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COEUR D ALENE MINES CORP  
Form 10-K/A  
August 19, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C.

FORM 10-K/A No. 2

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

Amendment No. 2 to Annual Report on Form 10-K for the fiscal year ended December 31, 2003

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

Idaho  
(State or other jurisdiction  
of incorporation)

1-8641  
(Commission  
File Number)

82-0109423  
(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 items, financial statements, exhibits or other portions of its Annual Report on Form 10-K for the fiscal year ended December 31, 2003, as set forth in the pages attached hereto:

Part II.	Item 6.	Selected Financial Data
	Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	Item 8.	Financial Statements and Supplementary Data
	Item 9A.	Controls and Procedures
Part IV.	Item 15.	Exhibits - Independent Auditors' Consent - Certifications of CEO and CFO

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: August 18, 2004

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. 2 TO ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

Explanatory Note

This Amendment No. 2 on Form 10-K/A (this Amendment) amends the annual report on Form 10-K originally filed by Coeur d Alene Mines Corporation (the Company) on March 9, 2004 for the fiscal year ended December 31, 2003 (the Original Annual Report). The Company is filing this Amendment to restate its financial statements as of December 31, 2003 and 2002 and for the years then ended, as listed under Part II, Item 8 herein, and to restate the information set forth in the Selected Financial Data included under Part II, Item 6, in the Management's Discussion and Analysis of Financial Condition and Results of Operation under Part II, Item 7, and under Controls and Procedures under Part II, Item 9A.

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The information contained in the Original Annual Report, as amended by this Amendment, has not been updated to reflect events and circumstances occurring since its original filing. Such matters have been or will be addressed in reports filed with the Securities and Exchange Commission (other than this Amendment) subsequent to the date of the Original Annual Report. Pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, the Company has restated in its entirety each item of its Original Annual Report affected by this Amendment.

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### PART II

#### Item 6. Selected Financial Data

The following table summarizes certain selected consolidated financial data with respect to the Company and its subsidiaries and should be read in conjunction with the Consolidated Financial Statements and Notes thereto appearing elsewhere in this report.

	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
<b>Income Statement Data:</b>					
	<i>(In thousands except per share data)</i>				
	(Restated) <sup>(1)</sup>	(Restated) <sup>(1)</sup>			
Revenues:					
Sales of metal	\$ 108,522	\$ 86,333	\$ 69,200	\$ 93,174	\$ 86,318
Other income(2)	2,019	8,544	2,712	8,032	22,628
<b>Total revenues</b>	<b>110,541</b>	<b>94,877</b>	<b>71,912</b>	<b>101,206</b>	<b>108,946</b>
Costs and expenses:					
Production costs	77,861	82,855	69,149	86,661	68,896
Depreciation and depletion	16,627	13,511	11,347	20,785	19,620
Administrative and general	12,264	8,806	8,122	9,714	9,281
Mining exploration	6,914	6,455	10,046	9,412	8,518
Interest expense	12,851	21,948	14,592	16,999	16,408
Write-down of mining properties and other(3)	6,393	23,060	9,946	21,236	20,204
Loss (gain) on early retirement of debt (4)	41,564	19,061	(48,217)	(16,136)	(3,990)
<b>Total expenses</b>	<b>174,474</b>	<b>175,696</b>	<b>74,985</b>	<b>148,671</b>	<b>136,937</b>
Net loss from operations before income taxes	(63,933)	(80,819)	(3,073)	(47,465)	27,991
(Provision) benefit for income taxes	7	--	6	(348)	(332)
Net loss before cumulative effect of change in accounting principle	(63,926)	(80,819)	(3,067)	(47,813)	(28,323)
Cumulative effect of change in accounting principle	(2,306)	--	--	--	--
<b>Net loss</b>	<b>\$ (66,232)</b>	<b>\$ (80,819)</b>	<b>\$ (3,067)</b>	<b>\$ (47,813)</b>	<b>\$ (28,323)</b>
<b>Net loss attributable to common shareholders</b>	<b>\$ (66,232)</b>	<b>\$ (80,819)</b>	<b>\$ (3,067)</b>	<b>\$ (49,993)</b>	<b>\$ (38,855)</b>

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	2003	2002	2001	2000	1999
<b>Income Statement Data:</b>					
<b>Basic and Diluted Earnings Per Share Data:</b>					
Net loss per share	\$ (0.39)	\$ (1.03)	\$ (0.07)	\$ (1.41)	\$ (1.61)
Cash dividends paid per Common share	\$ --	\$ --	\$ --	\$ --	\$ --
Weighted average shares of Common stock	168,186	78,193	41,946	35,439	24,185

December 31,

	2003	2002	2001	2000	1999
<b>Balance Sheet Data:</b>					
	Restated <sup>(1)</sup>	Restated <sup>(1)</sup>			
			(In thousands)		
Total assets	\$ 259,467	\$ 173,491	\$ 210,380	\$ 271,377	\$ 354,047
Working capital - (restated) <sup>(4)</sup> <sup>(5)</sup>	\$ 100,315	\$ 7,034	\$ 16,270	\$ 52,263	\$ 169,054
Long-term liabilities	\$ 39,529	\$ 89,711	\$ 141,877	\$ 228,659	\$ 264,709
Shareholders' equity	\$ 197,478	\$ 47,687	\$ 26,788	\$ 17,440	\$ 68,165

- <sup>(1)</sup> Historically, the Company has 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 passes to third-party smelters (at the lower of month-end spot price or the average monthly price for that month). The final settlement price is not fixed until a later date (typically one to three months after shipment) based upon quoted metal prices by an established metal exchange as set forth in each contract, at such date. 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 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 unit the date of final gold and silver settlement. The Company has corrected the error in valuing these embedded derivatives on the financial statements for each of the three, six and nine month periods ending March 31, June 30, and September 30 for 2003 and 2002, and the years ending December 31, 2003 and 2002.

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- <sup>(2)</sup> Included in other income for the year 2003 are: (i) \$0.4 million of insurance settlement (ii) \$0.5 million of gains on foreign currency and (iii) \$0.5 million of interest income. Included in other income for the year 2002 are: (i) the gain on the sale of Petorca of \$1.4 million, and (ii) a gain on the sale of other assets of \$3.2 million. Included in other income in 2001 was interest income of \$2.7 million. Included in other income for the year 2000 are: (i) a gain recorded on mark to market of the Company's gold call positions sold of \$4.1 million, and (ii) loss on investment in Pan American Silver Corp. stock of \$2.3 million. Included in other income for the year 1999 are: (i) a gain of \$21.1 million in settlement of a lawsuit, and (ii) a loss recorded on mark to market of the Company's gold call positions sold of \$4.3 million.
- <sup>(3)</sup> The year 2002 includes an impairment to the Coeur Silver Valley properties of \$19.0 million. The year 2001 includes an impairment to the Kensington property of \$6.1 million. During 2001, the Company also recorded an expense of approximately \$4.2 million for settlement of an environmental lawsuit, including \$3.9 million in payments and estimated legal fees and other costs. As a consequence of the sale of the Company's shareholding in Gasgoyne Gold Mines NL, the Company recorded a write-down of \$12.2 million in 2000 to reflect the excess book value of its shareholding in Gasgoyne above the \$15.6 million sales price. In 1999, the Company evaluated the recoverability of its investment in Yilgarn Star Mine and determined that its investment in property, plant and equipment at the Yilgarn Star Mine in Australia was impaired. The total amount of the impairment recorded in 1999 was \$16.2 million.
- <sup>(4)</sup> During 2003, holders of \$12.7 million of our 13 3/8% Convertible Senior Subordinated Notes due December 31, 2003 voluntarily converted such notes, in accordance with original terms, into approximately 9.6 million shares of common stock including payment for make whole provision for interest expense.

During 2003, we also exchanged \$27.9 million and \$2.1 million principal amount of our outstanding 6 3/8% Convertible Subordinated Debentures due 2004 and our 7 1/4% Convertible Subordinated Debentures due 2005, respectively, in exchange for 18.5 million shares of common stock and recorded a loss on exchange and early retirement of debt of approximately \$29.7 million. The shares included 0.5 million shares of common stock issued as payment for interest expense as part of the transaction. In conjunction with the issuance of the 9% Convertible Senior Subordinated Notes due 2007, we also issued 0.6 million shares of common stock for partial payment of offering costs of \$1.0 million.

In July 2003, we and each of the holders of our 9% Convertible Senior Subordinated Notes due 2007 entered into an Early Conversion Agreement, whereby such holders exchanged an aggregate of \$32.6 million principal amount of our 9% Convertible Senior Subordinated Notes due 2007 for 27.5 million shares of common stock, including shares issued for accrued interest. We recorded a loss on early retirement of debt of \$4.2 million in the third

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quarter of 2003 in conjunction with this transaction. On November 25, 2003, the Company issued 3.2 million shares of common stock in a registered offering, the proceeds of which were used to redeem \$4.6 million principal amount of the 9% Convertible Senior Subordinated Notes and recorded a loss on the early retirement of debt of \$7.6 million.

In September 2002, the EITF issued 02-15, "Determining Whether Certain Conversions of Convertible Debt to Equity Securities Are within the Scope of FASB Statement No. 84". The EITF concluded that the conversion of debt to equity pursuant to inducement should be accounted for in accordance with SFAS No. 84. SFAS No. 84 requires a non-cash charge to earnings for the implied value of an inducement to convert from convertible debt to common equity securities of the issuer. SFAS No. 84 does not apply, however, if the conversion of convertible debt is under the original terms of the debenture.

We applied the provisions of SFAS No. 84 to all convertible debt for equity exchange transactions completed after September 11, 2002. In the fourth quarter of 2002, we purchased \$10.3 million and \$2.7 million aggregate principal amount of our 6 3/8% Convertible Subordinated Debentures due 2004 and our 7 1/4% Convertible Subordinated Debentures due 2005, respectively. We issued approximately 8.7 million shares of our common stock with a market value of approximately \$17.2 million. The value of securities issuable pursuant to original conversion privileges was approximately \$1.1 million. Therefore, pursuant to the provisions of SFAS No. 84, an induced debt conversion expense of \$16.1 million was recorded and is included in gain (loss) on early retirement of debt in the consolidated statement of operations for the year December 31, 2002.

We exchanged \$13.7 million, \$11.1 million and \$3.0 million aggregate principal amount of our 6% Senior Convertible Debentures due 2002, our 6 3/8% Convertible Subordinated Debentures due 2004, and our 7 1/4% Convertible Subordinated Debentures due 2005, respectively, during the year ended December 31, 2002. We issued approximately 25.3 million shares of our common stock, including interest expense, and recorded a loss on early retirement of debt of approximately \$19.1 million. In addition, holders of \$28.8 million of Series I 13 3/8% Convertible Senior Subordinated Notes due December 2003 and \$21.5 million of the Series II 13 3/8% Convertible Senior Subordinated Notes due December 2003 voluntarily converted such Notes, under the original terms of the applicable indentures, into approximately 37.1 million shares of common stock. We also issued 8.0 million shares of common stock as payment of interest expense on the 13 3/8% Notes. Transactions completed prior to September 11, 2002 were accounted for as extinguishments of debt, in accordance with APB No. 26, "Early Extinguishment of Debt".

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During 2001, we issued 6.1 million shares of common stock in exchange for approximately \$16 million in principal amount of our 7 1/4% Convertible Subordinated Debentures due 2005, and recorded a gain of approximately \$9.0 million. Also during 2001, we completed an exchange offer whereby existing convertible subordinated debenture holders could exchange their existing debt for the newly registered 13 3/8% Convertible Senior Subordinated Notes due 2003. As a result of the exchange offer, we recorded a gain of \$39.2 million, net of taxes and offering costs in the third quarter of 2001.

During 2000, we repurchased approximately \$9.1 million principal amount of our 6% Convertible Subordinated Debentures due 2002, approximately \$0.6 million principal amount of our 6 3/8% Convertible Subordinated Debentures due 2004, and approximately \$22.0 million principal amount of our outstanding 7 1/4% Convertible Subordinated Debentures due 2005. We paid a price for those repurchased debentures of approximately \$14.1 million. As a result of these repurchases, we recorded a gain of approximately \$16.1 million.

During 1999, we repurchased approximately \$10.2 million principal amount of our 6% Convertible Subordinated Debentures due 2002 for a purchase price of approximately \$6.2 million, and as a result we recorded a gain of approximately \$4.0 million in the early retirement of debt.

- (5) The Company has made corrections to amounts presented in prior year financial statements to present separately the portion of the amount attributable to ore on leach pad that represents a long-term asset and to correct the classification of restricted investments from current assets to long-term. The amount previously reported as current inventory has been reduced by \$22.8 million in 1999, \$19.9 million in 2000 and \$12.4 million in 2001. In addition, the entire restricted investments balance of \$11.2 million as of December 31, 2001 has been reclassified to long-term assets. The effect of these corrections reduced previously reported current assets by \$22.8 million in 1999, \$19.9 million in 2000, and \$23.6 million in 2001 and increased long-term assets by the same amount. This correction has reduced the amount of reported current inventory by \$12.3. All of these corrections have had no impact on our previously reported results of operations, earnings per share, total assets and liabilities, or shareholders' equity.

### Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### General

The results of the Company's operations are significantly affected by the market prices of gold and silver which 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.

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) to 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, provide short-term positive cash flow return and expand 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.

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 in 2003.

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### Critical Accounting Policies and Estimates

Management considers the following policies to be most critical in understanding the judgments that are involved in preparing the Company's consolidated financial statements and the uncertainties that could impact its results of operations, financial condition and cash flows. Our consolidated financial statements are impacted by the accounting policies used and the estimates and assumptions made by management during their preparation. We have identified the policies below as critical to our business operations and the understanding of our results of operations. Management's discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). The preparation of these statements requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. We base these estimates on historical experience and on assumptions that we consider reasonable under the circumstances; however, reported results could differ from those based on the current estimates under different assumptions or conditions. The impact and any associated risks related to these policies on our business operations are discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations. The areas requiring the use of management's estimates and assumptions relate to recoverable ounces from proven and probable reserves that are the basis of future cash flow estimates and units-of-production depreciation and amortization calculations; estimates of recoverable gold and silver ounces in ore on leach pad; reclamation and remediation costs; and post-employment and other employee benefit liabilities. For a detailed discussion on the application of these and other accounting policies, see Note B in the Notes to the Consolidated Financial Statements of this Annual Report on Form 10-K.

**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, which is the final settlement price based on a future price, 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 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 \$37,487; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately \$6,812. At December 31, 2002, the Company had outstanding provisionally priced sales of \$23.7 million consisting of 3.2 million ounces of silver, 26,250 ounces of gold and 1,180,447 pounds of copper. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately \$32,000; for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately \$26,000; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately \$12,000.

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**Reserve Estimates.** The preparation of this Annual Report on Form 10-K requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates. The most critical accounting principles upon which the Company's financial status depends are those requiring estimates of recoverable ounces from proven and probable reserves and/or assumptions of future commodity prices. There are a number of uncertainties inherent in estimating quantities of reserves, including many factors beyond our control. Ore reserves estimates are based upon engineering evaluations of samplings of drill holes and other openings. These estimates involve assumptions regarding future silver and gold prices, the geology of our mines, the mining methods we use and the related costs we incur to develop and mine our reserves. Changes in these assumptions could result in material adjustments to our reserve estimates. We use reserve estimates in determining the units-of-production depreciation and amortization expense, as well as in evaluating mine asset impairments.

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

Accounting for the Impairment or Disposal of Long-Lived Asset, to evaluate the recoverability of capitalized mineral property costs. An impairment is considered to exist if total estimated future cash flows or probability-weighted cash flows on an undiscounted basis is less than the carrying amount of the assets, including property, plant and equipment, mineral property, development property, and any deferred costs such as deferred stripping. The accounting estimates related to impairment are critical accounting estimates because the future cash flows used to determine whether an impairment exists is dependent on reserve estimates and other assumptions including, silver and gold prices, production levels, and capital and reclamation costs, all of which are based on detailed engineering life-of-mine plans. An impairment loss exists when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Any impairment loss recognized represents the excess of the asset's carrying value as compared to its estimated fair value. The Company reviews the carrying value of its assets whenever events or changes in circumstances indicate that the carrying amount of its assets may not be fully recoverable. The Company has previously recorded \$0.0 million, \$19.0 million and \$6.1 million in write-downs for the years ended December 31, 2003, 2002 and 2001, respectively.

The following table summarizes write-downs and other recorded for all years presented:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Mineral property write-downs <sup>(1)(2)</sup>	\$ --	\$ 19,045	\$ 6,087
Mine closure and holding costs <sup>(3)</sup>	5,455	2,902	1,453
Investment in new business venture <sup>(4)</sup>	938	1,113	1,052
Write down of inventory at Handy & Harman <sup>(5)</sup>	--	--	1,354
	<u>        </u>	<u>        </u>	<u>        </u>
Write-down of mineral properties and other	\$ 6,393	\$ 23,060	\$ 9,946

(1) 2002 - Coeur Silver Valley

(2) 2001 - Kensington mine

(3) Holding costs at Coeur Silver Valley, Kensington and Cerro Bayo

(4) Earthworks Technology costs; 2003, 2002 Mine depot costs; 2001

(5) Amount of doré carried at Handy & Harman during its bankruptcy

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

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

The key stages in the conversion of ore into silver and gold are (i) the blasting process in which the ore is broken into large pieces; (ii) the processing of the ore through a crushing facility that breaks it into smaller pieces; (iii) the transportation of the crushed ore to the leach pad

where the leaching solution is applied; (iv) the collection of the leach solution; (v) subjecting the leach solution to the precipitation process, in which gold and silver is converted back to a fine solid; (vi) the conversion of the precipitate into dorè; and (vii) the conversion by a third party refinery of the dorè into refined silver and gold bullion.

We use several integrated steps to scientifically measure the metal content of ore placed on the leach pads during the key stages. As the ore body is drilled in preparation for the blasting process, samples of the drill residue are assayed to determine estimated quantities of contained metal. We estimate the quantity of ore by utilizing global positioning satellite survey techniques. We then process the ore through a crushing facility where the output is again weighed and sampled for assaying. A metallurgical reconciliation with the data collected from the mining operation is completed with appropriate adjustments made to previous estimates. We then transport the crushed ore to the leach pad for application of the leaching solution. As the leach solution is collected from the leach pads, we continuously sample for assaying. We measure the quantity of leach solution by flow meters throughout the leaching and precipitation process. After precipitation, the product is converted to dorè, which is the final product produced by the mine. We again sample and assay the dorè. Finally, a third party smelter converts the dorè into refined silver and gold bullion. At this point 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 \$32.1 million as of December 31, 2003. Of this amount, \$17.4 million is reported as a current asset and \$14.7 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.

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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	1.4 million	2.7 million	4.0 million	9,100	18,200	27,300
Positive impact on future cost of production per silver equivalent ounce for increases in recovery						

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	Positive/Negative Change in Silver Recovery			Positive/Negative Change in Gold Recovery		
rates	\$0.46	\$0.81	\$1.09	\$0.24	\$0.44	\$0.63
Negative impact on future cost of production per silver equivalent ounce for decreases in recovery rates	\$0.62	\$1.50	\$2.85	\$0.27	\$0.59	\$0.97

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. Such costs related to active mines are accrued and charged over the expected operating lives of the mines using the units-of-production method.

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

**Pension and other Benefit Plans.** Pension and other benefit plan costs can be impacted by actual results over future periods. If the difference between expected returns and actual results falls outside certain limits, the difference will be amortized into future earnings on a straight-line basis over the average remaining working life of the participants. The long-term expected rate of return on plan assets for purposes of the actuarial valuation was assumed to be 6% and 7% as of December 31, 2003 and 2002, respectively.

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The following table provides details of the pension plans asset mix at December 31, 2003:

Asset Class	Actual Mix	Target Mix	Expected Rate of Return	Standard Deviation or Volatility
U.S. equity investments	42%	30%	8.75%	16.00%
Guaranteed investment contracts	9%	10%	4.00%	1.00%
Fixed income investments	28%	30%	5.50%	7.25%
S&P 500 index fund	21%	30%	8.75%	16.00%
			7.40%	16.00%

The Plan's Trustees evaluate the level of volatility within the total Trust and each of its component investments making appropriate inquiries to the plan's investment advisors when prudent. See Note N to the Company's consolidated financial statements for more detail.

**Operating Statistics and Reserve Estimates**

The Company's total production in 2003 was 14.2 million ounces of silver and 119,500 ounces of gold, compared to 14.8 million ounces of silver and 117,000 ounces of gold in 2002. Total estimated proven and probable reserves at December 31, 2003 were approximately 174.6 million ounces of silver and 1.4 million ounces of gold, compared to silver and gold reserves at December 31, 2002 of approximately 75.0 million ounces and 2.3 million ounces, respectively.



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The following table shows the estimated amounts of proven and probable reserves and mineralized material at the Company's following locations (1):

	Proven and Probable					Mineralized Material		
	Tons (000's)	Grade AG	Grade AU	(000's)	(000's)	Tons (000's)	Grade AG	Grade AU
				Ounces AG	Ounces AU			
Rochester	32,563	0.91	0.01	29,596	283	40,328	0.77	0.01
Silver Valley	717	21.54	--	15,432	--	2,252	10.94	--
Cerro Bayo	645	8.34	0.15	5,377	94	3,475	4.83	0.10
Mina Martha	16	83.65	0.09	1,349	1	24	78.43	0.08
San Bartolome	35,274	3.48	--	122,816	--	238	4.16	--
Kensington	4,113	--	0.24	--	1,003	7,262	--	0.12
<b>Total</b>	<b>73,328</b>			<b>174,570</b>	<b>1,381</b>	<b>53,579</b>		

(1) Reserves using silver price of \$5.25 and gold price of \$375.

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The sensitivity of ore reserves at December 31, 2003 would change with fluctuations in the price of gold and silver. The following table shows the estimated changes to ore reserves at different pricing ranges.

### Proven and Probable Ore Reserve Sensitivity to Prices

	Silver Price	Gold Price	Tons (000's)	(000's)	(000's)
				Ounces AG	Ounces AU
Rochester	\$5.00	\$325	25,813.0	27,114.0	253.0
	\$5.50	\$400	45,435.0	41,930.0	379.0
Silver Valley	\$5.00	\$325	627.0	14,048.0	--
	\$5.50	\$400	765.0	16,044.0	--
Cerro Bayo	\$5.00	\$325	581.0	5,041.0	88.0
	\$5.50	\$400	833.0	7,070.0	119.0
Mina Martha	\$5.00	\$325	16.0	1,348.0	1.4
	\$5.50	\$400	16.0	1,348.0	1.4

The following table presents total production by company for the years ended December 31:

	2003	2002	2001
<i>ROCHESTER MINE</i>			
Gold ozs	52,363	71,905	78,201
Silver ozs	5,585,385	6,417,792	6,348,292
Cash Costs per oz./silver	\$4.67	\$2.99	\$3.09
Full Costs per oz./silver	\$5.58	\$3.75	\$4.48
<i>GALENA MINE</i>			
Silver ozs	3,735,663	5,302,721	4,507,652
Cash Costs per oz./silver	\$4.66	\$4.25	\$4.62
Full Costs per oz./silver	\$5.03	\$5.00	\$5.38
<i>CERRO BAYO <sup>(A)</sup></i>			
Gold ozs	67,155	45,209	--
Silver ozs	4,868,854	3,112,169	--
Cash Costs per oz./silver	\$0.60	\$0.38	--
Full Costs per oz./silver	\$2.53	\$1.86	--
<i>PETORCA MINE <sup>(B)</sup></i>			
Gold ozs	--	--	17,945
Silver ozs	--	--	86,599
Cash Costs per oz./gold	--	--	\$341
Full Costs per oz./gold	--	--	\$361
<b>CONSOLIDATED TOTALS</b>			
Gold ozs	119,518	117,114	96,146
Silver ozs	14,189,902	14,832,682	10,942,543
Cash Costs per oz./silver	\$3.27	\$2.89	\$3.71
Full Costs per oz./silver	\$4.39	\$3.80	\$4.84
Cash Costs per oz./gold	--	--	\$341
Full Costs per oz./gold	--	--	\$361
Gold ozs. sold	126,942	98,537	100,295
Silver ozs. sold	14,894,210	13,347,477	10,905,140
Price realized per oz./gold (restated) <sup>(C)</sup>	\$345	\$311	\$275
Price realized per oz./silver (restated) <sup>(C)</sup>	\$4.89	\$4.63	\$4.34

(A) The Company commenced production in April 2002.

(B) Shut down operations for Petorca in August 2001.

(C) Historically, the Company has 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 passes to third-party smelters (at the lower of month-end spot price or the average monthly price for that month). The final settlement price is not fixed until a later date (typically one to three months after shipment) based upon quoted metal prices by an established metal exchange as set forth in each contract, at such date. 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 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 Company has corrected the error in valuing these embedded derivatives on the financial statements for each of the three, six and nine month periods ending March 31, June 30, and September 30 for 2003 and 2002, and the years ending December 31, 2003 and 2002. In addition, the restatement resulted in an increase in price realized per oz./gold of \$1 and a decrease in the price realized per oz./gold of \$1 and an increase in price realized per oz./silver of \$0.02 and decrease in price realized per oz./silver of \$0.01, for the years ended December 31, 2003 and 2002, respectively.

The following tables present reconciliation between Non-GAAP cash costs per ounce to GAAP production costs:

YEAR ENDED DECEMBER 31, 2003

(In thousands except ounces and per ounce costs)

	<u>Rochester</u>	<u>Galena</u>	<u>Cerro Bayo<sup>(1)</sup></u>	<u>Total</u>
Production of Silver (ounces)	5,585,385	3,735,663	4,868,854	14,189,902
Cash Costs per ounce	\$ 4.67	\$ 4.66	\$ 0.60	\$ 3.27
Total Cash Costs (000's)	\$ 26,062	\$ 17,392	\$ 2,911	\$ 46,365
Add/Subtract:				
Third Party Smelting Costs	(811)	(4,939)	(4,675)	(10,425)
By-Product Credit	18,980	2,256	24,383	45,619
Deferred Stripping Adjustment	(322)	--	--	(322)
Change in Inventory	(5,149)	(165)	1,938	(3,376)
Production Costs (GAAP)	\$ 38,760	\$ 14,544	\$ 24,557	\$ 77,861

YEAR ENDED DECEMBER 31, 2002

(In thousands except ounces and per ounce costs)

	<u>Rochester</u>	<u>Galena</u>	<u>Cerro Bayo<sup>(1)</sup></u>	<u>Total</u>
Production of Silver (ounces)	6,417,792	5,302,721	3,112,169	14,832,682
Cash Costs per ounce	\$ 2.99	\$ 4.25	\$ 0.38	\$ 2.89
Total Cash Costs	\$ 19,206	\$ 22,531	\$ 1,191	\$ 42,928
Add/Subtract:				
Third Party Smelting Costs	(1,013)	(7,576)	(1,003)	(9,592)
By-Product Credit	22,328	3,058	14,495	39,881
Accrued Reclamation Costs	1,161	636	86	1,883
Deferred Stripping Adjustment	(174)	--	--	(174)
Change in Inventory	15,122	(125)	(7,068)	7,929
Production Costs (GAAP)	\$ 56,630	\$ 18,524	\$ 7,701	\$ 82,855

<sup>(1)</sup> Commenced operations of Cerro Bayo in April 2002.

YEAR ENDED DECEMBER 31, 2001

(In thousands except ounces and per ounce costs)

	<u>Rochester</u>	<u>Galena</u>	<u>Petorca<sup>(2)</sup></u>	<u>Total</u>
Production of Silver (ounces)	6,348,292	4,507,652		10,855,944
Production of Gold (ounces)	--	--	17,945	17,945

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	Rochester	Galena	Petorca <sup>(2)</sup>	Total
Cash Costs per ounce	\$ 3.09	\$ 4.62	\$ 341.00	N/A
Total Cash Costs	\$ 19,629	\$ 20,810	\$ 6,124	\$ 46,563
Add/Subtract:				
Third Party Smelting Costs	(892)	(5,970)	(1,825)	(8,687)
By-Product Credit, primarily Gold and Copper	21,192	2,582	1,489	25,263
Accrued Reclamation Costs	1,542	652	--	2,194
Deferred Stripping Adjustment	(386)	--	--	(386)
Change in Inventory	3,543	(250)	909	4,202
Production Costs (GAAP)	\$ 44,628	\$ 17,824	\$ 6,697	\$ 69,149

<sup>(2)</sup> Shut down operations for Petorca in August 2001.

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Cash Costs per Ounce are calculated by dividing the cash costs computed for each of the Company's mining properties for a specified period by the amount of gold ounces or silver ounces produced by that property during that same period. Management uses cash costs per ounce as a key indicator of the profitability of each of its mining properties. Gold and silver are sold and priced in the world financial markets on a US dollar per ounce basis. 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, third-party refining and smelting costs, marketing expense, on-site general and administrative costs, royalties, in-mine drilling expenditures that are related to production and other direct costs. Sales of by-product metals are deducted from the above in computing cash costs. Cash costs exclude depreciation, depletion and amortization, corporate general and administrative expense, exploration, interest, and pre-feasibility costs and accruals for mine reclamation. Cash costs 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 you 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 above.

## Results of Operations

### Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

#### Revenues

Sales of concentrates and dorè in the year ended December 31, 2003 increased by \$22.2 million, or 26%, from the year ended December 31, 2002 to \$108.5 million. The increase in sales was primarily attributable to an increase in the quantity of silver and gold sold during 2003, increased metal prices received in 2003 compared with 2002 and an increase in gain on embedded derivative of \$0.4 million for the year ended December 31, 2003. In 2003, the Company sold 14.9 million ounces of silver and 127,000 ounces of gold, compared to sales of 13.3 million ounces of silver and 99,000 ounces of gold in 2002. In the year ended December 31, 2003, the Company produced a total of 14.2 million ounces of silver and 120,000 ounces of gold compared to 14.8 million ounces of silver and 117,000 ounces of gold in 2002. In the year ended December 31, 2003, the Company realized average silver and gold prices of \$4.89 and \$345, respectively, compared with realized average prices of \$4.63 and \$311, respectively, in the prior year.

Interest and other income in the year ended December 31, 2003 decreased by \$6.5 million compared with the year ended December 31, 2002. The primary reason for the decrease is due to gains recorded in 2002 of \$3.2 million for assets sold from Silver Valley and \$1.4 million for the sale of the Petorca mine.

### Costs, Expenses and Write-downs

The following table sets forth year 2003 versus year 2002 costs, expenses and write-downs:

[GRAPHIC OMITTED]

Production costs in the year ended December 31, 2003 decreased by \$5.0 million, or 6%, from the year ended December 31, 2002 to \$77.9 million. The decrease in production costs is primarily due to increased production from the Company's low-cost Cerro Bayo and Martha mines resulting in lower total production costs in 2003 compared to 2002. The decrease in production costs was offset partially by increased costs at the Company's Rochester mine due to a crusher relocation and increased costs at the Company's Galena mine due to the implementation of a long-range optimization plan.

Depreciation and amortization increased in the year ended December 31, 2003 by \$3.1 million, or 23%, from the prior year, primarily due to increased production at the Cerro Bayo mine and reduced depletion expense at the Galena mine.

Administrative and general expenses increased \$3.5 million in the year ended December 31, 2003 compared to 2002 due primarily to costs associated with the Company's restructuring activities in 2003.

Exploration expenses increased \$1.1 million in the year ended December 31, 2003 compared to 2002, due to increased exploration activity at the Cerro Bayo and Mina Martha mines.

Pre-feasibility expense decreased \$0.6 million as a result of a lower level of activity at the San Bartolome mine during the first half of 2003.

Interest expenses decreased \$9.1 million in the year ended December 31, 2003 compared to 2002, due to a reduction in debt levels associated with the Company's restructuring program which was substantially completed in 2003.

Write-downs of mining properties and other expenses amounted to \$6.4 million in 2003, primarily as a result of holding costs at the Galena and Rochester mines for maintenance and crusher relocation in 2003. Write-downs of mining properties and other expenses in 2002 amounted to a total of \$23.1 million, primarily as a result of (i) \$19.0 million write-down of the Silver Valley property, (ii) \$2.9 million of mine closing and holding costs at Petorca and Kensington and (iii) \$1.1 million on environmental charges.

### Early Retirement of Debt

Early retirement of debt resulted in a \$41.6 million loss in 2003 compared to a \$19.1 million loss in 2002. During 2003, the Company reduced its total debt by \$70.0 million from December 31, 2002 to December 31, 2003. See "Debt Reduction Program" discussion below.

### Cumulative Effect of Change in Accounting Principle

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 was accounted for as a change in accounting principle as of January 1, 2003. See Note J to the Consolidated Financial Statements "Reclamation and remediation costs."

### Net Loss

As a result of the above, the Company's net loss amounted to approximately \$66.2 million in the year ended December 31, 2003 compared to a net loss of \$80.8 million in the year ended December 31, 2002.

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**Year Ended December 31, 2002 Compared to Year Ended December 31, 2001**

**Revenues**

Sales of concentrates and dorè in the year ended December 31, 2002 increased by \$17.1 million, or 25%, from the year ended December 31, 2001 to \$86.3 million. The increase in sales was primarily attributable to higher realized gold and silver prices accounting for approximately \$7.3 million of the increase, and increased production of silver and gold compared to 2001, accounting for \$9.8 million of the increase. In the year ended December 31, 2002, the Company produced a total of 14.8 million ounces of silver and 117,000 ounces of gold compared to 10.9 million ounces of silver and 96,000 ounces of gold in 2001. In the year ended December 31, 2002, Company realized average silver and gold prices of \$4.63 and \$311, respectively, compared with realized average prices of \$4.34 and \$275, respectively, in the prior year. The increase in gold and silver production was primarily due to the commencement of commercial production at the Company's Cerro Bayo/Martha Mine and increased production at Silver Valley.

Interest and other income in the year ended December 31, 2002 increased by \$5.8 million compared with year ended December 31, 2001. The amount also includes gains on the sale of certain assets at Silver Valley of \$3.2 million and the sale of the Petorca mine of \$1.4 million.

**Costs, Expenses and Write-downs**

The following table sets forth year 2002 versus year 2001 costs, expenses and write-downs:

[GRAPHIC OMITTED]

Production costs in the year ended December 31, 2002 increased by \$13.7 million, or 20%, from the year ended December 31, 2001 to \$82.9 million. The increase in production costs is primarily a result of the commencement of commercial mining operations at the Cerro Bayo/Martha Mine.

Depreciation and amortization increased in the year ended December 31, 2002 by \$2.2 million, or 19%, from the prior year, primarily due to the commencement of mining operations at the Cerro Bayo/Martha Mine.

Administrative and general expenses increased \$0.7 million in the year ended December 31, 2002 compared to 2001, as a result of normal variations.

Exploration expenses decreased \$2.5 million in the year ended December 31, 2002 compared to 2001, due to a \$2.5 million reduction in spending as a result of a decision to focus exploration efforts around existing operations.

Pre-feasibility expense decreased \$1.1 million due to reduced expenses at the San Bartolome Project.

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Interest expenses increased \$7.4 million in the year ended December 31, 2002 compared to 2001, due to the make whole interest payments in conjunction with the Company's Debt Reduction Program discussed below, which involved the conversion of 13 3/8% notes.

Write-downs of mining properties and other expenses amounted to \$23.1 million in 2002, primarily as a result of the (i) \$19.0 million write-down of the Silver Valley property, (ii) \$2.9 million of mine closing and holding costs at Petorca and Kensington and (iii) \$1.1 million on environmental charges. Write-downs of mining properties and other expenses in 2001 amounted to a total of \$9.9 million, primarily as a result of (i) a write-down of \$6.1 million in the carrying value of the Kensington property, (ii) the \$1.4 million write-down of inventory resulting from the Handy & Harmon bankruptcy and (iii) \$1.4 million of holding costs at Fachinal and Kensington.

**Early Retirement of Debt**

Early retirement of debt resulted in a \$19.1 million loss compared to a \$48.2 million gain in 2001. See Debt Reduction Program discussion below.

## Net Loss

As a result of the above, the Company's net loss amounted to approximately \$80.8 million in the year ended December 31, 2002 compared to a net loss of \$3.1 million in the year ended December 31, 2001.

## Liquidity and Capital Resources

### Working Capital; Cash and Cash Equivalents

The Company's working capital at December 31, 2003 was approximately \$100.3 million compared to \$7.0 million at December 31, 2002. The ratio of current assets to current liabilities was 5.5:1 at December 31, 2003 compared to 1.2:1 at December 31, 2002. The increase in working capital is primarily the result of the common stock issuance in the fourth quarter.

Net cash used in operating activities in 2003 was \$5.1 million compared with \$8.5 million used in operating activities in 2002. The most significant non-cash items included in the net loss in 2003 were losses on early retirement of debt of \$41.6 million, interest expense of \$8.2 million paid with common stock, and the \$2.3 million cumulative effect of change in accounting principle.

A total of \$33.4 million was used by investing activities in 2003 compared to \$6.0 million used in 2002. In 2003, cash used for development of mining assets was \$19.9 million and net purchases of short-term investments \$13.6 million.

The Company's financing activities provided \$91.8 million during 2003 compared to \$8.8 million in 2002. The variance is due to the proceeds received from the issuance in 2003 of \$105.7 million of common stock and the issuance of 9% Notes of \$33.8 million, offset in part by offering costs of \$5.4 million. In addition, \$39.7 million of long-term debt was retired during 2003.

The Company believes its cash on hand, the funds received in connection with the post year-end financing and cash from operations will be adequate to meet its obligations during the next twelve months. Nevertheless, if the Company decides to pursue additional mineral interests or acquisitions, additional equity issuances or financing may be necessary. There can be no assurances that such financing will be available when or if needed.

The Company's cash flow forecasts indicate that approximately \$9.4 million will be spent during 2004 on capital expenditures at its operating mines. In addition, the Company expects to spend approximately \$10.7 million on exploration, lease holding costs and new project development. The Company expects to complete updated feasibility studies for its Kensington gold project and the San Bartolome silver project. The Company currently estimates capital costs for these projects at approximately \$155 million. Both projects are subject to the outcome of the updated feasibility studies and the receipt of remaining permits. If the projects are approved, construction could commence in 2004 with commercial operation expected to occur in 2006.

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### Capitalized Expenditures

During 2003, the Company expended \$12.1 million at the Rochester mine, \$4.9 million for continuing mine development at the Cerro Bayo and Mina Martha properties, \$2.4 million at the Galena Mine. During 2004, the Company plans to expend \$3.5 million for investment activities at the Rochester mine, \$2.1 million at the Galena mine, \$3.0 million at Cerro Bayo, \$3.8 million at the Kensington development property and \$1.9 million at the San Bartolome development property. The Company expects to complete updated feasibility studies for its Kensington gold project and the San Bartolome silver project. The Company estimates capital costs for these projects at approximately \$155 million. Both projects are subject to the outcome of the updated feasibility studies and the receipt of remaining permits. If the projects are approved, construction could commence in 2004 with commercial operation expected to occur in 2006.

### Debt Reduction Program

During the past five years, the Company has pursued a program of restructuring and reducing its outstanding indebtedness, which has resulted in a reduction of long-term debt from \$246.5 million at December 31, 1998 to \$9.6 at December 31, 2003. A summary of the major components of the program are as follows:

#### 1998-2000 Repurchases and exchanges

In 1998, the Company repurchased approximately \$4.0 million principal amount of its outstanding 6% Debentures, approximately \$36.5 million principal amount of its outstanding 7 1/4% Debentures and \$1.6 million principal amount of its outstanding 6 3/8% Debentures for a

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total purchase price of approximately \$28.5 million. During 1999, the Company repurchased approximately \$10.2 million principal amount of its outstanding 6% Debentures for a total purchase price of approximately \$6.2 million. During 2000, the Company repurchased approximately \$9.1 million principal amount of its outstanding 6% Debentures and \$22.0 million principal amount of its outstanding 7 1/4% Debentures for a total purchase price of approximately \$13.9 million.

### 2001 Public Exchange Offer

On June 29, 2001, the Company commenced an offer of its Series I 13 3/8% Senior Convertible Subordinated Notes due 2003 ( Series I 13 3/8 Notes ) in exchange for its outstanding 6%, 6 3/8% and 7 1/4% Debentures. The Company offered \$1,000 principal amount of Series I 13 3/8 Notes for each \$2,000 principal amount of 6 3/8% and 7 1/4% Debentures, and \$1,000 principal amount of Series I 13 3/8 Notes in exchange for each \$1,000 principal amount of 6% Debentures. The exchange offer was completed on July 30, 2001 and on August 1, 2001, the Company issued a total of approximately \$42.6 million principal amount of Series I 13 3/8% Notes in exchange for approximately \$2.0 million principal amount of 6% Debentures, \$26.6 million principal amount of 6 3/8% Debentures and \$54.5 million principal amount of 7 1/4% Debentures that were tendered and accepted in the exchange offer. In addition, the Company sold \$25,000 principal amount of Series I 13 3/8% Notes for cash in connection with the offer. The exchange offer reduced the Company's outstanding long-term debt by approximately \$39.9 million and increased shareholders' equity by approximately \$38.6 million. As a result of the exchange offer, the Company recorded a gain of approximately \$39.2 million, net of offering costs.

The Series I 13 3/8% Notes were senior in right of payment to the 6%, 6 3/8% and 7 1/4% Debentures. The Series I 13 3/8% Notes were convertible into Coeur common stock, at any time prior to maturity at a conversion price of \$1.35 per share, subject to adjustment. Interest was payable semi-annually on June 30 and December 31 of each year. The Company was entitled to elect to pay interest in cash or stock, in its sole discretion. The Company elected to pay the \$2.9 million of interest payable on December 31, 2001 in common stock, issuing a total of 3.4 million shares of common stock in payment thereof. The Company had certain automatic conversion rights. If an automatic conversion were to occur within the first two years after issuance, or if holders elected to convert their Series I 13 3/8% Notes within the first two years after issuance and prior to notice of any automatic conversion, the Company was required to make a payment to the holders in cash, or at the Company's option, in common stock, equal to two full years of interest, less interest already paid. The Series I 13 3/8% Notes were redeemable at the option of the Company two years after issuance, subject to certain conditions, and at the option of the holders in the event of a change in control.

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### 2001 Private Exchange Transactions

In the first quarter of 2001, the Company exchanged \$5.0 million principal amount of outstanding 7 1/4% Debentures for 1.8 million shares of common stock. As a result, the Company recorded a gain of approximately \$3.0 million, in connection with the reduction of indebtedness. In the second quarter of 2001, the Company exchanged a total of \$11.0 million principal amount of 7 1/4% Debentures for 4.3 million shares of common stock. As a result, the Company recorded a gain of approximately \$5.8 million.

### 2001 Conversions

During the year ending December 31, 2001, holders of \$1.8 million principal amount of the Series I 13 3/8% Convertible Notes voluntarily converted such notes into approximately 1.3 million shares of common stock. In addition, 3.8 million shares of common stock were issued as payment for \$2.9 million of interest expense on the Series I 13 3/8% Notes during 2001.

### 2002 Private Placement Transaction

In May 2002, The Company issued \$21.5 million principal amount of new Series II 13 3/8% Convertible Senior Subordinated Notes ( Series II 13 3/8% Notes ) due December 2003, for proceeds of approximately \$13.5 million, net of discount of \$5.5 million and offering costs of approximately \$1.9 million. Proceeds from this transaction were used to retire the remaining outstanding \$9.4 million of 6% Convertible Subordinated Debentures due June 10, 2002 upon their maturity along with accrued interest and for general corporate purposes. The Series II 13 3/8% Notes were issued on similar terms, subject to certain contingent provisions, as the Company's previously issued, Series I 13 3/8% Notes.

### 2002 Exchanges and Conversions

During 2002, the holders of the 6%, 6 3/8% and 7 1/4% Debentures exchanged a total of \$13.7 million, \$11.1 million, and \$3.0 million principal amount, respectively, in exchange for a total of 14.4 million, 8.6 million and 2.3 million shares of common stock, respectively. Shares issued for the 6 3/8% and 7 1/4% Debentures include 0.7 million and 0.2 million shares of common stock issued for payment of interest.



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As of December 31, 2002, the holders of a total of approximately \$28.7 million principal amount of Series I 13 3/8% Notes had converted their notes into a total of 21.2 million shares of common stock, excluding make whole interest payments.

As of December 31, 2002, the holders of a total of approximately \$21.5 million principal amount of Series II 13 3/8% Notes had converted their notes into a total of 15.9 million shares of common stock. As a result, the entire issue of Series II 13 3/8% Notes had converted into common stock. The Company issued 2.9 million shares for payment of interest.

### 2003 Issuance of 9% Senior Convertible Notes

On February 26, 2003, the Company completed a private placement of \$37.2 million principal amount of 9% Notes. The net proceeds were approximately \$33.8 million. The 9% Notes were senior in right of payment to the 6 3/8% and 7 1/4% Debentures. The 9% Notes were convertible into Coeur common stock, at any time prior to maturity at a conversion price of \$1.60 per share, subject to adjustment. Interest was payable semi-annually on February 15 and August 15 of each year. The Company was entitled to elect to pay interest in cash or stock, in its sole discretion. The 9% Notes were 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 0.6 million unregistered shares of common stock valued at \$1.54 per share in lieu of cash. No underwriter was used with this transaction. The private placement was made to several accredited institutional investors. The private placement was exempt from registration under the Securities Act of 1933 by virtue of Regulation D thereunder.

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On March 7, 2003, the Company called for the redemption of approximately \$22.4 million principal amount of the outstanding 6 3/8% Debentures, which was funded by a portion of the proceeds received from the sale of the 9% Notes. The redeemed securities were retired on April 7, 2003.

Effective as of July 10, 2003, Coeur d Alene Mines Corporation entered into a series of agreements under which indebtedness of the Company were exchanged for or converted into shares of the Company's common stock, (the Common Stock). The Company and each of the holders of the Company's 9% Notes entered into an Early Conversion Agreement. The amount of principal converted under the Early Conversion Agreements was \$32.6 million, and the common shares issued, including payment of interest, was approximately 27.5 million. After giving effect to the exchanges, an aggregate of \$4.6 million of 9% Notes remained outstanding. The Company recorded a loss on early retirement of debt of \$4.2 million in the third quarter of 2003 in conjunction with these transactions.

### 2003 Redemptions

On November 25, 2003, the Company issued 3.1 million shares of common stock in a registered offering, the proceeds of which were used to redeem the remaining \$4.6 million principal amount of the 9% Convertible Senior Subordinated Notes and recorded a loss on the early retirement of debt of \$7.6 million. In addition, during the fourth quarter of 2003, the Company redeemed the remaining \$4.8 million principal amount of the 6 3/8% Convertible Subordinated Debentures due January 2004.

### 2003 Exchanges and Conversions

During 2003, holders of \$12.7 million of our Series I 13 3/8% Convertible Senior Subordinated Notes due December 31, 2003 voluntarily converted such notes, in accordance with original terms, into approximately 9.6 million shares of common stock including payment for make whole provision for interest expense.

During 2003, we exchanged \$27.9 million and \$2.1 million principal amount of our outstanding 6 3/8% Debentures and our 7 1/4% Debentures, respectively, in exchange for 18.5 million shares of common stock and recorded a loss on exchange and early retirement of debt of approximately \$29.7 million. The shares included 0.5 million shares of common stock issued as payment for interest expense as part of the transaction. In conjunction with the issuance of the 9% Convertible Senior Subordinated Notes due 2007, we also issued 0.6 million shares of common stock for partial payment of offering costs of \$1.0 million.

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### Issuances of Common Stock

During the third quarter of 2003, the Company completed a public offering of 23.7 million shares of common stock at a public offering price of \$3.40 per share, which included 3.1 million shares purchased by the underwriters at the offering price to cover over allotments. The Company realized total net proceeds from the offering, after payment of the underwriters' discount, of approximately \$76.0 million.

On July 7, 2003, the Company sold 0.2 million shares of common stock to an institutional investor for an aggregate of \$0.3 million, or \$1.40 per share. The net proceeds from the sale of shares were used to pay amounts owed by the Company's subsidiary, Empresa Minera Manquiri S.A., a Bolivian corporation, under contracts pursuant to which it obtained certain mineral rights in Bolivia and for general corporate purposes. The sale of share was effected pursuant to the Company's shelf registration statement.

On May 23, 2003, the Company sold 8.1 million shares of common stock to an institutional investor for an aggregate of \$10.0 million, or \$1.23 per share. The Company also granted the investor an option, exercisable within 30 days, to purchase an additional 1.2 million shares of common stock at a price of \$1.23 per share. The proceeds of the sale were used for general corporate purposes and working capital needs, including the repayment of Series I 13 3/8% Notes and 6 3/8% Debentures. On June 20, 2003, the Company sold 1.2 million shares of common stock to the institutional investor for an aggregate of \$1.5 million, or \$1.23 per share, in connection with the above-referenced option. The sales of shares were effected under the Company's shelf registration statement.

On November 25, 2003, the Company issued 3.1 million shares of common stock in registered offering, the proceeds of which were used to redeem the remaining \$4.6 million principal amount of the 9% Convertible Senior Subordinated Notes.

### Subsequent Events

#### 2004 Issuance of 1.25% Convertible Senior Notes

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

#### Redemption of Remaining 7 1/4% Convertible Subordinated Debentures due October 2005 Announced

On February 11, 2004, the Company announced the redemption of the remaining outstanding \$9.6 million principal amount of the Company's 7 1/4% Convertible Subordinated Debentures due October 15, 2005. The final redemption is set for March 11, 2004.

### Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2003 and the effect such obligations are expected to have on our liquidity and cash flow in future periods.

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Contractual Obligations	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Convertible debt (1)	\$ 9,563	\$ --	\$ 9,563	\$ --	\$ --
Operating lease (2)	2,707	2,039	668	--	--
Capital lease (3)	321	207	114	--	--
Kensington Trust (4)	1,357	128	404	751	74
Building Mortgage (5)	1,206	98	228	278	602

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	Payments Due by Period				
Reclamation and mine closure (6)	34,732	389	1,357	4,577	28,409
Pension and health benefits (7)	9,479	1,085	2,194	2,198	4,002
Other long-term liabilities (8)	2,198	406	418	12	1,362
Total	\$ 61,563	\$ 4,352	\$ 14,946	\$ 7,816	\$ 34,449

- (1) The \$9.6 million principal amount of 7 1/4% Debentures due 2005 outstanding at December 31, 2003 are convertible into shares of common stock at the option of the holder on or before October 31, 2005, unless previously redeemed, at a conversion price of \$17.45 per share, subject to adjustment in certain events.

The Company is required to make semi-annual interest payments. The Debentures are redeemable at the option of the Company, and have no other funding requirements until maturity on October, 2005.

On February 11, 2004, the Company announced the redemption of the remaining outstanding \$9.6 million principal amount of the Company's 7 1/4% Convertible Subordinated Debentures due October 15, 2005. The final redemption is set for March 11, 2004.

- (2) The Company has entered into various operating lease agreements which expire over a period of three years.
- (3) The Company has entered into various capital lease agreements for commitments over the next two years.
- (4) Purchase obligation for the Kensington property in Alaska.
- (5) The Company has secured a 10-year loan for \$1.3 million at an interest rate of 10% for the Corporate Office Building utilizing the building as collateral for the loan. The amount of this loan outstanding at December 31, 2003 was \$1.2 million. The loan was paid in full on February 11, 2004.
- (6) Reclamation and mine closure amounts represent the Company's estimate of the discounted cash flows of its legal obligation to reclaim and remediate mining properties. This amount will increase over the passage of time for accretion of the obligation and will decrease as reclamation and remediation work is completed. Amounts shown on table are undiscounted.
- (7) Pension and health benefit amounts were determined by the actuary and are estimated based on the census information for the employee or retiree for each respective plan.
- (8) The remaining liabilities include amounts required by GAAP to accrue and include liabilities for severance, workers compensation and other miscellaneous accruals.

### **Risk Factors; Forward-Looking Statements**

For information relating to important risks and uncertainties that could materially adversely affect the Company's business, securities, financial condition or operating results, reference is made to the disclosure set forth under Item 1 above under the caption "Risk Factors." In addition, because the following discussion includes numerous forward-looking statements relating to the Company, its results of operations and financial condition and business, reference is made to the information set forth above in Item 1 under the caption "Important Factors Relating to Forward-Looking Statements."

### **Litigation**

Current litigation matters are discussed in both Item 3 and in Note Q "Litigation in the Notes to the Consolidated Financial Statements."

### **Environmental Compliance Expenditures**

For the years ended December 31, 2003, 2002, and 2001, the Company expended \$4.5 million, \$5.3 million, and \$5.0 million, respectively, in connection with routine environmental compliance activities at its operating properties. Such activities include monitoring, bonding, earth moving, water treatment and re-vegetation activities.

The Company estimates that environmental compliance expenditures during 2004 will be approximately \$3.5 million to obtain permit modifications and other regulatory authorizations. Future environmental expenditures will be determined by governmental regulations and the overall scope of the Company's operating and development activities. The Company places a very high priority on its compliance with environmental regulations.

### **Realization of Net Operating Loss Carryforwards**

The Company has reviewed its net deferred tax asset, together with net operating loss carryforwards, and has not recognized potential tax benefits arising therefrom on the view that it is more likely than not that the deferred deductions and losses will not be realized in future years. In making this determination, the Company has considered the Company's history of tax losses incurred since 1989, current gold and silver prices and the ability of the Company to use accelerated depletion and amortization methods in the determination of taxable income.

### **Off-Balance Sheet Arrangements**

The Company has no existing off-balance sheet arrangements as defined under SEC regulations.

### **Recent Accounting Pronouncements**

In January 2003, FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (FIN 46). FIN 46 clarifies when a company should consolidate in its financial statements the assets, liabilities and activities of a variable interest entity. FIN 46 provides general guidance as to the definition of a variable interest entity and requires a variable interest entity to be consolidated if a company absorbs the majority of the variable interest entity's expected losses, or is entitled to receive a majority of the variable interest entity's residual returns, or both. In December 2003, FASB issued a revised interpretation of FIN 46 (FIN 46-R), which supersedes FIN 46 and clarifies and expands current accounting guidance for variable interest entities. FIN 46 and FIN 46-R are effective immediately for all variable interest entities created after January 31, 2003, and for variable interest entities created prior to February 1, 2003, no later than the end of the first reporting period after March 15, 2004. We have performed a review of any entities created subsequent to January 31, 2003, and determined the adoption of FIN 46 and FIN 46-R did not have a material impact on the Company's financial reporting and disclosures. For any entities created prior to February 1, 2003, we are currently assessing the impact of FIN 46 and FIN 46-R and do not believe that the adoption of FIN 46 and FIN 46-R will have a material impact on our financial reporting and disclosures.

In April 2003, FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. In particular, this Statement clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. This Statement is generally effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on the Company's financial reporting and disclosures.

In May 2003, FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or mezzanine equity by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the statement of financial position. Further, SFAS No. 150 requires disclosure regarding the terms of those instruments and settlement alternatives. The guidance in SFAS No. 150 generally is effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. We have evaluated SFAS No. 150 and determined that it does not have an impact on our financial reporting and disclosures.

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In December 2003, FASB issued SFAS No. 132, Employers' Disclosures about Pensions and Other Postretirement Benefits. This Statement revises employers' disclosures about pension plans and other postretirement benefits plans. This Statement requires additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The required information should be provided separately for pension plans and for other postretirement benefit plans. This Statement also requires new disclosures for interim periods beginning after December 15, 2003. This Statement was effective for fiscal years ending after December 15, 2003. The Company adopted this Statement for the year ended December 31, 2003. Refer to Note N Defined Benefit,

Post-Retirement, 401(k), and Defined Contribution Plans.

In June 2002, FASB issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). The principal difference between this Statement and EITF 94-3 relates to its requirements for recognition of a liability for a cost associated with an exit or disposal activity. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3, a liability was recognized at the date of an entity's commitment to an exit plan. This Statement is effective for exit or disposal activities that are initiated after December 31, 2002.

In December 2002, FASB issued SFAS No. 148, Accounting for Stock Based Compensation Transition and Disclosure an Amendment of SFAS No. 123. The Statement amends SFAS No. 123, Accounting for Stock-Based Compensation, and provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. This Statement also amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of stock-based employee compensation and the effect of the method used on reported results. This Statement was effective for fiscal years ending after December 15, 2002. The Company adopted this Statement in regards to disclosure provisions for the year ended December 31, 2002. (Refer to Note B, Summary of Significant Accounting Policies, for further discussion.)

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

The Company is exposed to various market risks as a part of its operations. In an effort to mitigate losses associated with these risks, the Company may, at times, enter into derivative financial instruments. These may take the form of forward sales contracts, foreign currency exchange contracts and interest rate swaps. The Company does not actively engage in the practice of trading derivative securities for profit. This discussion of the Company's market risk assessments contains forward looking statements that contain risks and uncertainties. Actual results and actions could differ materially from those discussed below.

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

The Company operates in several foreign countries, specifically Bolivia, Chile, and Argentina, 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 enters into, from time to time, foreign currency forward exchange contracts. These contracts enable the Company to purchase a fixed amount of foreign currencies. Gains and losses on foreign exchange contracts that are related to firm commitments are designated and effective as hedges and are deferred and recognized in the same period as the related transaction. All other contracts that do not qualify as hedges are marked to market and the resulting gains or losses are recorded in income. The Company continually evaluates the potential benefits of entering into these contracts to mitigate foreign currency risk and proceeds when it believes that the exchange rates are most beneficial.

All of the Company's long-term debt at December 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.

The following table summarizes the information at December 31, 2003 associated with the Company's financial liabilities and financial instruments:

	2004	2005	2006	2007	2008	Total	Fair Value 12/31/03
--	------	------	------	------	------	-------	------------------------

Liabilities

Short and Long Term Debt

	2004	2005	2006	2007	2008	Total	Fair Value 12/31/03
Fixed Rate	--	\$ 9,563	--	--	--	\$ 9,563	\$ 9,552
Average Interest Rate	7.250%	7.250%	--	--	--		
Derivative Financial Instruments							
Gold Forward Sales - USD Ounces	16,600	--	--	--	--	16,600	\$ (1,128)
Price Per Ounce	\$ 348.32	--	--	--	--	\$ 348.32	
Foreign Currency Contracts							
Chilean Peso - USD	\$ 1,260	--	--	--	--	\$ 1,260	\$ 131
Exchange Rate (CLP to US\$)	629	--	--	--	--	629	

Fair value is determined by trading information available on or near the balance sheet data for all the above securities. Long term debt represents the face amount of the outstanding debentures and is timed as they come due. The average interest rate in the table is calculated using the weighted average on the outstanding face amount of each debenture for the time period each debenture is outstanding. All long term debt is denominated in US dollars.

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, which had a fair value of approximately \$33.8 million.

#### Item 8. Financial Statements and Supplementary Data

The restated financial statements required hereunder and contained herein are listed under Item 15(a)(1) below.

### ANNUAL REPORT ON FORM 10-K Item 8, Item 15(a), and Item 15(d)

#### CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

COEUR D ALENE MINES CORPORATION

COEUR D ALENE, IDAHO

Report of KPMG LLP as of December 31, 2003 and 2002 and for the years ended December 31, 2003 and 2002	27
Report of Arthur Andersen LLP as of December 31, 2001 and 2000 and for each of the years in the three-year period ended December 31, 2001	28
Consolidated Balance Sheets December 31, 2003 and 2002	29
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Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2003, 2002 and 2001	32
Consolidated Statements of Cash Flows for the Years Ended December 31, 2003, 2002 and 2001	33
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors  
Coeur d'Alene Mines Corporation:

We have audited the 2003 and 2002 consolidated financial statements of Coeur d'Alene Mines Corporation (an Idaho Corporation) and subsidiaries (the Company) as listed in the accompanying index. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The 2001 consolidated financial statements of Coeur d'Alene Mines Corporation, as listed in the accompanying index, were audited by other auditors who have ceased operations and whose report, dated February 15, 2002, expressed an unqualified opinion on those financial statements and included an explanatory paragraph that stated that the Company had suffered recurring losses from operations, had a significant portion of its convertible debentures that needed to be repaid or refinanced in June 2002, and had declining amounts of cash and cash equivalents and unrestricted short-term investments, all of which raised substantial doubt about its ability to continue as a going concern.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2003 and 2002 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Coeur d'Alene Mines Corporation and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes C and K to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations, as of January 1, 2003.

As discussed in Note A, the consolidated financial statements have been restated as of and for the years ended December 31, 2003 and 2002.

/s/ KPMG LLP

Denver, Colorado  
February 13, 2004  
except as to Notes A, C, P, Q and T,  
which are as of August 15, 2004)

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THE FOLLOWING REPORT IS A COPY OF THE PREVIOUSLY ISSUED REPORT FROM ARTHUR ANDERSEN LLP ("ANDERSEN"). ANDERSEN DID NOT PERFORM ANY PROCEDURES IN CONNECTION WITH THIS ANNUAL REPORT ON FORM 10-K. ACCORDINGLY, THIS REPORT HAS NOT BEEN REISSUED BY ANDERSEN.

### REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of Coeur d'Alene Mines Corporation:

We have audited the accompanying consolidated balance sheets of Coeur d'Alene Mines Corporation (an Idaho corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for each of the three years ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coeur d'Alene Mines Corporation and subsidiaries as of December 31, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the consolidated financial statements, the Company has suffered recurring losses from operations, has a significant portion of its convertible debentures that need to be repaid or refinanced in June 2002 and declining amounts of cash and cash equivalents and unrestricted short-term investments, all of which raise substantial doubt about its ability to continue as a going concern. Management's plans to address these matters are also described in Note C.

/s/ Arthur Andersen LLP

Denver, Colorado,  
February 15, 2002.

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### CONSOLIDATED BALANCE SHEETS COEUR D ALENE MINES CORPORATION AND SUBSIDIARIES

	December 31,	
	2003	2002
	(In Thousands)	
	Restated	Restated
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 62,417	\$ 9,093
Short-term investments	19,265	518
Receivables	8,103	5,364
Ore on leach pad	17,388	11,082
Metal and other inventory	12,535	14,846
Prepaid expenses and other	3,067	2,224
	<u>122,775</u>	<u>43,127</u>
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	87,546	76,194



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	December 31,	
	(52,868)	(49,531)
Less accumulated depreciation	34,678	26,663
<b>MINING PROPERTIES</b>		
Operational mining properties	114,018	92,149
Less accumulated depletion	(90,245)	(71,833)
	23,773	20,316
Mineral interests	20,125	18,825
Non-producing and development properties	25,121	28,129
	69,019	67,270
<b>OTHER ASSETS</b>		
Non-current ore on leach pad	14,705	15,474
Restricted investments	8,710	13,108
Debt issuance costs, net	87	1,034
Marketable securities	19	915
Other	9,474	5,900
	32,995	36,431
Total assets	\$ 259,467	\$ 173,491

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

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**CONSOLIDATED BALANCE SHEETS**  
COEUR D ALENE MINES CORPORATION AND SUBSIDIARIES

	December 31,	
	2003	2002
	(In Thousands)	
	Restated	Restated
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 7,772	\$ 5,962
Accrued liabilities and other	5,218	4,348
Accrued interest payable	120	1,610
Accrued salaries and wages	5,705	5,594
Current portion of remediation costs	1,278	926
13 3/8% Convertible Senior Subordinated Notes due December 2003	--	12,735
Current portion of bank financing	2,367	4,918

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	December 31,	
	22,460	36,093
<b>LONG-TERM LIABILITIES</b>		
6 3/8% Convertible Subordinated Debentures due January 2004	--	55,132
7 1/4% Convertible Subordinated Debentures due October 2005	9,563	11,665
Reclamation and mine closure	20,934	14,458
Other long-term liabilities	9,032	8,456
	<u>39,529</u>	<u>89,711</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
(See Notes J, K, L, N, Q, P and R)		
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock, par value \$1.00 per share-authorized 250,000,000 shares, issued 214,195,186 and 119,653,267 in 2003 and 2002 (1,059,211 shares held in treasury)	214,195	119,653
Additional paid-in capital	542,900	420,863
Accumulated deficit	(545,050)	(478,818)
Shares held in treasury	(13,190)	(13,190)
Accumulated other comprehensive loss	(1,377)	(821)
	<u>197,478</u>	<u>47,687</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>\$ 259,467</u>	<u>\$ 173,491</u>

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

COEUR D ALENE MINES CORPORATION AND SUBSIDIARIES

	Years Ended December 31,		
	2003	2002	2001
	<u>Restated</u>	<u>Restated</u>	
(In Thousands, except per share data)			
<b>REVENUES</b>			
Sales of metal	\$ 108,522	\$ 86,333	\$ 69,200
Interest and other	2,019	8,544	2,712
	<u>110,541</u>	<u>94,877</u>	<u>71,912</u>
<b>COSTS AND EXPENSES</b>			
Production	77,861	82,855	69,149
Depreciation and depletion	16,627	13,511	11,347

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	Years Ended December 31,		
Administrative and general	12,264	8,806	8,122
Exploration	4,947	3,849	6,362
Pre-feasibility	1,967	2,606	3,684
Interest	12,851	21,948	14,592
Write-down of mining properties and other holding costs	6,393	23,060	9,946
Loss (gain) on exchange and early retirement of debt	41,564	19,061	(48,217)
	<hr/>	<hr/>	<hr/>
Total cost and expenses	174,474	175,696	74,985
	<hr/>	<hr/>	<hr/>
LOSS FROM CONTINUING OPERATIONS	(63,933)	(80,819)	(3,073)
Income tax benefit	7	--	6
	<hr/>	<hr/>	<hr/>
Loss before cumulative effect of change in accounting principle	(63,926)	(80,819)	(3,067)
Cumulative effect of change in accounting principle	(2,306)	--	--
	<hr/>	<hr/>	<hr/>
NET LOSS	(66,232)	(80,819)	(3,067)
Other comprehensive loss	(556)	(1,470)	821
	<hr/>	<hr/>	<hr/>
COMPREHENSIVE LOSS	\$ (66,788)	\$ (82,289)	\$ (2,246)
	<hr/>	<hr/>	<hr/>
BASIC AND DILUTED LOSS PER SHARE:			
Weighted average number of shares of common stock	168,186	78,193	41,946
	<hr/>	<hr/>	<hr/>
Net loss per share before cumulative effect of change in accounting principle	\$ (0.38)	\$ (1.03)	\$ (0.07)
Cumulative effect of change in accounting principle	(0.01)	--	--
	<hr/>	<hr/>	<hr/>
Net loss per common share	\$ (0.39)	\$ (1.03)	\$ (0.07)
	<hr/>	<hr/>	<hr/>

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY  
COEUR D ALENE MINES CORPORATION AND SUBSIDIARIES

For Years Ended December 31, 2003 (Restated), 2002 (Restated) and 2001  
(In Thousands)

	Common Stock Shares	Common Stock \$1 Par	Additional Paid In Capital	Accumulated Deficit	Shares Held in Treasury	Accumulated Other Comprehensive Income (Loss)	Total
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balances at January 1, 2001	38,109	\$ 38,109	\$ 387,625	\$ (394,932)	\$ (13,190)	\$ (172)	\$ 17,440
Net Loss	--	--	--	(3,067)	--	--	(3,067)

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For Years Ended December 31, 2003 (Restated), 2002 (Restated) and 2001  
(In Thousands)

Unrealized gain on short-term investments and marketable securities	--	--	--	--	--	821	821
Conversions of convertible senior subordinated notes to common stock	1,327	1,327	468	--	--	--	1,795
Exchanges of convertible subordinated debentures to common stock	6,045	6,045	871	--	--	--	6,916
Interest on convertible senior subordinated notes paid in common stock	3,792	3,792	(913)	--	--	--	2,879
Other	5	5	(1)	--	--	--	4
	<u>49,278</u>	<u>49,278</u>	<u>388,050</u>	<u>(397,999)</u>	<u>(13,190)</u>	<u>649</u>	<u>26,788</u>
Balances at December 31, 2001	49,278	49,278	388,050	(397,999)	(13,190)	649	26,788
Net Loss (Restated)	--	--	--	(80,819)	--	--	(80,819)
Unrealized loss on short-term investments and marketable securities	--	--	--	--	--	(297)	(297)
Change in fair value of derivative hedging, net of settlement	--	--	--	--	--	(10)	(10)
Excess additional pension liability over unrecognized prior service cost	--	--	--	--	--	(1,163)	(1,163)
Conversions of convertible senior subordinated notes to common stock	37,143	37,143	5,665	--	--	--	42,808
Exchanges of convertible subordinated debentures to common stock	24,382	24,382	22,413	--	--	--	46,795
Interest on convertible senior subordinated notes paid in common stock	8,850	8,850	4,735	--	--	--	13,585
Other	--	--	--	--	--	--	--
	<u>119,653</u>	<u>119,653</u>	<u>420,863</u>	<u>(478,818)</u>	<u>(13,190)</u>	<u>(821)</u>	<u>47,687</u>
Balances at December 31, 2002 (Restated)	119,653	119,653	420,863	(478,818)	(13,190)	(821)	47,687
Net Loss (Restated)	--	--	--	(66,232)	--	--	(66,232)
Unrealized loss on short-term investments and marketable securities	--	--	--	--	--	(306)	(306)
Change in fair value of derivative hedging, net of settlement	--	--	--	--	--	140	140
Excess additional pension liability over unrecognized prior service cost	--	--	--	--	--	(390)	(390)
Conversions and exchanges of convertible senior subordinated notes to common stock	50,317	50,317	54,158	--	--	--	104,475
Interest on convertible senior subordinated notes paid in common stock	5,878	5,878	3,169	--	--	--	9,047
Issuance of common stock	36,230	36,230	64,580	--	--	--	100,810
Long-term incentive stock payout	1,240	1,240	(358)	--	--	--	882
Other	877	877	488	--	--	--	1,365
	<u>214,195</u>	<u>\$ 214,195</u>	<u>\$ 542,900</u>	<u>\$ (545,050)</u>	<u>\$ (13,190)</u>	<u>\$ (1,377)</u>	<u>\$ 197,478</u>
Balances at December 31, 2003 (Restated)	214,195	\$ 214,195	\$ 542,900	\$ (545,050)	\$ (13,190)	\$ (1,377)	\$ 197,478

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

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	Years Ended December 31,		
	2003	2002	2001
	Restated	Restated	
	(In Thousands)		
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (66,232)	\$ (80,819)	\$ (3,067)
Add (deduct) noncash items:			
Depreciation and depletion	16,627	13,511	11,347
Loss (gain) on early retirement of convertible subordinated debentures	41,564	19,061	(48,217)
Cumulative effect of change in accounting principle	2,306	--	--
Interest expense on convertible senior subordinated notes paid in common stock	8,191	13,585	2,868
Unrealized gain on embedded derivative	(411)	(539)	--
Write down of Handy & Harmon inventory	--	--	1,354
Other charges	2,349	4,588	1,271
(Gain) loss on sale of assets	--	(4,564)	509
Write-down of mining properties	--	19,047	6,087
Unrealized (gain) loss on written call options	--	62	(526)
Gain on sale of short-term investment	(40)	(916)	(431)
Changes in operating assets and liabilities:			
Receivables	(2,738)	(1,126)	3,205
Prepaid expenses and other	(3,844)	(519)	602
Inventories	(3,226)	7,311	4,616
Accounts payable and accrued liabilities	328	2,834	(9,514)
<b>CASH USED IN OPERATING ACTIVITIES</b>	<b>(5,126)</b>	<b>(8,484)</b>	<b>(29,896)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of short-term investments	(99,782)	(40,131)	(1,256)
Proceeds from sales of short-term investments	86,168	40,870	6,195
Proceeds from sale of assets	370	4,117	14,857
Expenditures on mining assets	(19,914)	(10,316)	(6,956)
Other	(196)	(515)	(208)
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(33,354)</b>	<b>(5,975)</b>	<b>12,632</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Retirement of long-term debt	(39,717)	(9,427)	(743)
Proceeds from issuance of common stock, net of issuance costs	100,810	--	--
Proceeds from issuance of notes, net of issuance costs	33,280	13,532	(2,204)
Bank borrowings on working capital facility	30,785	15,403	--
Payments to bank on working capital facility	(33,226)	(10,485)	--
Other	(128)	(185)	(302)
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:</b>	<b>91,804</b>	<b>8,838</b>	<b>(3,249)</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>53,324</b>	<b>(5,621)</b>	<b>(20,513)</b>
Cash and cash equivalents at beginning of period	9,093	14,714	35,227
Cash and cash equivalents at end of period	\$ 62,417	\$ 9,093	\$ 14,714
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>			
Cash paid for:			
Interest	\$ 13,000	\$ 19,200	\$ 16,200

Income taxes

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

**COEUR D ALENE MINES CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**NOTE A FINANCIAL STATEMENT RESTATEMENT**

The Company records revenue from concentrate sales agreements in accordance with the revenue recognition policy in Note C below.

In the third quarter of 2004 it was discovered there was an error resulting from the incorrect application of revenue recognition accounting in accordance with accounting principles generally accepted in the United States of America. Historically, the Company has 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 passes to third-party smelters (at the lower of month-end spot price or the average monthly price for that month). The final settlement price is not fixed until a later date (typically one to three months after shipment) based upon quoted metal prices by an established metal exchange as set forth in each contract, at such date. 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 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 unit the date of final gold and silver settlement. The Company has corrected the error in valuing these embedded derivatives on the financial statements for each of the three, six and nine month periods ending March 31, June 30, and September 30 for 2003 and 2002, and the years ending December 31, 2003 and 2002. The cumulative effect of the error for periods prior to January 1, 2002 was \$0.4 million.

Accordingly, the Company has restated its financial statements as follows:

	As of December 31, 2003		
	As Previously Reported	Adjustment	As Restated
Balance sheet data			
		(In thousands)	
Receivables	\$ 7,862	\$ 240	\$ 8,102
Prepaid expenses and other	\$ 2,117	\$ 951	\$ 3,068
Accumulated deficit	\$ (546,241)	\$ 1,191	\$ (545,050)
	For the twelve months ended December 31, 2003		
	As Previously Reported	Adjustment	As Restated
Statement of operations and comprehensive loss data			
		(In thousands except per share data)	
Sales of metal	\$ 107,720	\$ 802	\$ 108,522
Loss from continuing operations before taxes and cumulative effect of change in accounting principle	\$ (64,735)	\$ 802	\$ (63,933)
Loss before cumulative effect of change in accounting principle	\$ (64,728)	\$ 802	\$ (63,926)
Net loss	\$ (67,034)	\$ 802	\$ (66,232)
Comprehensive loss	\$ (67,590)	\$ 802	\$ (66,788)
Basic and diluted net loss per common share before effect of change in accounting principle	\$ (0.39)	\$ 0.01	\$ (0.38)
Basic and diluted net loss per common share	\$ (0.40)	\$ 0.01	\$ (0.39)
	As of December 31, 2002		
Balance sheet data	As Previously Reported	Adjustment	As Restated

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As of December 31, 2002

	(In thousands)		
Receivables	\$ 5,514	\$ (150)	\$ 5,364
Prepaid expenses and other	\$ 1,671	\$ 553	\$ 2,224
Accrued liabilities and other	\$ 4,334	\$ 14	\$ 4,348
Accumulated deficit	\$ (479,207)	\$ 389	\$ (478,818)

For the twelve months ended December 31, 2002

	As Previously Reported	Adjustment	As Restated
(In thousands except per share data)			
Statement of operations and comprehensive loss data			
Sales of metal	\$ 85,944	\$ 389	\$ 86,333
Loss from continuing operations before taxes	\$ (81,208)	\$ 389	\$ (80,819)
Net loss	\$ (81,208)	\$ 389	\$ (80,819)
Comprehensive loss	\$ (82,678)	\$ 389	\$ (82,289)
Basic and diluted net loss per common share	\$ (1.04)	\$ 0.01	\$ (1.03)

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As of March 31, 2003

	As Previously Reported	Adjustment	As Restated
(In thousands)			
Balance sheet data			
Receivables	\$ 6,707	\$ 340	\$ 7,047
Prepaid expenses and other	\$ 1,638	\$ 49	\$ 1,687
Accrued liabilities and other	\$ 4,823	\$ 463	\$ 5,286
Accumulated deficit	\$ (510,397)	\$ (74)	\$ (510,471)

For the Three Months ended March 31, 2003

	As Previously Reported	Adjustment	As Restated
(In thousands except per share data)			
Statement of operations and comprehensive loss data			
Sales of metal	\$ 29,001	\$ (463)	\$ 28,538
Loss from continuing operations before taxes and cumulative effect of change in accounting principle	\$ (28,891)	\$ (463)	\$ (29,354)
Loss before cumulative effect of change in accounting principle	\$ (28,884)	\$ (463)	\$ (29,347)
Net loss	\$ (31,190)	\$ (463)	\$ (31,653)
Comprehensive loss	\$ (31,487)	\$ (463)	\$ (31,950)
Basic and diluted net loss per common share before effect of change in accounting principle	\$ (0.21)	\$ (0.01)	\$ (0.22)
Basic and diluted net loss per common share	\$ (0.23)	\$ (0.01)	\$ (0.24)

As of March 31, 2002

	As Previously Reported	Adjustment	As Restated
(In thousands)			
Balance sheet data			
Prepaid expenses and other	\$ 1,415	\$ 599	\$ 2,014
Accumulated deficit	\$ (409,895)	\$ 599	\$ (409,296)

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As of March 31, 2003

For the Three Months ended March 31, 2002			
	As Previously Reported	Adjustment	As Restated
Statement of operations and comprehensive loss data			
(In thousands except per share data)			
Sales of metal	\$ 16,469	\$ 599	\$ 17,068
Loss from continuing operations before taxes	\$ (11,896)	\$ 599	\$ (11,297)
Net loss	\$ (11,896)	\$ 599	\$ (11,297)
Comprehensive loss	\$ (11,795)	\$ 599	\$ (11,196)
Basic and diluted net loss per common share	\$ (0.23)	\$ 0.01	\$ (0.22)

As of June 30, 2003

	As Previously Reported	Adjustment	As Restated
Balance sheet data			
(In thousands)			
Receivables	\$ 8,332	\$ 395	\$ 8,727
Prepaid expenses and other	\$ 976	\$ 90	\$ 1,066
Accrued liabilities and other	\$ 3,886	\$ 219	\$ 4,105
Accumulated deficit	\$ (514,842)	\$ 266	\$ (514,576)

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For the Three Months ended June 30, 2003

	As Previously Reported	Adjustment	As Restated
Statement of operations and comprehensive loss data			
(In thousands except per share data)			
Sales of metal	\$ 25,731	\$ 340	\$ 26,071
Loss from continuing operations before taxes and cumulative effect of change in accounting principle	\$ (4,445)	\$ 340	\$ (4,105)
Loss before cumulative effect of change in accounting principle	\$ (4,445)	\$ 340	\$ (4,105)
Net loss	\$ (4,445)	\$ 340	\$ (4,105)
Comprehensive loss	\$ (4,545)	\$ 340	\$ (4,205)
Basic and diluted net loss per common share before effect of change in accounting principle	\$ (0.03)	\$ --	\$ (0.03)
Basic and diluted net loss per common share	\$ (0.03)	\$ --	\$ (0.03)

As of June 30, 2002

	As Previously Reported	Adjustment	As Restated
Balance sheet data			
(In thousands)			
Prepaid expenses and other	\$ 983	\$ 403	\$ 1,386
Accrued liabilities and other	\$ 8,044	\$ 7	\$ 8,051
Accumulated deficit	\$ (420,750)	\$ 396	\$ (420,354)

For the Three Months ended June 30, 2002

	Adjustment	As Restated
Statement of operations and comprehensive loss data		



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For the Three Months ended June 30, 2003

	As Previously Reported		
	(In thousands except per share data)		
Sales of metal	\$ 19,565	\$ (204)	\$ 19,361
Loss from continuing operations before taxes	\$ (10,855)	\$ (204)	\$ (11,059)
Net loss	\$ (10,855)	\$ (204)	\$ (11,059)
Comprehensive loss	\$ (11,433)	\$ (204)	\$ (11,637)
Basic and diluted net loss per common share	\$ (0.16)	\$ --	\$ (0.16)

For the Six Months ended June 30, 2003

	As Previously Reported	Adjustment	As Restated
Statement of operations and comprehensive loss data			
	(In thousands except per share data)		
Sales of metal	\$ 54,732	\$ (123)	\$ 54,609
Loss from continuing operations before taxes and cumulative effect of change in accounting principle	\$ (33,336)	\$ (123)	\$ (33,459)
Loss before cumulative effect of change in accounting principle	\$ (33,329)	\$ (123)	\$ (33,452)
Net loss	\$ (35,635)	\$ (123)	\$ (35,758)
Comprehensive loss	\$ (36,032)	\$ (123)	\$ (36,155)
Basic and diluted net loss per common share before effect of change in accounting principle	\$ (0.24)	\$ --	\$ (0.24)
Basic and diluted net loss per common share	\$ (0.26)	\$ --	\$ (0.26)

For the Six Months ended June 30, 2002

	As Previously Reported	Adjustment	As Restated
Statement of operations and comprehensive loss data			
	(In thousands except per share data)		
Sales of metal	\$ 36,034	\$ 395	\$ 36,429
Loss from continuing operations before taxes	\$ (22,751)	\$ 395	\$ (22,356)
Net loss	\$ (22,751)	\$ 395	\$ (22,356)
Comprehensive loss	\$ (23,228)	\$ 395	\$ (22,833)
Basic and diluted net loss per common share	\$ (0.38)	\$ 0.01	\$ (0.37)

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As of September 30, 2003

	As Previously Reported	Adjustment	As Restated
Balance sheet data			
	(In thousands)		
Receivables	\$ 5,279	\$ 333	\$ 5,612
Prepaid expenses and other	\$ 5,468	\$ 505	\$ 5,973
Accrued liabilities and other	\$ 5,178	\$ 311	\$ 5,489
Accumulated deficit	\$ (532,713)	\$ 527	\$ (532,186)

For the Three Months ended September 30, 2003

	As Previously Reported	Adjustment	As Restated
Statement of operations and comprehensive loss data			

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As of September 30, 2003

	(In thousands except per share data)		
Sales of metal	\$ 23,375	\$ 261	\$ 23,636
Loss from continuing operations before taxes and cumulative effect of change in accounting principle	\$ (17,871)	\$ 261	\$ (17,610)
Loss before cumulative effect of change in accounting principle	\$ (17,871)	\$ 261	\$ (17,610)
Net loss	\$ (17,871)	\$ 261	\$ (17,610)
Comprehensive loss	\$ (17,793)	\$ 261	\$ (17,532)
Basic and diluted net loss per common share before effect of change in accounting principle	\$ (0.10)	\$ --	\$ (0.10)
Basic and diluted net loss per common share	\$ (0.10)	\$ --	\$ (0.10)

As of September 30, 2002

	As Previously Reported	Adjustment	As Restated
(In thousands)			
Receivables	\$ 6,148	\$ (147)	\$ 6,001
Prepaid expenses and other	\$ 1,968	\$ 178	\$ 2,146
Accrued liabilities and other	\$ 6,167	\$ 175	\$ 6,342
Accumulated deficit	\$ (433,090)	\$ (144)	\$ (433,234)

For the Three Months ended September 30, 2002

	As Previously Reported	Adjustment	As Restated
(In thousands except per share data)			
Sales of metal	\$ 24,424	\$ (539)	\$ 23,885
Loss from continuing operations before taxes	\$ (12,339)	\$ (539)	\$ (12,878)
Net loss	\$ (12,339)	\$ (539)	\$ (12,878)
Comprehensive loss	\$ (12,913)	\$ (539)	\$ (13,452)
Basic and diluted net loss per common share	\$ (0.14)	\$ (0.01)	\$ (0.15)

For the Nine Months ended September 30, 2003

	As Previously Reported	Adjustment	As Restated
(In thousands except per share data)			
Sales of metal	\$ 78,108	\$ 137	\$ 78,245
Loss from continuing operations before taxes and cumulative effect of change in accounting principle	\$ (51,207)	\$ 137	\$ (51,070)
Loss before cumulative effect of change in accounting principle	\$ (51,200)	\$ 137	\$ (51,063)
Net loss	\$ (53,506)	\$ 137	\$ (53,369)
Comprehensive loss	\$ (53,825)	\$ 137	\$ (53,688)
Basic and diluted net loss per common share before effect of change in accounting principle	\$ (0.33)	\$ --	\$ (0.33)
Basic and diluted net loss per common share	\$ (0.35)	\$ --	\$ (0.35)

For the Nine Months ended September 30, 2002

	As Previously Reported	Adjustment	As Restated
(In thousands except per share data)			
Statement of operations and comprehensive loss data			

As of September 30, 2003

Sales of metal	\$	60,458	\$	(144)	\$	60,314
Loss from continuing operations before taxes	\$	(35,091)	\$	(144)	\$	(35,235)
Net loss	\$	(35,091)	\$	(144)	\$	(35,235)
Comprehensive loss	\$	(36,142)	\$	(144)	\$	(36,286)
Basic and diluted net loss per common share	\$	(0.51)	\$	--	\$	(0.51)

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**NOTE B BUSINESS OF COEUR D ALENE MINES CORPORATION**

Coeur d Alene Mines Corporation and its subsidiaries (collectively, Coeur or the Company) is principally engaged in silver and gold mining and related activities including exploration, development, and mining at its properties located in the United States (Nevada, Idaho and Alaska) and South America (Chile, Argentina and Bolivia).

**NOTE C Summary of Significant Accounting Policies**

**Principles of Consolidation:** The consolidated financial statements include the wholly-owned subsidiaries of the Company, the most significant of which are Coeur Rochester, Inc., Coeur Silver Valley, Inc., Coeur Alaska, Inc., CDE Cerro Bayo Ltd., Compania Minera Polimet S.A., and Empresa Minera Manquiri S.A. The consolidated financial statements also include all entities in which voting control of more than 50% is held by the Company. The Company has no investments in entities in which it has greater than 50% ownership interest accounted for using the equity method. Intercompany balances and transactions have been eliminated in consolidation. Investments in corporate joint ventures 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 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 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 \$37,487; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately \$6,812. At December 31, 2002, the Company had outstanding provisionally priced sales of \$23.7 million consisting of 3.2 million ounces of silver, 26,250 ounces of gold and 1,180,447 pounds of copper. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately \$32,000; for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately \$26,000; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately \$12,000.

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**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

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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 the leach pads of \$32.1 million as of December 31, 2003. Of this amount, \$17.4 million is reported as a current asset and \$14.7 million is reported as a non-current asset. The distinction between current and non-current is based upon the expected length of time necessary for the leaching process to remove the metals from the broken ore. The historical cost of the metal that is expected to be extracted within twelve months is classified as current and the historical cost of metals contained within the broken ore that will be extracted beyond twelve months is classified as non-current.

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

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

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**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 overburden 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.

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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 and regulatory agencies, is required to collateralize certain portions of the Company's obligations. The Company has collateralized these obligations by assigning certificates of deposit that have maturity dates ranging from three months to a year, to the respective institutions or agency. At December 31, 2003 and December 31, 2002, the Company holds certificates of deposit under these agreements of \$8.7 million and \$13.1 million, respectively, restricted for this purpose. The ultimate timing for the release of the collateralized amounts is dependent on the timing and closure of each mine. In order to release the collateral, the Company must seek approval from certain government agencies responsible for monitoring the mine closure status. Collateral could also be released to the extent the Company was able to secure alternative financial assurance satisfactory to the regulatory agencies. The Company believes there is a reasonable probability that the collateral will remain in place beyond a twelve-month period and has therefore classified these investments as long-term.

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**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 1.1 to 1 (waste to ore), and the remaining costs will be amortized over the remaining life of the mine. At December 31, 2003 and December 31, 2002 the carrying amount of the deferred stripping costs were \$1.2 million and \$1.5 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 years ended December 31, 2003, 2002 and 2001 were \$0.3 million, \$0.2 million and \$0.4 million, respectively.

**Reclamation and Remediation Costs:** Estimated future costs are based principally on legal and regulatory requirements. Such costs related to active mines are accrued and charged over the expected operating lives of the mines using the units-of-production method. 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. Prior to the adoption of SFAS No. 143, reclamation costs were accrued on an undiscounted, units-of-production basis. 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. Refer to Note K for additional disclosure.

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

**Derivative Financial Instruments:** On January 1, 2001, the Company adopted SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, (as amended by SFAS No. 137) and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities. These Statements require recognition of all derivatives as either assets or liabilities on the balance sheet and measurement of those instruments at fair value. 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 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 P Derivative Financial Instruments and Fair Value of Financial Instruments.

**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 exceeded the exercise price. SFAS No. 123, Accounting for Stock-Based Compensation established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As allowed under SFAS No. 123, the Company has elected to continue to apply the intrinsic-value-based method of accounting described above, and has adopted only the disclosure requirements of SFAS No. 123.

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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-value 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:

	Years Ended December 31,		
	2003	2002	2001
	Restated		
Net loss attributable to Common shareholders			
Unaudited pro forma net loss	\$ (66,232)	\$ (80,819)	\$ (3,067)
Basic and diluted net loss per share as reported	\$ (66,248)	\$ (81,646)	\$ (3,312)
Unaudited basic and diluted pro forma net loss per share	\$ (0.39)	\$ (1.03)	\$ (0.07)
Unaudited basic and diluted pro forma net loss per share	\$ (0.39)	\$ (1.04)	\$ (0.08)

The fair value of each option grant was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 4.0%, 4.4% and 1.3% for 2003, 2002 and 2001, respectively; expected option life of 2-10 years for officers and directors; expected volatility of 45%, 89% and 93% for 2003, 2002 and 2001, respectively, and no expected dividends.

**Income Taxes:** The Company computes income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires an asset and liability approach which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the 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 Loss:** In addition to net loss, comprehensive income includes all changes in equity during a period, except those resulting from investments by and distributions to owners. Items of comprehensive income include the following:

	2003	2002	2001
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	2003	2002	2001
Unrealized loss on marketable securities	\$ (306)	\$ (297)	\$ 821
Change in fair value of derivative hedging, net of settlement	140	(10)	--
Excess additional pension liability on unrecorded service cost	(390)	(1,163)	--
Comprehensive gain (loss)	\$ (556)	\$ (1,470)	\$ 821

Net Loss Per Common Share: Loss per share is computed by dividing the net loss attributable to common stock by the weighted average number of common shares outstanding during each period. All stock options outstanding at each period end have been excluded from the weighted average share calculation. The effect of potentially dilutive stock options outstanding was antidilutive in years ending December 31, 2003, 2002 and 2001.

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

	December 31, 2001	December 31, 2002	December 31, 2003
Options	779,094	1,750,675	1,650,054
6.375% Debentures Convertible at \$25.77	2,571,595	2,139,387	--
7.25% Debentures Convertible at \$ 17.45	839,542	668,481	548,023
13.375% Notes Convertible at \$1.35	30,665,926	--	--
Total potentially dilutive shares	34,856,156	4,558,543	2,198,077

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.

Recent Accounting Pronouncements: In January 2003, FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 (FIN 46). FIN 46 clarifies when a company should consolidate in its financial statements the assets, liabilities and activities of a variable interest entity. FIN 46 provides general guidance as to the definition of a variable interest entity and requires a variable interest entity to be consolidated if a company absorbs the majority of the variable interest entity's expected losses, or is entitled to receive a majority of the variable interest entity's residual returns, or both. In December 2003, FASB issued a revised interpretation of FIN 46 (FIN 46-R), which supersedes FIN 46 and clarifies and expands current accounting guidance for variable interest entities. FIN 46 and FIN 46-R are effective immediately for all variable interest entities created after January 31, 2003, and for variable interest entities created prior to February 1, 2003, no later than the end of the first reporting period after March 15, 2004. We have performed a review of any entities created subsequent to January 31, 2003, and determined the adoption of FIN 46 and FIN 46-R did not have a material impact on the Company's financial reporting and disclosures. For any entities created prior to February 1, 2003, we are currently assessing the impact of FIN 46 and FIN 46-R and do not believe that the adoption of FIN 46 and FIN 46-R will have a material impact on our financial reporting and disclosures.

In April 2003, FASB issued SFAS No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. In particular, this Statement clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative and when a derivative contains a financing component that warrants special reporting in the statement of cash flows. This Statement is generally effective for contracts entered into or modified after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on the Company's financial reporting and disclosures.

In May 2003, FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity. SFAS No. 150 changes the accounting for certain financial instruments that, under previous guidance, could be classified as equity or mezzanine equity by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the statement of financial

position. Further, SFAS No. 150 requires disclosure regarding the terms of those instruments and settlement alternatives. The guidance in SFAS No. 150 generally is effective for all financial instruments entered into or modified after May 31, 2003, and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. We have evaluated SFAS No. 150 and determined that it does not have an impact on our financial reporting and disclosures.

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In December 2003, FASB issued SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*. This Statement revises employers' disclosures about pension plans and other postretirement benefits plans. This Statement requires additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. The required information should be provided separately for pension plans and for other postretirement benefit plans. This Statement also requires new disclosures for interim periods beginning after December 15, 2003. This Statement was effective for fiscal years ending after December 15, 2003. The Company adopted this Statement for the year ended December 31, 2003. Refer to Note N *Defined Benefit, Post-Retirement, 401(k), and Defined Contribution Plans*.

In June 2002, FASB issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. This Statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. The principal difference between this Statement and EITF 94-3 relates to its requirements for recognition of a liability for a cost associated with an exit or disposal activity. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3, a liability was recognized at the date of an entity's commitment to an exit plan. This Statement is effective for exit or disposal activities that are initiated after December 31, 2002.

#### **NOTE D LIQUIDITY**

The Company's working capital at December 31, 2003 was approximately \$100.3 million compared to \$7.0 million at December 31, 2002. The ratio of current assets to current liabilities was 5.5:1 at December 31, 2003 compared to 1.2:1 at December 31, 2002. The increase in working capital is primarily the result of the common stock issuance in the fourth quarter.

Net cash used in operating activities in 2003 was \$5.1 million compared with \$8.5 million used in operating activities in 2002. The most significant non-cash items included in the net loss in 2003 were losses on early retirement of debt of \$41.6 million, interest expense of \$8.2 million paid with common stock, and the \$2.3 million cumulative effect of change in accounting principle.

A total of \$33.4 million was used by investing activities in 2003 compared to \$6.0 million used in 2002. In 2003, cash used for development of mining assets was \$19.9 million and net purchases of short-term investments was \$13.6 million.

The Company's financing activities provided \$91.8 million during 2003 compared to \$8.8 million in 2002. The variance is due to the proceeds received from issuance of common stock in 2003 of \$105.7 million, net of offering costs of \$5.4 million, and the issuance of 9% Notes of \$33.8 million. In addition, \$39.7 million of long-term debt was retired during 2003.

The Company believes its cash on hand, the funds received in connection with the post year-end financing and cash from operations will be adequate to meet its obligations during the next twelve months. Nevertheless, if the Company decides to pursue additional mineral interests or acquisitions, additional equity issuances or financing may be necessary. There can be no assurances that such financing will be available when or if needed.



**NOTE E SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES**

The Company classifies its investment securities as available-for-sale securities. Pursuant to Statement of Financial Accounting Standards No. 115 (SFAS 115), such securities are measured at fair market value in the financial statements with unrealized gains or losses recorded in other comprehensive income. At the time securities are sold or otherwise disposed of, gains or losses are included in earnings. The following is a summary of available-for-sale securities:

	Available-For-Sale Securities			
	Cost	Gross Unrealized Losses	Gross Unrealized Gains	Estimated Fair Value
<u>As of December 31, 2003</u>				
U.S. Corporate debt securities	\$ 19,236	\$ 12	\$ 41	\$ 19,265
Equity Securities	19	3	3	19
	<u>\$ 19,255</u>	<u>\$ 15</u>	<u>\$ 44</u>	<u>\$ 19,284</u>
<u>As of December 31, 2002</u>				
U.S. Corporate debt securities	\$ 13,408	\$ --	\$ --	\$ 13,408
Equity Securities	782	4	355	1,133
	<u>\$ 14,190</u>	<u>\$ 4</u>	<u>\$ 355</u>	<u>\$ 14,541</u>
<u>As of December 31, 2001</u>				
U.S. Corporate debt securities	\$ 12,319	\$ --	\$ --	\$ 12,319
Equity Securities	1,699	173	822	2,348
	<u>\$ 14,018</u>	<u>\$ 173</u>	<u>\$ 822</u>	<u>\$ 14,667</u>

The gross realized gains on sales of available-for-sale securities totaled \$0.1 million during 2003, \$1.1 million during 2002, and nil for 2001. The gross realized losses totaled \$0.1 million, \$0.2 million, and \$0.4 million during 2003, 2002 and 2001 respectively. The gross realized gains and losses are based on a carrying value (cost net of discount or premium) of \$1.3 million, \$1.5 million and \$4.8 million of short-term investments sold or adjusted for other than temporary decline in market value during 2003, 2002 and 2001, respectively. Short-term investments mature at various dates through December 2004.

**NOTE F ORE ON LEACH PADS**

Ore on leach pad consists of the following:

	December 31,	
	2003	2002
Ore on leach pad - Current	\$ 17,388	\$ 11,082
Ore on leach pad - Non-current	14,705	15,474
	<u>\$ 32,093</u>	<u>\$ 26,556</u>

**NOTE G METAL AND OTHER INVENTORIES**

Inventories consist of the following:

	December 31,	
	2003	2002
	<u>        </u>	<u>        </u>
In-process stockpile ore	\$ --	\$ --
Concentrate and dore inventory	7,980	10,189
Supplies	4,555	4,657
	<u>        </u>	<u>        </u>
Metal and other inventory	\$ 12,535	\$ 14,846

**NOTE H PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consists of the following:

	December 31,	
	2003	2002
	<u>        </u>	<u>        </u>
Land	\$ 1,339	\$ 1,407
Building Improvements	37,203	36,798
Machinery and equipment	48,529	37,989
Capitalized leases, machinery and equipment	475	--
	<u>        </u>	<u>        </u>
	87,546	76,194
Accumulated depreciation	(52,868)	(49,531)
	<u>        </u>	<u>        </u>
	\$ 34,678	\$ 26,663

The Company has entered into various operating lease agreements which expire over a period of three years. Total rent expense charged to operations under these agreements was \$4.4 million, \$3.7 million and \$3.2 million for 2003, 2002, 2001, respectively.

Minimum future lease payments under both capital and operating leases at December 31, 2003 are as follows:

Year Ending December 31,	Capital Leases	Operating Leases
<u>        </u>	<u>        </u>	<u>        </u>
2004	\$ 207	\$ 2,039
2005	114	661
2006	--	7
Thereafter	--	--
	<u>        </u>	<u>        </u>
	\$ 321	\$ 2,707
	<u>        </u>	<u>        </u>
Less: Amount representing interest	13	
	<u>        </u>	
Present value of net mining lease payments	308	
	<u>        </u>	
Current maturities	197	
	<u>        </u>	
	\$ 111	

**NOTE I MINING PROPERTIES**

	December 31,	
	2003	2002
Capitalized costs for mining properties, net of accumulated depletion consist of the following:		
Operational mining properties:		
Rochester Mine	\$ 15,214	\$ 12,033
Galena Mine <sup>(A)</sup>	3,073	--
Cerro Bayo Mine	3,754	7,504
Martha Mine	1,732	779
	<hr/>	<hr/>
Total operational mining properties	23,773	20,316
Non-producing and developmental properties:		
Kensington	24,979	24,979
San Bartolome	20,125	18,825
Other	142	3,150
	<hr/>	<hr/>
Total non-producing and developmental properties	45,246	46,954
	<hr/>	<hr/>
Total properties	\$ 69,019	\$ 67,270

(A) During 2002, the Company made the determination that its carrying amount for the Coeur Silver Valley Galena Mine was impaired. As a result, the Company reduced the carrying amount to zero and recorded an impairment loss of \$19.0 million. Additions in the current year are related to the adoption of SFAS 143 and additional development work performed in 2003.

**Operational Mining Properties**

**The Rochester Mine:** The Company has conducted operations at the Rochester Mine, located in Western Nevada, since September 1986. The mine utilizes the heap-leaching process to extract both silver and gold from ore mined using open pit methods. Rochester's primary product is silver with gold produced as a by-product.

**Galena Mine:** Coeur Silver Valley owns and operates the Galena underground silver-copper mine, located near the city of Wallace, in Northern Idaho. On September 9, 1999, the Company acquired the remaining 50% of Coeur Silver Valley resulting in 100% ownership for the Company. The mine utilizes the cut and fill mining method with sand backfill to extract ore from the high grade silver-copper vein deposits that constitute the majority of the ore reserves.

**Cerro Bayo Mine:** The Cerro Bayo Mine is a gold and silver open pit and underground mine located in southern Chile. Commercial production commenced on April 18, 2002.

**Martha Mine:** The Martha Mine is an underground silver mine located in Argentina, approximately 270 miles southeast of Coeur's Cerro Bayo mine. Coeur acquired 100% interest in the Martha mine in April 2002. In July 2002, Coeur commenced shipment of ore from the Martha mine to the Cerro Bayo facility for processing.

**Non-Producing and Development Properties**

**San Bartolome Project:** On September 9, 1999, the Company acquired Empresa Minera Manquiri (Manquiri). Manquiri's principal asset is the San Bartolome project, a silver exploration and development property located near the city of Potosi, Bolivia. The San Bartolome project consists of silver-bearing gravel deposits which lend themselves to simple surface mining methods. The mineral rights for the San Bartolome project are held through long-term joint venture/lease agreements with several local independent mining co-operatives and the Bolivian State owned mining company, (COMIBOL). As consideration for these JV/leases, production from San Bartolome is subject to a royalty of 4%

payable to the co-operatives and COMIBOL. During the third quarter of 2003, the Company retained Flour Daniel Wright and SRK to prepare an updated feasibility study which is expected to be completed in the second quarter of 2004.

Kensington Project: Kensington is a gold property located near Juneau, Alaska, which has been permitted for development based on a feasibility study which was completed in early 1998. During 2003, the Company continued alternative permitting efforts and site maintenance.

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## NOTE J LONG-TERM DEBT

### Debt Reduction Program

During the past five years, the Company has pursued a program of restructuring and reducing its outstanding indebtedness, which has resulted in a reduction of long-term debt from \$246.5 million at December 31, 1998 to \$9.6 at December 31, 2003. A summary of the major components of the program are as follows:

#### 1998-2000 Repurchases and exchanges

In 1998, the Company repurchased approximately \$4.0 million principal amount of its outstanding 6% Debentures, approximately \$36.5 million principal amount of its outstanding 7 1/4% Debentures and \$1.6 million principal amount of its outstanding 6 3/8% Debentures for a total purchase price of approximately \$28.5 million. During 1999, the Company repurchased approximately \$10.2 million principal amount of its outstanding 6% Debentures for a total purchase price of approximately \$6.2 million. During 2000, the Company repurchased approximately \$9.1 million principal amount of its outstanding 6% Debentures and \$22.0 million principal amount of its outstanding 7 1/4% Debentures for a total purchase price of approximately \$13.9 million.

#### 2001 Public Exchange Offer

On June 29, 2001, the Company commenced an offer of its Series I 13 3/8% Senior Convertible Subordinated Notes due 2003 ( Series I 13 3/8 Notes ) in exchange for its outstanding 6%, 6 3/8% and 7 1/4% Debentures. The Company offered \$1,000 principal amount of Series I 13 3/8% Notes for each \$2,000 principal amount of 6 3/8% and 7 1/4% Debentures, and \$1,000 principal amount of 13 3/8% Notes in exchange for each \$1,000 principal amount of 6% Debentures. The exchange offer was completed on July 30, 2001 and on August 1, 2001, the Company issued a total of approximately \$42.6 million principal amount of 13 3/8% Notes in exchange for approximately \$2.0 million principal amount of 6% Debentures, \$26.6 million principal amount of 6 3/8% Debentures and \$54.5 million principal amount of 7 1/4% Debentures that were tendered and accepted in the exchange offer. In addition, the Company sold \$25,000 principal amount of 13 3/8% Notes for cash in connection with the offer. The exchange offer reduced the Company's outstanding long-term debt by approximately \$39.9 million and increased shareholders' equity by approximately \$38.6 million. As a result of the exchange offer, the Company recorded a gain of approximately \$39.2 million, net of offering costs.

The Series I 13 3/8% Notes were senior in right of payment to the 6%, 6 3/8% and 7 1/4% Debentures. The Series I 13 3/8% Notes are convertible into Coeur common stock, at any time prior to maturity at a conversion price of \$1.35 per share, subject to adjustment. Interest is payable semi-annually on June 30 and December 31 of each year. The Company is entitled to elect to pay interest in cash or stock, in its sole discretion. The Company elected to pay the \$2.9 million of interest payable on December 31, 2001 in common stock, issuing a total of 3.8 million shares of common stock in payment thereof. The Company can elect to automatically convert the Series I 13 3/8% Notes during the first two years after issuance if the closing price of the common stock exceeds 200% of the conversion price for at least 20 trading days during a 30-day trading period ending within five trading days prior to the notice of automatic conversion. If an automatic conversion occurs within the first two years after issuance, or if holders elect to convert their Series I 13 3/8% Notes within the first two years after issuance and prior to notice of any automatic conversion, the Company is required to make a payment to the holders in cash, or at the Company's option, in common stock, equal to two full years of interest, less interest already paid. The Series I 13 3/8% Notes are redeemable at the option of the Company two years after issuance, subject to certain conditions, and at the option of the holders in the event of a change in control.

#### 2001 Private Exchange Transactions

In the first quarter of 2001, the Company exchanged \$5.0 million principal amount of outstanding 7 1/4% Debentures for 1.8 million shares of common stock. As a result, the Company recorded a gain of approximately \$3.0 million, in connection with the reduction of indebtedness. In the second quarter of 2001, the Company exchanged a total of \$11.0 million principal amount of 7 1/4% Debentures for 4.3 million shares of common stock. As a result, the Company recorded a gain of approximately \$5.8 million.

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**2001 Conversions**

During the year ending December 31, 2001, holders of \$1.8 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 ) voluntarily converted such notes into approximately 1.3 million shares of common stock. In addition, 3.8 million shares of common stock were issued as payment for \$2.9 million of interest expense on the Notes during 2001.

**2002 Private Placement Transaction**

In May 2002, The Company issued \$21.5 million principal amount of new Series II 13 3/8% Convertible Senior Subordinated Notes ( Series II 13 3/8% Notes ) due December 2003, for proceeds of approximately \$13.5 million, net of discount of \$5.5 million and offering costs of approximately \$1.9 million. Proceeds from this transaction were used to retire the remaining outstanding \$9.4 million of 6% Convertible Subordinated Debentures due June 10, 2002 upon their maturity along with accrued interest and for general corporate purposes. The Series II 13 3/8% Notes were issued on similar terms, subject to certain contingent provisions, as the Company's previously issued, Series I 13 3/8% Convertible Senior Subordinated Notes ( Series I 13 3/8% Notes ) due December 31, 2003.

The Series II Notes are convertible at any time prior to their maturity on December 31, 2003 at a conversion price of \$1.35 per share, subject to adjustment. The Company may elect to automatically convert the Series II Notes at any time prior to maturity if the closing sale price of the Company's common stock exceeds 200% of the conversion price for at least 20 trading days during a 30-day trading day period ending within five trading days prior to the notice of automatic conversion. If an automatic conversion occurs prior to maturity, the Company will make a payment to holders in cash or, at the Company's option, in common stock, equal to \$211.77 for each \$1,000 principal amount of notes, less any interest actually paid prior to automatic conversion. If paid in common stock, the shares of common stock will be valued at 90% for the average of the closing price of the Company's common stock for the five trading days immediately preceding the second trading day prior to the automatic conversion date. If holders elect to convert their Series II Notes prior to maturity and prior to notice of automatic conversion, they will have the right to receive a payment upon conversions equal to \$211.77 for each \$1,000 principal amount of notes, less interest actually paid, payable in cash or common stock at the Company's option. If paid in common stock, the shares will be valued at 90% of the average of the closing price of the Company's common stock for the five trading days immediately preceding the second trading day prior to the voluntary conversion date, subject to a minimum valuation equal to the conversion price.

**2002 Exchanges and Conversions**

During 2002, the holders of the 6%, 6 3/8% and 7 1/4% Debentures exchanged a total of \$13.7 million, \$11.1 million, and \$3.0 million principal amount, respectively, in exchange for a total of 14.4 million, 8.6 million and 2.3 million shares of common stock, respectively. Shares issued for the 6 3/8% and 7 1/4% Debentures include 0.7 million and 0.2 million shares of common stock issued for payment of interest.

As of December 31, 2002, the holders of a total of approximately \$28.8 million principal amount of Series I 13 3/8% Notes had converted their notes into a total of 21.2 million shares of common stock, excluding make whole interest payments.

As of December 31, 2002, the holders of a total of approximately \$21.5 million principal amount of Series II 13 3/8% Notes had converted their notes into a total of 15.9 million shares of common stock. As a result, the entire issue of Series II 13 3/8% Notes had converted into common stock. The Company issued 2.9 million shares for payment of interest.

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**2003 Issuance of 9% Senior Convertible Notes**

On February 26, 2003, the Company completed a private placement of \$37.2 million principal amount of 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% Debentures. 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 0.6 million unregistered shares of common stock valued at \$1.54 per share in lieu of cash. No underwriter was used with this transaction. The private placement was made to several accredited institutional investors. The private placement was exempt from registration under the Securities Act of 1933 by virtue of Regulation D thereunder.

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On March 7, 2003, the Company called for the redemption of approximately \$22.4 million principal amount of the outstanding 6 3/8% Debentures, which was funded by a portion of the proceeds received from the sale of the 9% Notes. The debt was retired on April 7, 2003.

Effective as of July 10, 2003, Coeur d Alene Mines Corporation entered into a series of agreements under which indebtedness of the Company will be exchanged for or converted into shares of the Company's common stock, (the Common Stock). The Company and each of the holders of the Company's 9% Notes entered into an Early Conversion Agreement. The amount of principal converted under the Early Conversion Agreements was \$32.6 million, and the common shares issued, including interest, was approximately 27.5 million. The Company recorded a loss on early retirement of debt of \$4.2 million in the third quarter of 2003 in conjunction with these transactions.

### 2003 Exchanges and Conversions

During 2003, holders of \$12.7 million of our 13 3/8% Convertible Senior Subordinated Notes due December 31, 2003 voluntarily converted such notes, in accordance with original terms, into approximately 9.6 million shares of common stock which includes 0.2 million shares issued for interest due under the terms of the agreement.

During 2003, the Company exchanged \$27.9 million and \$2.1 million principal amount of our outstanding 6 3/8% Convertible Subordinated Debentures due 2004 and our 7 1/4% Convertible Subordinated Debentures due 2005, respectively, in exchange for 18.5 million shares of common stock and recorded a loss on exchange and early retirement of debt of approximately \$29.7 million. The shares issued included 0.5 million shares of common stock issued as payment for interest expense as part of the transaction. In conjunction with the issuance of the 9% Convertible Senior Subordinated Notes due 2007, the Company also issued 0.6 million shares of common stock for partial payment of offering costs of \$1.0 million.

### 2003 Redemptions

On November 25, 2003, the Company issued 3.1 million shares of common stock in a registered offering, the proceeds of which were used to redeem the remaining \$4.6 million principal amount of the 9% Convertible Senior Subordinated Notes and recorded a loss on the early retirement of debt of \$7.6 million. In addition, during the fourth quarter of 2003, the Company redeemed the remaining \$4.9 million principal amount of the 6 3/8% Convertible Subordinated Debentures due January 2004.

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### Debt-for-Equity Conversions and Exchanges

The following table sets forth debt-for-equity conversions exchanges for each year in millions:

	<u>Common Shares</u>	<u>Principal Amount</u>	<u>Interest Expense</u>	<u>Discount and Offering Costs</u>	<u>Gain/(Loss) on Early Retirement of Debt</u>
<b>2003</b>					
<b>Converted</b>					
13.375% Notes Series I due 2003	9.4	\$ 12.7	\$ --	\$ (0.30)	\$ --
Interest	0.2	--	0.3	--	--
<b>Exchanged</b>					
6.375% Debentures due 2004	16.6	27.9	--	(0.10)	(27.5)
Interest	0.5	--	0.9	--	--
7.25% Debentures due 2005	1.4	2.1	--	--	(2.2)
9% Notes due 2007	23.0	32.6	--	(4.20)	(4.2)
Interest	4.5	--	7.0	--	--
<b>TOTAL</b>	<b>55.6</b>	<b>\$ 75.3</b>	<b>\$ 8.2</b>	<b>\$ (4.60)</b>	<b>\$ (33.9)</b>

	<u>Common Shares</u>	<u>Principal Amount</u>	<u>Interest Expense</u>	<u>Discount and Offering Costs</u>	<u>Gain/(Loss) on Early Retirement of Debt</u>
<b>2002</b>					
<b>Converted</b>					
13.375% Notes Series I due 2003	21.2	\$ 28.8	\$ --	\$ (1.30)	\$ --
Interest	5.1	--	7.9	--	--
13.375% Notes Series II due 2003	15.9	21.5	--	(6.04)	--
Interest	2.9	--	4.5	--	--
<b>Exchanged</b>					
6% Debentures exchanged June 2002	14.4	13.7	--	(0.03)	(2.9)
6.375% Debentures due 2004	7.9	11.1	--	(0.06)	(12.9)
Interest	0.7	--	1.0	--	--
7.25% Debentures due 2005	2.1	3.0	--	(0.04)	(3.3)
Interest	0.2	--	0.2	--	--
<b>TOTAL</b>	<b>70.4</b>	<b>\$ 78.1</b>	<b>\$ 13.6</b>	<b>\$ (7.47)</b>	<b>\$ (19.1)</b>
<b>2001</b>					
<b>Converted</b>					
13.375% Notes Series I due 2003	1.3	\$ 1.8	\$ --	\$ (0.43)	\$ --
Interest	3.8	--	2.9	--	--
<b>Exchanged</b>					
7.25% Debentures due 2005	6.1	16.0	--	(0.27)	9.0
<b>TOTAL</b>	<b>11.2</b>	<b>\$ 17.8</b>	<b>\$ 2.9</b>	<b>\$ (0.70)</b>	<b>\$ 9.0</b>
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### Redemptions of Debentures

The following table sets forth cash redemptions of debentures each year in millions:

	<u>Principal Amount</u>	<u>Purchase Amount</u>	<u>Offering Cost</u>	<u>Loss on Early Retirement of Debt</u>
<b>2003:</b>				
6 3/8% Debentures	\$27.3	\$27.3	--	--
9% Debentures	\$ 4.6	\$13.5	\$(1.30)	\$(7.6)
<b>2002:</b>				
6% Debentures	\$ 9.4	\$ 9.4	\$(.03)	--
<b>2001:</b>				
None	--	--	--	--
<b>7 1/4% Debentures</b>				

The \$9.6 million principal amount of 7 1/4% Debentures due 2005 outstanding at December 31, 2003 are convertible into shares of common stock at the option of the holder on or before October 31, 2005, unless previously redeemed, at a conversion price of \$17.45 per share, subject to adjustment in certain events.

The Company is required to make semi-annual interest payments. The Debentures are redeemable at the option of the Company, and have no other funding requirements until maturity on October, 2005.

The fair value of the long-term borrowing is determined by market transactions on or near December 31, 2003 and 2002, respectively. The carrying amounts and fair values of long-term borrowings, as of December 31, 2003 and 2002, consisted of the following:

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Convertible Debentures	December 31, 2003		December 31, 2002	
	Carrying Value	Fair Value	Carrying Value	Fair Value
13 3/8% Notes Series I due 2003	--	--	\$ 12,735	\$ 19,612
6 3/8% Debentures due 2004	--	--	\$ 55,132	\$ 55,132
7 1/4% Debentures due 2005	\$ 9,563	\$ 9,552	\$ 11,665	\$ 10,965

Total interest expense on Debentures and Notes for the year ended December 31, 2003, 2002, and 2001 was \$12.9 million, \$21.9 million, and \$14.6 million, respectively.

Interest paid was \$13.0 million, of which \$9.0 million was paid in stock, \$19.2 million, of which \$13.5 million was paid in stock and \$16.2 million 2003, 2002, and 2001, respectively.

### Building Loan

In 2002, the Company secured a 10-year loan at an interest rate of 10% for the Corporate Office Building 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.

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## NOTE K 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 costs 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.

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 was accounted for as a change in accounting principle as of January 1, 2003, and the effects of this change are discussed below.

Upon initial application of FASB No. 143 Accounting for Asset Retirement Obligations, 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 a credit adjusted risk-free interest rate 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.



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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 a 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 December 31, 2003 and 2002:

Assets:	2003	Pro Forma 2002
	(in thousands)	
Asset Retirement Obligation - January 1	\$ 20,662	\$ 19,553
Accretion	1,550	1,466
Additions	--	--
Settlements/Expenditures	(1,555)	(357)
	\$ 20,657	\$ 20,662
Asset Retirement Obligation - December 31	\$ 20,657	\$ 20,662

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 December 31, 2002 and 2001:

(In thousands except per share data)	December 31, 2002	December 31, 2001
(In thousands except per share data)	(Restated)	
Net loss as reported	\$ (80,819)	\$ (3,067)
Unaudited net loss pro forma	\$ (83,341)	\$ (3,237)
Basic and diluted earnings per share as reported	\$ (1.03)	\$ (0.07)
Unaudited basic and diluted earnings per share pro forma	\$ (1.07)	\$ (0.08)

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

**NOTE L INCOME TAXES**

The components of the provision for income taxes in the consolidated statements of operations are as follows:

	Years Ended December 31		
	2003	2002	2001
Current	\$ 7	\$ --	\$ 6
Deferred	-	--	--
Benefit (provision) for income tax	\$ 7	\$ --	\$ 6

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As of December 31, 2003, 2002 and 2001 the significant components of the Company's net deferred tax liabilities were as follows:

	Years Ended December 31,		
	2003	2002	2001
Deferred tax liabilities:			
PP&E, net	\$ 6,643	\$ 5,276	\$ 6,560
Total deferred tax liabilities	\$ 6,643	\$ 5,276	\$ 6,560
Deferred tax assets:			
Net operating loss carryforwards	\$ 94,544	\$ 88,069	\$ 109,526
AMT credit carryforwards	1,459	1,459	1,459
Business credit carryforwards	205	205	205
Capital loss carryforwards	5,237	--	--
Total deferred tax assets	101,445	89,733	111,190
Mineral properties impairment	70,202	59,997	66,663
Unrealized hedging losses	--	--	1,443
Other	3,014	2,500	3,101
Valuation allowance for deferred tax assets	(168,018)	(146,954)	(175,837)
Total deferred tax assets	\$ 6,643	\$ 5,276	\$ 6,560
Net deferred tax liabilities	\$ --	\$ --	\$ --

Changes in the valuation allowance relate primarily to net operating losses which are not currently recognized. 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.

For tax purposes, as of December 31, 2003, the Company has operating loss carryforwards as shown in the table below, which expire in 2008 through 2023 for U.S. carryforwards. Australian, Chilean and New Zealand laws provide for indefinite carryforwards of net operating losses. During 2002, the Company, for U.S. tax purposes, was subject to the U.S. change of ownership rule which limits the availability of existing tax attributes including net operating losses to shelter future taxable income. The Company estimates that the change of ownership limitation on net operating losses incurred prior to 2002 is approximately \$50.0 million. As a result, the Company will not be able to utilize in the future approximately \$100 million of the U.S. net operating losses that existed as of December 31, 2001. Consequently, deferred tax assets

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have been reduced in 2002 for this loss of net operating loss carryforwards with a corresponding reduction in the valuation allowance.

	U.S.	Australia	Chile	New Zealand	Total
Regular losses	\$ 90,661	\$ 2,494	\$ 85,600	\$ 91,371	\$ 270,126
ATM credits	1,459	--	--	--	1,459
General business credits	205	--	--	--	205
Capital loss carryforwards	5,237	--	--	--	5,237

The Company also concluded in 2002 that it could no longer reinvest unremitted earnings of its non U.S. subsidiaries. Accordingly, the Company increased its deferred tax assets related to foreign net operating losses and increased the Company's valuation allowance associated with these deferred tax assets.

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A reconciliation of the Company's effective income tax rate with the federal statutory tax rate for the periods indicated is as follows:

	Years Ended December 31,		
	2003	2002	2001
Tax benefit on continuing operations computed at statutory rates	35.0%	35.0%	35.0%
Tax effect of foreign affiliates' statutory rates percentage depletion	--	--	59.1%
Percentage depletion	--	--	(238.5%)
Interest on foreign subsidiary debt	--	--	110.8%
Change in valuation allowance	(31.4)%	(41.5)%	16.5%
Non-deductible interest	(23.2)%	5.3%	81.8%
Adjustments to prior periods due to filed returns	17.8%	--	--
Other (net)	1.8%	1.2%	5.3%
Effective tax rate	0.0%	0.0%	0.0%

### NOTE M SHAREHOLDERS EQUITY

On May 11, 1999, the Company's shareholders adopted a new shareholder rights plan (the "Plan"). The Plan entitles each holder of the Company's common stock to one right. Each right entitles the holder to purchase one one-hundredth of a share of newly authorized Series B Junior Preferred Stock. The exercise price is \$100, making the price \$10,000 per full preferred share. The rights will not be distributed and become exercisable unless and until ten business days after a person acquires 20% of the outstanding common shares or commences an offer that would result in the ownership of 30% or more of the shares. Each right also carries the right to receive upon exercise that number of Coeur common shares which has a market value equal to two times the exercise price. Each preferred share issued is entitled to receive 100 times the dividend declared per share of common stock and 100 votes for each share of common stock and is entitled to 100 times the liquidation payment made per common share. The Board may elect to redeem the rights prior to their exercisability at a price of \$0.01 per right. The new rights will expire on May 24, 2009, unless earlier redeemed or exchanged by the Company. Any preferred shares issued are not redeemable. At December 31, 2003 and 2002, there were a total of 213,135,975 and 118,594,056 outstanding rights, respectively, which was equal to the net number of outstanding shares of common stock.

#### Stock Issues During 2003

During the third quarter of 2003, the Company completed a public offering of 23.7 million shares of common stock at a public offering price of \$3.40 per share, which included 3.1 million shares purchased by the underwriters at the offering price to cover over allotments. The Company realized total net proceeds from the offering, after payment of the underwriters' discount, of approximately \$76.0 million.

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On July 7, 2003, the Company sold 0.2 million shares of common stock to an institutional investor for an aggregate of \$0.3 million, or \$1.40 per share. The net proceeds from the sale of shares were used to pay amounts owed by the Company's subsidiary, Empresa Minera Manquiri S.A., a Bolivian corporation, under contracts pursuant to which it obtained certain mineral rights in Bolivia and for general corporate purposes. The sale of shares was effected pursuant to the Company's shelf registration statement.

On May 23, 2003, the Company sold 8.1 million shares of common stock to an institutional investor for an aggregate of \$10.0 million, or \$1.23 per share. The Company also granted the investor an option, exercisable within 30 days, to purchase an additional 1.2 million shares of common stock at a price of \$1.23 per share. The proceeds of the sale were used for general corporate purposes and working capital needs, including the repayment of 13 3/8% Notes and 6 3/8% Debentures. On June 20, 2003, the Company sold 1.2 million shares of common stock to the institutional investor for an aggregate of \$1.5 million, or \$1.23 per share, in connection with the above-referenced option. The sale of shares was effected under the Company's shelf registration statement.

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On November 25, 2003, the Company issued 3.1 million shares of common stock in a registered offering, the proceeds of which were used to redeem the remaining \$4.6 million principal amount of the 9% Convertible Senior Subordinated Notes and recorded a loss on the early retirement of debt of \$7.6 million. In addition, during the fourth quarter of 2003, the Company redeemed the remaining \$4.9 million principal amount of the 6 3/8% Convertible Subordinated Debentures due January 2004.

### NOTE N STOCK-BASED COMPENSATION PLANS

The Company has an Annual Incentive Plan (the "Annual Plan"), a Long-Term Incentive Plan (the "Long-Term Plan") and a Directors' Plan (the "Directors' Plan").

Benefits under the Annual Plan were payable in cash for 2003, 2002 and 2001.

Under the Long-Term Plan, benefits consist of non-qualified stock and incentive stock options that are exercisable at prices equal to the fair market value of the shares on the date of grant and vest cumulatively at an annual rate of one third during the three-year period following the date of grant. In addition to stock options, the Long-Term Plan may annually grant stock appreciation rights (SARs), restricted stock, restricted stock units, performance shares, performance units, cash based awards, and stock based awards. As of December 31, 2003, the amount of authorized shares to issue under this plan was 9.7 million shares. There were 1.2 million shares and 1.3 million shares reserved for issuance under this plan at December 31, 2003 and 2002, respectively. During 2003, restricted stock for 1.2 million shares were issued under this plan.

The Directors' Plan options are granted only in lieu of an optionee's foregone annual directors' fees. Under this Plan 1,200,000 shares of Common Stock are authorized for issuance. As of December 31, 2003, 2002 and 2001, a total of 106,478, 181,060 and 134,612 options, respectively, had been granted in lieu of \$0.1 million, each year of foregone directors' fees. The total amount of shares reserved at December 31, 2003 and 2002 were 486,808 and 449,382, respectively under this plan.

As of December 31, 2003 and 2002, stock options to purchase 1,650,054 shares and 1,750,675 shares, respectively, were outstanding under the Long-Term and the Directors' Plans described above. The options are exercisable at prices ranging from \$0.74 to \$19.94 per share. Total employee compensation expense charged to operations under these Plans were \$0.1 million, \$0.8 million and \$0.7 million for 2003, 2002, and 2001, respectively. A summary of the Company's stock option activity and related information for the years ended December 31, 2003, 2002 and 2001 follows:

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	Shares	Weighted Average Exercise Price	Weighted Average Fair value of Options Granted
Stock options outstanding at December 31, 2000	708,266	\$ 9.47	
Granted	403,473	\$ 0.81	\$ 0.81
Canceled/expired	(332,645)	\$ 14.02	
Stock options outstanding at December 31, 2001	779,094	\$ 2.81	
Granted	1,052,525	\$ 1.50	\$ 1.31
Canceled/expired	(80,944)	\$ 2.12	
Stock options outstanding at December 31, 2002	1,750,675	\$ 2.05	
Granted	106,478	\$ 2.08	\$ 1.08
Exercised	(72,052)	\$ 1.13	
Canceled/expired	(135,047)	\$ 1.91	
Stock options outstanding at December 31, 2003	1,650,054	\$ 2.11	

Options exercisable at December 31, 2003, 2002 and 2001 were, 1,616,532, 1,650,108 and 609,089, respectively.

The following table summarizes information for options currently outstanding at December 31, 2003:

Range of Exercise Price	Options Outstanding		Options Exercisable		
	Number Outstanding	Weighted Average Remaining Contractual Life (Yrs.)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.74 to \$1.22	506,127	7.78	\$ 0.80	506,127	\$ 0.80
\$1.23 to \$1.85	774,975	8.58	\$ 1.65	774,975	\$ 1.65
\$1.86 to 2.63	111,502	8.90	\$ 2.10	111,502	\$ 2.10
\$2.64 to \$4.81	196,348	6.04	\$ 3.68	162,826	\$ 3.71
\$4.82 to \$8.94	21,005	4.02	\$ 8.90	21,005	\$ 8.90
\$8.95 to \$19.94	40,097	2.94	\$ 16.21	40,097	\$ 16.21
	<u>1,650,054</u>	~	~	<u>1,616,532</u>	~

As of December 31, 2003, 7,444,140 shares were available for future grants under these incentive Plans and 548,023 shares of common stock were reserved for potential conversion of Convertible Subordinated Debentures.

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

**Defined Benefit Plan**

In connection with the acquisition of certain Asarco silver assets acquired in 1999, the Company is required to maintain non-contributory defined benefit pension plans covering substantially all employees at Coeur Silver Valley. Benefits for salaried plans are based on salary and years of service. Hourly plans are based on negotiated benefits and years of service. The Company's funding policy is to contribute annually the minimum amount prescribed, as specified by applicable regulations. Prior service costs and actuarial gains and losses are amortized on plan participants' expected future period of service using the straight-line method.

Actuarial Present Value of Projected Benefit Obligation:

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

<u>Factor</u>	<u>Method</u>
Discount Rate for Benefit Obligations	6.0%
Expected Return on Plan Assets	7.0%
Rate of Compensation Increased	5.0%

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 6% and 7% as of December 31, 2003 and 2002, respectively. 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 \$(0.2) million and \$(0.1) million for 2003 and 2002, respectively. The actual return on plan assets was \$0.4 million and negative \$0.2 million for 2003 and 2002, respectively. The actuarial gains and losses for each period are amortized using a straight-line method over 10.7 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 \$0.8 million and \$0.9 million in 2003 and 2002, respectively, toward the obligation. The Company expects to contribute approximate \$0.8 million for each of the next five years. 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, 2003 had 9% guaranteed investment contracts, 28% conservative bond investments, 42% large company investments and 21% 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, 2003 does not match exactly to the current directive.

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.

<u>Mix</u>	<u>Expected Rate of Return</u>	<u>Standard Deviation Or Volatility</u>
60% equity investments	8.75%	16.00%
30% fixed income investments	5.50%	7.25%
10% cash and cash equivalents	4.00%	1.00%
	<u>7.40%</u>	<u>11.00%</u>

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

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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.

The components of net periodic benefit costs are as follows:

	For the Year Ended December 31,		
	2003	2002	2001
Assumptions:			
Discount rate	7.0%	7.5%	8.0%
Components of net periodic benefit cost			
Service cost	\$ 269	\$ 311	\$ 179
Interest cost	335	290	138
Expected return on plan assets	(180)	(143)	(121)
Amortization of prior service cost	56	56	31
Amortization of transitional obligation	--	--	--
Recognized actuarial loss	232	210	35
Net periodic benefit cost	\$ 712	\$ 724	\$ 262

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The change in benefit obligation and plan assets and a reconciliation of funded status are as follows:

	At December 31,	
	2003	2002
<b><i>Change in benefit obligation</i></b>		
Projected benefit obligation at beginning of year	\$ 4,693	\$ 2,703
Service cost	269	311
Interest cost	335	290
Plan amendments	--	--
Benefits paid	(141)	(94)
Actuarial loss (gain)	1,181	1,483
Projected benefit obligation at end of year	\$ 6,337	\$ 4,693

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At December 31,

<b><i>Change in plan assets</i></b>		
Fair value of plan assets at beginning of year	\$ 2,250	\$ 1,644
Actual return on plan assets	419	(201)
Plan amendment	--	--
Employer contributions	790	901
Benefits paid	(141)	(94)
Administrative expenses	--	--
<hr/>		
Fair value of plan assets at end of year	\$ 3,318	\$ 2,250
<hr/>		
<b><i>Reconciliation of funded status</i></b>		
Funded status	\$ (3,019)	\$ (2,443)
Unrecognized actuarial gain	3,517	2,807
Unrecognized transition obligation	--	--
Unrecognized prior service cost	444	500
<hr/>		
Net amount of asset (liability) reflected in consolidated balance sheet	\$ 942	\$ 864
<hr/>		
<b><i>Weighted average assumptions</i></b>		
Discount rate	6.0%	7.0%
Expected long-term rate of return on plan assets	7.0%	8.0%
Rate of compensation increase	5.0%	5.0%

**Post Retirement Medical Benefits**

The Company's subsidiary, Coeur Silver Valley Inc., provides certain health care benefits for retired employees and their dependents who retired before September 9, 1999. The current hourly employees of Coeur Silver Valley Inc. are not eligible for post retirement health insurance if eligible for retirement under the Coeur Silver Valley Retirement Plan. These benefits are insured through outside carriers.

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

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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 2003 and 2002. The Company expects to contribute to the plan approximately \$0.2 million each year for the next five years.

A 1% increase in the medical trend rate assumption would result in an additional \$8,000 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 \$7,000 decrease in interest cost and a \$0.1 million decrease in post-retirement benefit obligation.

The following table sets forth the actuarial present value of postretirement medical benefit obligations and amounts recognized in the Company's financial statements:

At December 31,



	2003	2002
	(in thousands)	
<b>Assumptions:</b>		
Discount rate	6.00%	7.00%
<b>Change in benefit obligation</b>		
Net benefit obligation at beginning of year	\$ 2,112	\$ 1,744
Service cost	18	16
Interest cost	117	143
Actuarial (gain) loss	(77)	403
Benefits paid	(175)	(194)
Net benefit obligation at end of year	\$ 1,995	\$ 2,112
<b>Assets</b>		
Assets at beginning of year	--	--
Benefits paid	(175)	(194)
Contributions	175	194
Assets at end of year	\$ --	\$ --
<b>Funded status</b>		
Funded status at end of year	\$ (1,995)	\$ (2,112)
Unrecognized net actuarial (gain) loss	43	120
Unrecognized net transition obligation	--	--
Net amount recognized at end of year (recorded as accrued benefit cost in the accompanying balance sheet)	\$ (1,952)	\$ (1,992)

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The components of net periodic benefit costs are as follows:

	For the Year Ended December 31,		
	2003	2002	2001
	(in thousands)		
<b>Assumptions:</b>			
Discount rate	7.0%	7.5%	8.0%
<b>Components of net periodic benefit cost:</b>			
Service cost	\$ 18	\$ 16	\$ 14

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	For the Year Ended December 31,		
Interest cost	117	143	118
Amortization of:			
Transitional obligation	--	--	--
Actuarial (gain) loss	--	--	(15)
	<hr/>		
Net periodic pension cost	\$ 135	\$ 159	\$ 117
	<hr/>		

**Sensitivity of Retiree Welfare Results:**

	For the Year Ended December 31,	
	(in thousands)	
	2003	2002
	<hr/>	
Effect of a one percentage point increase in assumed ultimate health care cost trend		
-- on total service and interest cost components	\$ 8	\$ 9
-- on postretirement benefit obligation	\$ 117	\$ 122
Effect of a one percentage point decrease in assumed ultimate health care cost trend		
-- on total service and interest cost components	\$ (7)	\$ (8)
-- on postretirement benefit obligation	\$ (100)	\$ (103)

Postretirement benefits include medical benefits for retirees and their dependents.

In December 2003, The Medicare Prescription Drug, Improvement and Modernization Act of 2003 was enacted. Our accumulated postretirement benefit obligation and net periodic postretirement do not reflect the effects that the requirements of this law may have on those calculations. FASB is expected to provide additional guidance for the accounting treatment related to the requirements of this statute, which could require changes to previously reported information.

**Defined Contribution Plan**

The Company provides a noncontributory defined contribution retirement plan for all eligible U.S. employees. Total plan expenses charged to operations were \$0.8 million, \$0.7 million, and \$0.7 million for 2003, 2002, and 2001, respectively, which is based on a percentage of salary of qualified employees.

**401(k) Plan**

The Company maintains a savings plan (which qualifies under Section 401(k) of the U.S. Internal Revenue code) covering all eligible U.S. employees. Under the plan, employees may elect to contribute up to 100% of their cash compensation, subject to ERISA limitations. The Company is required to make matching cash contributions equal to 50% of the employees' contribution or up to 3% of the employees' compensation. Employees have the option of investing in thirteen different types of investment funds. Total plan expenses charged to operations were \$0.4 million, \$0.4 million and \$0.3 million in 2003, 2002, and 2001, respectively.

**NOTE P DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company enters into derivative contracts to manage certain risks resulting from fluctuations in foreign currency exchange rates. The Company accounts for its derivative contracts in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which the Company adopted on January 1, 2001. Accordingly, unrealized gains and losses related to the change in fair market value of derivative contracts, which qualify and are designated as cash flow hedges, are recorded as other comprehensive income or loss and such amounts are recognized into earnings as the associated contracts are settled. At December 31, 2003, 2002, and 2001, the Company had foreign exchange contracts of \$1.3 million, \$5.7 million and nil in U.S. dollars, respectively.

The Company enters into forward metal sales contracts to manage a portion of its cash flows against fluctuating gold prices. As of December 31, 2003, the Company had sold 16,600 ounces of gold for physical delivery on various dates through 2004 at an average price of \$348, respectively. For metal delivery contracts, the realized price pursuant to the contract is recognized when physical gold or silver is delivered in satisfaction of the contract. For the years ended December 31, 2003, 2002 and 2001, Coeur's forwards program yielded gain (loss) \$(1.7) million, \$(0.2) million and \$0.4 million, respectively.

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

The following table summarizes the information at December 31, 2003, associated with the Company's financial and derivative financial instruments (in thousands, except per ounce amounts) except as to provisionally priced sales of concentrates which are discussed below in the table:

	2004	2005	Total	Fair Value 12/31/03
<b>Liabilities</b>				
Short and Long Term Debt				
Fixed Rate	--	\$ 9,563	\$ 9,563	\$ 9,552
Average Interest Rate	7.25%	7.25%	~	~
<b>Derivative Financial Instruments</b>				
Gold Forward Sales -- USD Ounces	16,600	--	16,600	\$ (1,128)
Price Per Ounce	\$ 348	--	\$ 348	~
<b>Foreign Currency Contracts</b>				
Chilean Peso - USD	\$ 1,260	--	\$ 1,260	\$ 131
Exchange Rate (CLP to US\$)	629	--	629	~

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, which had a fair value of approximately \$33.8 million.

For the years ended December 31, 2003, 2002, and 2001, the Company realized a gain (loss) from its foreign exchange programs of \$0.1 million, nil and \$(0.6) million, respectively.

The credit risk exposure related to all hedging activities is limited to the unrealized gains on outstanding contracts based on current market prices. To reduce counter-party credit exposure, the Company deals only with a group of large credit-worthy financial institutions and limits credit exposure to each. In addition, to allow for situations where positions may need to be reversed the Company deals only in markets that it considers highly liquid. The Company does not anticipate non-performance by any of these counter parties.

**NOTE Q SEGMENT INFORMATION**

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

The operating segments are managed separately because each segment represents a distinct use of company resources and contribution to Company cash flows in its respective geographic area. The Company's reportable operating segments include the Rochester, Coeur Silver Valley, Cerro Bayo, Petorca, Coeur Australia and exploration and development properties. All operating segments are engaged in the discovery and/or mining of gold and silver and generate the majority of their revenues from the sale of these precious metals. Intersegment revenues consist of precious metals sales to the Company's metals marketing division and are transferred at the market value of the respective metal on the date of transfer. The other segment includes the corporate headquarters, elimination of intersegment transactions and other items necessary to reconcile to consolidated amounts. Revenues in the other segment includes sales through a wholly owned commodity marketing subsidiary and 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 above. The Company evaluates performance and allocates resources based on profit or loss before interest, income taxes, depreciation and amortization, unusual and infrequent items, and extraordinary items.

As discussed in Note A, the Company has restated its financial statements as of and for the years ended December 31, 2003 and 2002, as well as each of the quarterly and year-to-date periods as of March 31, 2003 and 2002, June 30, 2003 and 2002, and September 30, 2003 and 2002. The restatement is to reflect a correction of an error resulting from the incorrect application of revenue recognition accounting in accordance with accounting principles generally accepted in the United States of America, and is reflected in the segment reporting information for the Galena Mine and the Cerro Bayo Mine as those mines have been impacted by the restatement. The other operating segments do not have not been impacted by the restatement. In addition, in the geographic information below, the United States and Chile amounts have been restated due to the geographic locations of the Galena Mine and the Cerro Bayo Mine.

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Revenues from gold sales were \$44.1 million, \$30.6 million and \$29.3 million in 2003, 2002, and 2001, respectively. Revenues from silver sales were \$75.1 million, \$65.0 million and \$49.0 million in 2003, 2002, and 2001, respectively.

	Rochester	Coeur Silver Valley	Cerro Bayo	Exploration And Development	Other	Total
December 31, 2003 (Restated)	(Restated) (Restated)					
Total revenues	\$ 44,138	\$ 16,509	\$ 48,423	\$ 223	\$ 1,248	\$ 110,541
Depreciation and amortization	5,421	1,519	9,400	32	255	16,627
Interest income	--	--	3	--	494	497
Interest expense	6	--	418	--	12,427	12,851
Income tax (credit) expense	--	--	--	--	(7)	(7)
Loss on early retirement of debt	--	--	--	--	(41,564)	(41,564)
Profit (loss)	5,337	(619)	20,925	(3,522)	(15,012)	7,109
Segment assets(A)	67,421	11,087	29,564	20,951	30,472	159,495
Expenditures for property	12,128	2,362	4,850	325	249	19,914
December 31, 2002 (Restated)	Rochester	Coeur Silver	Cerro Bayo	Exploration And	Other	Total

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	Valley		Development			
	(Restated)	(Restated)				
Total revenues	\$ 51,372	\$ 25,003	\$ 14,354	\$ 3,241	\$ (907)	\$ 94,877
Depreciation and amortization	3,905	3,361	5,880	42	323	13,511
Interest income	--	--	5	--	293	298
Interest expense	--	--	204	--	21,744	21,948
Writedown of mine property	--	19,046	--	--	--	19,046
Loss on early retirement of debt	--	--	--	--	(19,061)	(19,061)
Profit (loss)	(5,452)	6,074	5,220	(2,081)	(11,014)	(7,253)
Segment assets(A)	52,529	8,367	33,046	19,436	29,545	142,923
Expenditures for property	1,564	2,503	3,695	17	47	7,826

  

	Rochester	Coeur Silver Valley	Cerro Bayo	Exploration And Development	Other	Total
December 31, 2001						
Total revenues	\$ 48,786	\$ 15,478	\$ 149	\$ --	\$ 7,499	\$ 71,912
Depreciation and amortization	9,205	3,448	172	24	(1,502)	11,347
Interest income	--	--	2	--	1,684	1,686
Interest expense	--	--	2,330	--	12,262	14,592
Gain on metals derivatives	--	--	--	--	526	526
Writedown of mine property	--	--	(966)	--	(8,386)	(9,352)
Income tax benefit (provision)	--	1	--	--	(7)	(6)
Earnings from non-consolidated Subsidiary	--	--	--	--	--	--
Gain on early retirement of debt	--	--	--	--	48,217	48,217
Profit (loss)	5,191	(1,700)	(3,740)	(1,357)	(14,612)	(16,218)
Segment assets(A)	68,432	28,998	24,244	19,176	31,257	172,107
Expenditures for property	791	3,193	2,317	30	625	6,956

Notes:

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

**Segment Reporting**

	2003	2002	2001
	(Restated)	(Restated)	
<u>Profit (loss)</u>			
Total profit or loss for reportable segments	\$ 7,109	\$ (7,253)	\$ (16,218)
Gain (loss) on legal settlements	--	--	--
Gain (loss) on metal hedging	--	--	526
Depreciation and amortization	(16,627)	(13,511)	(11,347)
Interest expense	(12,851)	(21,948)	(14,592)
Writedown of mine property and other	(41,564)	(38,107)	38,558

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	2003	2002	2001
Loss before income taxes	\$ (63,933)	\$ (80,819)	\$ (3,073)
<u>Assets</u>			
Total assets for reportable segments	\$ 159,495	\$ 142,923	\$ 172,107
Cash and cash equivalents	62,417	9,093	14,714
Short-term investments	19,265	518	3,437
Other assets	18,290	20,957	20,122
Total consolidated assets	\$ 259,467	\$ 173,491	\$ 210,380

**Segment Reporting**

Geographic Information

	Revenues(a)	Long-Lived Assets <sup>(1)</sup>
2003:	(Restated)	
United States	\$ 61,764	\$ 65,781
Chile	48,639	15,623
Other Foreign Countries	138	22,293
Total	\$ 110,541	\$ 103,697
2002:	(Restated)	
United States	\$ 77,284	\$ 53,437
Chile	17,686	20,094
Other Foreign Countries	(93)	20,402
Total	\$ 94,877	\$ 93,933
2001:		
United States	\$ 68,348	\$ 76,440
Chile	5,190	22,477
Other Foreign Countries	(1,626)	19,300
Total	\$ 71,912	\$ 118,217

<sup>(1)</sup> Includes property, plant and equipment and mineral properties.

<sup>(a)</sup> 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 \$382, and \$420, respectively, and to segment assets in the amount of \$836 and \$355, respectively for the twelve months ended December 31, 2003. 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 \$455, and \$(66), respectively, and to segment assets in the amount of \$469 and \$(66), respectively for the twelve months ended December 31, 2002.

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

Restated Quarterly Segment Data

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Restated segment information is set forth as follows:

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**NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002**

	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total
	(Restated)		(Restated)			
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

	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total
	(Restated)		(Restated)			
Nine Months Ended September 30, 2002 (Restated)						
Total net sales and revenues	\$ 38,515	\$ 18,034	\$ 6,117	\$ 3,126	\$ (277)	\$ 65,515
Depreciation and depletion	2,915	2,418	2,496	33	268	8,130
Interest income	--	--	2	--	244	246
Interest expense	--	--	19	--	17,412	17,431
Loss on early retirement of debt	--	--	--	--	(2,920)	(2,920)
Profit (loss)	(2,626)	3,641	1,566	(914)	(8,421)	(6,754)
Segment assets (A)	57,603	27,673	32,415	19,285	29,917	166,893
Capital expenditures for property	769	1,484	3,136	16	35	5,440

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,

2003                      2002

(Restated)              (Restated)

Income (Loss)

Total loss from reportable segments	\$ 6,568	\$ (6,754)
Depreciation, depletion and amortization expense	(12,955)	(8,130)
Interest expense	(10,726)	(17,431)
Other	(33,957)	(2,920)
Loss before income taxes	\$ (51,070)	\$ (35,235)

September 30,  
2003                      2002

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	(Restated)	(Restated)
<u>Assets</u>		
Total assets for reportable segments	\$ 159,888	\$ 166,893
Cash and cash equivalents	86,925	7,217
Short-term investments	7,282	199
Other assets	15,421	18,533
	<u>          </u>	<u>          </u>
Total consolidated assets	\$ 269,516	\$ 192,842
	<u>          </u>	<u>          </u>

Geographic Information

(In thousands)

September 30, 2003

	Revenues <sup>(a)</sup>	Long-Lived Assets
	(Restated)	(Restated)
United States	\$ 45,469	\$ 64,437
Chile	33,631	16,260
Other Foreign Countries	216	21,580
	<u>          </u>	<u>          </u>
Consolidated Total	\$ 79,316	\$ 102,277
	<u>          </u>	<u>          </u>

September 30, 2002

	Revenues	Long-Lived Assets
	(Restated)	(Restated)
United States	\$ 56,272	\$ 73,251
Chile	9,395	21,836
Other Foreign Countries	(152)	21,234
	<u>          </u>	<u>          </u>
Consolidated Total	\$ 65,515	\$ 116,321
	<u>          </u>	<u>          </u>

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

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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 for the nine months ended September 30, 2003.

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 \$(144), and \$(0), respectively, and to segment assets in the amount of \$31 and \$0, respectively for the nine months ended September 30, 2002.

**THREE MONTHS ENDED SEPTEMBER 2003 AND 2002**

	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total
	(Restated)	(Restated)				
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
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

THREE MONTHS ENDED SEPTEMBER 2003 AND 2002

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	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total
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

	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total
	(Restated)	(Restated)				
Three Months Ended September 30, 2002 (Restated)						
Total net sales and revenues	\$ 13,523	\$ 4,363	\$ 6,062	\$ 3,511	\$ (1,464)	\$ 25,995
Depreciation and depletion	778	789	1,062	16	74	2,719
Interest income	--	--	2	--	63	65
Interest expense	--	--	19	--	7,564	7,583
Loss on early retirement of debt	--	--	--	--	--	--
Profit (loss)	(1,206)	(514)	807	575	(2,239)	(2,577)
Segment assets (A)	57,603	27,673	32,415	19,285	29,917	166,893
Capital expenditures for property	769	1,484	3,136	16	35	5,440

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,	
2003	2002
(Restated)	(Restated)

Income (Loss)

Total loss from reportable segments	\$ (1,882)	\$ (2,577)
Depreciation, depletion and amortization expense	(3,257)	(2,719)
Interest expense	(6,703)	(7,583)
Other	(5,769)	--
Loss before income taxes	\$ (17,611)	\$ (12,879)

Assets

	September 30,	
	2003	2002
Total assets for reportable segments	\$ 159,888	\$ 166,893
Cash and cash equivalents	86,925	7,217
Short-term investments	7,282	199
Other assets	15,421	18,533
Total consolidated assets	\$ 269,516	\$ 192,842

Geographic Information

(In thousands)

September 30, 2003

	Revenues <sup>(a)</sup>	Long-Lived Assets
	(Restated)	(Restated)
United States	\$ 15,090	\$ 64,437
Chile	8,923	16,260
Other Foreign Countries	(51)	21,580

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Consolidated Total	\$ 23,962	\$ 102,277
<hr/>		
September 30, 2002	Revenues	Long-Lived Assets
	(Restated)	(Restated)
United States	\$ 16,420	\$ 73,251
Chile	9,687	21,836
Other Foreign Countries	(112)	21,234
<hr/>		
Consolidated Total	\$ 25,995	\$ 116,321
<hr/>		

(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 for the three months ended September 30, 2003.

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 \$(539), and \$0, respectively, and to segment assets in the amount of \$31 and \$0, respectively for the three months ended September 30, 2002.

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**SIX MONTHS ENDED JUNE 30, 2003 AND 2002**

	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total
	(Restated)	(Restated)				
Six Months Ended June 30, 2003 (Restated)						
Total net sales and revenues	\$ 20,787	\$ 9,344	\$ 25,284	\$ 52	\$ (113)	\$ 55,354
Depreciation and depletion	2,705	751	6,102	16	124	9,698
Interest income	--	--	1	--	157	158
Interest expense	--	--	218	--	3,805	4,023
Income tax (credit) expense	--	--	--	--	(7)	(7)
Loss on early retirement of debt	--	--	--	--	(28,188)	(28,188)
Profit (loss)	3,187	(97)	13,158	(114)	(7,684)	8,450
Segment assets (A)	59,814	10,927	33,451	515	48,382	153,089
Capital expenditures for property	4,294	1,634	1,587	55	141	7,711
	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total
	(Restated)	(Restated)				
Six Months Ended June 30, 2002 (Restated)						
Total net sales and revenues	\$ 24,992	\$ 13,671	\$ 55	\$ (385)	\$ 1,188	\$ 39,521
Depreciation and depletion	2,137	1,629	1,434	17	194	5,411
Interest income	--	--	--	--	181	181
Interest expense	--	--	--	--	9,848	9,848
Loss on early retirement of debt	--	--	--	--	(2,920)	(2,920)
Profit (loss)	(1,420)	4,155	759	(1,489)	(6,182)	(4,177)
Segment assets (A)	63,144	28,045	31,430	427	49,182	172,228
Capital expenditures for property	300	582	4,207	--	12	5,101

Notes:

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

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Segment Reporting Cont.  
(In Thousands)

	Six Months Ended June 30,	
	2003	2002
	(Restated)	(Restated)
Income (Loss)		
Total loss from reportable segments	\$ 8,450	\$ (4,177)
Depreciation, depletion and amortization expense	(9,698)	(5,411)
Interest expense	(4,023)	(9,848)
Other	(28,188)	(2,920)
	<hr/>	<hr/>
Loss before income taxes	\$ (33,459)	\$ (22,356)
	<hr/>	<hr/>
Assets		
Total assets for reportable segments	\$ 153,089	\$ 172,228
Cash and cash equivalents	19,527	11,955
Short-term investments	301	763
Other assets	23,381	18,129
	<hr/>	<hr/>
Total consolidated assets	\$ 196,298	\$ 203,075
	<hr/>	<hr/>

Geographic Information

(In thousands)  
June 30, 2003

	Revenues <sup>(a)</sup>	Long-Lived Assets
	(Restated)	(Restated)
United States	\$ 30,379	\$ 59,858
Chile	24,708	16,939
Other Foreign Countries	267	19,859
	<hr/>	<hr/>
Consolidated Total	\$ 55,354	\$ 96,656
	<hr/>	<hr/>
June 30, 2002		
United States	\$ 39,853	\$ 75,080
Chile	(292)	21,922
Other Foreign Countries	(40)	21,341
	<hr/>	<hr/>
Consolidated Total	\$ 39,521	\$ 118,343
	<hr/>	<hr/>

(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 \$(303), and \$180, respectively, and to segment assets in the amount of \$272 and \$213, respectively for the six months ended June 30, 2003.

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 \$395, and \$0, respectively, and to segment assets in the amount of \$403 and \$0, respectively for the six months ended June 30, 2002.

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THREE MONTHS ENDED JUNE 30, 2003 AND 2002

	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total
	(Restated)	(Restated)				
Three Months Ended June 30, 2003 (Restated)						
Total net sales and revenues	\$ 11,743	\$ 4,873	\$ 10,092	\$ 72	\$ (226)	\$ 26,554
Depreciation and depletion	1,601	388	2,617	6	67	4,679
Interest income	--	--	1	--	88	89
Interest expense	--	--	117	--	1,899	2,016
Loss on early retirement of debt	--	--	--	--	(81)	(81)
Profit (loss)	2,936	75	2,862	977	(4,179)	2,671
Segment assets (A)	59,814	10,927	33,451	515	48,382	153,089
Capital expenditures for property	4,294	1,634	1,587	55	141	7,711

Notes:

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

	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total
	(Restated)	(Restated)				
Three Months Ended June 30, 2002 (Restated)						
Total net sales and revenues	\$ 12,784	\$ 7,480	\$ 31	\$ (294)	\$ 1,924	\$ 21,925
Depreciation and depletion	1,257	833	1,336	8	99	3,533
Interest income	--	--	--	--	63	63
Interest expense	--	--	--	--	5,447	5,447
Gain on forward sales contracts	--	--	--	--	(62)	(62)
Loss on early retirement of debt	--	--	--	--	(2,668)	(2,668)
Profit (loss)	728	3,052	1,036	(1,006)	(3,159)	651
Segment assets (A)	63,144	28,045	31,430	427	49,182	172,228
Capital expenditures for property	300	582	4,207	--	12	5,101

Notes:

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

Segment Reporting Cont.

(In Thousands)

	Three Months Ended June 30,	
	2003	2002
	(Restated)	(Restated)
<u>Income (Loss)</u>		
Total loss from reportable segments	\$ 2,671	\$ 651
Depreciation, depletion and amortization expense	(4,679)	(3,533)
Interest expense	(2,016)	(5,447)
Other	(81)	(2,730)
Loss before income taxes	\$ (4,105)	\$ (11,059)

	June 30,	
	2003	2002
	(Restated)	(Restated)

Assets

Total assets for reportable segments	\$ 153,089	\$ 172,228
Cash and cash equivalents	19,527	11,955
Short-term investments	301	763
Other assets	23,381	18,129

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Total consolidated assets	\$ 196,298	\$ 203,075
<b>Geographic Information</b>		
(In thousands)		
June 30, 2003	Revenues <sup>(a)</sup>	Long-Lived Assets
	(Restated)	(Restated)
United States	\$ 16,751	\$ 59,858
Chile	9,723	16,939
Other Foreign Countries	80	19,859
Consolidated Total	\$ 26,554	\$ 96,656
June 30, 2002	Revenues	Long-Lived Assets
	(Restated)	(Restated)
United States	\$ 22,190	\$ 75,080
Chile	(225)	21,922
Other Foreign Countries	(40)	21,341
Consolidated Total	\$ 21,925	\$ 118,343

(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 \$339, and \$1, respectively, and to segment assets in the amount of \$272 and \$213, respectively for the three months ended June 30, 2003.

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 \$(204), and \$0, respectively, and to segment assets in the amount of \$403 and \$0, respectively for the three months ended June 30, 2002.

**THREE MONTHS ENDED MARCH 31, 2003 AND 2002**

	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total
		(Restated)	(Restated)			
Three Months Ended March 31, 2003						
(Restated)						
Total net sales and revenues	\$ 9,044	\$ 4,471	\$ 15,192	\$ (20)	\$ 113	\$ 28,800
Depreciation and depletion	1,104	363	3,485	10	57	5,019
Interest income	--	--	--	--	69	69
Interest expense	--	--	101	--	1,906	2,007
Income tax (credit) expense	--	--	--	--	(7)	(7)
Gain on early retirement of debt	--	--	--	--	(28,107)	(28,107)
Profit (loss)	251	(172)	10,296	(1,091)	(3,505)	5,779
Segment assets (A)	56,912	10,138	33,213	19,463	29,528	149,254
Capital expenditures for property	1,695	727	747	1	94	3,264
	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total

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	Rochester Mine	Galena Mine	Cerro Bayo Mine	Exploration	Other	Total
	(Restated)	(Restated)				
Three Months Ended March 31, 2002						
(Restated)						
Total net sales and revenues	\$ 12,208	\$ 6,191	\$ 24	\$ (91)	\$ (736)	\$ 17,596
Depreciation and depletion	880	796	98	9	95	1,878
Interest income	--	--	--	--	118	118
Interest expense	--	--	--	--	4,401	4,401
Gain on forward sales contracts	--	--	--	--	62	62
Loss on early retirement of debt	--	--	--	--	(252)	(252)
Profit (loss)	(2,148)	1,103	(277)	(483)	(3,023)	(4,828)
Segment assets (A)	66,551	29,685	24,733	260	51,031	172,260
Capital expenditures for property	201	240	1,053	--	60	1,554

Notes:

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

Segment Reporting Cont.

(In Thousands)

Three Months Ended March 31,  
2003                      2002

	(Restated)	(Restated)
Income (Loss)		
Total loss from reportable segments	\$ 5,779	\$ (4,828)
Depreciation, depletion and amortization expense	(5,019)	(1,878)
Interest expense	(2,007)	(4,401)
Other	(28,107)	(190)
Loss before income taxes	\$ (29,354)	\$ (11,297)

	March 31, 2003	2002
	(Restated)	(Restated)
Assets		
Total assets for reportable segments	\$ 149,254	\$ 172,260
Cash and cash equivalents	19,288	8,707
Short-term investments	20,550	2,024
Other assets	22,794	17,114
Total consolidated assets	\$ 211,886	\$ 200,105

Geographic Information

(In thousands)

March 31, 2003

	Revenues <sup>(a)</sup>	Long-Lived Assets
	(Restated)	(Restated)
United States	\$ 13,628	\$ 57,934
Chile	14,985	18,559
Other Foreign Countries	187	19,931
Consolidated Total	\$ 28,800	\$ 96,424

	Revenues	Long-Lived Assets
March 31, 2003		

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	(Restated)	(Restated)
United States	\$ 17,663	\$ 76,747
Chile	(67)	22,245
Other Foreign Countries	--	19,299
	\$ 17,596	\$ 118,291
Consolidated Total	\$ 17,596	\$ 118,291

(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 \$(642), and \$179, respectively, and to segment assets in the amount of \$176 and \$213, respectively for the three months ended March 31, 2003.

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 \$599, and \$0, respectively, and to segment assets in the amount of \$599 and \$0, respectively for the three months ended March 31, 2002.

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### NOTE R LITIGATION

#### 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, (ii) accomplish certain cleanup work on the Mineral Point property and Caladay property, and (iii) make a conveyance to the U.S. or the State of Idaho of certain real property to possibly be used as a waste repository. Finally, commencing five years after effectiveness of the settlement, the Company will be obligated to pay net smelter return royalties on its operating properties, up to a maximum of \$3 million, amounting to a 2% net smelter royalty on silver production if the price of silver exceeds \$6.50 per ounce, and a \$5.00 per ounce net smelter royalty on gold production if the price of gold exceeds \$325 per ounce. The royalty payment obligation expires after 15 years commencing five years after May 14, 2001. The Company recorded \$4.2 million of expenses, which included \$3.9 million of settlement payments, in the fourth quarter of 2000 in connection with the settlement.

#### 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 dorè, 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. In August 2003 the Company agreed to a settlement of the liquidating custodian's claim against the Company.

#### 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 railroad who 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. 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.

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

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

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

In January 2003, the U.S. Forest Service made a formal request for information regarding a Callahan mine site in the State of Colorado known as the Akron Mine Site. Callahan operated there in approximately the late 1930s through the 1940s, and to the Company s knowledge, disposed of the property. The Company is not aware of what, if any, cleanup action the Forest Service is contemplating, and has not yet responded to the request for information. 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 attributed to the 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.

### **NOTE S SUBSEQUENT EVENTS (UNAUDITED)**

#### Issuance of \$180 Million 1 1/4% Convertible Senior Notes due January 15, 2024

On January 13, 2004 the Company completed its offering of \$180 million aggregate principal amount of 1.25% Convertible Senior Notes due 2024. The Notes will be 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 will be payable in cash at the rate of 1.25% per annum beginning July 15, 2004. The Company intends to use the proceeds of the Notes for general corporate purposes, which may include the development of its Kensington gold project and its San Bartolome silver project, each of which are pending the completion of updated feasibility studies and final construction decisions. The Notes will be general unsecured obligations, senior in right of payment to Coeur s other indebtedness. The offering was made through an underwriting led by Deutsche Bank Securities. Offering of the Notes was made only by means of a prospectus under Coeur s existing shelf registration statement, including the accompanying prospectus supplement relating to the Notes.



Redemption of Remaining 7 1/4% Convertible Subordinated Debentures due October 2005 Announced

On February 11, 2004, the Company announced the redemption of the remaining outstanding \$9.6 million principal amount of the Company's 7 1/4% Convertible Subordinated Debentures due October 15, 2005. The final redemption is set for March 11, 2004.

**NOTE T SUMMARY OF QUARTERLY FINANCIAL DATA (UNAUDITED)**

As discussed in Note A, in the third quarter of 2004 it was discovered there was an error resulting from the incorrect application of revenue recognition accounting in accordance with accounting principles generally accepted in the United States of America. Historically, the Company has 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 passes to third-party smelters (at the lower of month-end spot price or the average monthly price for that month). The final settlement price is not fixed until a later date (typically one to three months after shipment) based upon quoted metal prices by an established metal exchange as set forth in each contract, at such date. 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 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 Company has corrected the error in valuing the embedded derivatives on the financial statements for each of the three, six and nine month periods ending March 31, June 30, and September 30 for 2003 and 2002, and the years ending December 31, 2003 and 2002.

The following table sets forth a summary of the quarterly results of operations for the years ended December 31, 2003 and 2002 as restated for the error:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
(In Thousands - Except Per Share Data)				
<u>2003 (Restated):</u>				
Net revenues (a)	\$ 28,800	\$ 26,554	\$ 23,962	\$ 31,225
Net loss (a) (b) (c)	\$ (31,653)	\$ (4,105)	\$ (17,610)	\$ (12,864)
Net loss attributable to common shareholders	\$ (31,653)	\$ (4,105)	\$ (17,610)	\$ (12,864)
Basic and diluted net loss per share attributable to common shareholders	\$ (0.23)	\$ (0.03)	\$ (0.10)	\$ (0.06)

2002 (Restated):

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	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net revenues(c)(d)	\$ 17,596	\$ 21,925	\$ 25,995	\$ 29,361
Net loss (d)(e)(f)	\$ (11,297)	\$ (11,059)	\$ (12,878)	\$ (45,585)
Net loss attributable to common shareholders	\$ (11,297)	\$ (11,059)	\$ (12,878)	\$ (45,585)
Basic and diluted net loss per share attributable to common shareholders	\$ (0.22)	\$ (0.16)	\$ (0.15)	\$ (0.44)

- (a) Included in the first quarter of 2003 is \$0.5 million loss on embedded derivative for the first quarter of 2003; \$0.3 million of gain on embedded derivative in the second quarter of 2003; \$0.3 million of gain on embedded derivative in the third quarter of 2003; and \$0.7 million of gain on embedded derivative in the fourth quarter of 2003.
- (b) Includes loss on induced conversion of debentures of approximately \$28.1 million in the first quarter of 2003, \$0.1 million in the second quarter of 2003, \$5.8 million in the third quarter of 2003 and \$7.6 million in the fourth quarter of 2003.
- (c) Includes loss on cumulative effect adjustment for adoption of FAS 143 Accounting for Asset Retirement Obligations of \$2.3 million in the first quarter of 2003.
- (d) Included in the first quarter of 2002 is the cumulative effect of \$0.4 million of gain on embedded derivative for prior periods \$0.2 million of gain on embedded derivative for the first quarter of 2002; \$0.2 million of embedded derivative in the second quarter of 2002; \$0.5 million of loss on embedded derivative in the third quarter of 2002; \$0.5 million of gain on embedded derivative in the fourth quarter of 2002.
- (e) Includes loss on induced conversion of debentures of approximately \$0.3 million in the first quarter of 2002, \$2.7 million in the second quarter of 2002 and \$16.1 million in the fourth quarter of 2002.
- (f) Includes write-down of mining properties of approximately \$19 million in the fourth quarter of 2002.

Item 9A. Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. An evaluation was performed by the Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, of the Company's disclosure controls and procedures as of the end of the period covered by this amended annual report.

Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the presence of the matters described below constitute a material weaknesses as defined under standards established by the Public Company Accounting Oversight Board. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected To specifically respond to this matter, and in general to meet our obligations under Section 404 of the Sarbanes-Oxley Act of 2002, the Company has taken the actions described below.

As of the date of this Form 10K, the Company believes it has a plan that, when fully implemented, will reduce the likelihood that similar errors could occur in the future. There were no other changes during the second quarter ended June 30, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's disclosure controls and procedures, subsequent to the date of their evaluation, except as described below.

In the third quarter of 2004, it was determined that the Company's consolidated financial statements for fiscal 2003 and 2002, and the first quarter of fiscal 2004, would need to be restated as a result of an error discovered in the method of recording revenue from the sales of concentrates. The Company has determined that deficiencies in its internal review processes resulted in this error not being detected on a timely basis.

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In the third quarter of 2004 it was discovered there was an error resulting from the incorrect application of of revenue recognition accounting in accordance with accounting principles generally accepted in the United States of America. Historically, the Company has recorded

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revenue from concentrate sales agreements based on the gold and silver prices prevailing at the time risk of loss and title to the concentrate passes to third-party smelters (at the lower of month-end spot price or the average monthly price for that month). The final settlement price is not fixed until a later date (typically one to three months after shipment) based upon quoted metal prices by an established metal exchange as set forth in each contract, at such date. 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 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 Company has corrected the error in valuing these embedded derivatives on the financial statements for each of the three, six and nine month periods ending March 31, June 30, and September 30 for 2003 and 2002, respectively, the years ending December 31, 2003 and 2002, respectively. In addition, the Company has changed its significant accounting policy for revenue recognition, including embedded derivatives, to comply with accounting principles generally accepted in the United States of America. The Company has also taken steps to implement new procedures to strengthen its review process to remediate the material weakness surrounding the preparation of the financial statements.

Even an effective internal control system, no matter how well designed, has inherent limitations including the possibility of the circumvention or overriding of controls. Therefore, the Company's internal control over financial reporting can provide only reasonable assurance with respect to the reliability of the Company's financial reporting and financial statement preparation.

The Company has disclosed to the auditors and to the audit committee of the board of directors this issue as prescribed by Sarbanes Oxley Sec. 404(a).

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### PART IV

#### Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1) The following consolidated financial statements of Coeur d'Alene Mines Corporation and subsidiaries, which have been restated with respect to the year ended December 31, 2003, are included in Item 8:

Consolidated Balance Sheets December 31, 2002 and 2003.

Consolidated Statements of Operations and Comprehensive Loss Years Ended December 31, 2002 and 2003.

Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2001, 2002 and 2003.

Consolidated Statements of Cash Flows for the Years Ended December 31, 2001, 2002 and 2003.

Notes to Consolidated Financial Statements.

(c) Exhibits

Exhibit 23A Consent of KPMG LLP

31.1A Certification of the CEO 31.2A Certification of the CFO

32.1A CEO Section 1350 Certification

32.2A CFO Section 1350 Certification

