. Army Corps of Engineers (Corps of Engineers) and the U.S. Forest Service (USFS) seeking to invalidate the permit issued to Coeur Alaska, Inc. for the Company's Kensington mine. The Plaintiffs claim the Clean Water Act (CWA) Section 404 permit issued by the Corps of Engineers authorizing the deposition of mine tailings into Lower Slate Lake conflicts with the CWA. They additionally claim the USFS's approval of the Amended Plan of Operations is arbitrary and capricious because it relies on the 404 permit issued by the Corps of Engineers. Following the District Court's remand of the Section 404 permit to the Corps of Engineers for further review, the Corps reinstated the Company's permit on March 29, 2006. The lawsuit challenging the permit was re-opened on April 6, 2006; Coeur Alaska filed its answer to the Amended Complaint; and Coeur Alaska, the State of Alaska, and Goldbelt, Inc., a local native corporation, were granted Defendant-Intervenor status to join the agencies in their defense of the permit.

On August 4, 2006, the Federal District Court in Alaska dismissed the Plaintiffs' challenge and upheld the Section 404 permit. On August 7, 2006 the Plaintiffs filed a Notice of Appeal of the decision to the Ninth Circuit Court of Appeals (Ninth Circuit Court) and on August 9, 2006 the Plaintiffs additionally filed a Motion for Injunction Pending Appeal with the Ninth Circuit Court. The Ninth Circuit Court granted a temporary injunction pending appeal on August 24, 2006, enjoining certain activities relating to the lake tailings facility.

On May 22, 2007 the Ninth Circuit Court reversed the District Court's August 4, 2006 decision which had upheld the Company's 404 permit and issued its opinion that remanded the case to the District Court with instructions to vacate the Company's 404 permit as well as the USFS Record of Decision approving the general tailings disposal plan as well as the Goldbelt 404 permit to construct the Cascade Point Marine Facility. On August 20, 2007, Coeur Alaska filed a Petition for Rehearing En Banc with the Ninth Circuit Court, as did the State of Alaska and Goldbelt, Inc. The Department of Justice, on behalf of the Corps of Engineers, and USFS additionally filed a limited Petition for Rehearing with the Ninth Circuit panel seeking reconsideration of the mandate of the May 22, 2007 panel decision. On October 29, 2007, the Ninth Circuit denied the Petitions for Rehearing En Banc. On November 14, 2007 the Ninth Circuit granted a stay of the mandate pending further appeal to the Supreme Court, subject to the development of a reclamation plan for the lake area. The Company and the State of Alaska filed Petitions for Certiorari to the Supreme Court of the United States on January 28, 2008.

The Company cannot predict the potential for obtaining further appeal or if it will prevail upon appeal if one is granted. In the event that the Company does not prevail, the Company has identified an alternate site for the tailings disposal facility which it believes can be permitted and has submitted a modified plan of operations to the USFS. As a part of the modified plan of operations, the Company entered into a Memorandum of Understanding in April 2008 with Goldbelt Incorporated, an Alaska Native corporation, focusing on development of an alternative transportation plan that would transport mine workers from Juneau to Yankee Cove, and then by boat from Yankee Cove to the Kensington mine site.

The Kensington litigation has contributed to an increase in capital costs. The Company has expended approximately \$275.6 million (excluding capitalized interest) as of March 31, 2008. The Company expects the cash cost of production to be approximately \$310 per ounce of gold in the initial years of operation. Total expenditures by the Company at the Kensington property in the three months ended March 31, 2008 were \$9.7 million. Such expenditures were used to continue the permitting and development activities. The Company plans to spend approximately \$25.7 million on the project during 2008. Based upon the Company's current estimates, an impairment writedown could be necessary should the expectation of the long-term price for gold decrease below approximately \$606 per ounce. As of March 31, 2008, the carrying value of the Kensington project's long-lived assets was \$307.1 million.

The Company believes that commercial production could commence in 2009, subject to successful resolution of the permitting and litigation issues described above and completion of associated construction of the tailings facility. No assurances can be made that the project will achieve its schedule and cost estimates as discussed above. Further, no assurance can be given as to whether or when regulatory permits and approvals granted to the Company may be further challenged, appealed or contested by third parties or issuing agencies, or as to whether the Company will ultimately 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 accounting principles generally accepted in the United States (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; useful lives utilized for depreciation, depletion, amortization and accretion of future cash flows for long lived assets; estimates of recoverable gold and silver ounces in ore on leach pad; reclamation and remediation costs; valuation allowance for deferred tax assets; and post-employment and other employee benefit liabilities. For a detailed discussion on the application of these and other accounting policies, see Note B in the Notes to the Consolidated Financial Statements of this Form 10-Q.

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 collectability 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 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.

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 are recorded as a reduction of revenue.

At March 31, 2008, the Company had outstanding provisionally priced sales of \$61.0 million, consisting of 2.7 million ounces of silver and 18,800 ounces of gold, which had a fair value of approximately \$64.7 million including the embedded derivative. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately \$27,000 and for each one dollar per ounce change in

realized gold price, revenue would vary (plus or minus) approximately \$18,800. At March 31, 2007, the Company had outstanding provisionally priced sales of \$51.4 million, consisting of 2.8 million ounces of silver and 23,000 ounces of gold, which had a fair value of approximately \$52.5 million including the embedded derivative. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately \$28,000 and for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately \$23,000.

Estimates. 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. 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 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 is less than the carrying amount of the assets, including property, plant and equipment, mineral property, development property, and any deferred costs. 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. The Company did not record any write-downs during the periods ended March 31, 2008 and 2007.

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 1) the 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 leach pad of \$43.9 million as of March 31, 2008. Of this amount, \$20.8 million is reported as a current asset and \$23.1 million is reported as a non-current 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 ore on leach pad inventory is stated at actual production costs incurred to produce and place ore on the leach pad during the current period, adjusted for the effects on monthly production costs of abnormal production levels.

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 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 twenty 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. However, the ultimate recovery will not be known until leaching operations cease, which is currently estimated for 2011.

When we began operations at the Rochester mine 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 3 times (once in each of 1989, 1997 and 2003) based upon actual experience gained from leach operations. In 1989, we increased our estimated recoveries for silver and gold to 55% and 85%, respectively. The change was accounted for prospectively as a change in estimate, which had the effect of increasing the estimated recoverable ounces of silver and gold contained in the heap by 1.6 million ounces and 10,000 ounces, respectively. In 1997, we revised our estimated recoveries for silver and gold to 59% and 89%, respectively, which increased the estimated recoverable ounces of silver and gold contained in the heap by 4.7 million ounces and 39,000 ounces, respectively. Finally, in 2003, we revised our estimated recoveries for silver and gold to 61.5% 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 | 1.7 million | 3.5 million | 5.2 million | 13,240 | 26,480 | 39,720 |
| Positive impact on future cost of production per silver equivalent ounce for increases in recovery rates | \$ 2.20 | \$ 3.51 | \$ 4.37 | \$ 1.00 | \$ 1.80 | \$ 2.44 |
| Negative impact on future cost of production per silver equivalent ounce for decreases in recovery rates | \$(4.48) | \$(6.27) | \$(6.27) | \$ (1.31) | \$ (3.08) | \$ (5.61) |

Inventories of ore on leach pads are valued based upon actual production costs incurred to produce and place such ore on the leach pad during the current period, adjusted for the effects on monthly production of costs of abnormal production levels, 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. Such costs related to active mines are accrued and charged over the expected operating lives of the mines using the units-of-production method.

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.

Income taxes. In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, (FIN 48) an Interpretation of FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. FIN 48 requires that the Company recognize in its financial statements the impact of a tax position, if that tax position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance on derecognition, classification of interest and penalties, accounting in interim periods and disclosure. The provisions of FIN 48 were effective January 1, 2007. The adoption of FIN 48 did not have a material effect on the Company's financial position, results of operations or cash flows.

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company has substantially concluded all U.S. federal income tax matters for years through 1999. Federal income tax returns for 2000 through 2006 are subject to examination. The Company's continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. There were no accrued interest or penalties at March 31, 2008.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2008 Compared to Three Months Ended March 31, 2007

Revenues

Sales of metal from continuing operations in the first quarter of 2008 increased by \$6.4 million, or 12.6%, from the first quarter of 2007 to \$57.3 million. The increase in sales of metal was primarily due to increased metal prices realized, which was offset by a decrease in the quantity of silver and gold ounces sold. In the first quarter of 2008, the Company sold 2.4 million ounces of silver and 14,762 ounces of gold compared to 2.7 million ounces of silver and 24,632 ounces of gold for the same period in 2007. Realized silver and gold prices were \$18.45 and \$965 per ounce, respectively, in the first quarter of 2008 compared to \$13.74 and \$645 in the comparable quarter of 2007.

Included in revenues is the by-product revenue associated with by-product metal sales consisting of gold. During the first quarter of 2008, by-product revenues totaled \$13.9 million compared to \$15.8 million in the first quarter of 2007. The decrease is due to a decrease in the quantity of gold sold in the first quarter of 2008. The Company believes, based on best estimates, that presentation of these revenue streams as by-products from its current operations will continue to be appropriate in the future.

In the first quarter of 2008, the Company produced a total of 2.4 million ounces of silver and 16,634 ounces of gold, compared to 2.6 million ounces of silver and 24,552 ounces of gold in the first quarter of 2007. The decrease in silver and gold production is primarily due to decreased production at the Rochester mine.

Costs and Expenses

Production costs applicable to sales from continuing operations in the first quarter of 2008 increased by \$4.3 million, or 20.3%, from the first quarter of 2007 to \$25.3 million. The increase in production costs in the first quarter of 2008 is primarily due to higher costs per ounce associated with the drawdown of Rochester's heap leach inventory which is recognized as expense as ounces are recovered from the leaching process and sold. In addition, the increase in production costs is attributed to higher costs of labor, fuel, power and other consumables.

Depreciation and depletion decreased by \$1.4 million, or 19.3%, in the first quarter of 2008 compared to the prior year's first quarter, primarily due to decreased depreciation and depletion expense attributable to the Rochester mine due to cessation of mining and crushing activities in August 2007.

Administrative and general expenses increased by \$2.4 million in the first quarter of 2008 compared to the same period in 2007 primarily due to compensation costs associated with the Company's annual incentive plan and increases in other corporate expenses.

Exploration expenses increased by \$0.9 million to \$3.7 million in the first quarter of 2008 compared to \$2.9 million in the same period of 2007 as a result of increased exploration activity.

Pre-development expenses of \$5.8 million were recorded as a result of pre-development activity at the Palmarejo project during the first quarter of 2008. The Company plans to complete its final feasibility study in the second quarter of 2008 and to then commence capitalizing its mine development expenditures for the remainder of 2008. No pre-development expenses were recorded in the first quarter of 2007.

During the first quarter of 2007, the Company accrued the final \$0.5 million royalty to the U.S. Government called for under the May 2001 settlement agreement relating to the federal natural resources action commenced against the Company in March 1996. The final payment was made early in the second quarter of 2007. No royalty payments were accrued or made during the first quarter of 2008.

Other Income and Expenses

Interest and other income in the first quarter of 2008 decreased by \$3.2 million to \$1.3 million compared with the first quarter of 2007. The decrease was primarily due to lower levels of invested cash and short-term investments and lower interest rates earned on the Company's cash, cash equivalents and short-term investments.

Interest expense increased to \$0.8 million in the first quarter of 2008 compared to \$0.1 million in the first quarter of 2007 due to increased short-term borrowings. Capitalized interest was \$0.8 million in the first quarter of 2008 compared to \$0.6 million in the prior year's first quarter.

Income Taxes

For the three months ended March 31, 2008, the Company reported an income tax provision of approximately \$4.1 million compared to an income tax provision of \$3.7 million in the first quarter of 2007. The following table summarizes the components of the Company's income tax provision for the three months ended March 31, 2008 and 2007.

| | Three Months Ended March 31, | |
|---------------------------------------|---------------------------------|------------|
| | 2008 | 2007 |
| Current: | | |
| United States Alternative minimum tax | \$ | \$ (233) |
| United States Foreign withholding | (177) | (383) |
| Argentina | (2,093) | (1,598) |
| Australia | (2,728) | (1,114) |
| Mexico | (6) | |
| Deferred: | | |
| United States | 474 | |
| Argentina | 309 | 175 |
| Australia | 510 | 100 |
| Chile | (1,137) | (648) |
| Mexico | 772 | |
| Income tax provision | \$ (4,076) | \$ (3,701) |

During the first quarter of 2008, due to higher metal prices, the Company recognized a current provision in certain foreign operating jurisdictions. Further, the Company accrued foreign withholding taxes of approximately \$0.2 million on inter-company transactions between the U.S. parent and subsidiaries operating in Argentina and Australia. Finally, the Company recognized a net \$0.9 million deferred tax benefit for the recognition of deferred taxes on deductible temporary differences in the various foreign jurisdictions.

During the first quarter of 2007, due to higher metals prices and additional proven and probable reserves, the Company recognized a current provision in the U.S. and certain foreign operating jurisdictions. Further, the Company accrued foreign withholding taxes of approximately \$0.4 million on inter-company transactions between the U.S. parent and subsidiaries operating in Argentina and Australia. Finally, the Company recognized a \$0.6 million deferred tax provision in Chile as projections of future pre-tax income were previously sufficient to utilize all remaining net operating loss carry-forwards and a \$0.3 million benefit in other foreign jurisdictions as a result of recognition of deferred taxes on deductible temporary differences. During the first quarter of 2007, the Company recorded \$0.5 million in additional income tax provision resulting from its assessment of prior period tax contingencies across its various tax jurisdictions.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital; Cash and Cash Equivalents

The Company's working capital (defined as current assets less current liabilities) at March 31, 2008, increased by \$148.1 million to approximately \$300.5 million compared to \$152.4 million at December 31, 2007. The increase in working capital was primarily a result of the issuance on March 18, 2008 of the Company's 3/4% Convertible Senior Notes due March 2028 in the aggregate principal amount of \$230 million. The ratio of current assets to current liabilities was 3.4 to 1 at March 31, 2008, compared to 2.4 to 1 at December 31, 2007.

Net cash used in operating activities in the three months ended March 31, 2008 was \$7.6 million compared to net cash provided by operating activities of \$22.7 million in the three months ended March 31, 2007. The decrease of \$30.3 million in cash flow from operations is primarily due to changes in net income, inventories and receivables related to accrued metal sales and increases in recoverable value added taxes in Bolivia in connection with the San Bartolomé project. Net cash used in investing activities in the first quarter of 2008 was \$104.3 million compared to net cash used in investing activities of \$14.7 million in the prior year's comparable period. The increase of \$89.6 million in cash used in investing activities is primarily due to an increase in capital expenditures related to the construction activities at the San Bartolomé, Palmarejo and Kensington projects and purchases of short-term investments. Net cash provided by financing activities was \$219.5 million in the first quarter of 2008, compared to \$0.7 million net cash used in the first quarter of 2007. The increase was primarily due to cash proceeds from the issuance on March 18, 2008 of the Company's 3/4% Convertible Senior Notes due 2028 in the aggregate principal amount of \$230 million.

At March 31, 2008, the Company had \$298.7 million of cash, cash equivalents and short-term investments. Management believes that its existing and available cash and short-term investments and cash flow from operations will allow it to meet its obligations for the next twelve months. The Company estimates approximately \$340 million will be spent in the remainder of 2008 on capital expenditures at its operating mines and development-stage properties.

Capital Expenditures

During the first quarter of 2008, the Company expended \$64.5 million in capital expenditures consisting of \$36.5 million at San Bartolome, \$15.3 million at Palmarejo, \$9.6 million at Kensington, \$1.8 million at the Martha mine and \$1.2 million at the Cerro Bayo mine.

Debt and Capital Resources

3.25% Convertible Senior Notes Due 2028

On March 18, 2008, the Company issued \$230 million in aggregate principal amount of convertible senior notes due 2028 to be issued under an effective shelf registration statement on file with the U.S. Securities and Exchange Commission.

The notes are unsecured and bear interest at a rate of 3 1/4% per year, payable on March 15 and September 15 of each year, beginning on September 15, 2008. The notes will mature on March 15, 2028, unless earlier converted, redeemed or repurchased by the Company.

Each holder of the notes may require that the Company repurchase some or all of the holder's notes on March 15, 2013, March 15, 2015, March 15, 2018 and March 15, 2023 at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, in cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election. Holders will also have the right, following certain fundamental change transactions, to require the Company to repurchase all or any part of their notes for cash at a repurchase price equal to 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest. The Company may

redeem the notes for cash in whole or in part at any time on or after March 22, 2015 at 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest.

The notes provide for net share settlement of any conversions, which limits the number of shares of common stock to be issued in the future. Pursuant to this feature, upon conversion of the notes, the Company (1) will pay the note holder an amount in cash equal to the lesser of the conversion obligation or the principal amount of the notes, and (2) will settle any excess of the conversion obligation above the notes' principal amount in the Company's common stock, cash or a combination thereof, at the Company's election.

The notes will be convertible under certain circumstances, at the holder's option, at an initial conversion rate of 176.0254 shares of the Company's common stock per \$1,000 principal amount of notes, which is equivalent to an initial conversion price of approximately \$5.68 per share of common stock (representing a 30% conversion premium based on the closing price of \$4.37 per share of the Company's common stock on March 12, 2008), subject to adjustment in certain circumstances.

The Company intends to use the proceeds of this offering to complete the construction of the San Bartolomé silver project in Bolivia and fund construction of the Palmarejo silver/gold project in Mexico. Any additional remaining proceeds may be used to repay borrowings under the Company's bridge loan facility and bank facility and for general corporate purposes.

Acquisitions of Bolnisi and Palmarejo

On December 21, 2007, the Company completed its acquisition of all the shares of Bolnisi Gold NL and Palmarejo Gold and Silver Corporation in exchange for a total of approximately 272 million shares of Coeur common stock, a total cash payment of approximately \$1.1 billion and the assumption of liabilities of \$0.7 billion. Coeur issued 0.682 shares of Coeur common stock (or, at the election of the Bolnisi shareholder, CHESSE Depositary Interests representing Coeur shares) and A\$0.004 in cash (or approximately US\$1.0 million in the aggregate) for each Bolnisi ordinary share, and 2.715 shares of Coeur common stock and C\$0.004 in cash (or approximately US \$0.1 million in the aggregate) for each Palmarejo common share. The total consideration paid amounted to \$1.1 billion and the total liabilities assumed were \$0.7 billion.

Palmarejo is engaged in the exploration and development of silver and gold properties located in the State of Chihuahua in northern Mexico, and its principal silver and gold properties are collectively referred to as the Palmarejo project. The capital cost of the project, from the time the Company acquired it on December 21, 2007 to the commencement of commercial production, is currently estimated to be approximately \$225 million. Based upon the original prefeasibility report, it is expected that the project will commence commercial production in the first half of 2009 and is expected to produce approximately 10.5 million ounces of silver and 115,000 ounces of gold annually at an average cash cost per silver ounce of (\$1.40), including gold by-product credits. The Company is currently completing the final updated feasibility study, which is expected to be completed in the second quarter of 2008. No assurances can be made that the project will achieve its schedule and cost estimates discussed above.

Bridging Debt Facility

On October 22, 2007, Bolnisi entered into a \$20 million credit facility with Macquarie Bank Limited to fund further exploration and development of the Palmarejo silver/gold project, the exploration and development of the Yecora gold/silver project and the El Realito gold/silver project and for working capital purposes. The credit facility was extended to June 30, 2008, and bears interest at a variable rate (LIBOR) plus a margin of 2.45%. As of March 31, 2008, the Company had \$20 million outstanding under the facility bearing an interest rate of 5.47% included in current portion of long-term debt and capital lease obligations in the balance sheet. The Company expects to pay the balance of \$20 million in the second quarter of 2008.

Bank Loan

On August 30, 2007 (as amended on October 9, 2007), Palmarejo entered into a temporary credit facility of \$2.0 million secured by the Company's investments in Asset-Backed Commercial Paper, to fund working capital requirements. The credit facility has been extended through May 31, 2008. As of March 31, 2008, \$2.0 million had been drawn on the facility, which bears interest at prime less 1.5%. The Company is required to reduce the amount of the outstanding credit facility with any proceeds received from the sale of the Asset-Backed Commercial Paper. The Company expects to pay the balance of \$2.0 million in the second quarter of 2008.

Litigation and Other Events

Federal District Court of Alaska Permit Challenge

On September 12, 2005 three environmental groups (Plaintiffs) filed a lawsuit in Federal District Court in Alaska against the U.S. Army Corps of Engineers (Corps of Engineers) and the U.S. Forest Service (USFS) seeking to invalidate the permit issued to Coeur Alaska, Inc. for the Company's Kensington mine. The Plaintiffs claim the Clean Water Act (CWA) Section 404 permit issued by the Corps of Engineers authorizing the deposition of mine tailings into Lower Slate Lake conflicts with the CWA. They additionally claim the USFS's approval of the Amended Plan of Operations is arbitrary and capricious because it relies on the 404 permit issued by the Corps of Engineers. Following the District Court's remand of the Section 404 permit to the Corps of Engineers for further review, the Corps reinstated the Company's permit on March 29, 2006. The lawsuit challenging the permit was re-opened on April 6, 2006; Coeur Alaska filed its answer to the Amended Complaint; and Coeur Alaska, the State of Alaska, and Goldbelt, Inc., a local native corporation, were granted Defendant-Intervenor status to join the agencies in their defense of the permit.

On August 4, 2006, the Federal District Court in Alaska dismissed the Plaintiffs' challenge and upheld the Section 404 permit. On August 7, 2006 the Plaintiffs filed a Notice of Appeal of the decision to the Ninth Circuit Court of Appeals (Ninth Circuit Court) and on August 9, 2006 the Plaintiffs additionally filed a Motion for Injunction Pending Appeal with the Ninth Circuit Court. The Ninth Circuit Court granted a temporary injunction pending appeal on August 24, 2006, enjoining certain activities relating to the lake tailings facility.

On May 22, 2007 the Ninth Circuit Court reversed the District Court's August 4, 2006 decision which had upheld the Company's 404 permit and issued its opinion that remanded the case to the District Court with instructions to vacate the Company's 404 permit as well as the USFS Record of Decision approving the general tailings disposal plan as well as the Goldbelt 404 permit to construct the Cascade Point Marine Facility. On August 20, 2007, Coeur Alaska filed a Petition for Rehearing En Banc with the Ninth Circuit Court, as did the State of Alaska and Goldbelt, Inc. The Department of Justice, on behalf of the Corps of Engineers, and USFS additionally filed a limited Petition for Rehearing with the Ninth Circuit panel seeking reconsideration of the mandate of the May 22, 2007 panel decision. On October 29, 2007, the Ninth Circuit denied the Petitions for Rehearing En Banc. On November 14, 2007 the Ninth Circuit granted a stay of the mandate pending further appeal to the Supreme Court, subject to the development of a reclamation plan for the lake area. The Company and the State of Alaska filed Petitions for Certiorari to the Supreme Court of the United States on January 28, 2008.

The Company cannot predict the potential for obtaining further appeal or if it will prevail upon appeal if one is granted. In the event that the Company does not prevail, the Company has identified an alternate site for the tailings disposal facility which it believes can be permitted and has submitted a modified plan of operations to the USFS. As a part of the modified plan of operations, the Company entered into a Memorandum of Understanding in April 2008 with Goldbelt Incorporated, an Alaska Native corporation, focusing on development of an alternative transportation plan that would transport

mine workers from Juneau to Yankee Cove, and then by boat from Yankee Cove to the Kensington mine site.

The Kensington litigation has contributed to an increase in capital costs. The Company has expended approximately \$275.6 million (excluding capitalized interest) as of March 31, 2008. The Company expects the cash cost of production to be approximately \$310 per ounce of gold in the initial years of operation. Total expenditures by the Company at the Kensington property in the three months ended March 31, 2008 were \$9.7 million. Such expenditures were used to continue the permitting and development activities. The Company plans to spend approximately \$25.2 million on the project during 2008. Based upon the Company's current estimates, an impairment writedown could be necessary should the expectation of the long-term price for gold decrease below approximately \$606 per ounce. As of March 31, 2008, the carrying value of the Kensington project's long-lived assets was \$307.1 million.

The Company believes that commercial production could commence in 2009, subject to successful resolution of the permitting and litigation issues described above and completion of associated construction of the tailings facility. No assurances can be made that the project will achieve its schedule and cost estimates as discussed above. Further, no assurance can be given as to whether or when regulatory permits and approvals granted to the Company may be further challenged, appealed or contested by third parties or issuing agencies, or as to whether the Company will place the Kensington project into commercial production.

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

During 2001, the United States Forest Service (USFS) 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 USFS 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 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 cleanup costs against either the Company or Callahan.

In January 2003, the USFS 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 cleanup costs against either the Company or Callahan.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

The Company is exposed to various market risks as a part of its operations. In an effort to mitigate losses associated with these risks, the Company may, at times, enter into derivative financial

instruments. These may take the form of forward sales contracts, foreign currency exchange contracts and interest rate swaps. The Company does not actively engage in the practice of trading derivative securities for profit. This discussion of the Company's market risk assessments contains forward looking statements that contain risks and uncertainties. Actual results and actions could differ materially from those discussed below.

The Company's operating results are substantially dependent upon the world market prices of silver and gold. The Company has no control over silver and gold prices, which can fluctuate widely and are affected by numerous factors, such as supply and demand and investor sentiment. In order to mitigate some of the risk associated with these fluctuations, the Company will at times, enter into forward sale contracts. The Company continually evaluates the potential benefits of engaging in these strategies based on current market conditions. The Company may be exposed to nonperformance by counterparties as a result of its hedging activities. This exposure would be limited to the amount that the market price of the metal falls short of the contract price. The Company has historically sold silver and gold produced by our mines pursuant to forward contracts and at spot prices prevailing at the time of sale. Since 1999, the Company has not engaged in any silver hedging activities and is currently not engaged in any gold hedging activities.

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

At March 31, 2008, the Company had outstanding provisionally priced sales of \$61.0 million, consisting of 2.7 million ounces of silver and 18,800 ounces of gold, which had a fair value of approximately \$64.7 million including the embedded derivative. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately \$27,000; and for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately \$18,800.

The Company operates in several foreign countries, specifically Bolivia, Chile, Argentina and Mexico, which exposes it to risks associated with fluctuations in the exchange rates of the currencies involved. As part of its program to manage foreign currency risk, from time to time, the Company enters into foreign currency forward exchange contracts. These contracts enable the Company to purchase a fixed amount of foreign currencies. Gains and losses on foreign exchange contracts that are related to firm commitments are designated and effective as hedges and are deferred and recognized in the same period as the related transaction. All other contracts that do not qualify as hedges are marked to market and the resulting gains or losses are recorded in income. The Company continually evaluates the potential benefits of entering into these contracts to mitigate foreign currency risk and proceeds when it believes that the exchange rates are most beneficial. The Company entered into forward foreign currency exchange contracts to reduce the foreign exchange risk associated with forecasted Chilean peso operating costs for 2008 at its Cerro Bayo mine. The contracts require the Company to exchange U.S. dollars for Chilean pesos at a weighted average exchange rate of 503 pesos to each U.S. dollar. At March 31, 2008, the Company had foreign exchange contracts of \$6.8 million in U.S. dollars. For the three months ended March 31, 2008, the Company recorded a realized loss of approximately \$0.2 million in connection with its foreign currency hedging program. As of March 31, 2008, the fair value of the foreign exchange contracts was an asset of \$0.7 million.

All of the Company's long-term debt at March 31, 2008, is fixed-rate based. The fair value of the Company's long-term debt at March 31, 2008 was \$159.3 million and \$222.3 million related to its 1 1/4%

and 3 1/4% Senior Convertible Notes, respectively. The fair value was estimated based upon bond market closing prices on or near March 31, 2008.

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, 2008, that the Company's disclosure controls and procedures were effective at a reasonable level.

(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, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. Other Information

Item 1A. Risk Factors

Item 1A (Risk Factors) of the Company's Annual Report on Form 10-K for the year ended December 31, 2007 sets forth information relating to important risks and uncertainties that could materially adversely affect the Company's business, financial condition or operating results. Those risk factors continue to be relevant to an understanding of the Company's business, financial condition and operating results. Certain of those risk factors have been updated in this Form 10-Q to provide updated information, as set forth below. References to we, our and us in these risk factors refer to the Company.

The market prices of silver and gold are volatile. If we experience low silver and gold prices it may result in decreased revenues and decreased net income or 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 76% of our revenues from continuing operations from sales of silver, our earnings are primarily related to the price of this metal.

The market prices of silver (Handy & Harman) and gold (London Final) on May 7, 2008 were \$16.57 and \$868 per ounce, respectively. The prices 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.

Coeur may also suffer from declines in mineral prices. Since 1999, Coeur has not engaged in any silver hedging activities and is currently not engaged in any gold hedging activities. Accordingly, Coeur has no protection from declines in mineral prices or currency fluctuations.

If the prices of silver and gold are depressed for a sustained period and our net losses resume, we may be forced to suspend mining at one or more of our properties until the prices increase, and to record

additional asset impairment write-downs. Any lost revenues, continued or increased net losses or additional asset impairment write-downs would adversely affect our results of operations.

We may have to record 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, measured by comparing an asset's carrying value to its fair value, must be recognized when the carrying value of the asset exceeds these cash flows, and recognizing impairment write-downs could negatively impact our results of operations.

If silver or gold prices decline or we fail to control production costs or realize the minable ore reserves at our mining properties, we may be required to recognize asset write-downs. We also may record other types of additional mining property charges 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 reclamation liabilities have to be increased in connection with the closure and reclamation of a property. Additional write-downs of mining properties could negatively impact our results of operations.

The Kensington property has been the subject of litigation involving a permit required to complete construction of a required tailings facility. On September 12, 2005 three environmental groups (Plaintiffs) filed a lawsuit in Federal District Court in Alaska against the U.S. Army Corps of Engineers (Corps of Engineers) and the U.S. Forest Service (USFS) seeking to invalidate the permit issued to Coeur Alaska, Inc. for the Company's Kensington mine. The Plaintiffs claim the Clean Water Act (CWA) Section 404 permit issued by the Corps of Engineers authorizing the deposition of mine tailings into Lower Slate Lake conflicts with the CWA. They additionally claim the USFS's approval of the Amended Plan of Operations is arbitrary and capricious because it relies on the 404 permit issued by the Corps of Engineers. Following the District Court's remand of the Section 404 permit to the Corps of Engineers for further review, the Corps reinstated the Company's permit on March 29, 2006. The lawsuit challenging the permit was re-opened on April 6, 2006; Coeur Alaska filed its answer to the Amended Complaint; and Coeur Alaska, the State of Alaska, and Goldbelt, Inc., a local native corporation, were granted Defendant-Intervenor status to join the agencies in their defense of the permit.

On August 4, 2006, the Federal District Court in Alaska dismissed the Plaintiffs' challenge and upheld the Section 404 permit. On August 7, 2006 the Plaintiffs filed a Notice of Appeal of the decision to the Ninth Circuit Court of Appeals (Ninth Circuit Court) and on August 9, 2006 the Plaintiffs additionally filed a Motion for Injunction Pending Appeal with the Ninth Circuit Court. The Ninth Circuit Court granted a temporary injunction pending appeal on August 24, 2006, enjoining certain activities relating to the lake tailings facility.

On May 22, 2007 the Ninth Circuit Court reversed the District Court's August 4, 2006 decision which had upheld the Company's 404 permit and issued its opinion that remanded the case to the District Court with instructions to vacate the Company's 404 permit as well as the USFS Record of Decision approving the general tailings disposal plan as well as the Goldbelt 404 permit to construct the Cascade Point Marine Facility. On August 20, 2007, Coeur Alaska filed a Petition for Rehearing En Banc with the Ninth Circuit Court, as did the State of Alaska and Goldbelt, Inc. The Department of Justice, on behalf of the Corps of Engineers, and USFS additionally filed a limited Petition for Rehearing with the Ninth Circuit panel seeking reconsideration of the mandate of the May 22, 2007 panel decision. On October 29, 2007, the Ninth Circuit denied the Petitions for Rehearing En Banc. On November 14, 2007 the Ninth Circuit granted a stay of the mandate pending further appeal to the Supreme Court, subject to the development of a reclamation plan for the lake area. The Company and the State of Alaska filed Petitions for Certiorari to the Supreme Court of the United States on January 28, 2008.

The Company cannot predict the potential for obtaining further appeal or if it will prevail upon appeal if one is granted. In the event that the Company does not prevail, the Company has identified an alternate site for the tailings disposal facility which it believes can be permitted and has submitted a modified plan of operations to the USFS. As a part of the modified plan of operations, the Company entered into a Memorandum of Understanding in April 2008 with Goldbelt Incorporated, an Alaska Native corporation, focusing on development of an alternative transportation plan that would transport mine workers from Juneau to Yankee Cove, and then by boat from Yankee Cove to the Kensington mine site.

The Kensington litigation has contributed to an increase in capital costs. The Company has expended approximately \$275.6 million (excluding capitalized interest) as of March 31, 2008. The Company expects the cash cost of production to be approximately \$310 per ounce of gold in the initial years of operation. Based upon the Company's current estimates, an impairment writedown could be necessary should the expectation of the long-term price for gold decrease below approximately \$606 per ounce. As of March 31, 2008, the carrying value of the Kensington project's long-lived assets was \$307.1 million.

No assurances can be made that the project will achieve its schedule and cost estimates as discussed above. Further, no assurance can be given as to whether or when regulatory permits and approvals granted to the Company may be further challenged, appealed or contested by third parties or issuing agencies, or as to whether the Company will place the Kensington project into commercial production.

Additionally, the value allocated to Kensington's long-lived assets will be subject to assessments of recoverability under SFAS 144 and these assessments could result in writedowns of carrying values in future periods. ***The Palmarejo project involves significant risks associated with development and commencement of commercial production.***

There can be no assurance that significant losses will not occur at the Palmarejo project in the near future or that the Palmarejo project will be profitable in the future. Coeur's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Palmarejo project and any other properties Coeur may acquire are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development and the results of consultants' analyses and recommendations, which are beyond Coeur's control. While Coeur expects production at the Palmarejo project to commence in 2009, there can be no assurance that this timetable will be met. The development of the Palmarejo project and any other properties Coeur may acquire will require the commitment of substantial resources to conduct the time-consuming exploration and development of properties. There can be no assurance that Coeur will generate any revenues or achieve profitability at the Palmarejo project and any other properties Coeur may acquire.

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, 2007 on a long-term silver price average of \$11 per ounce, with the exception of the Endeavor mine which uses \$15 per ounce and the Broken Hill mine which uses \$13.50 per ounce of silver, and a long-term gold price average of \$600 per ounce for all properties with the exception of the Kensington property which used a gold price of \$550 per ounce. On May 7, 2008 silver and gold prices were \$16.57 per ounce and \$868 per ounce, respectively.

The estimation of the ultimate recovery of metals contained within the Rochester 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. 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 and determines 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 leach pad of \$43.9 million as of March 31, 2008. Of this amount, \$20.8 million is reported as a current asset and \$23.1 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 ore on leach pad inventory is stated at actual production costs incurred to produce and place ore on the leach pad during the current period, adjusted for the effects on monthly production costs of abnormal production levels.

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 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 nineteen 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% for silver, depending on the area being leached, and 93% for gold is estimated to be between 5 and 10 years. In August 2007, the Company terminated mining and crushing operations as ore reserves were fully mined. Residual heap leach activities are expected to continue through 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 increased our estimated recoveries for silver and gold, respectively, to between 59% and 61.5% for silver, depending on the area being leached, and 93% for gold. The leach cycle at the Rochester Mine requires leaching to approximately the year 2011 for all recoverable metal to be recovered.

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 | 1.7 million | 3.5 million | 5.2 million | 13,240 | 26,480 | 39,720 |
| Positive impact on future cost of production per silver equivalent ounce for increases in recovery rates | \$ 2.20 | \$ 3.51 | \$ 4.37 | \$ 1.00 | \$ 1.80 | \$ 2.44 |
| Negative impact on future cost of production per silver equivalent ounce for decreases in recovery rates | \$(4.48) | \$(6.27) | \$(6.27) | \$ (1.31) | \$ (3.08) | \$ (5.61) |

Inventories of ore on leach pads are valued based upon actual production costs incurred to produce and place such ore on the leach pad during the current period, adjusted for the effects on monthly production costs of abnormal production levels, 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, financial position and cash flows.

Mineral exploration and development inherently involves significant and irreducible financial risks. Coeur may suffer from the failure to find and develop profitable mines.

The exploration for and development of mineral deposits involves significant financial risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Unprofitable efforts may result from the failure to discover mineral deposits. Even if mineral deposits are found, such deposits may be insufficient in quantity and quality to return a profit from production, or it may take a number of years until production is possible, during which time the economic viability of the project may change. Few properties which are explored are ultimately developed into producing mines. Mining companies rely on consultants and others for exploration, development, construction and operating expertise.

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 and maintenance of necessary permits and receipt of adequate financing.

Once a mineral deposit is developed, whether it will be commercially viable depends on a number of factors, including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; government regulations including taxes, royalties and land tenure; land use, importing and exporting of minerals and environmental protection; and mineral prices. Factors that affect adequacy of infrastructure include: reliability of roads, bridges, power sources and water supply; unusual or infrequent weather phenomena; sabotage; and government or other interference in the maintenance or provision of such infrastructure. All of these factors are highly cyclical. The exact effect of these factors cannot be accurately predicted, but the combination may result in not receiving an adequate return on invested capital.

Significant construction and other risks are associated with our development projects that could result in delays and/or higher than anticipated costs in connection with the completion of construction and commencement of mining operations there.

Our ability to estimate the time and costs associated with the completion of construction of mining and processing facilities at our development properties, such as San Bartolomé, Kensington and Palmarejo, is subject to the inherent uncertainties associated with construction, commissioning and start-up activities of such facilities and commencement of operations.

Our business depends on good relations with our employees.

The Company could experience labor disputes, work stoppages or other disruptions in production that could adversely affect us. As of March 31, 2008, unions represented approximately 37.8% of our worldwide workforce. On that date, the Company had 277 employees at its Cerro Bayo mine and 120 employees at its Martha mine who were working under a collective bargaining agreement. The agreement covering the Cerro Bayo mine expires on December 21, 2010 and a collective bargaining agreement covering the Martha mine expires on June 1, 2008. Additionally, the Company had 34 employees at its San Bartolomé project working under a labor agreement which does not have a fixed term.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

| Period | Total number of shares (or units) purchased ⁽¹⁾ | Average price paid per share (or unit) | Total number of shares (or units) purchased as part of publicly announced plans or programs | Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs |
|------------------|--|--|---|---|
| 1/1/08 - 1/31/08 | | | | |
| 2/1/08 - 2/29/08 | 40,395 | \$ 4.82 | | |
| 3/1/08 - 3/31/08 | 43,721 | \$ 4.05 | | |
| Total | 84,116 | \$ 4.42 | | |

⁽¹⁾ Represents shares withheld from employees to pay taxes related to the vesting of restricted shares.

Item 6. Exhibits

Exhibits.

- 4.1 Indenture, dated March 18, 2008, by and among the Registrant and The Bank of New York, as trustee (Incorporated herein by reference to Exhibit 4.1 to the Registrant's Form 8-K filed on March 20, 2008).

4.2

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First Supplemental Indenture, dated March 18, 2008, by and among the Registrant and The Bank of New York, as trustee (Incorporated herein by reference to Exhibit 4.2 to the Registrant's Form 8-K filed on March 20, 2008).

10.1 Third Amendment to Employment Agreement, dated March 7, 2008, between the Registrant and Mitchell J. Krebs (Incorporated herein by reference to Exhibit 10 to the Registrant's Form 8-K filed on March 10, 2008)

31.1 Certification of the CEO

31.2 Certification of the CFO

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

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

SIGNATURES

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

COEUR D ALENE MINES CORPORATION

(Registrant)

Dated May 12, 2008

/s/ Dennis E. Wheeler
DENNIS E. WHEELER
Chairman, President and Chief Executive
Officer

Dated May 12, 2008

/s/ Mitchell J. Krebs
MITCHELL J. KREBS
Senior Vice President and Chief Financial
Officer

Dated May 12, 2008

/s/ Tom T. Angelos
TOM T. ANGELOS
Senior Vice President and Chief Accounting
Officer

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