COEUR D ALENE MINES CORP
Form 10-Q
November 09, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2004.

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 _X_ NO ___

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 under the Exchange Act). 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 213,260,559 shares were issued and outstanding as of November 4, 2004.

COEUR D ALENE MINES CORPORATION

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

	September 30, 2004	December 31, 2003
		(Restated)
ASSETS	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents	$ 166,056	$ 62,417
Short-term investments	52,335	19,265
Receivables	6,892	8,103
Ore on leach pad	18,577	17,388
Metal and other inventory	18,378	12,535
Prepaid expenses and other	3,693	3,067
	265,931	122,775
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	84,481	87,546
Less accumulated depreciation	(52,421)	(52,868)
	32,060	34,678

MINING PROPERTIES		
Operational mining properties	117,275	114,018
Less accumulated depletion	(98,107)	(90,245)
	19,168	23,773
Mineral interests	20,125	20,125
Non-producing and development properties	25,121	25,121
	64,414	69,019
OTHER ASSETS		
Non-current ore on leach pad	24,626	14,705
Restricted investments	10,860	8,710
Debt issuance costs, net	5,832	87
Marketable securities	32	19
Other	8,624	9,474
	49,974	32,995
TOTAL ASSETS	$ 412,379	$ 259,467

See notes to consolidated financial statements.

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

	September 30, 2004	December 31, 2003
		(Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable	$ 12,589	$ 7,772
Accrued liabilities	12,156	5,218
Accrued interest payable	473	120
Accrued salaries and wages	5,043	5,705
Current portion of remediation costs	824	1,278
Current portion of bank financing	--	2,367
	31,085	22,460
LONG-TERM LIABILITIES		
1 1/4% Convertible Senior Notes due January 2024	180,000	--
7 1/4% Convertible Subordinated Debentures due October 2005	--	9,563
Reclamation and mine closure	21,992	20,934
Other long-term liabilities	7,010	9,032
	209,002	39,529
SHAREHOLDERS' EQUITY		
Common Stock, par value $1.00 per share-authorized 500,000,000 shares, issued 214,319,770 and 214,195,186 at September 30, 2004 and December 31, 2003 (1,059,211 shares held in treasury at both dates, respectively)	214,320	214,195
Additional paid-in capital	543,263	542,900
Accumulated deficit	(570,198)	(545,050)
Shares held in treasury	(13,190)	(13,190)
Accumulated other comprehensive loss	(1,903)	(1,377)

	172,292	197,478
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 412,379	$ 259,467

See notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003 Restated	2004	2003 Restated
	(In Thousands, except per share data)			
REVENUES				
Sales of metal	$ 30,211	$ 23,636	$ 86,242	$ 78,245
Interest and other	1,056	326	1,142	1,071
Total revenues	31,267	23,962	87,384	79,316
COSTS AND EXPENSES				
Production	19,014	18,849	52,328	55,740
Depreciation and depletion	4,862	3,257	14,481	12,955
Administrative and general	3,266	2,776	9,941	8,241
Exploration	3,270	1,154	8,256	3,367
Pre-development	3,117	463	8,768	1,229
Interest	662	6,703	2,257	10,726
Other holding costs	262	2,602	1,606	4,171
Merger Expenses	14,894	--	14,894	--
Loss on exchange and early retirement of debt	--	5,769	--	33,957
Total cost and expenses	49,347	41,573	112,531	130,386
LOSS FROM CONTINUING OPERATIONS BEFORE TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(18,080)	(17,611)	(25,147)	(51,070)
Income tax benefit	--	--	--	7
NET LOSS BEFORE CUMULATIVE EFFECT IN CHANGE IN ACCOUNTING PRINCIPLE	(18,080)	(17,611)	(25,147)	(51,063)
Cumulative effect of change in accounting principle	--	--	--	(2,306)
NET LOSS	(18,080)	(17,611)	(25,147)	(53,369)
Other comprehensive income (loss)	333	78	(526)	(319)
COMPREHENSIVE LOSS	$ (17,747)	$ (17,533)	$ (25,673)	$ (53,688)

BASIC AND DILUTED LOSS PER SHARE:				
Weighted average number of shares of common stock outstanding	213,261	183,102	213,217	153,679
Net loss per common share before cumulative effect of change in accounting principle	$ (0.08)	$ (0.10)	$ (0.12)	$ (0.33)
Cumulative effect of change in accounting principle	--	--	--	(0.02)
Net loss per common share	$ (0.08)	$ (0.10)	$ (0.12)	$ (0.35)

See notes to consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003 Restated	2004	2003 Restated
	(In Thousands, except per share data)			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net loss	$ (18,080)	$ (17,611)	$ (25,147)	$ (53,369)
Add (deduct) non-cash items:				
Depreciation and depletion	4,862	3,257	14,481	12,955
Loss on early retirement of debt	_	5,769	--	33,957
(Gain) loss on embedded derivative	(1,395)	(323)	362	346
Non-cash interest expense	--	7,088	--	8,191
Cumulative effect of change in accounting principle	--	--	--	2,306
Compensation expense on restricted stock	321	302	994	520
Other charges	370	55	1,567	569
Changes in Operating Assets and Liabilities:				
Receivables	3,277	3,116	1,211	(247)
Prepaid expenses and other	(74)	(4,492)	(388)	(3,798)
Inventories	(7,406)	612	(16,954)	(4,624)
Accounts payable and accrued liabilities	11,175	2,029	9,812	(1,341)
CASH USED IN OPERATING ACTIVITIES	(6,950)	(198)	(14,062)	(4,535)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of short-term investments	(1,107)	(9,303)	(59,950)	(82,256)
Proceeds from sales of short-term investments	10,521	8,618	23,232	80,128
Capital expenditures	(2,732)	(7,391)	(5,858)	(15,102)
Other	41	312	278	225
CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	6,723	(7,764)	(42,298)	(17,005)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Retirement of long-term debt	--	(61)	(9,561)	(22,453)
Retirement of building loan	--	--	(1,200)	--
Proceeds from issuance of subordinated notes	--	--	180,000	--
Debt issuance costs	--	--	(6,089)	33,268
Proceeds from issuance of common stock	--	75,998	--	87,498
Bank Borrowings on working capital facility	--	6,265	6,056	22,868
Payments to Bank on working capital facility	--	(6,810)	(8,423)	(21,714)

Common stock repurchase	--	--	(793)	--
Other	1,424	(32)	9	(95)
CASH PROVIDED BY FINANCING ACTIVITIES:	1,424	75,360	159,999	99,372
INCREASE IN CASH AND CASH EQUIVALENTS	1,197	67,398	103,639	77,832
Cash and cash equivalents at beginning of period	164,859	19,527	62,417	9,093
Cash and cash equivalents at end of period	$ 166,056	$ 86,925	$ 166,056	$ 86,925

See notes to consolidated financial statements.

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

NOTE A- BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three-and nine-month periods ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

The balance sheet at December 31, 2003 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Coeur d Alene Mines Corporation (Coeur or the Company) Annual Report on Form 10-K and 10-K/A No. 3 for the year ended December 31, 2003.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the wholly-owned subsidiaries of the Company, the most significant of which are Coeur Rochester, Inc., Coeur Silver Valley, Inc., Coeur Alaska, Inc., Cerro Bayo Ltd., Compania Minera Polimet S.A. and Empressa Minera Manquiri S.R.L. 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 greater than 20% ownership interest accounted for using the cost method.

Revenue Recognition**:** Revenue is recognized when title to silver and gold passes to the buyer and when collectibility is reasonably assured. 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, an active and freely traded commodity market, for both gold and silver, in an identical form to the product sold.

Under our concentrate sales contracts with third-party smelters, final gold and silver prices are set on a specified future quotational period, typically one to three months, after the shipment date based on market metal prices. Revenues are recorded under these contracts at the time title passes to the buyer based on the forward price for the expected settlement period. The contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. Final settlement is based on the average applicable price for a specified future period, and generally occurs from three to six months after shipment. Final sales are settled using smelter weights, settlement assays (average of assays exchanged and/or umpire assay results) and are priced as specified in the smelter contract. The Company s provisionally priced sales contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of concentrates measured at the forward price at the time of sale. The embedded derivative does not qualify for hedge accounting. The embedded derivative is

recorded as a derivative asset, in prepaid expenses and other or, a derivative liability on the balance sheet and is adjusted to fair value through revenue each period until the date of final gold and silver settlement. The form of the material being sold, after deduction for smelting and refining, is in an identical form to that sold on the London Bullion Market. The form of the product is metal in flotation concentrate, which is the final process for which the Company is responsible.

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 September 30, 2004, the Company had outstanding provisionally priced sales of $17.0 million, consisting of 1.9 million ounces of silver, 10,067 ounces of gold and 796,487 pounds of copper. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately $19,000; for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately $10,000; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately $8,000. At December 31, 2003, the Company had outstanding provisionally priced sales of $32.8 million, consisting of 3.7 million ounces of silver, 37,487 ounces of gold and 681,196 pounds of copper. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately $37,000; for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately $37,000; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately $7,000.

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

Short-term Investments: Short-term investments principally consist of highly-liquid United States, foreign government and corporate securities with original maturities in excess of three months and less than one year. The Company classifies all short-term investments as available-for-sale securities. Unrealized gains and losses on these investments are recorded in accumulated other comprehensive 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).

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

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

The Company reported ore on leach pads of $43.2 million as of September 30, 2004. Of this amount, $18.6 million is reported as a current asset and $24.6 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 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 broken ore that will be extracted beyond twelve months is classified as non-current.

The estimate of both the ultimate recovery expected over time and the quantity of metal that may be extracted relative to the time the leach process occurs requires the use of estimates which are inherently inaccurate since they rely upon laboratory testwork. Testwork consists of 60-day leach columns from which the Company projects metal recoveries up to five years in the future. The quantities of metal contained in the ore are based upon actual weights and assay analysis. The rate at which the leach process extracts gold and silver from the crushed ore is based upon laboratory column tests and actual experience occurring over approximately fifteen years of leach pad operations at the Rochester Mine. The assumptions used by the Company to measure metal content during each stage of the inventory conversion process includes estimated recovery rates based on laboratory testing and assaying. The Company periodically reviews its estimates compared to actual experience and revises its estimates when appropriate. The length of time

necessary to achieve ultimate recoveries for silver and gold is currently estimated between 5 and 10 years. The estimated recoveries for silver and gold used are 61.5% and 93%, respectively. However, the ultimate recovery will not be known until leaching operations cease, which is currently estimated for 2011.

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

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

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

Asset Impairment: Management reviews and evaluates its long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. The Company utilizes 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 capitalized mineral property costs. An impairment is considered to exist if total estimated future cash flows or probability-weighted cash flows on an undiscounted basis is less than the carrying amount of the assets, including property plant and equipment, mineral property, development property, and any deferred costs such as deferred stripping. An impairment loss is measured and recorded based on discounted estimated future cash flows or the application of an expected present value technique to estimate fair value in the absence of a market price. Future cash flows include estimates of proven and probable recoverable ounces, gold and silver prices (considering current and historical prices, price trends and related factors), production levels, capital and reclamation costs, all based on detailed engineering life-of-mine plans. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. Any differences between significant assumptions and market conditions and/or the Company s performance could have a material effect on the Company s financial position and results of operations. 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 groups. Generally, in estimating future cash flows, all assets are grouped at a particular mine for which there is identifiable cash flow.

Restricted Investments: The Company, under the terms of its lease, self insurance, and bonding agreements with certain banks, lending institutions, insurance companies and regulatory agencies, is required to collateralize certain portions of the Company s obligations. The Company has collateralized these obligations by assigning certificates of deposit that have maturity dates ranging from three months to a year to the respective institutions or agency and depositing cash in restricted accounts with third party trustees. The Company held certificates of deposit and cash restricted under these agreements of $10.9 million and $8.7 million, at September 30, 2004 and December 31, 2003, respectively. The ultimate timing for the release of the collateralized amounts is dependent on the timing and closure of each mine. In order to release the collateral, the Company must seek approval from certain government agencies responsible for monitoring the mine closure status. Collateral could also be released to the extent the Company was able to secure alternative financial assurance satisfactory to the regulatory agencies. The Company believes there is a reasonable probability that the collateral will remain in place beyond a twelve-month period and has therefore classified these investments as long-term.

Deferred Stripping Costs: Deferred stripping costs are unique to the mining industry and are determined based on the Company s estimates for the life of mine strip ratio for each mine. These costs are capitalized in periods when the life of mine ratio is below the current mining strip ratio, and amortized during periods where the life of mine strip ratio is above the current strip ratio. The Rochester mine is the only mine that has previously capitalized deferred stripping costs. The life of mine strip ratio that was used to accumulate the deferred stripping amounts was 1.8 to 1 (waste to ore) and was based on the estimated average stripping ratio for the life of the mine, compared to the then current ratio of 2.2 to 1 (waste to ore). The deferred stripping costs have been amortized as waste and ore have been removed from the Rochester mine pit. At present the remaining life of mine plan estimates the future stripping ratio as 0.62 to 1 (waste to ore), and the remaining costs will be amortized over the remaining life of the mine. At September 30, 2004 and December 31, 2003, the carrying amount of the deferred stripping costs were $0.9 million and $1.2 million, respectively, and are included in other assets in the accompanying balance sheet. No additional deferred stripping costs were capitalized during the periods presented. Based on current reserves and current production levels, complete amortization should occur in less than four years. The amounts that were amortized for the three and nine months ended September 30, 2004 were $0.1 million and $0.3 million, respectively, and the amounts that were amortized for the three and nine months ended September 30, 2003 were $0.1 million and $0.2 million, respectively.

Reclamation and Remediation Costs: Estimated future reclamation and remediation costs are based principally on legal and regulatory requirements. The Company measured the cumulative accretion and accumulated depreciation for the period from the date the liability would have been recognized if SFAS No. 143, Accounting for Asset Retirement Obligations , was in effect when the Company incurred the liability to the date of the adoption of SFAS No. 143, January 1, 2003, and has reported these as a cumulative effect of a change in accounting principle. For the initial measurement of these existing obligations we used current information, assumptions, and interest rates.

The asset retirement obligation is measured using assumptions for cash outflows such as expected labor costs, allocated overhead and equipment charges, contractor markup and inflation adjustments to determine the total obligation.

The sum of all these costs was discounted, using the credit adjusted risk-free interest rate (at the time of the estimate the assumption of 7.5% was used), from the time we expect to pay the retirement obligation to the time we incur the obligation. The measurement objective is to determine the amount a third party would demand to assume the asset retirement obligation.

Upon initial recognition of a liability for an asset retirement obligation, the Company capitalizes the asset retirement cost with a corresponding debit to the carrying amount of the related long-lived asset. The Company will deplete this amount to operating expense using the units-of-production method. The Company evaluates the cash flow estimates at the end of each reporting period to determine whether the estimates continue to be appropriate. Upward revisions in the amount of undiscounted cash flows will be discounted using the current credit-adjusted risk-free rate. Downward revisions will be discounted using the credit-adjusted risk-free rate that existed when the original liability was recorded.

Foreign Currency: Substantially all assets and liabilities of foreign subsidiaries are translated at exchange rates in effect at the date of the transaction or at 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/(loss).

Derivative Financial Instruments: The Company accounts for its derivatives 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. Changes in the fair value of derivatives are recorded each period in current earnings (loss) or other comprehensive income (loss) (OCI). Appropriate accounting for changes in the fair value of derivatives held is dependent on whether the derivative transaction qualifies as an accounting hedge and on the classification of the hedge transaction.

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 and Comprehensive Loss when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized currently in earnings. Refer to Note J Financial Derivatives and Forward Sales Contracts .

Stock-based Compensation Plans: The Company applies the intrinsic-value-based method of accounting prescribed by Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations, to account for its stock-based compensation plans. Under this method, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. SFAS No. 123, Accounting for Stock-Based Compensation established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As allowed under SFAS No. 123, the Company has elected to continue to apply the Intrinsic Value based method of accounting described above and has adopted only the disclosure requirements of SFAS 123. In December 2002, the FASB issued SFAS No. 148, Accounting for Stock-based Compensation-Transition and Disclosure. SFAS 148 amended FASB Statement No. 123, Accounting for Stock-Based Compensation to provide alternative methods of transition for a voluntary change to the

fair-valued based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of Statement 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on the reported results. The provisions of SFAS 148 have no material impact on us, as we do not plan to adopt the fair-value method of accounting for stock options at the current time.

Had compensation costs for the Company s options been determined based on the fair value at the grant dates consistent with SFAS No. 123, the Company would have recorded the pro forma amounts presented below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
		Restated		Restated
Net loss attributable to common shareholders as reported	$ (18,080)	$ (17,611)	$ (25,147)	$ (53,369)
Pro forma net loss	$ (18,177)	$ (17,407)	$ (25,618)	$ (53,173)
Basic and diluted net loss per share as reported	$ (0.08)	$ (0.10)	$ (0.12)	$ (0.35)
Basic and diluted pro forma net loss per share	$ (0.09)	$ (0.10)	$ (0.12)	$ (0.35)

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 operating loss and tax credit carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse.

Comprehensive Income/(Loss): In addition to net income/(loss), comprehensive income includes all changes in equity during a period, except those resulting from investments by and distributions to owners. Items of comprehensive loss include the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Unrealized gain (loss) on marketable securities	$ 127	$ 35	$ (288)	$ (417)
Change in fair value of derivative hedging, net of settlement	206	43	(238)	98
Other comprehensive income (loss)	$ 333	$ 78	$ (526)	$ (319)

Net Income/(Loss) Per Share: Net loss per share is computed by dividing the net income/(loss) attributable to common stock by the weighted average number of common shares outstanding during each period. All stock options outstanding at each period end have been excluded from the weighted average share calculation. The effect of potentially dilutive stock options outstanding was anti-dilutive in the three and nine months ended September 30, 2004 and 2003.

Detail of potentially dilutive shares excluded from earnings per share calculation due to anti-dilution:

	September 30, 2004	September 30, 2003
Options	1,810,104	1,679,622
1 1/4% Convertible Senior Notes at $7.60	23,684,211	--
7 1/4% Debentures Convertible at $17.45	--	548,023

9% Notes Convertible at $1.60	--	2,875,609
Total potentially dilutive shares	25,494,315	5,103,254

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company s management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

NOTE C- ORE ON LEACH PAD

Ore on leach pad consists of the following:

	September 30, 2004	December 31, 2003
Ore on leach pad - Current	$ 18,577	$ 17,388
Ore on leach pad - Non-current	24,626	14,705
Total ore on leach pads	$ 43,203	$ 32,093

NOTE D- METAL AND OTHER INVENTORY

Inventories consist of the following:

	September 30, 2004	December 31, 2003
Concentrate and dorè inventory	$ 12,896	$ 7,980
Supplies	5,482	4,555
Metal and other inventory	$ 18,378	$ 12,535

NOTE E- INCOME TAXES

The Company computes income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires an asset and liability approach which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of those assets and liabilities, as well as 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 operating loss carryforwards which expire in 2008 through 2023 for U.S. carryforwards and indefinitely for foreign carryforwards. The Company has reviewed its net deferred tax assets and has not recognized potential tax benefits arising therefrom because at this time management believes it is more likely than not that the benefits will not be realized in future years. The amount recognized in the nine months ended September 30, 2003 relates to a cash refund received during that quarter.

NOTE F LONG-TERM DEBT

On January 13, 2004, the Company completed its offering of $180 million aggregate principal amount of 1 1/4% Convertible Senior Notes due 2024 (the 1 1/4% Notes). The 1 1/4% Notes are convertible into shares of Coeur common stock at a conversion rate of approximately 131.5789 shares of Coeur common stock per $1,000 principal amount of Notes, representing a conversion price of $7.60 per share. Interest on the 1 1/4% Notes is payable in cash at the rate of 1 1/4% per annum beginning July 15, 2004. The Company intends to use the proceeds of the 1 1/4% Notes for general corporate purposes, which may include the development of its Kensington gold project and its San Bartolome silver project. The 1 1/4% Notes are general unsecured obligations, senior in right of payment to Coeur s other indebtedness. The offering of the 1 1/4% Notes was made under Coeur s existing shelf registration statement.

On March 11, 2004, the Company redeemed the remaining outstanding $9.6 million principal amount of the Company s 7 ¼% Convertible Subordinated Debentures due October 15, 2005.

In 2002, the Company secured a 10-year loan at an interest rate of 10% for the corporate office building, located at our headquarters in Coeur d Alene, Idaho, utilizing the building as collateral for the loan. The amount of this loan outstanding at December 31, 2003 was $1.2 million and is included in other long-term liabilities in the accompanying consolidated financial statements. This loan was paid in full in February 2004.

NOTE G RECLAMATION AND REMEDIATION

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

The following is a description of the changes to the Company s asset retirement obligations from January 1 to September 30, of 2004:

	(in thousands)
Asset Retirement Obligation - January 1, 2004	$ 20,657
Accretion	1,162
Additions	--
Settlements	(59)
Asset Retirement Obligation - September 30, 2004	$ 21,760

NOTE H- PENSION AND POST-RETIREMENT OBLIGATIONS

The Company provides pension and post-retirement medical and life insurance benefits to qualifying full-time employees and retired employees and their dependents either voluntarily or as a result of union contracts. The Company incurred costs of providing these benefits during the nine-month periods ended September 30, 2004 and 2003 as follows:

	Nine Months Ended September 30			
	Defined Benefit Plan		Post-Retirement Medical Plan	
Components of Net Period Benefit Cost:	2004	2003	2004	2003
(In thousands)				
Service cost	$ 259	$ 202	$ 13	$ 13
Interest cost	282	251	87	88
Expected return on plan assets	(159)	(135)	--	--
Amortization of prior service cost	42	42	--	--
Amortization of the net (gain) loss	202	174	--	--
Net periodic benefit cost	$ 626	$ 534	$ 100	$ 101

Contributions:

The Company previously disclosed in its financial statements for the year ended December 31, 2003, that it expected to contribute $1.0 million to its pension plans in 2004 and it is now estimated that $0.7 million will be expected to be contributed in 2004. As of September 30, 2004, $0.5 million of contributions have been made.

NOTE I FINANCIAL DERIVATIVES AND FORWARD SALES CONTRACTS

For the first nine months of 2004, the Company recorded a realized loss of approximately $0.1 million in connection with its foreign currency hedging program.

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

The following table summarizes the information at September 30, 2004 associated with the Company s financial and derivative financial instruments that are sensitive to changes in interest rates, commodity prices and foreign exchange rates except as to provisionally priced sales of concentrates which are discussed below the table. For long-term debt obligations, the table presents principal cash flows and related average interest rates. For foreign currency exchange contracts, the table presents the notional amount in Chilean Peso s to be purchased along with the average foreign exchange rate.

(dollars in thousands)	2004	2005	2006	2007	2008	Total	Fair Value 9/30/04
Liabilities							
Long Term Debt [(A)]							
Fixed Rate	--	--	--	--	--	$ 180,000	$ 161,124
Average Interest Rate	1 1/4%	1 1/4%	1 1/4%	1 1/4%	1 1/4%		
[(A)] **Debt due 2024**							
Foreign Currency Contracts							
Chilean Peso - USD	$ 1,930	--	--	--	--	$ 1,930	$ (108)
Exchange Rate (CLP to USD)	$ 612	--	--	--	--		

At September 30, 2004, the Company had outstanding provisionally priced sales of $17.0 million, consisting of 1.9 million ounces of silver, 10,067 ounces of gold and 796,487 pounds of copper, which had a fair value of approx $17.6 million.

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

NOTE J- SUPPLEMENTAL CASH FLOW INFORMATION

During the first quarter of 2003, holders of $2.8 million of the Series I 13 3/8% Convertible Senior Subordinated Notes due December 31, 2003 (the Series I 13 3/8% Notes) voluntarily converted such notes, in accordance with original terms, into approximately 2.1 million shares of common stock. In addition, 0.1 million shares of common stock were issued as payment for $0.2 million of interest expense on the Series I 13 3/8% Notes.

During the first quarter of 2003, the Company purchased $26.9 million and $1.7 million principal amount of its outstanding 6 3/8% and 7 ¼% Convertible Subordinated Debentures, respectively, in exchange for 16.9 million shares of common stock and recorded a loss on exchange and early retirement of debt of approximately $28.1 million. In addition, 0.6 million shares of common stock were issued as payment for $0.9 million of interest expense as part of the transaction. In conjunction with the issuance of the 9% Convertible Senior Subordinated Notes, the Company also issued 0.6 million shares of common stock for partial payment of offering costs of $1.0 million.

During the first quarter of 2003, the Company issued 1.2 million shares of common stock in conjunction with its long-term incentive program.

NOTE K- SEGMENT REPORTING

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company s chief operating decision making group is comprised of the Chief Executive Officer, the Chief Financial Officer and the 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 are the Rochester, Coeur Silver Valley and Cerro Bayo mining properties and the Company s exploration programs, which includes the San Bartolomé silver development property. All operating segments are engaged in the discovery and/or mining of gold and silver and generate the majority of their revenues from the sale of precious metal concentrates and/or refined precious metals. The Coeur Silver Valley and Cerro Bayo mines sell precious metal concentrates, typically under long term contracts to smelters located in Canada (Noranda Inc. and Teck Cominco Metals Ltd.) and Japan (Sumitomo Ltd. and DOWA Mining Company). Refined gold and silver produced by the Rochester mine is primarily sold on a spot basis to precious metal trading banks such as Standard Bank, Morgan Stanley, Mitsui and N.M. Rothschild.

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

NINE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

Segment Reporting
(In Thousands)

	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total
Nine Months Ended September 30, 2004						
Total net sales and revenues	41,263	17,445	27,278	(21)	1,419	87,384
Depreciation and depletion	7,459	1,430	5,343	47	202	14,481
Interest income	--	--	4	--	2,308	2,312
Interest expense	1	--	123	--	2,133	2,257
Loss on forward sales contracts	--	--	--	--	936	936
Merger expenses	--	--	--	--	14,894	14,894
Profit (loss)	17,590	2,680	6,374	(5,229)	(13,994)	7,421
Segment assets (A)	75,234	11,036	30,148	21,164	31,058	168,640
Capital expenditures for property	1,616	1,537	2,099	390	216	5,858

	Rochester Mine	Galena Mine (Restated)	Cerro Bayo Mine (Restated)	Exploration	Other	Total
Nine Months Ended September 30, 2003: (Restated)						
Total net sales and revenues	33,390	11,336	33,727	120	743	79,316
Depreciation and depletion	4,094	1,082	7,566	32	181	12,955
Interest income	--	--	3	--	228	231
Interest expense	5	--	355	--	10,366	10,726
Income tax (credit) expense	--	--	--	--	(7)	(7)
Loss on early retirement of debt	--	--	--	--	(33,957)	(33,957)

Profit (loss)	4,705	(1,335)	15,525	(2,102)	(10,225)	6,568
Segment assets (A)	68,090	9,764	31,428	20,929	29,677	159,888
Capital expenditures for property	9,559	1,979	2,967	325	272	15,102

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

Segment Reporting Cont.
(In Thousands)

	Nine Months Ended September 30,	
	2004	2003 Restated
Income (Loss)		
Total income (loss) from reportable segments	$ 7,421	$ 6,568
Depreciation, depletion and amortization expense	(14,481)	(12,955)
Interest expense	(2,257)	(10,726)
Other	(15,830)	(33,957)
Loss before income taxes and cumulative effect of change in accounting principle	$ (25,147)	$ (51,070)

	September 30,	
	2004	2003 Restated
Assets		
Total assets for reportable segments	$ 168,640	$ 159,888
Cash and cash equivalents	166,056	86,925
Short-term investments	52,335	7,282
Other assets	25,348	15,421
Total consolidated assets	$ 412,379	$ 269,516

	Nine Months Ended	
	September 30, 2004	September 30, 2004
Geographic Information		
(In thousands)	Revenues[(a)]	Long-Lived Assets
United States	$ 60,126	$ 61,049
Chile	27,256	15,126
Other Foreign Countries	2	20,299
Consolidated Total	$ 87,384	$ 96,474

	Nine Months Ended September 30, 2003 Restated	Nine Months Ended September 30, 2003 Restated
	Revenues[(a)]	Long-Lived Assets
United States	$ 45,469	$ 64,437
Chile	33,631	16,260
Other Foreign Countries	216	21,580
Consolidated Total	$ 79,316	$ 102,277

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

The segment data for the Galena mine and the Cerro Bayo mine has been restated to correct an error in revenue recognition which resulted in an adjustment to revenues in the amount of $(4), and $141, respectively, and to segment assets in the amount of $461 and $377, respectively, as of and for the nine months ended September 30, 2003.

THREE MONTHS ENDED SEPTEMBER 30, 2004 AND 2003

	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total
Three Months Ended September 30, 2004						
Total net sales and revenues	14,645	4,905	10,779	(29)	967	31,267
Depreciation and depletion	2,728	476	1,565	22	71	4,862
Interest income	--	--	4	--	926	930
Interest expense	--	--	50	--	612	662
Income tax (credit) expense	--	--	--	--	--	--
Loss on early retirement of debt	--	--	--	--	--	--
Merger expenses	--	--	--	--	14,894	14,894
Profit (loss)	6,201	691	2,547	(2,189)	(4,913)	2,337
Segment assets (A)	75,234	11,036	30,148	21,164	31,058	168,640
Capital expenditures for property	1,616	1,537	2,099	390	216	5,858

	Rochester Mine	Galena Mine (Restated)	Cerro Bayo Mine (Restated)	Exploration	Other	Total
Three Months Ended September 30, 2003 (Restated)						
Total net sales and revenues	12,603	1,992	8,443	68	856	23,962
Depreciation and depletion	1,389	331	1,464	16	57	3,257
Interest income	--	--	2	--	71	73
Interest expense	5	--	137	--	6,561	6,703
Income tax (credit) expense	--	--	--	--	--	--
Loss on early retirement of debt	--	--	--	--	(5,769)	(5,769)
Profit (loss)	1,518	(1,238)	2,367	(1,988)	(2,541)	(1,882)
Segment assets (A)	68,090	9,764	31,428	20,929	29,677	159,888

Capital expenditures for property	9,559	1,979	2,967	325	272	15,102

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

Segment Reporting Cont.
(In Thousands)

	Three Months Ended September 30,	
	2004	2003 (Restated)
Income (Loss)		
Total loss from reportable segments	$ 2,337	$ (1,882)
Depreciation, depletion and amortization expense	(4,862)	(3,257)
Interest expense	(662)	(6,703)
Other	(14,893)	(5,769)
Loss before income taxes	$ (18,080)	$ (17,611)

	September 30,	
	2004	2003 (Restated)
Assets		
Total assets for reportable segments	$ 168,640	$ 159,888
Cash and cash equivalents	166,056	86,925
Short-term investments	52,335	7,282
Other assets	25,348	15,421
Total consolidated assets	$ 412,379	$ 269,516

Geographic Information
(In thousands)

	September 30, 2004	
	Revenues[a]	Long-Lived Assets
United States	$ 19,909	$ 61,049
Chile	11,356	15,126
Other Foreign Countries	2	20,299
Consolidated Total	$ 31,267	$ 96,474

	September 30, 2003	
	Revenues[a] (Restated)	Long-Lived Assets (Restated)
United States	$ 15,090	$ 64,437
Chile	8,923	16,260

Other Foreign Countries	(51)	21,580
Consolidated Total	$ 23,962	$ 102,277

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

The segment data for the Galena mine and the Cerro Bayo mine has been restated to correct an error in revenue recognition which resulted in an adjustment to revenues in the amount of $299, and $(38), respectively, and to segment assets in the amount of $461 and $377, respectively, as of and for the three months ended September 30, 2003.

NOTE L- LITIGATION AND OTHER EVENTS

Federal Natural Resources Action

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

The Company and representatives of the U.S. Government, including the Environmental Protection Agency, the Department of Interior and the Department of Agriculture, reached an agreement to settle the lawsuit. The terms of settlement are set forth in a Consent Decree issued by the court. Pursuant to the terms of the Consent Decree, dated May 14, 2001, the Company has paid the U.S. Government a total of approximately $3.9 million, of which $3.3 million was paid in May 2001 and the remaining $.6 million was paid in June 2001. In addition, the Company will (i) pay the United States 50% of any future recoveries from insurance companies for claims for defense and indemnification under general liability insurance policies in excess of $0.6 million, and (ii) make a conveyance to the U.S. or the State of Idaho of certain real property to possibly be used as a waste repository. Commencing in 2006, the Company will be obligated to pay net smelter return royalties on its operating properties, up to a maximum aggregate of $3 million, amounting to a 2% net smelter royalty on silver production if the price of silver exceeds $6.50 per ounce, and a $5.00 per ounce net smelter royalty on gold production if the price of gold exceeds $325 per ounce. The royalty payment obligation expires after May 14, 2021.

Private Property Damage Action

On January 7, 2002, a private class action suit captioned Baugh v. Asarco, et al., was filed in Idaho State District Court for the First District (Docket No. 2002-131) in Kootenai County, Idaho. Defendants include mining companies and the Union Pacific Railroad Company which were defendants in the Bunker Hill natural resource damage litigation in the Coeur d Alene Basin, including the Company. Plaintiffs are eight northern Idaho residents seeking medical monitoring and real property damages from the mining companies and the railroad which operated in the Bunker Hill Superfund site. In October 2002, the court conducted a hearing on motions resulting in an order striking certain of the alleged causes of action from the complaint, and dismissing the complaint with leave to amend it. In January 2003, the plaintiffs filed an amended complaint. The court dismissed the amended complaint with leave to amend. In May 2003 a second amended complaint was filed. The Company filed a motion for summary judgment, which was heard on July 14, 2004. On September 3, 2004, the court entered judgment in favor of the Company and against the plaintiffs, and ordered that the second amended complaint be dismissed with prejudice. On September 30, 2004 plaintiffs filed a notice of appeal to the Supreme Court of the State of Idaho. The Company is not able to predict what the outcome of the appeal will be.

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

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

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

been made for any dollar amount of cleanup costs against either the Company or Callahan.

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

Suit By Credit Suisse First Boston

On December 2, 2003, suit was filed by Credit Suisse First Boston against the Company in the United States District Court for the Southern District of New York (Docket No. 03 Civ 9547). The plaintiff alleges that the Company breached a contract between the parties providing for services to be furnished by the plaintiff to the defendant. Plaintiff alleges that it is entitled to damages in the amount of $2,400,000 attributable to the alleged breach. The Company believes it did not breach the contract and that it is not liable. However, at this early stage of the proceedings the outcome of the suit cannot be predicted.

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

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

The following commentary provides management s perspective and analysis regarding the financial and operating performance of Coeur d Alene Mines Corporation (the Company) for the quarter and nine month periods ended September 30, 2004. It consists of the following subsections:

General a brief summary of the primary factors affecting our financial and operating results in the past that will affect our future financial and operating results, as well as our expectations for 2004.

Operating Highlights and Statistics A summary of the Company s operations and indicators of profitability and efficiency at the company s various operations individually and, where relevant, on a consolidated basis.

Exploration and Development Projects A summary of the Company s exploration and development projects.

Critical Accounting Policies a review of accounting policies the Company considers critical because they involve assumptions that could have a material effect on the Company s reported assets, liabilities, income or cash flow and that require difficult, subjective or complex judgments by management.

Results of Operations a discussion and analysis of the specific operating and financial results for the quarter and nine-month periods ended September 30, 2004 as compared to the same periods in 2003.

Liquidity and Capital Resources a discussion of the Company s cash flow and liquidity, investing and financing activities, and significant contractual obligations.

These items should be read in conjunction with the consolidated financial statements and accompanying notes thereto included in this quarterly report and in the Company s 2003 Annual Report on Form 10-K, as amended.

General

The results of the Company s financial and operating results are significantly affected by the market prices of gold and silver which fluctuate widely and are affected by many factors beyond the Company s control, including 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, including our ability to replace depleted reserves from exploration and new developmental projects. In South America, the San Bartolome project continues to progress toward an investment decision in the fourth quarter of 2004. In Alaska, the Company expects to make a construction decision in the fourth quarter of 2004 for the Kensington project, contingent upon permit approval.

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 become the 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 in order to remain the nation s largest primary silver producer and one of the world s larger primary silver producers; (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, 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.

During the second and third quarter of 2004, the Company was engaged in a tender offer for all of the outstanding shares of a Canadian precious metals company, Wheaton River Minerals Ltd. On September 30, 2004, the tender offer expired without any shares being accepted for purchase due to unsatisfied conditions, thereby terminating the offer. As a result, the financial results for the first nine months ended September 30, 2004 were impacted by expenses of $14.9 million related to the tender offer.

In addition, during the third quarter, results were adversely affected by a delay in concentrate shipments from the Company s Cerro Bayo Mine resulting from a temporary shutdown at the customer s smelter. Consequently, $7.7 million of sales and $2.1 million of operating profit associated with the delivery of 583,315 ounces of silver and 10,298 ounces of gold were deferred to the fourth quarter of 2004. The issue at the customer s smelter was resolved during the quarter and normal shipping of concentrates has resumed.

The Rochester Mine, Cerro Bayo/Martha Mine and Silver Valley s Galena Mine, each operated by the Company, constituted the Company s principal sources of mining revenues during the nine months ended September 30, 2004.

The average prices of silver (Handy and Harmon) and gold (London Financial) for the first nine months of 2004 were $6.49 and $401 per ounce, respectively. The market prices of silver and gold on November 4, 2004 were $7.40 per ounce and $430 per ounce, respectively.

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 represents a non- U.S. generally accepted accounting principles (GAAP) measurement that management uses to monitor and evaluate the performance of its mining operations. Management believes cash costs per ounce provide an indicator of profitability and efficiency at each location and on a consolidated basis and may provide a benchmark for company performance with that of other mining companies and other mine operating properties. A reconciliation of total cash costs per ounce to U.S. GAAP Production Expenses is also provided herein and should be referred to when reading the total cash cost per ounce measurement.

Operating Highlights and Statistics

South American Operations

At the Cerro Bayo mine, silver production was 923,789 ounces in the third quarter of 2004 compared to 1,150,751 ounces in the third quarter of 2003. The decline in silver ounces was primarily attributed to a 23% decrease in ore grade. Total cash costs per ounce in the third quarter of 2004 increased 150% to $2.95 per ounce from $1.18 per ounce in the third quarter of 2003, reflecting higher operating costs related to steel, diesel fuel, labor and contract services combined with lower production ounces. Gold production decreased by 2% to 14,885 ounces for the third quarter of 2004 compared to 15,220 ounces in the same period in 2003. The decrease is primarily due to a 4% decrease in the grade of material mined.

For the first nine months of 2004, the mine produced 3,194,881 ounces of silver compared to 3,775,953 ounces for the same period in 2003. The decrease in silver ounces was attributed to 8% lower silver mill grades and a 10% decline in total tons milled. Gold production decreased 28% to 37,365 ounces in the first nine months of 2004 compared to 52,173 ounces produced in the same period in 2003. The decline in gold ounces produced was due to anticipated lower mill tonnage and a lower grade material mined in the first nine months of 2004 and the absence of Furioso high grade gold reserves that were mined out in 2003. Total cash costs per

ounce increased to $2.87 per ounce in the first nine months of 2004 from $0.73 per ounce in the same period last year, reflecting lower silver and gold production and higher operating costs.

North American Operations

At the Rochester mine, silver production decreased 23% to 1,324,127 ounces in the third quarter of 2004 from 1,717,947 ounces during the third quarter of 2003. Gold production increased 14% to 17,432 ounces in the third quarter of 2004 compared to 15,346 ounces during the third quarter of 2003. Total cash costs per ounce increased to $4.23 from $3.66 in the third quarter of 2003. The decline in silver production and increased cash costs per ounce was primarily attributed to a 17% lower silver grade and higher diesel and steel costs partially offset by the increase in production.

During the first nine months of 2004, silver produced at Rochester decreased 5% to 3,951,428 ounces from 4,160,993 ounces during the same period in 2003. Gold production was 44,912 ounces or 9% higher as compared to 41,237 ounces during the same period in 2003. Total cash costs per ounce for the first nine months of 2004 was $4.78 as compared to $4.61 in the same period of 2003. The decline in silver production and increased cash costs per ounce was primarily due to a 24% lower silver grade and higher diesel and steel costs.

At Coeur Silver Valley, silver production increased to 785,296 ounces in the third quarter of 2004 compared to 437,249 ounces in the third quarter of 2003. The total cash costs per ounce increased to $6.16 during the third quarter of 2004 from $5.46 during the comparable quarter in 2003. Higher production and higher costs per ounce, as compared to the same period in 2003, are due to the suspension of operations during the third quarter of 2003 related to maintenance work on the mine s hoist, which was completed and plans implemented to prepare the mine for development pursuant to the long-term development plan.

During the first nine months of 2004, Coeur Silver Valley s silver production decreased 3% to 2,647,240 ounces compared to 2,733,716 ounces during the same period in 2003. Total cash costs per ounce increased 15% to $5.30 from $4.62. The decreased production and higher costs per ounce reflect the implementation of the optimization plan in the third quarter of 2003.

Operating Statistics

The following table sets forth the amounts of silver and gold produced by the following mining properties, each of which is wholly owned by the Company, and the cash and full costs of such production during the three- and nine-month periods ended September 30, 2004 and 2003:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
ROCHESTER MINE				
Silver ozs	1,324,127	1,717,947	3,951,428	4,160,993
Gold ozs	17,432	15,346	44,912	41,237
Cash costs per oz./silver	$4.23	$3.66	$4.78	$4.61
Full costs per oz./silver	$6.22	$4.43	$6.59	$5.54
COEUR SILVER VALLEY/GALENA MINE				
Silver ozs	785,296	437,249	2,647,240	2,733,716
Cash costs per oz./silver	$6.16	$5.46	$5.30	$4.62
Full costs per oz./silver	$6.77	$5.91	$5.84	$4.96
CERRO BAYO/MARTHA MINE				
Silver ozs	923,789	1,150,751	3,194,881	3,775,953
Gold ozs	14,885	15,220	37,365	52,173

Cash costs per oz./silver	$2.95	$1.18	$2.87	$0.73
Full costs per oz./silver	$4.64	$2.41	$4.54	$2.48
CONSOLIDATED PRODUCTION TOTALS				
Silver ozs	3,033,212	3,305,947	9,793,549	10,670,662
Gold ozs	32,317	30,566	82,277	93,410
Cash costs per oz./silver	$4.34	$3.04	$4.30	$3.24
Full costs per oz./silver	$5.88	$3.92	$5.72	$4.31
CONSOLIDATED SALES TOTALS				
Silver ozs. sold	2,790,537	3,144,852	9,345,292	10,911,567
Gold ozs. sold	26,172	29,258	73,408	97,287
Realized price per silver oz	$6.74	$4.94	$6.67	$4.77
Realized price per gold oz	$410	$341	$401	$339

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

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

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

Exploration and Development Projects

San Bartolome (Bolivia)

The final updated feasibility study at the San Bartolome silver project near Potosi, Bolivia was completed in October 2004 and a construction decision is expected in the fourth quarter of 2004.

Based on the Company s assessment of the ongoing feasibility study, the initial expected mine life is fifteen years, with proven and probable reserves of 123 million ounces of silver. It is estimated that initial annual mine production will be between six million and eight million ounces of silver annually. It is estimated that approximately 95 million ounces of silver will be produced over the life of the project.

Initial capital costs are currently estimated at $135 million and per ounce operating costs are estimated at approximately $3.65 per ounce of silver. The increase in capital and operating costs is primarily a result of operating and capital scope adjustments and increased commodity costs associated with steel and diesel fuel since the estimates were first developed. The updated feasibility study is addressing various optimization opportunities.

In June 2004, the Vice Ministries of Mining, Environment and Sustainable Development in Bolivia issued the final environmental permits for San Bartolome. Pending the review of the final updated feasibility study, a construction decision on the project is expected in the fourth quarter of 2004 with production commencing in 2006.

Kensington (Alaska)

At the Kensington gold project, located 45 miles north of Juneau in southeast Alaska, the final feasibility results indicate a project with an initial capital cost of $91.5 million to be spent during 2005-2006 with annual production of approximately 100,000 ounces of gold when the proposed mine reaches full production. The cash cost of production is expected to be approximately $220 per ounce. In addition to confirming previously stated reserves, 3.1 million tons of mineralized material averaging 0.274 ounces of gold per ton exist on the property. The Company is currently evaluating an advanced exploration program designed to convert a portion of the mineralized material into reserves. The program is expected to cost between $2 million to $3 million. The initial mine life is approximately ten years with the opportunity to extend the life to fifteen years as mineralized material is converted to reserves.

During the first quarter of 2004, the draft supplemental environmental impact statement was released for public comment. The Company anticipates that the final Supplemental EIS and Record of Decision will be issued in the first quarter of 2005. In the second quarter the remaining draft permits were released for public comment by the EPA, the US Army Corps of Engineers and the State of Alaska. Final city authorizations have been received from the City and Borough of Juneau. All major permits required for construction are now in the final phases of review and comment and are expected in the first quarter of 2005. However, regulatory agency delays could adversely impact this schedule. With receipt of final permits construction of the project could commence in early 2005 with production beginning in 2006.

Critical Accounting Policies and Estimates

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

Reserve Estimates. The most critical accounting principles upon which the Company s financial status depends are those requiring estimates of recoverable ounces from proven and probable reserves and/or assumptions of future commodity prices. There are a number of uncertainties inherent in estimating quantities of reserves, including many factors beyond our control. Ore reserves estimates are based upon engineering evaluations of samplings of drill holes and other openings. These estimates involve assumptions regarding future silver and gold prices, the geology of our mines, the continuity between sampling points, the mining and ore processing 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.

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

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

Revenue Recognition: Revenue is recognized when title to silver and gold passes to the buyer and when collectibility is reasonably assured. The passing of title and 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,

an active and freely traded commodity market, for both gold and silver, in an identical form to the product sold.

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

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 September 30, 2004, the Company had outstanding provisionally priced sales of $17.0 million, consisting of 1.9 million ounces of silver, 10,067 ounces of gold and 796,487 pounds of copper. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately $19,000; for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately $10,000; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately $8,000. At December 31, 2003, the Company had outstanding provisionally priced sales of $32.8 million, consisting of 3.7 million ounces of silver, 37,487 ounces of gold and 681,196 pounds of copper. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately $37,000; for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately $37,000; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately $7,000**.**

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 are we able to determine final ounces of silver and gold available for sale. We then review this end result and reconcile it to the estimates we had used and developed throughout the production process. Based on this review, we adjust our estimation procedures when appropriate.

Our reported inventories include metals estimated to be contained in the ore on the leach pads of $43.2 million as of September 30, 2004. Of this amount, $18.6 million is reported as a current asset and $24.6 million is reported as a noncurrent asset. The distinction between current and noncurrent is based upon the expected length of time necessary for the leaching process to remove the metals from the broken ore. The historical cost of the metal that is expected to be extracted within twelve months is classified as current and the historical cost of metals contained within the broken ore that will be extracted beyond twelve months is classified as noncurrent.

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

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

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

	Positive/Negative Change in Silver Recovery			**Positive/Negative Change in Gold Recovery**		
	1%	**2%**	**3%**	**1%**	**2%**	**3%**
Quantity of recoverable ounces	1.5 million	3.0 million	4.5 million	10,700	21,400	32,100
Positive impact on future cost of production per silver equivalent ounce for increases in recovery rates	$0.60	$1.05	$1.41	$0.29	$0.54	$0.76
Negative impact on future cost of production per silver equivalent ounce for decreases in recovery rates	$0.82	$2.01	$3.89	$0.33	$0.71	$1.17

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

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

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

RESULTS OF OPERATIONS

Three Months Ended September 30, 2004 Compared to Three Months Ended September 30, 2003

Revenues

Sales of metal in the third quarter of 2004 increased by $6.6 million, or 28%, over the third quarter of 2003 to $30.2 million. The increase in product sales of metal is attributable to increased realized prices of silver and gold and an increase in revenues of $1.1 million related to the previously recorded value of shipments pending settlement at the end of the quarter based upon current metal prices, partially offset by lower production ounces sold due to a delay in concentrate shipments from the Company s Cerro Bayo mine resulting from a temporary shutdown at the customer s smelter. Consequently, $7.7 million of sales under contract and $2.1 million of operating profit associated with the delivery of 583,315 ounces of silver and 10,298 ounces of gold were deferred to the fourth quarter of 2004. The issue at the customer s smelter was resolved during the quarter and normal shipping of concentrates has resumed.

In the third quarter of 2004, the Company produced approximately 3.0 million ounces of silver and approximately 32,300 ounces of gold, compared to 3.3 million ounces of silver and 30,600 ounces of gold in the third quarter of 2003. In the third quarter of 2004, the Company sold 2.8 million ounces of silver and 26,200 ounces of gold compared to 3.1 million ounces of silver and 29,300 ounces of gold for the same period in 2003. Realized silver and gold prices were $6.74 and $410 per ounce, respectively, in the third quarter of 2004 compared to $4.94 and $341 in the comparable quarter of 2003. On November 4, 2004 silver and gold prices were $7.40 per ounce and $430 per ounce, respectively.

Interest and other income in the third quarter of 2004 increased by $0.7 million compared with the third quarter of 2003. The increase was primarily due to increased interest income from short-term investments due to a higher level of cash and short term investments on hand.

Costs and Expenses

Production costs in the third quarter of 2004 increased by $0.2 million, or 1%, from the third quarter of 2003 to $19.0 million.

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

Three months ended September 30, 2004

	Rochester	Silver Valley	Cerro Bayo	Total
Production of Silver (ounces)	1,324,127	785,296	923,789	3,033,212
Cash Costs per ounce	$ 4.23	$ 6.16	$ 2.95	$ 4.34
Total Cash Costs (thousands)	$ 5,602	$ 4,840	$ 2,726	$ 13,168
Add/(Subtract):				
Third Party Smelting Costs	(234)	(1,238)	(1,143)	(2,615)
By-Product Credit	7,007	846	5,971	13,824
Deferred Stripping Adjustment	(100)	--	--	(100)
Change in Inventory	(4,439)	(584)	(240)	(5,263)
Production Costs	$ 7,836	$ 3,864	$ 7,314	$ 19,014

Three months ended September 30, 2003

	Rochester	Silver Valley	Cerro Bayo	Total
Production of Silver (ounces)	1,717,947	437,249	1,150,751	3,305,947
Cash Costs per ounce	$ 3.66	$ 5.46	$ 1.18	$ 3.04
Total Cash Costs (thousands)	$ 6,296	$ 2,387	$ 1,357	$ 10,040
Add/(Subtract):				
Third Party Smelting Costs	(234)	(648)	(1,946)	(2,828)
By-Product Credit	5,558	258	5,560	11,376
Deferred Stripping Adjustment	(80)	--	--	(80)
Change in Inventory	(280)	(476)	1,097	341
Production Costs	$ 11,260	$ 1,521	$ 6,068	$ 18,849

Other Expenses

Depreciation and amortization increased in the third quarter of 2004 by $1.6 million, over the prior year s third quarter, primarily due to increased amortization of capitalized costs at the Silver Valley, Rochester and Martha mines due to additional assets that were placed into service during the period.

Administrative and general expenses increased in the third quarter of 2004 compared to the same period in 2003 by $0.5 million. The increase is primarily due to outside services related to the implementation of Sarbanes-Oxley Section 404 activities and higher compensation costs.

Exploration expenses increased by $2.1 million in the third quarter of 2004 compared to the same period in 2003 as a result of expanded exploration efforts at the Galena, Cerro Bayo and Martha mines and increased business development activities.

Pre-development expenses increased by $2.7 million in the third quarter of 2004 as compared to the same quarter of 2003 due to efforts required to complete the feasibility studies for San Bartolome and Kensington.

Interest expense decreased in the third quarter of 2004 compared with the third quarter of 2003 to $0.7 million from $6.7 million as a result of a substantial reduction in the interest rates on the Company s outstanding debt as a result of the completion, in the first quarter of 2004, of the Company s debt restructuring program.

Merger related expenses of $14.9 million related to the termination of the tender offer to acquire all of the outstanding shares of Wheaton River Minerals Ltd. were written off in the third quarter of 2004.

Net Loss

As a result of the aforementioned factors, the Company s net loss amounted to $18.1 million, or $0.08 per share, in the third quarter of 2004 compared to a net loss of $17.6 million, or $0.10 per share, in the third quarter of 2003.

Nine Months Ended September 30, 2004 Compared to Nine Months Ended September 30, 2003

Revenues

Sales of metal in the nine months ended September 30, 2004 increased by $8.0 million, or 10%, over the same period of 2003 to $86.2 million. The increase in product sales of metal is attributable to increased prices realized from gold and silver offset in part by a decrease in ounces of silver and gold sold as a result of lower metal production due to a delay in concentrate shipments from the Company s Cerro Bayo mine resulting from a temporary shutdown at the customer s smelter. Consequently, $7.7 million of sales under contract and $2.1 million of operating profit associated with the delivery of 583,315 ounces of silver and 10,298 ounces of gold were deferred to the fourth quarter of 2004. The issue at the customer s smelter was resolved during the quarter and normal shipping of concentrates has resumed.

In the nine months ended September 30, 2004, the Company produced a total of 9.8 million ounces of silver and 82,300 ounces of gold, compared to 10.7 million ounces of silver and 93,400 ounces of gold in the nine months ended September 30, 2003. In the nine months ended September 30, 2004, the Company sold 9.3 million ounces of silver and 73,400 ounces of gold compared to 10.9 million ounces of silver and 97,300 ounces of gold for the same period in 2003. Realized silver and gold prices were $6.67 and $401 per ounce, respectively, in the nine months ended September 30, 2004 compared to $4.77 and $339 in the comparable period of 2003.

Interest and other income in the nine months ended September 30, 2004 increased by $0.1 million compared with the same period of 2003. The increase was primarily due to increased interest income from short-term investments due to a higher level of cash and short term investments on hand, partially offset by the closing of the Company s gold forward sales position in the first quarter of 2004 which resulted in a charge to earnings of $0.9 million.

Costs and Expenses

Production costs in the nine months ended September 30, 2004 decreased by $3.4 million, or 6%, from the nine months ended September 30, 2003 to $52.3 million. The decrease is the result of lower production volume.

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

Nine months ended September 30, 2004

	Rochester	Silver Valley	Cerro Bayo	Total
Production of Silver (ounces)	3,951,428	2,647,240	3,194,881	9,793,549
Cash Costs per ounce	$ 4.78	$ 5.30	$ 2.87	$ 4.30
Total Cash Costs (thousands)	$ 18,900	$ 14,039	$ 9,171	$ 42,110
Add/(Subtract):				
Third Party Smelting Costs	(655)	(3,919)	(4,087)	(8,661)
By-Product Credit	17,969	2,559	14,977	35,505
Deferred Stripping Adjustment	(302)	--	--	(302)
Change in Inventory	(12,239)	315	(4,400)	(16,324)
Production Costs	$ 23,673	$ 12,994	$ 15,661	$ 52,328

Nine months ended September 30, 2003

	Rochester	Silver Valley	Cerro Bayo	Total
Production of Silver (ounces)	4,160,993	2,733,716	3,775,953	10,670,662
Cash Costs per ounce	$ 4.61	$ 4.62	$ 0.73	$ 3.24
Total Cash Costs (thousands)	$ 19,196	$ 12,623	$ 2,770	$ 34,589
Add/(Subtract):				
Third Party Smelting Costs	(600)	(3,530)	(4,967)	(9,097)
By-Product Credit	14,616	1,583	18,503	34,702
Deferred Stripping Adjustment	(241)	--	--	(241)
Change in Inventory	(4,112)	(22)	(79)	(4,213)
Production Costs	$ 28,859	$ 10,654	$ 16,227	$ 55,740

Other Expenses

Depreciation and amortization was $14.5 million in the nine months ended September 30, 2004 compared with $13.0 million in the first nine months of 2003.

Administrative and general expenses increased in the nine months ended September 30, 2004 compared to the same period in 2003 by $1.7 million. The increase is primarily due to outside services related to the Company s implementation of Sarbanes-Oxley Section 404 activities and higher compensation costs.

Exploration expenses increased by $4.9 million in the nine months ended September 30, 2004 compared to the same period in 2003 as a result of the Company s efforts to expand ore reserves at or near the existing mines and an increase in business development activities.

Pre-development expenses increased by $7.5 million in the first nine months of 2004 compared to the same period of 2003 due to the efforts required to complete updated feasibility studies for San Bartolome and Kensington development projects.

Interest expense decreased in the nine months ended September 30, 2004 compared with the nine months ended September 30, 2003 to $2.3 million from $10.7 million as a result of a substantial reduction in the interest rate on outstanding debt as a result of the completion, in the first quarter of 2004, of the Company s debt restructuring program.

Merger related expenses of $14.9 million related to the termination of the tender offer to acquire all of the outstanding shares of Wheaton River Minerals, Ltd. were written off in the third quarter of 2004.

Cumulative Effect of Accounting Change

Effective with the first quarter of 2003, the Company changed the methodology used to recognize reclamation expense pursuant to *Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations*. Prior to 2003, the Company recognized a pro rata share of the future estimated reclamation liability on a units-of-production basis. After January 1, 2003, companies are required to recognize the full discounted estimated future reclamation liability and set up a corresponding asset to be amortized over the life of the mine on a units-of-production basis. The impact of this change was accounted for as a change in accounting principle in the first year of implementation and resulted in a charge of $2.3 million in the first quarter of 2003. (See Critical Accounting Policies and Estimates Reclamation and Remediation Costs above.)

Net Loss

As a result of the aforementioned factors, the Company s net loss amounted to $25.1 million, or $0.12 per share, in the nine months ended September 30, 2004, compared to a net loss of $53.4 million, or $0.35 per share, in the same period of 2003.

Liquidity and Capital Resources

Working Capital; Cash and Cash Equivalents

The Company s working capital at September 30, 2004, increased by $134.5 million to approximately $234.8 million compared to $100.3 million at December 31, 2003. The increase was primarily attributed to the increase in cash and cash equivalents and short-term investment proceeds occurring as a result of the issuance of $180 million principal amount of 1 ¼% Convertible Senior Notes due January 15, 2024. See Management s Discussion and Analysis Issuance of 1 ¼% Convertible Senior Notes below. The ratio of current assets to current liabilities was 8.6 to 1.0 at September 30, 2004, compared to 5.5 to 1.0 at December 31, 2003.

Net cash used in operating activities for the third quarter of 2004 was $7.0 million compared to net cash used in operating activities of $0.2 million in the third quarter of 2003. The decrease in cash flow from operations is primarily due to costs associated with the proposed Wheaton River Minerals acquisition, an increase in heap leach and concentrate inventories due to a delay of concentrate shipments from the Company s Cerro Bayo mine resulting from a temporary shutdown at the customer s smelter as previously discussed and increased expenditures on exploration and pre-development costs, partially offset by higher realized metals prices. Net cash provided by investing activities during the third quarter of 2004 was $6.7 million compared to net cash used of $7.8 million in the prior year s comparable period. The increase in cash provided by investing activities primarily resulted from an increase in proceeds from sales of short-term investments. Net cash provided by financing activities was $1.4 million in the third quarter of 2004 compared to $75.4 million provided by financing activities in the third quarter of 2003. The decrease was primarily a result of the proceeds from the issuance of common stock in connection with the public offering of 23.7 million shares in 2003. As a result, cash and cash equivalents increased by $1.2 million in the third quarter of 2004 compared to $67.4 million in the third quarter of 2003.

Net cash used in operating activities in the nine months ended September 30, 2004 was $14.1 million compared to net cash used in operating activities of $4.5 million in the nine months ended September 30, 2003. The decrease in cash flow from operations is primarily due to costs associated with the proposed Wheaton River Minerals project acquisition, an increase in heap leach and concentrate inventories due to a delay of concentrate shipments from the Company s Cerro Bayo mine resulting from a temporary shutdown at the customer s smelter as previously discussed and increased expenditures on exploration and pre-development costs, partially offset by working capital recovery. Net cash used in investing activities in the first nine months of 2004 was $42.3 million compared to net cash used in investing activities of $17.0 million in the prior year s comparable period. The increase in cash used in investing activities primarily resulted from an increase in short-term investments purchased with the proceeds from the issuance of the 1 ¼% Convertible Senior Notes issued in the first quarter of 2004. Net cash provided by financing activities was $160.0 million in the first nine months of 2004, compared to $99.4 million provided by financing activities in the first nine months of 2003. The increase was primarily a result of $180 million of proceeds from the issuance of the 1 ¼% Convertible Senior Notes, offset in part by $9.6 million of retirement of long-term debt, payment of $2.4 million on borrowings received under the Company s working capital facility and $6.1 million of debt issuance costs associated with the issuance of 1 ¼% Convertible Senior Notes due 2024. As a result of the above, cash and cash equivalents increased by $103.6 million in the first nine months of 2004 compared to an increase of $77.8 million for the comparable period in 2003.

Debt and Capital Resources

The Company has improved its working capital position since December 31, 2003 by completing the issuance of the 1 ¼% Convertible Senior Notes. At September 30, 2004, the Company had $218.4 million of cash and cash equivalents and approximately $12.0 million available under its working capital facility. Management therefore believes that its existing and available cash and cash flow from operations will allow it to meet its obligations for the next twelve months.

2004 Final Redemption of Remaining 7 1/4% Debentures

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

Issuance of 1 1/4% Convertible Senior Notes

On January 13, 2004, the Company completed its offering of $180 million aggregate principal amount of 1 1/4% Convertible Senior Notes due 2024 (the 1 1/4% Notes). The 1 1/4% Notes are convertible into shares of Coeur common stock at a conversion rate of approximately 131.5789 shares of Coeur common stock per $1,000 principal amount of Notes, representing a conversion price of $7.60 per share. Interest on the notes is payable in cash at the rate of 1 1/4% per annum beginning July 15, 2004. The Company intends to use the proceeds of the offering for general corporate purposes, which may include the development of its Kensington gold project and its San Bartolome silver project or the acquisition of precious metal properties or businesses. Both the Kensington Project and the San Bartolome Project are pending the completion of updated feasibility studies and final construction decisions. The 1 1/4% Notes are general unsecured obligations, senior in right of payment to Coeur s other indebtedness.

Wheaton River Minerals Offer

On July 13, 2004, the Company announced that it commenced mailing its tender offer documents to the shareholders of Wheaton River Minerals Ltd. (TSX:WRM, AMEX:WHT). In connection with its offer, Coeur filed a Registration Statement on Form S-4 with the U.S. Securities and Exchange Commission. Under Coeur s offer, the terms of which are available in the S-4 Registration Statement, on September 30, 2004, the company allowed its offer to expire without having achieved certain minimum tender conditions. During the quarter the Company expensed $14.9 million associated with the Wheaton River tender offer.

Litigation and Other Events

Federal Natural Resources Action

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

The Company and representatives of the U.S. Government, including the Environmental Protection Agency, the Department of Interior and the Department of Agriculture, reached an agreement to settle the lawsuit. The terms of settlement are set forth in a Consent Decree issued by the court. Pursuant to the terms of the Consent Decree, dated May 14, 2001, the Company has paid the U.S. Government a total of approximately $3.9 million, of which $3.3 million was paid in May 2001 and the remaining $.6 million was paid in June 2001. In addition, the Company will (i) pay the United States 50% of any future recoveries from insurance companies for claims for defense and indemnification under general liability insurance policies in excess of $0.6 million, and (ii) make a conveyance to the U.S. or the State of Idaho of certain real property to possibly be used as a waste repository. Commencing in 2006, the Company will be obligated to pay net smelter return royalties on its operating properties, up to a maximum aggregate of $3 million, amounting to a 2% net smelter royalty on silver production if the price of silver exceeds $6.50 per ounce, and a $5.00 per ounce net smelter royalty on gold production if the price of gold exceeds $325 per ounce. The royalty payment obligation expires after May 14, 2021.

Private Property Damage Action

On January 7, 2002, a private class action suit captioned Baugh v. Asarco, et al., was filed in Idaho State District Court for the First District (Docket No. 2002-131) in Kootenai County, Idaho. Defendants include mining companies and the Union Pacific Railroad Company which were defendants in the Bunker Hill natural resource damage litigation in the Coeur d Alene Basin, including the Company. Plaintiffs are eight northern Idaho residents seeking medical monitoring and real property damages from the mining companies and the railroad which operated in the Bunker Hill Superfund site. In October 2002, the court conducted a hearing on motions resulting in an order striking certain of the alleged causes of action from the complaint, and dismissing the complaint with leave to amend it. In January 2003, the plaintiffs filed an amended complaint. The court dismissed the amended complaint with leave to amend. In May 2003 a second amended complaint was filed. The Company filed a motion for summary judgment, which was heard on July 14, 2004. On September 3, 2004, the court entered judgment in favor of the Company and against the plaintiffs, and ordered that the second amended complaint be dismissed with prejudice. On September 30, 2004 plaintiffs filed a notice of appeal to the Supreme Court of the State of Idaho. The Company is not able to predict what the outcome of the appeal will be.

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

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

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

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

Suit By Credit Suisse First Boston

On December 2, 2003, suit was filed by Credit Suisse First Boston against the Company in the United States District Court for the Southern District of New York (Docket No. 03 Civ 9547). The plaintiff alleges that the Company breached a contract between the parties providing for services to be furnished by the plaintiff to the defendant. Plaintiff alleges that it is entitled to damages in the amount of $2,400,000 attributable to the alleged breach. The Company believes it did not breach the contract and that it is not liable. However, at this early stage of the proceedings the outcome of the suit cannot be predicted.

RISK FACTORS

You should carefully consider the following factors and other information contained or incorporated by reference in this prospectus before deciding to invest in the securities offered hereby.

Risks Relating to our Business

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

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

- until recently, historically low gold and silver market prices;
- our deliberate pursuit of a growth policy calling for the acquisition of mining properties and companies and financing such growth principally by incurring convertible indebtedness, thereby increasing our interest expense;
- write-offs for impaired assets and other holding costs in 1999 ($16.2 million), 2000 ($12.2 million), 2001 ($6.1 million), 2002 ($19.0 million) and 2003 ($0.0 million); and
- losses on the early retirement of debt of $19.1 million in 2002, and $41.6 million in 2003.

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

would increase our operating losses and negatively impact our results of operations.

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

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

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

As a result of our net losses, our earnings have not been adequate to satisfy fixed charges (i.e., interest, preferred stock dividends and that portion of rent deemed representative of interest) in each of the last five years. The amounts by which earnings were inadequate to cover fixed charges were approximately $29.3 million in 1999, $47.5 million in 2000, $3.1 million in 2001, $80.8 million in 2002 and $63.9 million in 2003. As of September 30, 2004, we are required to make fixed payments on $180 million principal amount of our 1¼% Senior Convertible Notes due 2024, requiring annual interest payments of approximately $2.25 million until their maturity.

We expect to satisfy our fixed charges and other expense obligations in the future from cash flow from operations and, if cash flow from operations is insufficient, from working capital, which amounted to approximately $234.8 million at September 30, 2004. In the last five years, we have been experiencing negative cash flow from operating activities. The amount of net cash used in our operating activities amounted to approximately $5.1 million for the year ended December 31, 2003, $8.5 million in 2002 and $29.9 million in 2001. The availability of future cash flow from operations or working capital to fund the payment of interest on the notes and other fixed charges will be dependent upon numerous factors, including our results of operations, silver and gold prices, levels and costs of production at our mining properties, the amount of our capital expenditures and expenditures for acquisitions, developmental and exploratory activities, and the extent to which we are able to reduce the amount of our indebtedness through additional exchanges.

The market prices of silver and gold are volatile and until recently have been near historically low levels. Low silver and gold prices may result in decreased revenues and increased losses, and may negatively affect our business.

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

The market price of silver (Handy & Harman) and gold (London Final) on November 4, 2004 was $7.40 and $430 per ounce, respectively. The price of silver and gold may decline in the future. Factors that are generally understood to contribute to a decline in the price of silver include sales by private and government holders, and a general global economic slowdown.

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

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

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

flows, and recognizing impairment write-downs has negatively impacted our results of operations in recent years.

While we do not believe that any of our other properties presently requires a write-down pursuant to SFAS 144, if silver or gold prices decline or we fail to control production costs or realize the mineable ore reserves at our mining properties, we may recognize further asset write-downs. We also may record other types of additional mining property write-downs in the future to the extent a property is sold by us for a price less than the carrying value of the property, or if liability reserves have to be created in connection with the closure and reclamation of a property. Additional write-downs of mining properties could negatively impact our results of operations.

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

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

We based our ore reserve determinations as of December 31, 2003 on a long-term silver price average of $5.25 per ounce and a long-term gold price average of $375 per ounce. On November 4, 2004 silver and gold prices were $7.40 per ounce and $430 per ounce, respectively.

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

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

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

We use several integrated steps to scientifically measure the metal content of ore placed on the leach pads during the key stages. 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 are able to determine final ounces of silver and gold available for sale. We then review this end result and reconcile it to the estimates we developed and used throughout the production process. Based on this review, we adjust our estimation procedures when appropriate.

Our reported inventories include metals estimated to be contained in the ore on the leach pads of $43.2 million as of September 30, 2004. Of this amount, $18.6 million is reported as a current asset and $24.6 million is reported as a noncurrent asset. The distinction between current and noncurrent is based upon the expected length of time necessary for the leaching process to remove the metals from the crushed ore. The historical cost of the metal that is expected to be extracted within twelve months is classified as current and the historical cost of metals contained within the crushed ore that will be extracted beyond twelve months is classified as noncurrent.

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

When we began leach operations in 1986, based solely on laboratory testing, we estimated the ultimate recovery of silver and gold at 50% and 80%, respectively. Since 1986, we have adjusted the expected ultimate recovery three times (once in each of 1989, 1997 and 2003) based upon actual experience gained from leach operations. In 2003, we revised our estimated recoveries for silver and gold 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	1.5 million	3.0 million	4.5 million	10,700	21,400	32,100
Positive impact on future cost of production per silver equivalent ounce for increases in recovery rates	$0.60	$1.05	$1.41	$0.29	$0.54	$0.76
Negative impact on future cost of production per silver equivalent ounce for decreases in recovery rates	$0.82	$2.01	$3.89	$0.33	$0.71	$1.17

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

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

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

be less than anticipated.

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

Our ability to sustain or increase our present production levels depends in part on successful exploration and development of new ore bodies and/or expansion of existing mining operations. Mineral exploration, particularly for silver and gold, involves many risks and is frequently unproductive. If mineralization is discovered, it may take a number of years until production is possible, during which time the economic viability of the project may change. Substantial expenditures are required to establish ore reserves, extract metals from ores and, in the case of new properties, to construct mining and processing facilities. The economic feasibility of any development project is based upon, among other things, estimates of the size and grade of ore reserves, proximity to infrastructures and other resources (such as water and power), metallurgical recoveries, production rates and capital and operating costs of such development projects, and metals prices. Development projects are also subject to the completion of favorable feasibility studies, issuance of necessary permits and receipt of adequate financing.

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

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

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

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

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

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

Our mining activities are subject to extensive federal, state, local and foreign laws and regulations governing environmental protection, natural resources, prospecting, development, production, post-closure reclamation, taxes, labor standards and occupational health and safety laws and regulations including mine safety, toxic substances and other matters related to our business. Although these laws and regulations have never required us to close any mine, the costs associated with compliance with such laws and regulations are substantial. Possible future laws and regulations, or more restrictive interpretations of current laws and regulations by governmental authorities could cause additional expense, capital expenditures, restrictions on or suspensions of our operations and delays in the development of our properties. Moreover, governmental authorities and private parties may bring lawsuits based upon damage to property and injury to persons resulting from the environmental, health and safety impacts of our past and current

operations, which could lead to the imposition of substantial fines, penalties and other civil and criminal sanctions. Substantial costs and liabilities, including for restoring the environment after the closure of mines, are inherent in our operations. Although we believe we are in substantial compliance with applicable laws and regulations, we cannot assure you that any such law, regulation, enforcement or private claim will not have a negative effect on our business, financial condition or results of operations.

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

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

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

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

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

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

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

An important element of our business strategy is the opportunistic acquisition of silver and gold mines, properties and businesses. While it is our practice to engage independent mining consultants to assist in evaluating and making acquisitions, any mining properties we may acquire may not be developed profitably or, if profitable when acquired, that profitability might not be sustained. In connection with any future acquisitions, we may incur indebtedness or issue equity securities, resulting in dilution of the percentage ownership of existing shareholders. We intend to seek shareholder approval for any such acquisitions to the extent required by

applicable law, regulations or stock exchange rules. We cannot predict the impact of future acquisitions on the price of our business or our common stock. Unprofitable acquisitions, or additional indebtedness or issuances of securities in connection with such acquisitions, may impact the price of our common stock and negatively affect our results of operations.

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

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

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

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

Item 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.

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, Argentina 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 in the future for United States dollars at a pre-determined exchange rate. 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.

All of the Company s long-term debt at September 30, 2004 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.

The following table summarizes the information at September 30, 2004 associated with the Company s financial and derivative financial instruments that are sensitive to changes in interest rates, commodity prices and foreign exchange rates except as to provisionally priced sales of concentrates which are discussed below the table. For long-term debt obligations, the table presents principal cash flows and related average interest rates. For foreign currency exchange contracts, the table presents the notional amount in Chilean Peso s to be purchased along with the average foreign exchange rate.

(dollars in thousands)	2004	2005	2006	2007	2008	Total	Fair Value 9/30/04

Liabilities							
Long Term Debt [(A)]							
Fixed Rate	--	--	--	--	--	$ 180,000	$ 161,124
Average Interest Rate	1 1/4%	1 1/4%	1 1/4%	1 1/4%	1 1/4%		

[(A)] **Debt due 2024**

Foreign Currency Contracts							
Chilean Peso - USD	$ 1,930	--	--	--	--	$ 1,930	$ (108)
Exchange Rate (CLP to USD)	$ 612	--	--	--	--		

At September 30, 2004, the Company had outstanding provisionally priced sales of $17.0 million, consisting of 1.9 million ounces of silver, 10,067 ounces of gold and 796,487 pounds of copper, which had a fair value of approx $17.6 million.

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

Item 4. Controls and Procedures

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 Financial Officer, such officers concluded that the Company s disclosure controls and procedures were effective as of September 30, 2004.

Internal Control Over Financial Reporting

During the quarter ended September 30, 2004, the Company s management, including its Chief Executive Officer and Chief Financial Officer, evaluated the Company s internal control over financial reporting as of June 30, 2004. They determined to effect a change in the Company s internal control over financial reporting, which was reflected in the financial statements for the quarter ended June 30, 2004, that materially affected, or could be deemed to be reasonably likely to materially affect, the Company s internal control over financial reporting, as discussed below.

Under auditing standards adopted by the Public Company Accounting Oversight Board, a material weakness in a company s internal control over financial reporting is defined to be a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. During the quarter ended September 30, 2004, the Company s management, including the Chief Executive Officer and Chief Financial Officer, determined that there was a material weakness in the Company s internal control over financial reporting, evidenced by an error relating to the method of recording revenues from the sale of concentrates. Consequently, management determined that the Company s financial statements for the years ended December 31, 2003 and 2002 and the first, second and third quarters therein, and financial statements for the quarter ended March 31, 2004, should be restated to correct that error. The Company restated such financial statements and filed amendments to its Annual Report on Form 10-K for the year ended December 31, 2003, and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2004. As discussed below, the Company has changed its significant accounting policy for revenue recognition to comply with generally accepted accounting principles and has taken steps to implement new procedures to strengthen its review process to avoid a repetition of the error and provide reasonable assurance that revenue is recognized and recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Historically, the Company recorded revenue from concentrate sales agreements based on the gold and silver prices prevailing at the time risk of loss and title to the concentrate passed to third-party smelters (typically one to three months after shipment) based on metal prices quoted by an established metal exchange as set forth in each contract, at such date. In order to adhere to correct revenue

recognition accounting, it must be recognized that 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 and 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. As stated above, the Company corrected the error in valuing such embedded derivatives in the financial statements for the years ended December 31, 2003 and 2002 and the quarter ended March 31, 2004, and has changed its significant accounting policy for revenue recognition relating to the embedded derivatives in order to comply with generally accepted accounting principles. The Company s financial statements for the quarters ended June 30 and September 30, 2004 implement the corrected policy and the Company has taken steps to continue such implementation and to reduce the likelihood that similar errors could occur in the future.

Information regarding the above matter was fully disclosed to the Company s outside auditor and the Audit Committee of the Company s Board of Directors during the quarter ended September 30, 2004.

PART II. Other Information

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

The following table sets forth information regarding purchases by the Company of its common stock during the periods indicated:

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs.
7/01/04 - 7/30/04	--	--	--	--
8/1/04 - 8/31/04	--	--	--	--
9/1/04 - 9/31/04	--	--	--	--
Total	--	--	--	--

Item 6. Exhibits

a) Exhibits.

10(a) Employment agreement, dated as of September 20, 2004, between the Registrant and Jennifer E. Kean.

10(b) Employment agreement, dated as of September 20, 2004, between the Registrant and Tom T. Angelos.

10(c) Employment agreement, dated as of July 15, 2004, between the Registrant and Alan L. Wilder.

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 November 5, 2004

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

Dated November 5, 2004

/s/ Robert Martinez
ROBERT MARTINEZ
President and
Chief Operating Officer

Dated November 5, 2004

/s/ James A. Sabala
JAMES A. SABALA
Executive Vice President and
Chief Financial Officer