COEUR D ALENE MINES CORP
Form 10-Q/A
June 10, 2003

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

FORM 10-Q/A No. 1

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

Amendment No. 1 to Quarterly Report on Form 10-Q for the period ended March 31, 2003.

COEUR D'ALENE MINES CORPORATION

(Exact name of Registrant as specified in its charter)

Idaho	1-8641	82-0109423
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer (Identification Number)

505 Front Avenue, P.O. Box "I" Coeur d'Alene, Idaho	83814
(Address of principal executive offices)	(zip code)

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

The undersigned registrant hereby includes the following portions of its Quarterly Report on Form 10-Q for the period ended March 31, 2003, as set forth in the pages attached hereto:

Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

COEUR D'ALENE MINES CORPORATION

Date: June 6, 2003

By: /s/ James A. Sabala

James A. Sabala
Executive Vice President and Chief Financial Officer

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COEUR D'ALENE MINES CORPORATION

AMENDMENT NO. 1 TO QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED MARCH 31, 2003

The purpose of this amendment is to revise the following financial information in the MD&A contained in Item 2 of Part I of the Company's Quarterly

Report on Form 10-Q for the quarter ended March 31, 2003:

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Page Number in Original Form 10-Q	Page Number in this Amendment	Description	Amount Originally Reported
22	4	Primary silver cost per ounce for the three months ended March 31, 2002	$ 3.92
24	6	Change in inventory at Rochester for three months ended March 31, 2003	$ (1,731)
24	6	Production costs at Rochester for the three months ended March 31, 2003	$ 8,832
24	6	Change in inventory at Cerro Bayo for three months ended March 31, 2003	$ (798)
24	6	Production costs at Cerro Bayo for the three months ended March 31, 2003	$ 4,758
25	7	Total cash costs per ounce for the three months ended March 31, 2002	$ 3.92
26	8	Net loss per share for the three months ended March 31, 2003 before cumulative effect	$ 0.25
26	8	Amount of funds available on working capital facility at March 31 2003	$ 9.6 millio
30	12	Annual interest payment on $9.9 million, 7 1/4% convertible subordinated debentures due 2005	$ 1.1 millio

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

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

General

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

The average prices of silver (Handy & Harman) and gold (London Final) for the first three months of 2003 were $4.69 and $352 per ounce, respectively. The market prices of silver and gold on May 9, 2003 were $4.81 per ounce and $347.90 per ounce, respectively.

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

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.

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The following table sets forth the amounts of silver and gold produced by the following mining properties, each of which is wholly owned by the Company, and the cash and full costs of such production during the three-month periods ended March 31, 2003 and 2002:

	Three Months Ended March 31,	
	2003	2002
ROCHESTER MINE		
Silver ozs.	1,089,700	1,415,767
Gold ozs.	10,747	16,423
Cash Costs per oz./silver	$6.46	$3.71
Full Costs per oz./silver	$7.40	$4.58
GALENA MINE		
Silver ozs.	1,235,771	1,473,542
Cash Costs per oz./silver	$4.22	$3.97
Full Costs per oz./silver	$4.51	$4.62
CERRO BAYO/MARTHA MINE (A)		
Silver ozs.	1,277,457	N/A
Gold ozs.	22,416	N/A
Cash Costs per oz./silver	$(0.29)	N/A
Full Costs per oz./silver	$2.01	N/A
CONSOLIDATED PRODUCTION TOTALS		
Silver ozs.	3,602,928	2,889,309
Gold ozs.	33,163	16,423

Primary Silver Cost per oz.	$3.30	$3.94
CONSOLIDATED SALES TOTALS		
Silver ozs. sold	4,133,000	2,934,000
Gold ozs. sold	35,000	17,000
Realized price per silver oz.	$4.77	$4.45
Realized price per gold oz.	$341	$291

(A) The Company commenced production in April 2002. The negative cash cost per ounce of silver is the result of the gold by-product credit as a reduction of operating costs. See "Cost and Expenses" below.

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:

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OPERATING HIGHLIGHTS

South America

Cerro Bayo (Chile). At Coeur's Cerro Bayo property (formerly the Fachinal mine) in Southern Chile, the mine produced 1.3 million ounces of silver and 22,416 ounces of gold during the first quarter of 2003. Total cash costs for the latest three-month period was $(0.29) per ounce. The negative cash cost per ounce of silver is the result of the gold by-product credit as a reduction of operating costs. See "Cost and Expenses" below.

Exploration at Cerro Bayo during the first quarter focused on reserve/resource delineation drilling of the Javiera, Wendy and Tranque Norte veins. Results from the drilling are expected to produce additional reserves and resources. General reconnaissance exploration was also carried out on Coeur's properties in the Santa Cruz Province of Argentina. Results obtained from drilling adjacent to the R-4 Zone on the Martha mine property and on the Malbec property located 10 miles north of the Martha mine have indicated the presence of mineralized zones.

Production at Mina Martha progressed as planned. During the quarter, ore was developed from the open pit and underground workings. During April, open pit development was completed and preparations are currently underway to begin development of the recently discovered R-4 zone.

NORTH AMERICA

Rochester Mine (Nevada). Coeur's Rochester mine produced 1.1 million ounces of silver and 10,747 ounces of gold, during the first quarter of 2003 compared to 1.4 million ounces of silver and 16,423 ounces of gold in the first quarter of the prior year. Total cash costs for the latest three-month period increased to $6.46 per ounce as compared to $3.71 in the first quarter of 2002. Performance in the quarter was down as a result of placing lower grade ore on the leach pad, construction activities associated with the crusher relocation project, construction of a new off-pad haul road and ongoing reclamation activities. As a result, pit ore to the crusher was replaced with low-grade stockpiled ore, which ultimately reduced ounce production. With all non-production related activities complete, pit production will resume as planned and ounce production will increase over the next several quarters.

Coeur Silver Valley - Galena Mine (Idaho). In the latest quarter, silver production from Coeur Silver Valley was 1.2 million ounces, down slightly from the 1.5 million ounces produced in the first quarter of 2002. Total cash costs for the current quarter rose to $4.22 per ounce compared to $3.97 per ounce in the first quarter of the prior year. Throughout much of the most recent quarter, mining operations were hampered by difficult ground conditions in the 117 vein and lower than expected grades from trackless mining operations. Measures have been taken to address these short-term issues and to develop an operational base for future productivity improvements. Coeur initiated a major exploration program at the Galena mine during the first quarter of 2003. Exploration drilling has thus far focused on the down dip extension of the 164 vein from the 4900 level and the down dip extension of the silver vein from the 2400 level. Drilling of other targets located in the `upper country' as well as from the 5500 level are planned during 2003.

EXPLORATION AND DEVELOPMENT STAGE PROJECTS

San Bartolome (Bolivia). The final feasibility study at the San Bartolome silver project near Potosi, Bolivia is scheduled for completion in the third quarter of 2003. Once the final feasibility is completed, the Company expects a large portion of the mineralized material will be upgraded to proven and probable reserves. The Company recently acquired additional exploration and development rights in the immediate area.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2003 Compared to Three Months Ended March 31, 2002

Revenues

Sales of metal in the first quarter of 2003 increased by $12.5 million, or 76%, from the first quarter of 2002 to $29.0 million. The increase in product sales of metal is attributable to increased production of silver and gold which accounted for $10.9 million, or 87%, of the increase, and higher realized silver and gold prices which accounted for $1.6 million, or 13%, of the increase.

In the first quarter of 2003, the Company produced a total of 3,602,928 ounces of silver and 33,163 ounces of gold, compared to 2,889,309 ounces of silver and 16,423 ounces of gold in the first quarter of 2002. In the first quarter of 2003, the Company sold 4,133,000 ounces of silver and 35,000 ounces of gold compared to 2,934,000 ounces of silver and 17,000 ounces of gold for the same period in 2002. The increase in silver and gold production is the result of the start-up of operations at the Cerro Bayo and Martha Mines in the second half of 2002, which accounted for 1,277,457 ounces of silver production and 22,416 ounces of gold production during the first quarter of 2003. Realized silver and gold prices increased to $4.77 and $341 per ounce, respectively, in the first quarter of 2003 compared to $4.45 and $291 in the comparable quarter of 2002.

Interest and other income in the first quarter of 2003 decreased by $0.3 million compared with the first quarter of 2002. The decrease was primarily due to a gain of $0.4 million on the sale of short-term investments recorded in the first quarter of 2002.

Costs and Expenses

Production costs in the first quarter of 2003 decreased by $0.1 million, or 1%, from the first quarter of 2002 to $17.9 million. The decrease is the result of a decrease in production costs at the Rochester and Silver Valley mines of $4.2 million and $0.5 million, respectively, offset by production costs at the Cerro Bayo mine of $4.8 million, which commenced production in the second half of 2002.

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

Three months ended March 31, 2003

	Rochester	Silver Valley	Cerro Bayo(1)
Production of Silver (ounces)	1,089,700	1,235,771	1,277,457
Cash Costs per ounce	$ 6.46	$ 4.22	$ (0.29)
Total Cash Costs (thousands)	$ 7,039	$ 5,215	$ (370)
Add/(Subtract):			
Third Party Smelting Costs	(173)	(1,596)	(1,995)
By-Product Credit	3,777	739	7,921
Deferred Stripping Adjustment	(80)	-	-
Change in Inventory	(1,807)	126	(918)
Production Costs	$ 8,756	$ 4,484	$ 4,638

Three months ended March 31, 2002

	Rochester	Silver Valley	Total
Production of Silver (ounces)	1,415,767	1,473,542	2,889,309
Cash Costs per ounce	$ 3.71	$ 3.97	$ 3.84
Total Cash Costs (thousands)	$ 5,252	$ 5,853	$ 11,105
Add/Subtract:			
Third Party Smelting Costs	(241)	(2,071)	(2,312
By-Product Credit	4,769	891	5,661
Accrued Reclamation Costs	266	159	425
Deferred Stripping Adjustment	(49)	-	(49
Change in Inventory	3,054	129	3,183
Production Costs	$ 13,052	$ 4,962	$ 18,014

(1) The Cerro Bayo mine commenced production in the second half of 2002.

Depreciation and amortization increased in the first quarter of 2003 by $3.1 million, from the prior year's first quarter, due to increased depletion recorded at the Galena mine in conjunction with the depletion taken for the asset retirement obligation and commencement of commercial production at the Cerro Bayo mine.

Administrative and general expenses increased in the first quarter of 2003 compared to the same period in 2002 by $1.0 million due to increased financing activities and additional SEC filing completed in the first quarter ended March 31, 2003 over the same period in 2002.

Exploration expenses increased by $0.5 million in the first quarter of 2003 compared to the same period in 2002 as a result of the Company's expanded exploration activities in the Cerro Bayo/Martha mine property areas.

Pre-feasibility expenses decreased by $0.4 million due to lower pre-feasibility expenses on the San Bartolome project in the first quarter of 2003 as compared to the same quarter of 2002.

Interest expense decreased in the first quarter of 2003 compared with the first quarter of 2002 to $2.0 million from $4.4 million as a result of a decrease in the Company's overall debt level because of exchange of debt for equity. Long-term debt (including the current portion) was $82.0 million at March 31, 2003, compared with $136.4 million at March 31, 2002.

During the first quarter of 2003, the Company recorded a loss on retirement of debt of $28.1 million. See "Issuance of 9% Convertible Senior Subordinated Notes" below.

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 is accounted for as a change in accounting principal in the first year of implementation and results in a change of $2.3 million in the first quarter of 2003. See Footnote B - Summary of Significant Accounting Policies to the Company's Notes to Consolidated Financial Statements.

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Net Loss Before Cumulative Effect of Change in Accounting Principle
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As a result of the aforementioned factors, the Company's net loss before cumulative effect of change in accounting principle amounted to $28.9 million, or $0.21 per share, in the first quarter of 2003 compared to a net loss before cumulative effect of change in accounting principle of $11.9 million, or $0.23 per share, in the first quarter of 2002.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital; Cash and Cash Equivalents

The Company's working capital at March 31, 2003, increased by $7.7 million to approximately $14.3 million compared to $6.6 million at December 31, 2002. The increase was primarily attributed to the increase in cash and cash equivalents and short-term investments proceeds received from the issuance of $37.2 million ($33.8 million net of expenses and discount) of 9% Convertible Senior Subordinated Notes on February 26, 2003. See "Management's Discussion and Analysis - Issuance of 9% Convertible Senior Subordinated Notes" below. The ratio of current assets to current liabilities was 1.2 to 1.0 at March 31, 2003 compared to 1.2 to 1.0 at December 31, 2002.

Net cash used in operating activities in the three months ended March 31, 2003 was $1.3 million compared to net cash used in operating activities of $5.5 million in the three months ended March 31, 2002. Net cash used in investing activities in the first quarter of 2003 was $24.3 million compared to net cash used in investing activities of $0.4 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 9% Notes. Net cash provided by financing activities was $35.9 million in the first quarter of 2003, compared to $0.06 million used in the first quarter of 2002. The increase was primarily a result of $33.8 million of proceeds from the issuance of the 9% Notes as well as $2.4 million of net borrowings received under the Company's working capital facility. As a result of the above, cash and cash equivalents increased by $10.2 million in the first quarter of 2003 compared to a decrease of $6.0 million for the comparable period in 2002.

Debt and Capital Resources

The Company has improved its working capital position since December 31, 2002 by completing the issuance of the 9% Convertible Senior Subordinated Notes. The Company will continue to make debt reduction and/or restructuring one of its primary objectives during the next twelve months and believes its debt may be further reduced by additional conversions of 13 3/8% Notes into common equity during the remainder of this year. At March 31, 2003, the Company had $19.3 million of cash and approximately $4.7 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. The Company may continue to seek various forms of financing in the future.

2003 EXCHANGES AND CONVERSIONS

Subsequent to December 31, 2002 and prior to March 15, 2003, the holders of an additional $2.8 million principal amount of the Series I 13 3/8% Convertible Senior Subordinated Notes due December 31, 2003 (the "Series I 13 3/8% Notes") converted their notes into a total of 2.1 million shares of common stock, including make whole interest payments.

Through February 28, 2003, the holders of the 6 3/8% Debentures exchanged $26.9 million principal amount for 15.8 million shares of common stock and holders of the 7 1/4% Debentures exchanged $1.7 million principal amount for 1.1 shares of common stock. In connection with these exchanges, the Company reported a loss on the early retirement of debt of $28.1 million in the first quarter of 2003.

ISSUANCE OF 9% CONVERTIBLE SENIOR SUBORDINATED NOTES

On February 26, 2003, the Company completed a private placement of $37.2 million principal amount of 9% Convertible Senior Subordinated Notes (the "9% Notes"). The net proceeds were approximately $33.8 million. The 9% Notes are senior in right of payment to the 6 3/8% and 7 1/4% Convertible Subordinated Debentures due October 2005. The 9% Notes are convertible into Coeur common stock, at any time prior to maturity at a conversion price of $1.60 per share, subject to adjustment. Interest is payable semi-annually on February 15 and August 15 of each year. The Company is entitled to elect to pay interest in cash or stock, in its sole discretion. The 9% Notes are redeemable at the option of the Company six months after issuance, subject to certain conditions, and at the option of the holders in the event of a change in control. Of the financial advisory fees paid by the Company in connection with the issuance of the 9% Notes, the Company elected to issue 647,966 unregistered shares of common stock valued at $1.54 per share in lieu of cash. See Footnote H - Long-Term Debt for more discussion.

On March 7, 2003, the Company called for the redemption of approximately $22.4 million principal amount of the outstanding 6 3/8% Convertible Subordinated Debentures due January 2004. The redemption was effective on April 9, 2003.

DEFINED BENEFIT AND POST RETIREMENT HEALTH CARE PLANS

The funding requirement for the defined benefit plan and the post retirement health care plan increased by $0.4 million, to $1.1 million in 2002 compared to 2001. This increase was primarily due to the impact of a negative return on plan assets of $0.2 million in 2002 and an increase of $0.2 million in the present value of the plan obligations based on increased health care and pension costs.

Litigation and Other Events

NORANDA SMELTER STRIKE

On June 18, 2002, the Company received notification from Noranda that the union represented employees working at its Horne smelter in Rouyn-Noranda, Quebec were on strike and declared Force Majeure on receipt of Coeur Silver Valley's concentrates at that time. This strike was settled on May 7, 2003. Coeur Silver Valley sells essentially 100% of its concentrate to Noranda for processing at this smelter. The Company believes that Noranda will continue to purchase all produced concentrate from Coeur Silver Valley. The Company was able to sell 700 tons of concentrate during the last half of 2002 and an additional 200 tons during the 1st quarter of 2003 in the spot market to an alternative buyer.

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 as a result of alleged releases of hazardous substances from mining activities conducted in the area since the late 1800s.

On March 16, 2001, the Company and representatives of the U.S. Government, including the Environmental Protection Agency, the Department of Interior and the Department of Agriculture, reached an agreement in principle to settle the lawsuit, which represents the only suit in which the Company has been named as a party. 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 coverage under general liability insurance policies in excess of $0.6 million, (ii) accomplish certain cleanup work on the Mineral Point property (i.e., the former Coeur Mine site) and Caladay property, and (iii) make available certain real property to be used as a waste repository. Finally, commencing five years after effectiveness of the settlement, the Company will be

obligated to pay net smelter royalties on its operating properties, up to a maximum of $3 million, amounting to a 2% net smelter royalty on silver production if the price of silver exceeds $6.50 per ounce, and a $5.00 per ounce net smelter royalty on gold production if the price of gold exceeds $325 per ounce. The royalty would run for 15 years commencing five years after effectiveness of the settlement. The Company recorded $4.2 million of expenses, which included $3.9 million of settlement payments, in the fourth quarter of 2000 in connection with the settlement.

LAWSUIT TO RECOVER INVENTORY

During the first quarter of 2000, Handy & Harman Refining Group, Inc. ("Handy & Harman"), to which the Rochester Mine had historically sent approximately 50% of its dore, filed for Chapter 11 bankruptcy. The Company had inventory at the refinery of approximately 67,000 ounces of silver and 5,000 ounces of gold that has been delivered to certain creditors of Handy & Harman. On February 27, 2001 the Company commenced a lawsuit against Handy & Harman and certain others in the U.S. Bankruptcy Court for the District of Connecticut seeking recovery of the metals and/or damages. Handy & Harman's Chapter 11 liquidation plan was confirmed by the Bankruptcy Court in August 2001 and on November 3, 2001, the Company received approximately $294,000 from Handy & Harman as a partial payment under the plan. The liquidating custodian of Handy & Harman under the liquidation plan filed suit against the Company in March 2002 for the value of 100,000 ounces of silver (i.e., approximately $500,000) as a preference based on the Company's draw-down of its silver held by Handy & Harman in mid-March 2000. Based on this legal action, the Company determined that the recovery of any additional amounts would be remote. As a result, the Company recorded a $1.4 million write-down of the remaining carrying amount in the fourth quarter of 2001. Management of the Company and legal counsel believe that the claims are without merit, and are vigorously defending the suit.

PRIVATE PROPERTY DAMAGE ACTION

On January 7, 2002, a private class action suit captioned Baugh v. Asarco, et al., was filed in the Idaho District Court for the First District (Lawsuit No. 2002131) in Kootenai County, Idaho against the companies that have been defendants in the prior Bunker Hill and natural resources litigation in the Coeur d'Alene Basin, including the Company, by eight northern Idaho residents seeking medical benefits and real property damages from the mining companies involved 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. Certain of the defendants, including the Company, filed motions to dismiss the complaint, which will be heard by the court in May 2003. While the Company believes the suit is without merit, at this early stage of the proceedings, the Company cannot predict the outcome of this suit.

STATE OF MAINE AND STATE OF IDAHO SUPERFUND SITES RELATED TO CALLAHAN MINING CORPORATION

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

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

have liability, it has no substantial assets with which to satisfy such liability. To date, no claim has been made for any dollar amount of cleanup costs against either the Company or Callahan.

LABOR-MANAGEMENT AGREEMENT AT THE GALENA MINE

A new labor-management agreement was made with the United Steelworkers of America, effective March 26, 2003, which covers the hourly workforce at the Coeur Silver Valley operations.

RISK FACTORS

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

IF PRESENTLY UNEXPECTED CIRCUMSTANCES CAUSE US TO BE UNABLE TO PAY OUR DEBTS UPON THEIR MATURITY, IT MAY BE NECESSARY FOR US TO SEEK OTHER ADDITIONAL FUNDING, OTHER REMEDIES OR POSSIBLY EVEN RELIEF UNDER CHAPTER 11 OF THE BANKRUPTCY CODE.

At March 31, 2003, we had a total of approximately $85.3 million of outstanding notes and debentures, which included approximately $9.9 million of 13 3/8% Senior Subordinated Notes due December 31, 2003, $28.3 million principal amount of 6 3/8% Convertible Subordinated Debentures due January 31, 2004, approximately $9.9 million principal amount of 7 1/4% Convertible Subordinated Debentures due October 31, 2005 and approximately $37.2 million of 9% Convertible Senior Subordinated Notes. We expect to be able to generate adequate cash flow and, if necessary, to raise additional debt or equity capital, in order to service our outstanding indebtedness upon maturity. However, if presently unexpected circumstances cause us to be unable to service our indebtedness upon maturity, we may be required to seek other additional funding, other remedies or possibly even relief under Chapter 11 of the Bankruptcy Code.

WE HAVE INCURRED LOSSES IN THE LAST FIVE YEARS AND EXPECT TO CONTINUE TO DO SO.

We have incurred net losses in the last five years, and have had losses from continuing operations in each of those periods. Significantly contributing to the losses were:

- historically low silver and gold 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; and
- significant write-downs for impaired assets in 1998 ($223.2 million), 1999 ($16.2 million), 2000 ($12.2 million), 2001 ($6.1 million) and 2002 ($19.0 million),

While market prices for silver and gold have recently increased, if silver and gold prices were to remain at current levels or decline and we are unable to reduce our production costs below prevailing price levels, our losses will continue. Because low silver and gold prices may make mining at our properties uneconomical, if these prices decline, we may be required to recognize additional impairment write-downs. This would increase our operating losses.

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 $227.0 million in 1998, $29.3 million in 1999, $47.5 million in 2000, $3.1 million in 2001 and $81.2 million in 2002, respectively. As of March 31, 2003, we were required to make fixed payments on the following securities:

- $28.2 million principal amount of our 6 3/8% Convertible Subordinated

Debentures 2004, requiring annual interest payments of approximately $1.8 million until their maturity on January 31, 2004;

- $9.9 million principal amount of our 7 1/4% Convertible Subordinated Debentures due 2005, requiring annual interest payments of approximately $0.7 million until their maturity on October 31, 2005; and

- $9.9 million of our Series I 13 3/8% Senior Convertible Notes due 2003, requiring interest payments (in cash or in common stock) of approximately $1.3 million in December 2003.

- $37.2 million of our 9% Convertible Senior Subordinated Notes due 2007, requiring annual interest payments (in cash or in common stock) of approximately $3.3 million until their maturity on February 26, 2007.

On March 7, 2003, we issued a redemption notice for approximately $22.4 million principal amount of our 6 3/8 Convertible Subordinated Debentures due January 31, 2004. We do not expect that the remaining 6 3/8% or 7 1/4% convertible subordinated debentures will be converted into common stock in the foreseeable future because the conversion price of each issue substantially exceeds the current market price of our common stock. The 9% Convertible Senior Subordinated Notes are convertible into common stock at a price of $1.60 per share.

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 $14.3 million at March 31, 2003, and, if necessary, the sale of assets or equity or debt securities. We have recently been experiencing negative cash flow from operating activities. The amount of net cash used in our operating activities amounted to approximately $1.3 million for the first quarter of 2003 and $5.5 million for the first quarter of 2002. The availability of future cash flow from operations or working capital to fund the payment of interest on our debentures 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 PRICE OF SILVER OVER WHICH WE HAVE NO CONTROL, IS VOLATILE AND IS AT A LEVEL THAT ADVERSELY AFFECTS US.

Because we derive greater than 68.8% of our revenues from sales of silver, our earnings are directly related to the price of this metal.

Silver prices fluctuate widely 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.

The market price of silver (as reported by Handy & Harman) on May 9, 2003 was $4.81 per ounce. The price of silver 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 holder, and a general global economic slowdown.

If the silver price becomes depressed for a sustained period, our net losses will continue, we may suspend mining at one or more of our properties until the price increases, and we may be required to record additional asset impairment write-downs pursuant to SFAS 144 (as discussed below).

WE HAVE RECORDED SIGNIFICANT WRITE-DOWNS OF MINING PROPERTIES IN RECENT YEARS AND MAY HAVE TO RECOGNIZE ADDITIONAL WRITE-DOWNS IN THE FUTURE.

Statement of Financial Accounting Standards No. 144 (SFAS 144), "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of," established accounting standards for impairment of the value of long-lived assets such as mining properties. SFAS 144 require a company to review the recoverability 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.

Recognizing impairment write-downs has negatively impacted our results of operations in recent years. We have recorded significant write-downs of our mining properties in recent years, amounting to $16.2 million in 1999, $12.2 million in 2000, $6.1 million in 2001 and $19.0 million in 2002. The 1999 write-downs consisted of $16.2 million at the Yilgarn Star Mine in Australia. The 2000 write-down included an impairment of $12.2 million for our investment in Gasgoyne Gold Mines NL. The 2001 write-down consisted of an additional impairment of $6.1 million at the Kensington property, in addition to the $121.5 written-off in 1998. The 2002 write-down consisted of a $19.0 impairment at Coeur Silver Valley.

While we do not believe that any of our other properties presently requires a write-down pursuant to SFAS No. 144, if silver prices become depressed for a sustained period of time and/or we fail to reduce production costs or expand mineable ore reserves at our mining properties, we may recognize further asset write-downs.

We also might have to 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 reserves have to be created in connection with the closure and reclamation of a property.

THE ESTIMATION OF ORE RESERVES IS IMPRECISE AND SUBJECTIVE, REQUIRING THE USE OF UNCERTAIN METALS MARKET PRICES AND OTHER ASSUMPTIONS. ESTIMATED ORE RESERVES MAY NOT BE REALIZED IN FUTURE ACTUAL PRODUCTION AND OPERATING RESULTS.

The ore reserve figures presented in this report are estimates made by our technical personnel. Reserve estimates are a function of geological and engineering analysis and also require us to make assumptions about production costs and silver and gold market prices. Reserve estimation is necessarily 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 further 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 predicted by drilling, sampling and similar examinations, then our reserve estimates may be adjusted and mining plans may be altered, which may adversely affect our actual production and operating results. Ore reserves at most of our mining properties operated by us are the subject of verification by independent consulting geologists or mining engineers. Ore reserves at mining properties in which we have an ownership interest but which are operated by other companies are prepared by such companies, reviewed by us and may not be subject to independent verification.

Silver and gold reserves at mining properties owned by us and in which we have an ownership interest were calculated at or about December 31, 2002. Our ore reserve determinations were based on a silver price of $5.00 per ounce and a gold price of $350 per ounce.

SIGNIFICANT RISKS AND COSTS ARE ASSOCIATED WITH OUR EXPLORATION, DEVELOPMENT AND MINING ACTIVITIES.

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 frequently is not productive. If and when 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 the metals from the ores and, in the case of new properties, to construct mining and processing facilities. The economic feasibility of any individual development project and all such projects collectively 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 future 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 may have no operating history upon which to base estimates of future operating costs and capital requirements. Particularly for development projects, 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.

OUR SILVER AND GOLD PRODUCTION MAY DECLINE IN THE FUTURE.

Our future silver and gold production may decline as a result of the exhaustion of reserves and possible closure of mines. It has been and will continue to be 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/or businesses that possess mineable ore reserves and are expected to become operational in the near future. Although that is our business strategy, we can provide no assurance that our silver and gold production in the future will not decline.

THERE ARE SIGNIFICANT RISKS ASSOCIATED WITH OUR MINING ACTIVITIES, NOT ALL OF WHICH ARE FULLY COVERED BY INSURANCE.

The mining business is generally subject to risks and hazards, including quantity of production, quality of the ore, 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.

WE ARE SUBJECT TO SIGNIFICANT ENVIRONMENTAL AND OTHER GOVERNMENTAL REGULATIONS THAT CAN REQUIRE SUBSTANTIAL EXPENSES AND CAPITAL EXPENDITURES.

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, occupational health and safety including, mine safety, toxic substances and other matters. 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 and possible future laws and regulations, or more stringent enforcement thereof 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, these laws and regulations allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety impacts of our past and current operations, and can lead to the imposition of substantial fines, penalties and other civil and criminal sanctions.

Risks of substantial costs and liabilities, including for the restoration of the environment after the closure of our 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 material adverse effect on our business, financial condition or results of operations.

Certain 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 in the future, we would be required to expend additional amounts on the handling of such wastes and to make significant expenditures on the construction of hazardous waste disposal facilities. In addition, regardless of whether these wastes are designated as hazardous under RCRA, if they cause 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 the air pollution statutes implementing the Clean Air Act in Nevada, Idaho and Alaska. In the context of environmental permitting, including the approval of reclamation plans, we must comply with standards and regulations which entail significant costs and can entail significant delays.

SIGNIFICANT RISKS ARE ASSOCIATED WITH OUR FOREIGN OPERATIONS AND ACTIVITIES.

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 Chile, Argentina and Bolivia. Although the governments and economies of these countries have been relatively stable in recent years, property ownership in a foreign country generally is 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.

THERE ARE SIGNIFICANT RISKS ASSOCIATED WITH ANY FUTURE ACQUISITIONS BY US.

An important element of our business strategy has been 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, mining properties acquired by us in the future might 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 only to the extent required by applicable law, regulations or stock exchange rules.

FINDING AND ACQUIRING NEW MINERAL PROPERTIES IS VERY DIFFICULT AND COMPETITIVE.

Because mines have limited lives based on proven and probable ore reserves, we, like other mining companies are continually seeking to replace and expand our ore reserves. Identifying promising mining properties is difficult. 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.

SIGNIFICANT RISKS ARE ASSOCIATED WITH OUR PURCHASES OF CURRENCIES OF FOREIGN COUNTRIES IN WHICH WE DO BUSINESS.

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.

WE WILL HAVE TO USE SOME OF OUR CASH TO PROVIDE FINANCIAL ASSURANCE RELATING TO OUR ROCHESTER MINE'S FUTURE RECLAMATION LIABILITY.

The insurance company that issued the surety bond required under Nevada law to cover our estimated $21.8 million of future mine closure reclamation costs relating to the Rochester Mine filed for liquidation in the first quarter of 2001. We have reached an agreement with this insurance company and the State of Nevada regarding financial assurance for reclamation costs at the Rochester Mine. This settlement requires us to fund a reclamation escrow account in amounts calculated based on a formula which takes into account the amount of silver produced and sold at the Rochester Mine commencing January 1, 2002. We estimate that the annual funding required by the settlement into this escrow account will be approximately $3.2 million, which adversely effects our working capital position.

THIRD PARTIES MAY DISPUTE OUR UNPATENTED MINING CLAIMS.

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, with the attendant risk that some titles, particularly titles to undeveloped properties, may be defective.

WE ARE REQUIRED TO OBTAIN GOVERNMENT PERMITS TO EXPAND OPERATIONS OR BEGIN NEW OPERATIONS, WHICH IS OFTEN A COSTLY AND TIME-CONSUMING PROCESS.

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

THE MARKET PRICE OF OUR COMMON STOCK COULD DECREASE AS A RESULT OF THE IMPACT OF AN INCREASE IN THE NUMBER OF OUR OUTSTANDING SHARES THAT MAY RESULT FROM ISSUANCES OF SHARES IN EXCHANGE FOR OUR OUTSTANDING CONVERTIBLE DEBT.

We may, from time to time, enter into exchange transactions with holders of our outstanding convertible debt involving the issuance of additional shares of common stock. The impact of the issuance of a significant amount of common stock may place downward pressure on the market price of the common stock.

THE MARKET PRICE OF OUR COMMON STOCK HAS BEEN VOLATILE AND MAY DECLINE.

The market price of our common stock has been volatile and may decline in the future. The high and low closing sale prices of our common stock were $4.13 and $0.81 per share in 2000, $1.23 and $0.87 in 2001 and $2.50 and $0.78 in 2002. The closing sale price at May 9, 2003 was $1.51 per share.

THE MARKET PRICE OF OUR COMMON STOCK HISTORICALLY HAS FLUCTUATED WIDELY AND BEEN AFFECTED BY MANY FACTORS BEYOND OUR CONTROL. THESE FACTORS INCLUDE:

- the market prices of silver and gold;
- general stock market conditions;
- interest rates;
- expectations regarding inflation;
- currency values; and
- global and regional political and economic conditions and other factors.

THE OFFER AND RESALE OF 7.125 MILLION RESTRICTED SHARES OF OUR OUTSTANDING COMMON STOCK, WHICH WE HAVE BEEN REQUIRED TO REGISTER FOR PUBLIC RESALE UNDER THE SECURITIES ACT OF 1933, COULD IMPOSE DOWNWARD PRESSURE ON THE MARKET PRICE OF OUR COMMON STOCK.

In 1999, we issued 7.125 million shares of our common stock to Asarco in connection with our acquisition of certain of its silver mining interests. This represents approximately 5.2% of our currently outstanding common stock. Asarco exercised its contractual right to request the registration of those shares under the Securities Act for public resale, subject to a limitation of the sale of no more than 500,000 shares to any one individual purchaser. The public offering and resale of such shares would increase the number of outstanding shares being sold in the public market and could exert downward pressure on the market price of our shares.

WE DO NOT ANTICIPATE PAYING DIVIDENDS ON THE COMMON STOCK.

We do not anticipate paying any cash dividends on the common stock at this time. Therefore, holders of the common stock will likely not receive a dividend return on their investment and there is a significant likelihood that holders of the common stock will not realize any value through the receipt of cash dividends.

WE ARE SUBJECT TO ANTI-TAKEOVER PROVISIONS IN OUR CHARTER AND IN OUR CONTRACTS THAT COULD DELAY OR PREVENT AN ACQUISITION OF US EVEN IF SUCH AN ACQUISITION WOULD BE BENEFICIAL TO OUR SHAREHOLDERS.

Certain provisions of our articles of incorporation and our contracts could delay or prevent a third party from acquiring us, even if doing so might be beneficial to our shareholders. Some of these provisions:

- authorize the issuance of preferred stock which can be created and issued by the Board of Directors without prior shareholder approval, commonly referred to as "blank check" preferred stock, with rights senior to those of the common stock; and

- require that a "fair price" be paid in such business transactions.

We have also implemented a shareholder rights plan which could delay or prevent a third party from acquiring us.

THE UNCERTAINTIES INHERENT IN ESTIMATING INVENTORY MEAN THAT OUR ESTIMATES OF CURRENT AND NON-CURRENT INVENTORIES MAY NOT BE REALIZED IN FUTURE ACTUAL PRODUCTION AND OPERATING RESULTS.

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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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. The impact and any associated risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations where such policies affect our reported and expected financial results. For a detailed discussion on the application of these and other accounting policies, see Note B in the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q. Note that our preparation of this Quarterly Report on Form 10-Q requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates. The most critical accounting principles upon which the Company's financial status depends are those requiring estimates of recoverable ounces from proven

and probable reserves and/or assumptions of future commodity prices. Such estimates and assumptions affect the value of inventories (which are stated at the lower of average cost or net realizable value) and the potential impairment of long-lived assets. These estimates and assumptions also affect the rate at which depreciation and amortization are charged to earnings.

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 dore; and (vii) the conversion by a third party refinery of the dore 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 dore, which is the final product produced by the mine. We again sample and assay the dore. Finally, a third party smelter converts the dore 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 $29.1 million as of March 31, 2003. Of this amount, $12.5 million is reported as a current asset and $16.6 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.

When we began 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 3 times (once in each of 1989, 1997 and 2003) based upon actual experience gained from leach operations. In 1989, we increased our estimated recoveries for silver and gold to 55% and 85%, respectively. The change was accounted for prospectively as a change in estimate, which had the effect of increasing the estimated recoverable ounces of silver and gold contained in the heap by 1.6 million ounces and 10,000 ounces, respectively. In 1997, we revised our estimated recoveries for silver and gold to 59% and 89%, respectively, which increased the estimated recoverable ounces of silver and gold contained in the heap by 4.7 million ounces and 39,000 ounces, respectively. Finally, in 2003, we revised our estimated recoveries for silver and gold to 61.5% and 93%, respectively, which increased the estimated recoverable ounces of silver and gold contained in the heap by 1.8 million ounces and 41,000 ounces, respectively.

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

	Positive/Negative Change in Silver Recovery			Positive/ Change in Go	
	1%	2%	3%	1%	2
Quantity of recoverable ounces	1.3 million	2.6 million	5.2 million	8,700	17,
Positive impact on future cost of production per equivalent silver ounce for increases in recovery rates	$0.23	$0.41	$0.57	$0.11	$0
Negative impact on future cost of production per equivalent silver ounce for decreases					

in recovery rates	$0.28	$0.64	$1.13	$0.12	$0

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.

PROPERTY, PLANT AND EQUIPMENT

Property, Plant, and Equipment balances are stated at cost, reduced by provisions to recognize economic impairment in value when management determines that such impairment has occurred. Mineral property, buildings and improvements, and machinery and equipment are depreciated using either the straight-line method or the units-of-production method over the estimated useful lives as of the in-service date or date of major improvements. We evaluate the realizability of our long-lived assets, property, plant and equipment, whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. 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.

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. The estimated undiscounted cash flows generated by our assets and the estimated liabilities for reclamation and remediation are determined using the Company's assumptions about future costs, mineral prices, mineral processing recovery rates, production levels and capital and reclamation costs. Such assumptions

are based on the Company's current mining plan and the best available information for making such estimates. On an ongoing basis, management evaluates its estimates and assumptions; however, actual amount could differ from those based on such estimates and assumptions.

Effective with the first quarter of 2003 the Company was required by the FASB to change the methodology used to recognize its reclamation 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 is accounted for as a change in accounting principle in the first year of implementation, and the effects of this change are discussed below.

Upon initial application of FASB No. 143, the Company recognized the following:

1. A liability of $20.7 million for the existing asset retirement obligations based on the discounted fair market value of future cash flows to settle the obligations,

2. An asset of $11.4 million to reflect the retirement cost capitalized

as an increase to the carrying amount of the associated long-lived asset, offset by $7.6 million of accounting depletion through January 1, 2003, and

3. A cumulative effect of change in accounting principle of $2.3 million at January 1, 2003.

The Company measured the cumulative accretion and accumulated depreciation for the period from the date the liability would have been recognized if FASB No. 143 were in effect when the Company incurred the liability to the date of the adoption of the Statement and has reported these as a cumulative effect of a change in accounting principle. For the initial measurement of these existing obligations the Company used current information, assumptions, and interest rates. The initial implementation of FASB No. 143 also required the Company to reverse all previously recognized retirement obligations (reclamation accruals) as part of the cumulative effect adjustment.

The Asset Retirement Obligation is measured using the following factors: 1) Expected labor costs, 2) Allocated overhead and equipment charges, 3) Contractor markup, 4) Inflation adjustment, and 5) Market risk premium.

The sum of all these costs was discounted, using the credit adjusted risk-free interest rate (current assumption of 7.5%), 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 capitalized 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 is not required to re-measure the obligation at fair value each period, but the Company is required to evaluate 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.

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The following is a description of the changes and pro forma changes to the Company's asset retirement obligations from January 1 to March 31, of 2003:

Assets:

	2003
	(in thousands)
Asset Retirement Obligation - January 1, 2003	$ 20,662
Accretion	387
Additions	-
Settlements	$ (255)
Asset Retirement Obligation - March 31, 2003	$ 20,794

The following table summarizes the pro forma effects of the application of SFAS No. 143, as if the Statement had been retrospectively applied for the periods ending on March 31, 2003 and 2002:

(In thousands except per share data)	March 31, 2003	March 31, 2002
Net loss as reported	$ (31,190)	$ (11,896)
Net loss pro forma	$ (28,884)	$ (12,027)
Basic and diluted earnings per share as reported	$ (0.23)	$ (0.23)
Basic and diluted earnings per share pro forma	$ (0.21)	$ (0.23)

In addition, had the Company adopted the provisions of SFAS No. 143 prior to January 1, 2003, the amount of the asset retirement obligations on a pro forma basis would have been as follows:

(In thousands)	Pro Forma Asset Retirement Obligation
January 1, 2000	$ 18,937
December 31, 2000	$ 18,282
December 31, 2001	$ 19,553
December 31, 2002	$ 20,662

SIGNIFICANT MINING PROPERTIES

The Company's currently operating mines consist of the Rochester Mine, a heap leach silver and gold mine in northern Nevada of which the Company owns 100%; the Galena Mine, an underground silver mine in Idaho that is 100% owned by Coeur's wholly-owned subsidiary, Coeur Silver Valley, Inc.; the Cerro Bayo mine, where Coeur commenced gold and silver production at an open pit and underground mine in May 2002; and the Martha Mine, which commenced underground and open pit operations in July, 2002. The Company also owns 100% of the San Bartolome silver project in Bolivia where it is conducting final feasibility studies and expects to commence silver production in 2005, and the Kensington property in Alaska where Coeur is in the initial steps of development of an underground gold mine.

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DEFINED BENEFIT PENSION OBLIGATION

Actuarial Present Value of Projected Benefit Obligation:

The actuarial present value of our accumulated plan benefits has been determined using the following assumptions:

Factor	Method
Discount Rate for Benefit Obligations	7.0%, Moody's AAA Bond Rating
Long-Term Rate for Assets	7.0%
Salary Increases	5.0%

Form of Benefit	Life Annuity
Expenses	None Assumed
Considered Compensation	Gross Pay as of January 1, 2002
Mortality Table	GAM 83' Blended
Disability Table	None
Turnover Table	T8 withdrawal Table
Fair Value of Assets	Market Value

There were no substantive commitments for the benefits other than as stated in the plan. The actuary has no other relationships with and is independent of the Company. The discount rate was determined based on Moody's AAA Bond Rating and the rate applied was within the range of expected experience.

Expected long-term rate of return on plan assets:

The long-term expected rate of return on plan assets for purposes of the actuarial valuation was assumed to be 7% and 8.5% as of December 31, 2002 and 2001, respectively. This rate was reduced in 2002 to more closely reflect the actual return on assets based on historical data. The rate used is based on the plan's experience and asset mix of the portfolio, as well as taking into consideration the fact that no lump sum distributions are paid from the plan. The plan had an expected return on plan assets of $0.1 million for each of 2002 and 2001. The actual return on plan assets was a negative $0.2 million and $0.1 million for 2002 and 2001, respectively. The actuarial gains and losses for each period are amortized using a straight-line method over 10.9 years. This will have a future impact on operations of approximately $0.3 million per year.

Plan assets and determination of fair value:

The fair value of plan assets is determined using the market value of the investments held by the plan at December 31 of each year as quoted by public equity and bond markets. The asset mix is in accordance with the plan's fiduciary investment policy which allows for 60% equity investments, 35% fixed income investments and 5% cash and cash equivalents. The current investment portfolio for the funded portion of the obligation is held in a trust. The Company's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements as set forth in the Employee Retirement Income Security Act of 1974 plus such additional tax deductible amounts as may be advisable under the circumstances. The Company has funded $0.9 million and $0.6 million in 2002 and 2001, respectively, toward the obligation. The plan assets are invested principally in commingled stock funds, mutual funds and securities issued by the United States government.

Pursuant to the plan's fiduciary investment policy, the plan adopts more specific investment directives from time to time. The plan's current investment directives are 10% guaranteed investment contracts, 30% fixed income investments, 30% large company investments and 30% S&P 500 index funds. Based on this current investment directive, the plan's actual portfolio at December 31, 2002 had 10% guaranteed investment contracts, 32% fixed income investments, 29% large company investments and 29% S&P 500 index funds. Since the performance of each asset class of the portfolio within any measurement period will impact its relative weight in the portfolio, the actual percentage of each asset class in the portfolio at December 31, 2002 does not match exactly to the current directive.

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The expected long-term rates of return for each asset class within the portfolio, and therefore the portfolio average, is based on an estimate of the return for each of the securities within an asset class, which are currently benchmarked at 8.75% for equity investments, 5.5% for fixed income investments and 4% for cash and cash equivalents. For each type of investment within the Trust's portfolio structure, the Trustees evaluate both returns and the relationship between risk and return. The expectation is that each asset class will produce a superior risk-adjusted return over a market cycle.

The following table shows the expected rate of return for each asset class along with the standard deviation or volatility associated with each asset class.

Mix	Expected Rate of Return	Standard Deviati or Volatility
60% equity investments	8.75%	16.00%
30% fixed income investments	5.50%	7.25%
10% cash and cash equivalents	4.00%	1.00%
	7.40%	11.00%

The Trustees evaluate the level of volatility within the total Trust and each of its component investments. The Trustees have set maximum volatility thresholds for each class of investment which consist of 16% for equity investments, 7.25% for fixed income investments and 1% for cash and cash equivalents, with the total portfolio volatility expected to not exceed 11%. The Trustees then compare how these specific investments perform against other indexed funds and other managed portfolios with similar objectives. The specific criteria used to measure the performance is as follows:

1) A targeted 7-11% average annualized return based on long-term historical market data;
2) Expected returns over a market cycle that exceed the total portfolio indexed benchmark;
3) Volatility that is not substantially greater than the portfolio indexed benchmark volatility of 11%; and
4) Risk adjusted returns that are above market line analysis when compared with indexed benchmarks.

If the discount rate is 1% below the expected discount rate of benefit obligations of 7%, pension expense would decrease by $0.2 million annually, and the accrual for the benefit obligation would decrease by $0.6 million. If the discount rate is 1% above the expected discount rate the annual pension expense would increase by $0.1 million and the accrual for the benefit obligation would increase by $0.5 million. If the future rate of return on plan assets is 1% below the expected long-term rate of 7%, pension expense would increase by $0.2 million annually and the annual funding requirement would increase by $0.2 million annually. If the future rate of return on plan assets is 1% above the expected long-term rate, the annual pension expense would decrease by $0.1 million and the annual funding requirement would decrease by $0.1 million.

POST-RETIREMENT MEDICAL OBLIGATIONS

Actuarial Present Value of Projected Benefit Obligation:

The discount rate was determined based on Moody's AAA Bond Rating and the rate applied was within the range of expected experience. The medical trend rate was determined based on the group rated experience. The Company amortizes its unrecognized, unfunded accumulated post-retirement benefit obligation using a straight-line method over a 6.9-year period. The 6.9-year estimate is based on a statistically determined average of estimated future service for the Company's employees.

Expected long-term rate of return on plan assets

No assets are held in a trust for the post retirement health care plan; therefore, there is no expected long-term rate of return assumption. A "pay as you go" funding method is utilized under this plan. The Company contributed $0.2 million to the plan for each of 2002 and 2001.

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A 1% increase in the medical trend rate assumption would result in an additional $9,000 in interest cost and a $0.1 million increase in post-retirement benefit obligation. A 1% decrease in the medical trend rate assumption would result in an $8,000 decrease in interest cost and a $0.1 million decrease in post-retirement benefit obligation."

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 March 31, 2003 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.

(dollars in thousands)	2003	2004	2005	2006	2007	To
Liabilities						
Long Term Debt						
Fixed Rate	$ 9,911	$ 28,268	$ 9,939	$ -	$37,185	$85,
Average Interest Rate	8.435%	8.522%	8.681%	9.000%	9.000%	
Derivative Financial Instruments						
Gold Forward Sales - USD						
Ounces	40,000	14,000	-	-	-	54,
Price Per Ounce	$331	$353	-	-	-	$
Foreign Currency Contracts						
Chilean Peso - USD	$ 3,975	-	-	-	-	$ 3,
Exchange Rate (CLP to USD)	712	-	-	-	-	

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