COEUR D ALENE MINES CORP
Form 10-Q
May 15, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)
X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

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 on its charter)

IDAHO	82-0109423
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Ident. No.)
P. O. Box I, Coeur d'Alene, Idaho	83816-0316
(Address of principal executive offices)	(Zip Code)

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

Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

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 43,095,186 shares were issued and outstanding as of May 11, 2001.

COEUR D'ALENE MINES CORPORATION

INDEX

Page No.

2

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

	March 31, 2002	December 31, 2001
ASSETS	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents	$ 8,707	$ 14,714
Short-term investments	2,024	3,437
Restricted short-term investments	11,469	11,219
Receivables	7,081	5,902
Inventories	46,289	46,286
TOTAL CURRENT ASSETS	75,570	81,558
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	99,429	99,096
Less accumulated depreciation	(67,136)	(63,017)
	32,293	36,079
MINING PROPERTIES		
Operational mining properties	120,268	116,852
Less accumulated depletion	(80,980)	(79,697)
	39,288	37,155
Properties acquired or in development	46,711	46,685

	85,999	83,840
OTHER ASSETS		
Debt issuance costs, net of accumulated amortization	2,582	3,262
Other	3,062	5,641
	5,644	8,903
	$ 199,506	$ 210,380

See notes to condensed consolidated financial statements.

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

	March 31, 2002	December 31, 2001
	(In Thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 4,850	$ 3,721
Accrued liabilities	4,043	5,503
Accrued interest payable	3,207	2,720
Accrued salaries and wages	4,005	4,542
Current portion of reclamation costs	1,956	2,058
6% convertible subordinated debentures due June 2002	19,767	23,171
TOTAL CURRENT LIABILITIES	37,828	41,715
LONG-TERM LIABILITIES		
13 3/8% convertible senior subordinated notes due December 2003	35,670	41,399
6 3/8% convertible subordinated debentures due January 2004	66,270	66,270
7 1/4% convertible subordinated debentures due October 2005	14,650	14,650
Reclamation and mine closure	13,298	14,462
Other long-term liabilities	6,510	5,096
TOTAL LONG-TERM LIABILITIES	136,398	141,877
COMMITMENTS AND CONTINGNECIES (See Notes C, D, F, and G)		
SHAREHOLDERS' EQUITY		
Common Stock, par value $1.00 per share- authorized 125,000,000 shares, issued 57,846,960 and 49,278,232 shares in 2001 and 2000 (including 1,059,211 shares held in treasury)	57,847	49,278
Capital surplus	389,769	388,050
Accumulated deficit	(409,895)	(397,999)
Shares held in treasury	(13,190)	(13,190)

Accumulated other comprehensive income	749	649
	25,280	26,788
	$ 199,506	$ 210,380

See notes to condensed consolidated financial statements.

4

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

	THREE MONTHS ENDED March 31, 2002	2001
	(In Thousands, except for per share data)	
REVENUES		
Product sales	$ 16,469	$ 18,006
Interest and other revenues	528	16
Total Revenues	16,997	18,022
COSTS and Expenses		
Production	18,014	18,257
Depreciation and depletion	1,878	2,817
Administrative and general	2,105	2,277
Exploration	628	1,392
Pre-feasibility	822	566
Interest	4,401	3,744
Other	1,045	217
Total Costs and Expenses	28,893	29,270
NET LOSS FROM CONTINUING OPERATIONS BEFORE TAXES AND EXTRAORDINARY ITEM	(11,896)	(11,248)
Income tax provision	--	(1)
NET LOSS BEFORE EXTRAORDINARY ITEM	(11,896)	(11,249)
Extraordinary item - early retirement of debt (net of taxes)	--	3,181
NET LOSS	(11,896)	(8,068)
Unrealized holding gain (loss) on securities	101	415
COMPREHENSIVE LOSS	$(11,795)	$ (7,653)
BASIC AND DILUTED EARNINGS PER SHARE:		
Weighted average number of shares of Common Stock	52,389	37,308
Loss before extraordinary item	$ (.23)	$ (.31)

Extraordinary item - early retirement of debt (net of taxes)	--	.09
Net loss per share attributable to common shareholders	$ (.23)	$ (.22)

See notes to condensed consolidated financial statements.

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

	THREE MONTHS ENDED MARCH 31,	
	2002	2001
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(11,896)	$ (8,068)
Add (deduct) noncash items:		
Depreciation and depletion	1,878	2,817
Loss (gain) on early retirement of debt (net of tax)	252	(3,181)
Interest expense on Convertible Senior Subordinated Notes paid in Common Stock	895	--
Other	811	2,189
Unrealized loss (gain) on written call options	62	(379)
Changes in Operating Assets and Liabilities:		
Receivables	(1,299)	818
Inventories	2,722	1,041
Accounts payable and accrued liabilities	1,056	(1,208)
NET CASH USED IN OPERATING ACTIVITIES	(5,519)	(5,971)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of short-term investments	--	(1,255)
Proceeds from sales of short-term investments	1,264	5,266
Proceeds from sale of assets	--	14,733
Expenditures on mining assets	(1,554)	(1,977)
Other	(137)	(259)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(427)	16,508
CASH FLOWS FROM FINANCING ACTIVITIES		
Other	(61)	(296)
NET CASH USED IN FINANCING ACTIVITIES	(61)	(296)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,007)	10,241
Cash and cash equivalents at beginning of period	14,714	35,227
Cash and cash equivalents at end of period	$ 8,707	$ 45,468

SUPPLEMENTAL CASH FLOW DISCLOSURE

During the 1st quarter of 2002 the Company repurchased $3.5 million principal amount of its outstanding 6% Convertible Subordinated Debentures in exchange for approximately 3.4 million shares of common stock. In addition, holders of $5.7 principal amount of 13 3/8% Convertible Senior Subordinated Notes voluntarily converted their Notes for 5.1 million shares of common stock.

During the 1st quarter of 2001 the Company repurchased $5.0 million principal amount of its outstanding 7 1/4% Convertible Subordinated Debentures in exchange for 1,787,500 shares of common stock.

See notes to condensed consolidated financial statements.

6

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

NOTE A: Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States 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 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, 2002 are not necessarily indicative of the results that may be expected for the year ended December 31, 2002.

The balance sheet at December 31, 2001 has been derived from the audited financial statements at that date and it also does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Coeur d'Alene Mines Corporation Annual Report on Form 10-K for the year ended December 31, 2001.

NOTE B: Inventories

Inventories are comprised of the following:

	MARCH 31, 2002	DECEMBER 31, 2001
	(In Thousands)	
In process and on leach pads	$38,336	$39,794
Concentrate and dore' inventory	2,719	1,567
Supplies	5,234	4,925
	$46,289	$46,286
Long-term inventory in-process and on leach pads (included in other assets)	$ --	$ 2,725

Inventories of ore on leach pads and in the milling process are valued based on actual costs incurred, less costs allocated to minerals recovered through the leaching and milling processes. Inherent in this valuation is an estimate of the percentage of the minerals on leach pads and in-process that will ultimately be recovered. All other inventories are stated at the lower-of-cost or market, with cost being determined using the first-in, first-out and weighted-average-cost methods. Dore inventory includes product at the mine site and product held by refineries.

7

NOTE C: Income Taxes

The Company has reviewed its net deferred tax asset for the three-month period ended March 31, 2002, together with net operating loss carryforwards, and has decided to forego recognition of potential tax benefits arising therefrom. In making this determination, the Company has considered the Company's history of tax losses incurred since 1989, the current level of gold and silver prices and the ability of the Company to use accelerated depletion and amortization methods in the determination of taxable income. As a result, the Company's net deferred tax asset has been fully reserved as of March 31, 2002 and December 31, 2001.

NOTE D: Long-Term Debt

During the first quarter of 2002, the Company repurchased $3.5 million principal amount of its outstanding 6% Convertible Subordinated Debentures due June 2002 in exchange for approximately 3.5 million shares of Common Stock. As a result of the repurchase, the Company has recorded an expense (included in other expenses) of approximately $0.3 million. The share price used as consideration was based upon market prices at the time of the transactions. Also during the first quarter of 2002, holders of the 13-3/8% Convertible Senior Subordinated Notes voluntarily exchanged $5.7 million principal amount of the outstanding Notes for approximately 5.1 million shares of Common Stock under the terms of the Notes.

In several additional privately negotiated transactions completed in April and May 2002, the Company repurchased, in aggregate, $6.7 million principal amount of its outstanding 6% Convertible Subordinated Debentures due 2002 in exchange for approximately 6.7 shares of Common Stock. As a result of the transactions completed, the Company expects to record an additional expense of approximately $1.5 million in the quarter ending June 30, 2002.

Also during April 2002, holders of $3.2 million principal amount of the 13-3/8% Convertible Senior Subordinated Notes voluntarily converted their outstanding Notes into approximately 2.9 million shares of common stock, in accordance with the terms of the 13-3/8% Convertible Senior Subordinated Notes.

Building Loan

The Company has secured a 10-year loan for $1.3 million at an interest rate of 10% for the Corporate Office Building utilizing the building as collateral for the loan.

NOTE E: Segment Reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is

8

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 and the Chief Operating Officer.

The operating segments are managed separately because each segment represents a distinct use of Company resources and contribution to the Company's cash flows in its respective geographic area. The Company's reportable operating segments include the Rochester, Coeur Silver Valley, Cerro Bayo, Petorca, and Coeur Australia and exploration and development 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 of these precious metals. Intersegment revenues consist of precious metal sales to the Company's metals marketing division and are transferred at the market value of the respective metal on the date of the transfer. The other segment includes earnings (loss) from unconsolidated subsidiaries accounted for under the equity method, the corporate headquarters, elimination of intersegment transactions and other items necessary to reconcile to consolidated amounts. Revenues in the other segment are generated principally from interest received from the Company's cash and investments that are not allocated to the operating segments. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in the Company's Annual Report on Form 10-K. The Company evaluates performance and allocates resources based on each segments profit or loss before interest, income taxes, depreciation and amortization, unusual and infrequent items and extraordinary items.

Segment Reporting
(In Thousands)

	Rochester	Silver Valley	Cerro Bayo	Petorca	Explor
March 31, 2002					
Total net sales and revenues	$ 12,208	$ 5,592	$ 24	$ -	$
Depreciation and amortization	1,274	955	-	-	
Interest income	-	-	-	-	
Interest expense	-	-	582	-	
Gain on forward sale contracts	-	-	-	-	
Write-down of mine property	-	126	280	-	
(Loss) gain on early retirement of debt	-	-	-	-	
Profit (loss)	(1,754)	789	(95)	-	
Segment assets (A)	66,551	29,085	24,733	554	
Capital expenditures for property	201	240	1,053	-	
March 31, 2001					
Total net sales and revenues	$ 13,012	$ 4,456	$ (54)	$ 870	$
Depreciation and amortization	2,675	703	-	133	
Interest income	-	-	(1)	(2)	
Interest expense	-	-	574	-	
Other Expense	-	131	69	-	
Income tax (credit) expense	-	1	-	-	
Gain on early retirement of debt	-	-	-	-	
Profit (loss)	1,531	(5)	(77)	(490)	
Segment assets (A)	77,672	27,944	23,895	3,573	
Capital expenditures for property	166	757	672	-	

Notes:

(A) Segment assets consist of receivables, prepaids, inventories, property, plant and equipmen

Segment Reporting
(in thousands)

	Three months ended March 31, 2002	2001
Profit (loss)		
Total profit or loss from reportable segments	$ (4,084)	$ (3,820)
Depreciation, depletion and amortization	(2,303)	(3,847)
Interest expense	(4,401)	(3,744)
Other	(1,108)	163
Loss before extraordinary item and income taxes	$(11,896)	$(11,248)

	March 31, 2002	March 31, 2002
Assets		
Total assets for reportable segments	$ 171,662	$ 192,453
Cash and cash equivalents	8,707	45,468
Short-term investments	13,493	14,375
Other assets	5,644	6,781
Total consolidated assets	$ 199,506	$ 259,077

10

Geographic Information
(In thousands)

2002:	Revenues	Long-Lived Assets
United States	$17,064	$ 76,747
Chile	(67)	22,245
Bolivia	-	18,862
Other Foreign Countries	-	438
Consolidated Total	$16,997	$118,292

2001:	Revenues	Long-Lived Assets
United States	$18,311	$88,795
Chile	35	21,417
Bolivia	-	18,881
Other Foreign Countries	(324)	530
Consolidated Total	$18,022	$ 129,623

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

NOTE F: Hedging

For the first quarter of 2002 the Company recorded a realized loss of approximately $32,000 in connection with its hedge program and an additional $0.4 million of mark to market loss on its call options. The Company has 11,000 ounces in forward sales in its gold protection program, whereby over the next five months the Company will receive an average price of $296.06 per ounce.

The following table summarizes the information at March 31, 2002 associated with the Company's financial and derivative financial instruments that are sensitive to changes in interest rates, commodity prices and foreign exchange rates. For long term debt obligations, the table presents principal cash flows and related average interest rates. For gold call options and amortizing forward sales, the table presents ounces expected to be delivered and the related average price per ounce in U.S. dollars.

11

(dollars in thousands)	2002	2003	2004	2005	Thereafter
Liabilities					
Long Term Debt Fixed Rate	$19,767	$35,670	$ 66,270	$ 14,650	$ -
Average Interest Rate	9.784%	8.629%	7.007%	7.250%	
Derivative Financial Instruments					
Gold Forward Sales - USD					
Ounces	11,000	-	-	-	
Price Per Ounce	$ 296.06	$ -	$ -	$ -	
Gold Call Options Sold - USD					
Ounces (1)(2)	-	-	-	24,640	
Price Per Ounce	$ -	$ -	$ -	$346.46	

(1) The call options sold have a knock-out provision whereby the calls for 24,640 ounces will $300 per ounce after December 27, 2002.

(2) These call options were subsequently closed in April 2002 and the Company has realized a l

NOTE G: Contingencies

Bunker Hill Action

On January 7, 2002, a private class action suit captioned Baugh vs. Asarco, et al., was filed in the Idaho District Court for the First District (Lawsuit No. 2002131) in Kootenai County, Idaho against the companies that have been defendants in the prior Bunker Hill and natural resources litigation in the Coeur d'Alene Basin, including the Company, by eight northern Idaho residents seeking medical benefits and property compensation from the mining companies involved in the Bunker Hill Superfund site. At this early stage of the litigation, the Company cannot predict the outcome of this suit.

Proposed Mining Legislation

Recent legislative developments may affect the cost of and ability of mining claimants to use the Mining Law of 1872, as amended, (the "Mining Act") to acquire or use federal lands for mining operations. Since October 1994, a moratorium has been imposed on processing new patent applications for mining claims. Management believes that this moratorium will not affect the status of patent applications outstanding prior to the moratorium.

Legislation is presently being considered in the U.S. Congress to change the Mining Act under which the Company holds mining claims on public lands. It is possible that the Mining Act will be amended or be replaced by more onerous legislation in the future. The

12

legislation under consideration, as well as regulations under development by the Bureau of Land Management, contain new environmental standards and conditions, additional reclamation requirements and extensive new procedural steps which would be likely to result in delays in permitting.

During the last several Congressional sessions, bills have been introduced which would supplant or materially alter the Mining Act. If enacted, such legislation may materially impair the ability of the Company to develop or continue operations which derive ore from federal lands. No such bills have been passed and the extent of the changes, if any, which may be enacted by Congress is not presently known. A significant portion of Coeur's U.S. mining properties are on public lands. Any reform of the Mining Act or regulations thereunder based on these initiatives could increase the costs of mining activities on unpatented mining claims, and as a result could have an adverse effect on the Company and its results of operations.
Until such time, if any, as new reform legislation or regulations are enacted, the ultimate effects and costs of compliance on the Company cannot be estimated.

NOTE H: Subsequent Events

The Company has entered into a purchase agreement to issue $21.5 million principal amount of new 13-3/8% Convertible Senior Subordianted Notes ("New Notes") for $16.0 million in proceeds. The New Notes will be convertible into common stock at a conversion price of $1.35 per share and will be issued on similar terms, subject to certain contingent provisions, as the Company's currently outstanding 13-3/8% Convertible Senior Subordinated Notes due December 31, 2003. This financing is subject to final documentation and customary closing conditions. The Company plans to use $9.4 million of the proceeds from the sale of the New Notes to pay the entire $9.4 million principal amount of 6% Debentures expected to be outstanding when they mature on June 10, 2002.

In the Company's latest Form 10-K filing, the Company stated that without a certainty of financing the Company may not be able to repay its obligations under its 6% Debentures. Upon successful completion of this financing agreement the Company will use a portion of the proceeds received to repay the entire expected outstanding balance of $9.4 million of the 6% Convertible Subordinated Debentures on June 10, 2002.

NOTE I: Reclassification

Certain reclassifications of prior-year balances have been made to conform to current year classifications.

13

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

General

The results of the Company's operations are significantly affected by the market prices of gold and silver 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 and gold in the first quarter of 2002 was $4.51 and $290 per ounce, respectively. The market price of silver (Handy & Harman) and gold (London Final) on May 13, 2002 were $4.63 per ounce and $310.75 per ounce, respectively.

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

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

The following table sets forth the amounts of gold and silver produced by the mining properties owned by the Company or in which the Company has an interest, based on the amounts attributable to the Company's ownership interest, and the cash and full costs of such production during the three-month periods ended March 31, 2002 and 2001:

14

	THREE MONTHS ENDED March 31,	
	2002	2001
ROCHESTER MINE		
Gold ozs.	16,423	19,457
Silver ozs.	1,415,767	1,501,649
Cash Costs per equiv. oz./silver	$4.06	$3.88
Full Costs per equiv. oz./silver	$4.56	$4.84
GALENA MINE		
Silver ozs.	1,473,542	1,107,941
Cash Costs per oz./silver	$3.97	$4.36
Full Costs per oz./silver	$4.62	$5.01
PRIMARY SILVER MINES		
Consolidated Cash Costs per equivalent oz.of silver	$4.02	$4.02
PETORCA MINE (Note A)		
Gold ozs.	N/A	7,159
Silver ozs.	N/A	22,127
Cash Costs per oz./gold	N/A	$354
Full Costs per oz./gold	N/A	$373

PRIMARY GOLD MINES

Consolidated Cash Costs per equivalent oz.of gold	N/A	$354

CONSOLIDATED TOTAL METAL PRODUCTION

Gold ozs.	16,423	26,678
Silver ozs.	2,889,309	2,631,717

Note A: The Company suspended operations at the Petorca Mine in the third quarter of 2001, and does not expect to re-open this mine in the foreseeable future.

OPERATING HIGHLIGHTS

Cerro Bayo Mine (Chile)

Coeur's new Cerro Bayo high-grade gold and silver mine officially commenced production on April 17, 2002, approximately one month ahead of schedule. During the start-up phase, the milling facility is processing development ore averaging approximately 0.29 ounces per ton gold equivalent until previously delineated high-grade zones are accessed in late June or early July. At least initially, the bulk of the tonnage mined and processed will be from the Lucero vein. Total production in 2002, including the Martha mine, is forecast at 52,000 ounces of gold and 3.6 million ounces of silver at a cash cost of less than $150 per gold equivalent ounce.

The Company is actively drilling previously delineated high-grade zones to increase reserves and discover new mineralized vein structures.

Martha Mine (Argentina)

Coeur plans to begin transporting high-grade silver ore in late May from the Martha mine to the Cerro Bayo facility for processing. The high-grade Martha mine is expected to contribute 1.6 million ounces of silver to Cerro Bayo in 2002. Preparation of a detailed

15

exploration program for areas in and around the Martha mine is currently under way.

Rochester Mine (Nevada)

Coeur's Rochester mine reached a major milestone in the third week of January 2002 when it officially poured over one million ounces of gold and 88 million ounces of silver since commencing production in 1986.

The Rochester mine produced 1.4 million ounces of silver and 16,423 ounces of gold in the first quarter of 2002 compared to 1.5 million ounces of silver and 19,457 ounces of gold in the first three months of 2001. In 2001 operations were largely confined to gold-rich sections of the pit, which accounted for the high gold output last year. In January and February of 2002, the Company decided to mine lower grade stockpiled ore while completing a review of the life-of-mine plan. As a result, cash costs for the three month period rose to $4.06 per silver equivalent ounce compared to $3.88 per silver equivalent ounce in the prior year. After completion of this analysis, production has increased and cash costs per silver equivalent ounce decreased sharply to $3.66 in March with further declines realized in April.

Coeur Silver Valley (Idaho)

Silver production at Coeur Silver Valley rose to a record 1.5 million ounces in the latest quarter, up 33 percent from the 1.1 million ounces produced in the first quarter of 2001. Total cash costs during the quarter decreased to $3.97 per ounce, nine percent lower than the $4.36 per ounce recorded in the previous year. The increase in silver output and reduction in cash costs is due to the extensive underground development program carried out last year and the successful implementation of mechanized mining in selected areas of the mine. The accelerated underground development program has provided greater mining flexibility and much better access to the wider, higher-grade vein structures, especially the 72 vein which is currently one of the major sources of silver production.

Mine exploration has significantly extended the prominent 117 vein to the 3,100 foot level where subsequent development could significantly lower mining costs. In addition, Coeur is drifting towards the Silver vein on the 2,400 level where reserves of four million ounces of silver have previously been delineated. These recent developments confirm the considerable exploration potential at Coeur Silver Valley both at depth and in areas much closer to the surface.

San Bartolome (Bolivia)

The final feasibility study at Coeur's San Bartolome silver property in Bolivia is progressing. Recent results indicate that total cash costs can be reduced to $3.25 per ounce. In addition, exploration and confirmation drilling is under way in conjunction

16

with the implementation of recent process flow sheet improvements. Test results on a portion of the resource base has produced a saleable tin concentrate and a more comprehensive resource-wide review has been commissioned.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001.

Revenues

Product sales in the first quarter of 2002 decreased by $1.5 million, or 9%, from the first quarter of 2001 to $16.5 million. The decrease in sales is primarily attributable to the shutdown of the Petorca mine in August 2001. In the first quarter of 2002, the Company produced a total of 2,889,309 ounces of silver and 16,423 ounces of gold compared to 2,631,717 ounces of silver and 26,678 ounces of gold in the first quarter of 2001. In the first quarter of 2002, the Company realized average silver and gold prices of $4.45 and $291, respectively, compared with realized average prices of $4.52 and $270, respectively, in the prior year's first quarter. The decline in gold production was primarily due to lower production from Petorca, which was shutdown in June of last year. This was partially offset by higher gold prices realized and higher silver production at the Rochester and Galena mines.

Interest and other income in the first quarter of 2002 increased by $0.5 million compared with the first quarter of 2001. The increase is primarily due to a $0.4 million increase in gains recorded on the sale of short-term investments.

Costs and Expenses

Production costs in the first quarter of 2002 decreased by $0.2 million, or 1%, from the first quarter of 2001 to $18.0 million.

Depreciation and amortization decreased in the first quarter of 2002 by $1.0 million, or 33%, from the prior year's first quarter, primarily due to reduced depletion at the Rochester mine and none taken at the Petorca mine due to suspension of operations.

Administrative and general expenses decreased $0.2 million in the first quarter of 2002 compared to 2001, due to continued cost reduction measures in 2002.

Exploration expenses decreased by $0.8 million in the first quarter of 2002 compared to 2001, due to the Company's decision to limit the amount of exploration in 2002.

Pre-feasibility expenses increased by $0.8 million due to increased spending on the San Bartolome silver project.

Interest expense increased $0.7 million primarily due to make whole interest paid to holders of the 13-3/8% notes that converted their holdings to common stock.

Other expenses increased $0.8 million primarily due to additional mine care and maintenance expenditures at both the Petorca and Cerro Bayo mines, and the additional expense recorded in connection with the repurchase of 6% debentures in the first quarter of 2002.

Net Loss

As a result of the above mentioned factors, as well as debt retirement discussed below, the Company's net loss amounted to $11.9 million or $0.23 per share in the first quarter of 2002 compared to a net loss of $8.1 million or $0.22 per share in the first quarter of 2001.

Debt Reduction Program

During the first quarter of 2002 the Company repurchased $3.5 million principal amount of its outstanding 6% Convertible Subordinated Debentures in exchange for approximately 3.5 million shares of common stock. Also during the 1st quarter of 2002 holders of $5.7 million principal amount of the 13 3/8% Convertible Senior Subordinated Notes voluntarily converted their outstanding Notes into approximately 5.1 million shares of Common Stock.

During April and May 2002, the Company repurchased an additional $6.7 million principal amount of its outstanding 6% Convertible Subordinated Debentures in exchange for approximately 6.7 million shares of common stock and will record an additional expense of approximately $1.5 million in the second quarter for these exchanges, further reducing the outstanding 6% Convertible Subordinated Debentures Due June 2002 to $13.0 million. In connection with its issuance of new 13-3/8% Convertible Senior Subordinated Notes, discussed below under "Issuance of New Notes," the Company repurchased an additional $3.6 million principal amount of 6% Debentures in exchange for approximately 4.0 million shares of Common Stock, thereby reducing the outstanding 6% debentures outstanding to $9.4 million.

Also during April 2002, holders of $3.2 million principal amount of the 13-3/8% Convertible Senior Subordinated Notes voluntarily converted their outstanding Notes into approximately 2.9 million shares of Common Stock.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital; Cash and Cash Equivalents

The Company's working capital at March 31, 2002 was approximately $37.7 million compared to $39.8 million at December 31,

2001. The ratio of current assets to current liabilities was 2.0 to 1.0 at March 31, 2002 compared to 2.0 to 1.0 at December 31, 2001.

Net cash used in operating activities in the three months ended March 31, 2002 was $5.5 million compared to $6.0 million in the three months ended March 31, 2001. Net cash used in investing activities in the 2002 period was $0.4 million compared to net cash provided in investing activities of $16.5 million in the prior year's comparable period. The cash provided in the 2001 period was attributable to net proceeds of $14.7 million received from the sale of the Company's interest in Gasgoyne. Net cash used in financing activities was $0.1 million in the first three months of 2002, compared to $0.3 million used in the first three months of 2001. As a result of the above, cash and cash equivalents decreased by $6.0 million in the first three months of 2002 compared to an increase of $10.2 million for the comparable period in 2001.

CONTINGENCIES

Bunker Hill Action

On January 7, 2002, a private class action suit captioned Baugh vs. Asarco, et al., was filed in the Idaho District Court for the First District (Lawsuit No. 2002131) in Kootenai County, Idaho against the companies that have been defendants in the prior Bunker Hill and natural resources litigation in the Coeur d'Alene Basin, including the Company, by eight northern Idaho residents seeking medical benefits and property compensation from the mining companies involved in the Bunker Hill Superfund site. At this early stage of the litigation, the Company cannot predict the outcome of this suit.

19

Proposed Mining Legislation

Recent legislative developments may affect the cost of and ability of mining claimants to use the Mining Law of 1872, as amended, (the "Mining Act") to acquire or use federal lands for mining operations. Since October 1994, a moratorium has been imposed on processing new patent applications for mining claims. Management believes that this moratorium will not affect the status of patent applications outstanding prior to the moratorium.

Legislation is presently being considered in the U.S. Congress to change the Mining Act under which the Company holds mining claims on public lands. It is possible that the Mining Act will be amended or be replaced by more onerous legislation in the future. The legislation under consideration, as well as regulations under development by the Bureau of Land Management, contain new environmental standards and conditions, additional reclamation requirements and extensive new procedural steps which would be likely to result in delays in permitting.

During the last several Congressional sessions, bills have been introduced which would supplant or materially alter the Mining Act. If enacted, such legislation may materially impair the ability of the Company to develop or continue operations which derive ore from federal lands. No such bills have been passed and the extent of the changes, if any, which may be enacted by Congress is not presently known. A significant portion of Coeur's U.S. mining properties are on public lands. Any reform of the Mining Act or regulations thereunder based on these initiatives could increase the costs of mining activities on unpatented mining claims, and as a result could have an adverse effect on the Company and its results of operations. Until such time, if any, as new reform legislation or regulations are enacted, the ultimate effects and costs of compliance on the Company cannot be estimated.

Issuance of New Notes

The Company has entered into a purchase agreement to issue $21.5 million principal amount of new 13-3/8% Convertible Senior Subordianted Notes ("New Notes") for $16.0 million in proceeds. The New Notes will be convertible into common stock at a conversion price of $1.35 per share and will be issued on similar terms, subject to certain contingent provisions, as the Company's currently outstanding 13-3/8% Convertible Senior Subordinated Notes due December

31, 2003. This financing is subject to final documentation and customary closing conditions. The Company plans to use $9.4 million of the proceeds from the sale of the New Notes to pay the entire $9.4 million principal amount of 6% Debentures expected to be outstanding when they mature on June 10, 2002.

In the Company's latest Form 10-K filing, the Company stated that without a certainty of financing the Company may not be able to repay its obligations under its 6% Debentures. Upon successful completion of this financing agreement the Company will use a portion of the proceeds received to repay the entire expected outstanding balance of $9.4 million of the 6% Convertible Subordinated Debentures on June 10, 2002.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to various market risks as a part of its operations. As 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.

20

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 the then 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 spot price of the metal falls short of the contract price.

The Company operates in several foreign countries, specifically Bolivia and Chile, 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, the Company will enter 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 mark-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.

All of the Company's long term debt at March 31, 2001 is fixed-rate based. The Company's exposure to interest rate risk, therefore, is limited to the amount it could pay at current market rates. The Company currently does not have any derivative financial instruments to offset the fluctuations in the market interest rate. It may choose to use instruments, such as interest rate swaps, in the future to manage the risk associated with interest rate changes.

See Note F - Hedging, to the consolidated financial statements for a table which summarizes the Company's gold and foreign exchange hedging activities at March 31, 2002.

PART II. Other Information

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits. None.

b) Reports on Form 8-K. None.

21

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 14, 2002

/s/ Dennis E. Wheeler

DENNIS E. WHEELER
Chairman, President and
Chief Executive Officer

Dated May 14, 2002

/s/ Geoffrey A. Burns

GEOFFREY A. BURNS
Vice President and
Chief Financial Officer

22