COEUR D ALENE MINES CORP
Form 10-Q
May 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2007

OR

[_] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from ______ to ______

Commission file number 1-8641

COEUR D ALENE MINES CORPORATION

(Exact name of registrant as specified in its charter)

Idaho	**82-0109423**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
PO Box I, 505 Front Ave. Coeur d Alene, Idaho	**83816**
(Address of principal executive offices)	**(Zip Code)**

(208) 667-3511

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer (See definition of accelerated filer and large accelerated filer in Rule 12b-2 under the Exchange Act). Large accelerated filer |X| Accelerated filer |_| Non-accelerated filer |_|

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

Applicable only to corporate issuers: Indicate the number of shares outstanding of each of Issuer s classes of common stock, as of the latest practicable date: Common stock, par value $1.00, of which 278,482,463 shares were issued and outstanding as of May 7, 2007.

COEUR D ALENE MINES CORPORATION

INDEX

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

	March 31, 2007	December 31, 2006
ASSETS	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents	$ 277,988	$ 270,672
Short-term investments	43,414	70,373
Receivables	36,603	43,233
Ore on leach pad	31,800	31,302
Metal and other inventory	17,077	16,341
Deferred tax assets	4,111	3,629
Prepaid expenses and other	5,693	6,047
	416,686	441,597
PROPERTY, PLANT AND EQUIPMENT		

Property, plant and equipment	142,338	132,315
Less accumulated depreciation	(65,932)	(64,206)
	76,406	68,109
MINING PROPERTIES		
Operational mining properties	132,425	130,447
Less accumulated depletion	(119,956)	(116,361)
	12,469	14,086
Mineral interests	74,219	72,201
Less accumulated depletion	(8,579)	(7,828)
	65,640	64,373
Non-producing and development properties	222,992	190,988
	301,101	269,447
OTHER ASSETS		
Ore on leach pad, non-current portion	39,173	35,367
Restricted cash and cash equivalents	19,611	19,492
Debt issuance costs, net	5,075	5,151
Deferred tax assets	1,589	2,544
Other	7,944	7,919
	73,392	70,473
TOTAL ASSETS	$ 867,585	$ 849,626

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

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

	March 31, 2007	December 31, 2006
	(In thousands except share data)	
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 27,665	$ 22,315
Accrued liabilities and other	10,272	11,865
Accrued income taxes	12,829	10,317
Accrued payroll and related benefits	6,201	8,527
Accrued interest payable	469	1,031
Current portion of reclamation and mine closure	4,451	4,460
	61,887	58,515

	March 31, 2007	December 31, 2006
LONG-TERM LIABILITIES		
1 1/4% Convertible Senior Notes due January 2024	180,000	180,000
Reclamation and mine closure	27,369	27,226
Other long-term liabilities	2,989	2,891
	210,358	210,117
COMMITMENTS AND CONTINGENCIES (See Notes H, I, J, L, M and N)		
SHAREHOLDERS EQUITY		
Common Stock, par value $1.00 per share; authorized 500,000,000 shares, issued 279,526,451 and 279,054,344 shares in 2007 and 2006 (1,059,211 shares held in treasury)	279,526	279,054
Additional paid-in capital	777,826	777,798
Accumulated deficit	(449,203)	(463,221)
Shares held in treasury	(13,190)	(13,190)
Accumulated other comprehensive income	381	553
	595,340	580,994
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 867,585	$ 849,626

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

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

	Three Months Ended March 31, 2007	2006
REVENUES		
Sales of metal	$ 50,860	$ 44,854
COSTS AND EXPENSES		
Production costs applicable to sales	21,020	20,099
Depreciation and depletion	7,021	6,318
Administrative and general	6,174	5,090
Exploration	2,882	1,968
Litigation settlement	507	--
Total cost and expenses	37,604	33,475
OTHER INCOME AND EXPENSE		

Interest and other income	4,550	2,521
Interest expense, net of capitalized interest	(87)	(521)
Total other income and expense	4,463	2,000
Income from continuing operations before income taxes	17,719	13,379
Income tax benefit (provision)	(3,701)	347
INCOME FROM CONTINUING OPERATIONS	14,018	13,726
Income from discontinued operations, net of income taxes	--	612
NET INCOME	14,018	14,338
Other comprehensive income (loss)	(172)	4
COMPREHENSIVE INCOME	$ 13,846	$ 14,342
BASIC AND DILUTED INCOME PER SHARE		
Basic income per share:		
Income from continuing operations	$ 0.05	$ 0.06
Income from discontinued operations	--	--
Net income	$ 0.05	$ 0.06
Diluted income per share:		
Income from continuing operations	$ 0.05	$ 0.05
Income from discontinued operations	--	--
Net income	$ 0.05	$ 0.05
Weighted average number of shares of common stock		
Basic	277,677	252,485
Diluted	302,170	277,383

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

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

	Three Months Ended March 31, 2007	2006
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 14,018	$ 14,338
Add (deduct) non-cash items:		
Depreciation and depletion	7,021	6,318
Deferred taxes	373	(2,073)

	Three Months Ended March 31,	
Unrealized gain on embedded derivative, net	(35)	(1,559)
Share based compensation	562	625
Other charges	21	502
Changes in Operating Assets and Liabilities:		
Receivables and other current assets	7,408	5,166
Inventories	(5,041)	(4,590)
Accounts payable and accrued liabilities	(1,660)	(918)
Discontinued operations	--	(645)
CASH PROVIDED BY OPERATING ACTIVITIES	22,667	17,164
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of short-term investments	(33,311)	(143,621)
Proceeds from sales of short-term investments	60,160	38,216
Capital expenditures	(42,003)	(27,806)
Other	468	(241)
Discontinued operations	--	(497)
CASH USED IN INVESTING ACTIVITIES	(14,686)	(133,949)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	--	154,560
Payment of public offering costs	--	(8,388)
Common stock repurchased	(277)	(739)
Other	(388)	47
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:	(665)	145,480
INCREASE IN CASH AND CASH EQUIVALENTS	7,316	28,695
Cash and cash equivalents at beginning of period	270,672	54,896
Cash and cash equivalents at end of period	$ 277,988	$ 83,591

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

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

NOTE A BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three-month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. The balance sheet at December 31, 2006 has been derived from the audited financial statements at that date. For further information, refer to the consolidated financial statements and footnotes thereto included in the Coeur d Alene Mines Corporation (Coeur or the Company) Annual Report on Form 10-K for the year ending December 31, 2006.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the wholly-owned subsidiaries of the Company, the most significant of which are Coeur Rochester, Inc., Coeur Alaska, Inc., CDE Cerro Bayo Ltd., Coeur Argentina, CDE Australia and Empressa 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 a greater than 20% ownership interest accounted for using the cost method.

Revenue Recognition: Pursuant to guidance in Staff Accounting Bulletin (SAB) No. 104, Revenue Recognition for Financial Statements , revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the price is fixed or determinable, no obligations remain and collectibility is probable. The passing of title to the customer is based on the terms of the sales contract. Product pricing is determined at the point revenue is recognized by reference to active and freely traded commodity markets, for example the London Bullion Market for both gold and silver, in an identical form to the product sold.

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

7

The effects of forward sales contracts are reflected in revenue at the date the related precious metals are delivered or the contracts expire. Third party smelting and refining costs of $1.8 million and $1.7 million during the three months ended March 31, 2007 and 2006, respectively, are recorded as a reduction of revenue.

At March 31, 2007, the Company had outstanding provisionally priced sales of $51.4 million, consisting of 2.8 million ounces of silver and 23,000 ounces of gold. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately $28,000 and for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately $23,000. At March 31, 2006, the Company had outstanding provisionally priced sales of $36.5 million, consisting of 2.6 million ounces of silver and 22,000 ounces of gold. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately $26,000 and for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately $22,000.

Short-term Investments: Short-term investments principally consist of highly-liquid United States, foreign government and corporate securities and investment-grade auction rate securities, all classified as available-for-sale and reported at fair value with maturities that range from three months to forty years. Unrealized gains and losses on these investments are recorded in accumulated other comprehensive loss as a separate component of shareholders equity. Any decline in market value considered to be other than temporary is recognized in determining net income/loss. Realized gains and losses from the sale of these investments are included in determining net income/loss. The Company maintains a pledge of collateral agreement to reserve $1.0 million against the investment portfolio to cover credit exposure related to ACH transactions.

Prior to December 31, 2006, the Company classified its auction rate securities as cash and cash equivalents because the securities were highly liquid and the periods between interest rate resets generally did not exceed 90 days. During the fourth quarter of 2006, the Company determined that, pursuant to SFAS 95, Statement of Cash Flows , its auction securities should not have been classified as cash equivalents because their contractual maturities exceed 90 days. The Company classified its auction rate securities as of December 31, 2006 as short term investments.

The Company also corrected the classification in its March 31, 2006 financial statement presentation by reclassifying $264.1 million of auction rate securities as of March 31, 2006 from cash and cash equivalents to short-term investments. As a result, the following table shows the amounts, as originally presented in the Company s Form 10-Q, for the three months ended March 31, 2006 and the corrected 2006 amounts as presented in its Form 10-Q for the three months ended March 31, 2007. This reclassification had no effect on total current assets, stockholders equity, net income (loss), net income (loss) per share or on cash provided by operating activities.

For the Three Months Ended March 31, 2006	As Previously Reported	Adjustment	Corrected
		(In Thousands)	
Cash and Cash Equivalents	$ 347,651	$ (264,060)	$ 83,591
Short-term Investments	26,690	264,060	290,750
Net Cash Used in Investing Activities	(29,609)	(104,340)	(133,949)
Increase (decrease) in Cash and Cash Equivalents	133,035	(104,340)	28,695

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

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

The Company reported ore on leach pad of $71.0 million as of March 31, 2007. Of this amount, $31.8 million is reported as a current asset and $39.2 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. Inventories of ore on leach pad are valued based on actual production costs incurred to produce and place ore on the leach pad, adjusted for effects on monthly production of costs of abnormal production levels, less costs allocated to minerals recovered through the leach process.

The estimate of both the ultimate recovery expected over time and the quantity of metal that may be extracted relative to the time the leach process occurs requires the use of estimates which are inherently inaccurate since they rely upon laboratory testwork. Testwork consists of 60 day leach columns from which the Company projects metal recoveries up to five years in the future. The quantities of metal contained in the ore are based upon actual weights and assay analysis. The rate at which the leach process extracts gold and silver from the crushed ore is based upon laboratory column tests and actual experience occurring over approximately twenty years of leach pad operations at the Rochester Mine. The assumptions used by the Company to measure metal content during each stage of the inventory conversion process includes estimated recovery rates based on laboratory testing and assaying. The Company periodically reviews its estimates compared to actual experience and revises its estimates when appropriate. The length of time necessary to achieve ultimate recoveries for silver and gold is currently estimated between 5 and 10 years.

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 a weighted average cost method. Concentrate and dorè inventory includes product at the mine site and product held by refineries and are also valued at lower of cost or market value. Metal inventory costs include direct labor, materials, depreciation, depletion and amortization as well as administrative overhead costs relating to mining activities.

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

Operational Mining Properties and Mine Development: Costs incurred to develop new properties are capitalized as incurred, where it has been determined that the property can be economically developed. At the Company s surface mines, these costs include costs to further delineate the ore body. At the Company s underground mines, these costs include the cost of building access ways, shaft sinking and access, lateral development, drift development, ramps and infrastructure development. All such costs are amortized using the units of production method over the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves. Interest 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. Mineral exploration costs are expensed as incurred.

Mineral Interests: Significant payments related to the acquisition of the land and mineral rights are capitalized as incurred. Prior to acquiring such land or mineral rights, the Company generally makes a preliminary evaluation to determine that the property has significant potential to develop an economic ore body. The time between initial acquisition and full evaluation of a property s potential is variable and is determined by many factors including: location relative to existing infrastructure, the property s stage of development, geological controls and metal prices. If a mineable ore body is discovered, such costs are amortized when production begins using the units-of-production method based on recoverable ounces to be mined from proven and probable reserves. If no mineable ore body is discovered, such costs are expensed in the period in which it is determined the property has no future economic value.

Asset Impairment: The Company follows Statement of Financial Accounting Standard (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to evaluate the recoverability of its assets. Management reviews and evaluates its long-lived assets for impairment when events and changes in circumstances indicate that the related carrying amounts of its assets may not be recoverable. Impairment is considered to exist if total estimated future cash flows or probability-weighted cash flows on an undiscounted basis, are less than the carrying amount of the assets, including property plant and equipment, mineral property, development property, and any deferred costs. An impairment loss is measured and recorded based on the difference between book value and discounted estimated future cash flows or the application of an expected present value technique to estimate fair value in the absence of a market price. Future cash flows include estimates of recoverable ounces, gold and silver prices (considering current and historical prices, price trends and related factors), production levels and capital, all based on life-of-mine plans and projections. Assumptions underlying future cash flow estimates are subject to risks and uncertainties. If the assets are impaired, a calculation of fair value is performed and if the fair value is lower than the carrying value of the assets, the assets are reduced to their fair market value. Any differences between significant assumptions and market conditions and/or the Company s operating performance could have a material effect on the Company s determination of ore reserves, or its ability to recover the carrying amounts of its long-lived assets resulting in impairment charges. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of cash flows from other asset groups. Generally, in estimating future cash flows, all assets are grouped at a particular mine for which there is identifiable cash flow.

Restricted Cash and Cash Equivalents: The Company, under the terms of its lease, self insurance, and bonding agreements with certain banks, lending institutions and regulatory agencies, is required to collateralize certain portions of the Company s obligations. The Company has collateralized these obligations by assigning certificates of deposit that have maturity dates ranging from three months to a year, to the respective institutions or agency. At March 31, 2007 and December 31, 2006, the Company held certificates of deposit and cash under these agreements of $19.6 million and $19.5 million, respectively, restricted for this purpose. The ultimate timing for the release of the collateralized amounts is dependent on the timing and closure of each mine. In order to release the collateral, the Company must seek approval from certain government agencies responsible for monitoring the mine closure status. Collateral could also be released to the extent the Company was able to secure alternative financial assurance satisfactory to the regulatory agencies. The Company believes there is a reasonable probability that the collateral will remain in place beyond a twelve-month period and has therefore classified these investments as long-term.

Reclamation and Remediation Costs: The Company follows SFAS No. 143, Accounting for Asset Retirement Obligations , which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and normal use of the asset. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. An accretion cost, representing the increase over time in the present value of the liability, is recorded each period in depreciation, depletion and amortization expense. As reclamation work is performed or liabilities are otherwise settled, the recorded amount of the liability is reduced.

Future remediation costs for inactive mines are accrued based on management s best estimate at the end of each period of the undiscounted costs expected to be incurred at the site. Such cost estimates include, where applicable, ongoing care and maintenance and monitoring costs. Changes in estimates are reflected in earnings in the period an estimate is revised.

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

Derivative Financial Instruments: The Company accounts for derivative financial instruments in accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, (as amended by SFAS No. 137) and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities. These Statements require recognition of all derivatives as either assets or liabilities on the balance sheet and measurement of those instruments at fair value. Appropriate accounting for changes in the fair value of derivatives held is dependent on whether the derivative instrument is designated and qualifies as an accounting hedge and on the classification of the hedge transaction.

For derivative instruments that are designated and qualify as cash flow hedges, the effective portions of changes in fair value of the derivative are recorded in other comprehensive income (loss), and are recognized in the Statement of Consolidated Operations when the hedged item affects net income (loss) for the period. Ineffective portions of changes in the fair value of cash flow hedges are recognized currently in earnings. Refer to Note I Derivative Financial Instruments and Fair Value of Financial Instruments.

11

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

The compensation expense recognized in the Company s consolidated financial statements for the three months ended March 31, 2007 for awards of equity instruments was $0.6 million. As of March 31, 2007, there was $5.2 million of total unrecognized compensation cost (net of estimated forfeitures) related to unvested stock options, restricted stock grants and performance share grants which is expected to be recognized over a weighted-average vesting period of 2.6 years.

The Company continues to estimate the fair value of each stock option award on the date of grant using the Black-Scholes option valuation model. The Company now estimates forfeitures of stock based awards based on historical data and adjusts the forfeiture rate periodically. The adjustment of the forfeiture rate will result in a cumulative adjustment in the period the forfeiture estimate is changed.

Income Taxes: The Company computes income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires an asset and liability approach which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences or benefits of temporary differences between the financial reporting basis and the tax basis of assets and liabilities, as well as operating loss and tax credit carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. A valuation allowance has been provided for the portion of the Company s net deferred tax assets for which it is more likely than not that they will not be realized.

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

(In Thousands)

	Three Months Ended March 31,	
	2007	2006
Net income	$ 14,018	$ 14,338
Unrealized gain on marketable securities	95	102
Change in fair value of cash flow hedges, net of settlements	(273)	(96)
Other	6	(2)
	$ 13,846	$ 14,342

Net Income (Loss) Per Share: The Company follows SFAS No. 128, Earnings Per Share, which requires the presentation of basic and diluted earnings per share. Basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The effect of potentially dilutive stock options and convertible senior notes outstanding in the three months ended March 31, 2007 and 2006 are as follows:

	For the Period Ended March 31, 2007			For the Period Ended March 31, 2006		
(In thousands except for EPS)	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income (loss) available to common stockholders	$ 14,018	277,677	$ 0.05	$ 14,338	252,485	$ 0.06
Effect of Dilutive Securities						
Equity awards	--	809	--	--	1,214	--
1.25% Convertible Notes	74	23,684	--	494	23,684	--
Diluted EPS						
Net income (loss) available to common stockholders	$ 14,092	302,170	$ 0.05	$ 14,832	277,383	$ 0.05

For the three months ended March 31, 2007, options to purchase 645,293 shares of common stock at prices between $4.81 to $8.94 per share were not included in the computation of diluted EPS because the options exercise price was greater than the average market price of the common shares. The options expire between 2007 to 2017.

Debt Issuance Costs: Costs associated with the issuance of debt are included in other noncurrent assets and are amortized over the term of the related debt.

Use of Estimates: The preparation of the Company s consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in their consolidated financial statements and accompanying notes. The areas requiring the use of management s estimates and assumptions relate to recoverable ounces from proven and probable reserves that are the basis of future cash flow estimates and units-of-production depreciation and amortization calculations; useful lives utilized for depreciation, depletion and amortization; estimates of future cash flows for long lived assets; estimates of recoverable gold and silver ounces in ore on leach pad; the amount and timing of reclamation and remediation costs; valuation allowance for deferred tax assets; and post-employment and other employee benefit liabilities.

Reclassifications: Certain reclassifications of prior year balances have been made to conform to the current year presentation. These reclassifications had no impact on the Company s consolidated financial position, results of operations or cash flows for the periods presented. The most significant reclassifications were to reclassify the income statement results from historical presentation to assets and liabilities of discontinued operations and to (loss) income from discontinued operations in the consolidated statements of operations for the period ended March 31, 2006. The consolidated statements of cash flows have been reclassified for discontinued operations for the period ended March 31, 2006. In addition, investments in auction rate securities have been reclassified from cash and cash equivalents to short-term investments on the consolidated balance sheet as of March 31, 2006. We also made corresponding adjustments to the consolidated statements of cash flows for all of the periods presented.

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

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company has substantially concluded all U.S. federal income tax matters for years through 1999. Federal income tax returns for 2000 through 2005 are subject to examination. The Company s continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. There were no accrued interest or penalties at March 31, 2007.

In September 2006, the FASB issued FASB Statement No. 157 Fair Value Measurements (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. The provisions of FAS 157 are effective for the Company s fiscal year ending December 31, 2008. The Company is currently evaluating the impact of the adoption of this statement on the Company s consolidated financial position, results of operations and disclosures.

NOTE C METAL AND OTHER INVENTORIES

Inventories consist of the following:

	March 31, 2007	December 31, 2006
	(in thousands)	
Concentrate and dore inventory	$ 10,132	$ 9,680
Supplies	6,945	6,661
Metal and other inventories	$ 17,077	$ 16,341

NOTE D DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES HELD FOR SALE

During the first quarter of 2006, the Company committed to a plan to sell Coeur Silver Valley Inc. (CSV), a wholly owned subsidiary of Coeur d Alene Mines Corporation, that owned and operated the Galena underground silver mine and adjoining properties in Northern Idaho. On April 10, 2006, the Company announced that it had entered into an agreement to sell 100% of the shares CSV to U.S. Silver Corporation for $15 million in cash. On June 1, 2006, the Company completed the sale of 100% of CSV to U.S. Silver Corporation for a total of $15 million in cash plus a post-closing working capital adjustment of $1.1 million. Pursuant to SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, CSV was classified as held for sale and the results of its operations reported in discontinued operations for the period ended March 31, 2006.

The following table details selected financial information included in income (loss) from discontinued operations in the consolidated statements of operations for the three months ended March 31, 2006 (in thousands):

	Three Months Ended March 31, 2006
Sales of metal	$ 5,710

	Three Months Ended March 31, 2006
Production costs applicable to sales	(4,260)
Depreciation and depletion	(595)
Mining exploration	(210)
Other	(33)
Income (loss) from discontinued operations	$ 612

NOTE E STOCK-BASED COMPENSATION PLANS

The Company has an Annual Incentive Plan, a Long-Term Incentive Plan (the 2003 Long-Term Incentive Plan) and the 2005 Non-Employee Directors Equity Incentive Plan (2005 Non-Employee Directors Plan). Total employee compensation expense charged to operations and capital projects under these Plans was $1.4 million and $1.4 million for the three months ended March 31, 2007 and 2006, respectively.

Annual Incentive Plan

Under the Annual Incentive Plan, the Board of Directors may annually approve cash-based awards to the executive officers and key management employees based on certain Company and employee performance measures. Cash payments for the three months ended March 31, 2007 and 2006, amounted to $2.2 million and $2.7 million, respectively.

2003 Long-Term Incentive Plan

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

The number of shares authorized for grant under this plan was 6.8 million shares. There were 5.7 million shares reserved for issuance under this plan at March 31, 2007. Of the 5.7 million shares, 3.7 million shares can be issued for future grants. There are 1.5 million options and 0.5 million performance shares outstanding under this plan. Under the previous long-term incentive plan, the number of shares authorized to be issued were 2.9 million. There were 0.6 million shares reserved for issuance at March 31, 2007 for stock options previously awarded. No further awards will be made under this plan.

Non-Employee Directors Plan

On June 3, 2005, the Company s shareholders approved the 2005 Non-Employee Directors Equity Incentive Plan and authorized 500,000 shares of common stock for issuance under the plan. During the first quarter of 2007 and 2006, 35,486 and 35,042 shares were issued in lieu of $0.2 million and $0.2 million, respectively, of Directors fees. At March 31, 2007, 0.4 million shares are reserved for issuance under this plan. Under the previous Directors plan, options were granted only in lieu of annual directors fees. At March 31, 2007, 0.5 million shares are reserved for issuance under this plan for stock options previously awarded. No further grants of options will be made under this plan.

15

As of March 31, 2007 and 2006, options to purchase 2,535,065 shares and 2,352,382 shares of common stock, respectively, were outstanding under the Long-Term and the Directors Plans described above. The options are exercisable at prices ranging from $0.74 to $8.94 per share.

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

Restricted stock grants are based on the fair market value of the underlying shares on the date of grant and vest in equal installments annually over three years. Holders of the restricted stock are entitled to vote the shares and to receive any dividends declared on the shares.

Performance shares grants are based on the fair market value of the underlying shares on the date of grant. Vesting is contingent on meeting certain performance measures based on relative total shareholder return. The performance shares vest at the end of the three-year service period. Performance share grants under the plan initially assume that the performance measure will be achieved. If such performance measures are not met, no further compensation cost is recognized and, if determined improbable of achieving the performance measures, any previously recognized compensation is reversed.

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

Prior to the Company s adoption of SFAS No. 123(R), benefits of tax deduction in excess of recognized compensation costs were reported as operating cash flows. SFAS No. 123(R) requires excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid. There were no significant excess tax benefits for the quarters ended March 31, 2007 and 2006.

The compensation expense recognized in the Company s consolidated financial statements for the three months ended March 31, 2007 and 2006 for awards of equity instruments was $0.6 million and $0.6 million, respectively. As of March 31, 2007, there was $5.2 million of total unrecognized compensation cost (net of estimated forfeitures) related to unvested stock options, restricted stock grants and performance share grants which is expected to be recognized over a weighted-average vesting period of 2.6 years.

The impact of adopting SFAS No. 123(R) as of January 1, 2006 resulted in a decrease in net income of $0.3 million, or less than $0.01 per basic and diluted share, for the three months ended March 31, 2006. The impact of adoption excludes the amortization of restricted stock awards in the amount of $0.3 million for the three months ended March 31, 2006. Compensation expense related to the amortization of restricted stock awards was recognized prior to the implementation of SFAS No. 123(R). Cash received from share options exercised under the Long-Term Incentive Plan for the three months ended March 31, 2007 and 2006 was $0 and $0.3 million, respectively, and is reflected as an other financing activity in the Company s consolidated statements of cash flows.

16

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

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Weighted average fair value of options granted	$2.35	$3.35
Expected volatility	58.9%	68.5%
Expected life	6 years	6 years
Risk-free interest rate	4.5%	4.6%
Expected dividend yield	--	--

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

The following table summarizes stock option activity during the three months ended March 31, 2007:

Shares	Weighted Average Exercise Price

Stock options outstanding at December 31, 2006	2,089,650	$3.56
Granted	462,015	3.99
Canceled/expired	(16,600)	15.19
Stock options outstanding at March 31, 2007	2,535,065	$3.56

Options exercisable at March 31, 2007, were 1,705,171 with a weighted average exercise price of $3.21.

As of March 31, 2007, the total future compensation cost related to non-vested options not yet recognized in the statement of income was $1.4 million and the weighted average period over which these awards are expected to be recognized was 2.6 years.

The following table summarizes restricted stock activity during the three months ended March 31, 2007:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2006	413,032	$4.83
Granted	497,990	3.99
Vested	(190,156)	(4.99)
Outstanding at March 31, 2007	720,866	$4.21

The fair value of restricted stock is determined based on the closing stock price on the grant date. As of March 31, 2007, there was $2.1 million of total unrecognized compensation cost related to restricted awards to be recognized over a weighted-average period of 2.7 years.

17

The following table summarizes performance shares activity during the three months ended March 31, 2007:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2006	210,445	$5.14
Granted	306,852	3.99
Outstanding at March 31, 2007	517,297	$4.46

The fair value of performance shares is determined based on the closing price on the grant date. As of March 31, 2007, there was $1.7 million of total unrecognized compensation cost related to performance shares to be recognized over a weighted average period of 2.5 years.

NOTE F- INCOME TAXES

The Company computes income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires an asset and liability approach which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of those assets and liabilities, as well as net operating loss and tax credit carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse. The Company has U.S. net operating loss carryforwards which expire in 2008 through 2025. Net operating losses in foreign countries have an indefinite carryforward period.

For the three months ended March 31, 2007, the Company reported an income tax provision of approximately $3.7 million compared to an income tax benefit of $0.3 million at March 31, 2006. The following table summarizes the components of the Company s income tax provision (benefit) for the three months ended March 31, 2007 and 2006:

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Current:		
United States - Alternative minimum tax	$ (233)	$ (100)
United States - Foreign withholding	(383)	(323)
Foreign - Argentina	(1,598)	(611)
Foreign - Australia	(1,114)	(693)
Deferred:		
Foreign - Argentina	175	213
Foreign - Australia	100	(226)
Foreign - Chile	(648)	2,087
Income tax benefit (provision)	$ (3,701)	$ 347

The income tax provision for the three months ended March 31, 2007 and 2006 varies from the statutory rate primarily because of differences in tax rates for the Company s foreign operations and changes in valuation allowances for net deferred tax assets. During the first quarter of 2007, the Company recorded $0.5 million in additional income tax provision resulting from its assessment of prior period tax contingencies across its various tax jurisdictions.

18

NOTE G- SEGMENT REPORTING

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

The operating segments are managed separately because each segment represents a distinct use of company resources which contribute to Company cash flows in its respective geographic area. The Company s reportable operating segments include the Rochester, Cerro Bayo, Martha, San Bartolome, Kensington and CDE Australia (Endeavor and Broken Hill) mining properties. On June 1, 2006, the Company completed its sale of Coeur Silver Valley (Galena). For the period ending March 31, 2006, CSV was classified as held for sale and reported in discontinued operations (see Note D). 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 metal concentrates and/or refined precious metals. The Cerro Bayo and Martha mines sell precious metal concentrates, typically under long-term contracts, to smelters located in Japan (Sumitomo Corporation and Dowa Mining Ltd.), Mexico (Met-Mex Penoles) and Germany (Nordeutsche). Refined gold and silver produced by the Rochester mine is principally sold on a spot basis to precious metals trading banks such as Standard Bank and Mitsui. Concentrates produced at CDE Australia (Endeavor and Broken Hill mines) are sold by the mines operators to Zinifex, an Australia smelter. The Company s exploration programs are reported under the other segment. The other segment also includes the corporate headquarters, elimination of intersegment transactions and other items necessary to reconcile to consolidated amounts. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies above. The Company evaluates performance and allocates resources based on profit or loss before interest, income taxes, depreciation and amortization, unusual and infrequent items, and extraordinary items.

Segment operating results and capital expenditures for the three months ended March 31, 2007 and segment assets as of March 31, 2007 were as follows:

Segment Reporting
(In Thousands)

Rochester Mine	Cerro Bayo Mine	Martha Mine	Endeavor	Broken Hill	San Bartolome	Kensington	Corporate and Other	Total
$ 27,462	$ 9,781	$ 8,012	$ 1,879	$ 3,726	$ --	$ --	$ --	$ 50,860

Sales of metal									
Depreciation and depletion	4,416	1,391	350	157	594	--	--	113	7,021
Interest income	--	284	(3)	--	--	--	--	4,173	4,454
Interest expense	--	11	--	--	--	--	--	76	87
Income tax (benefit) expense	--	648	1,496	--	--	--	20	1,537	3,701
Segment profit (loss)	15,759	5,095	2,361	1,723	3,142	--	(162)	(2,584)	25,334
Segment assets (A)	88,091	43,451	11,672	16,369	29,146	75,282	234,624	9,218	507,853
Capital expenditures	1,013	1,943	629	2,018	--	11,298	24,918	184	42,003

	Rochester Mine	Cerro Bayo Mine	Martha Mine	Endeavor	Broken Hill	San Bartolome	Kensington	Corporate and Other	Total
Three Months Ended March 31, 2006									
Sales of metal	$ 22,204	$ 10,714	$ 5,427	$ 566	$ 5,943	$ --	$ --	$ --	$ 44,854
Depreciation and depletion	3,038	1,322	242	110	1,533	--	--	73	6,318
Interest income	--	48	4	--	--	--	--	2,892	2,944
Interest expense	--	27	--	--	--	--	--	494	521
Income tax (benefit) expense	--	(2,087)	491	--	--	--	--	1,249	(347)
Segment profit (loss)	10,460	5,322	2,063	509	4,348	(3)	(7)	(2,474)	20,218
Segment assets of continuing operations (A)	83,081	42,621	6,974	15,253	34,571	34,320	99,966	6,965	323,751
Capital expenditures	159	1,100	683	--	--	1,944	23,752	168	27,806

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

The following tables reconcile total segment profit and segment assets to those presented in the Company s consolidated financial statements:

	Three Months Ended March 31, 2007	2006
Income from continuing operations before income taxes		
Total segment profit	$ 25,334	$ 20,218
Depreciation and amortization	(7,021)	(6,318)
Interest expense	(87)	(521)
Litigation settlement	(507)	--
Income from continuing operations before income taxes	$ 17,719	$ 13,379
Assets		
Total assets for reportable segments	$ 507,853	$ 323,751
Cash and cash equivalents	277,988	83,591
Short-term investments	43,414	290,750
Other assets	38,330	35,600
Total assets held for sale	--	15,877
Total consolidated assets	$ 867,585	$ 749,569

Geographic Information

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

Three Months Ended March 31, 2006	Revenues	Long-Lived Assets
United States	$ 22,204	$ 117,843
Australia	6,509	48,221
Chile	10,714	19,298
Argentina	5,427	3,013
Bolivia	--	33,677
Other Foreign Countries	--	228
Total	$ 44,854	$ 222,280

NOTE H- RECLAMATION AND REMEDIATION

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

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

	Three Months Ended March 31, 2007	2006
	(in thousands)	
Asset retirement obligation - January 1	$ 29,909	$ 23,524
Accretion	565	445
Settlements	(306)	(169)
Asset retirement obligation - March 31	$ 30,168	$ 23,800

In addition, the Company has accrued $1.7 million and $1.0 million as of March 31, 2007 and 2006, respectively, for reclamation liabilities related to former mining activities. These amounts are also included in reclamation and mine closure liabilities.

NOTE I DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Forward Foreign Exchange Contracts

The Company, from time to time, enters into forward foreign currency exchange contracts to reduce the foreign exchange risk associated with forecasted Chilean peso operating costs at its Cerro Bayo mine. The contracts require the Company to exchange U.S. dollars for Chilean pesos at a weighted average exchange rate of 535 pesos to each U.S. dollar. At March 31, 2007, the Company had foreign exchange contracts of $10.8 million in U.S. dollars. For the three months ended March 31, 2007 and 2006, the Company recorded a realized loss of less than $0.1 million in each period in connection with its foreign currency hedging program. As of March 31, 2007, the fair value of the foreign exchange contracts was a liability of $0.3 million. Change in gains (losses) accumulated in other comprehensive income (loss) for cash flow hedging contracts are as follows:

	March 31, 2007	March 31, 2006
Beginning balance	$ (60)	$ (171)
Reclassification to earnings	22	18
Change in fair value	(295)	(114)
Ending balance	$ (333)	$ (267)

Commodity Derivatives

The Company has occasionally entered into forward metal sales contracts to manage the price risk on a portion of its cash flows against fluctuating gold prices. As of March 31, 2007, the Company had no outstanding forward sales contracts for either gold or silver. 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.

Concentrate Sales Contracts

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

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

NOTE J- LONG-TERM DEBT

1 ¼% Senior Convertible Notes

The $180.0 million principal amount of 1 ¼% Senior Convertible Notes due January 2024 outstanding at March 31, 2007 are convertible into shares of common stock at the option of the holder on January 15, 2011, 2014 and 2019, unless previously redeemed, at a conversion price of $7.60 per share, subject to adjustment in certain events.

The Company is required to make semi-annual interest payments. The Senior Convertible Notes are redeemable at the option of the Company before January 18, 2011, if the closing price of the Company s common stock over a specified number of trading days has exceeded 150% of the conversion price, and anytime thereafter. Before January 18, 2011, the redemption price is equal to 100% of the principal amount of the notes plus an amount equal to 8.75% of the principal amount of the notes, less the amount of any interest actually paid on the notes on or prior to the redemption date. The Senior Convertible Notes are due at maturity on January 15, 2024.

The fair value of the Senior Convertible Notes is determined by market transactions on or near March 31, 2007 and December 31, 2006, respectively. The fair value of the Senior Convertible Notes as of March 31, 2007 and December 31, 2006 was $158.4 million and $163.8 million, respectively.

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

Defined Contribution Plan and 401(k) Plan

The Company provides a noncontributory defined contribution retirement plan for all eligible U.S. employees. Total plan expenses recognized in the Company s consolidated financial statements were $0.3 million and $0.3 million in the first quarters of 2007 and 2006, respectively.

The Company maintains a savings plan (which qualifies under Section 401(k) of the U.S. Internal Revenue Code) covering all eligible U.S. employees. Under the plan, employees may elect to contribute up to 100% of their cash compensation, subject to ERISA limitations. The Company is required to make matching cash contributions equal to 50% of the employees contribution to a maximum of 3% of the employees compensation. Employees have the option of investing in thirteen different types of investment funds. Total plan expenses recognized in the Company s consolidated financial statements were $0.3 million and $0.2 million in the first quarter of 2007 and 2006, respectively.

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

NOTE L- COMMITMENTS AND CONTINGENCIES

Labor Union Contracts

The Company maintains two labor agreements in South America, consisting of a labor agreement with Syndicato de Trabajadores de Compañía Minera Cerro Bayo Ltd. at its Cerro Bayo mine in Chile and with Associacion Obrera Minera Argentina at its Martha mine in Argentina. The agreement at Cerro Bayo is effective from December 22, 2005 to December 21, 2007 and the agreement at Mina Martha is effective from June 12, 2006 to June 11, 2008. As of March 31, 2007, the Company had approximately 17% of its worldwide labor force covered by collective bargaining agreements.

Termination Benefits

In September 2005, the Company established a one-time termination benefit program at the Rochester mine as the mine approaches the end of its mine life. The employees will be required to render service until they are terminated in order to be eligible for benefits. Approximately 80% of the workforce is expected to be severed by the third quarter of 2007, while the remaining 20% are expected to stay on for residual leaching and reclamation activities. As of March 31, 2007, the total amount expected to be incurred under this plan is approximately $3.3 million. The liability is recognized ratably over the minimum future service period with a corresponding charge to production expense. The amount accrued as of March 31, 2007 was $2.0 million.

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
	(in thousands)	
Beginning Balance	$ 1,959	$ 542
Accruals	139	739
Payments	(89)	(294)
Ending Balance	$ 2,009	$ 987

NOTE M- SIGNIFICANT CUSTOMERS

The Company markets its metals products and concentrates primarily to bullion trading banks and five third party smelters. These customers then sell the metals to end users for use in industry applications such as electronic circuitry, jewelry and silverware production and the manufacture and development of photographic film. Sales of metals to bullion trading banks amounted to approximately 54.0% and 49.5% of total metals sales for the three months ended March 31, 2007 and 2006, respectively. Generally, the loss of a single bullion trading bank customer would not adversely affect the Company in view of the liquidity of the markets and availability of alternative trading banks.

The Company currently markets its silver and gold concentrates to third party smelters in Japan, Mexico, Australia and Germany. Sales of metals concentrates to third party smelters amounted to approximately 46.0% and 50.5% of metals sales for the three months ended March 31, 2007 and 2006, respectively. The loss of any one smelter customer could have a material adverse effect in the event of the possible unavailability of alternative smelters.

NOTE N- LITIGATION AND OTHER EVENTS

Federal Natural Resources Action

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

In May 2001, the Company and representatives of the U.S. Government, including the Environmental Protection Agency, the Department of Interior and the Department of Agriculture, reached an agreement 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 $0.6 million was paid in June 2001. In addition, the Company (i) will 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) has accomplished certain cleanup work on the Mineral Point property and Caladay property, and (iii) has made a conveyance to the U.S. of certain real property to be used as a waste repository. Finally, commencing five years after effectiveness of the settlement, the Company was obligated to pay royalties on all of its domestic and foreign operating properties, up to a cumulative 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 royalty on gold production if the price of gold exceeds $325 per ounce. The royalty payment obligation commenced on May 14, 2006 and was to expire May 14, 2021. As of March 31, 2007, $2.5 million of the $3.0 million has been paid, and the remaining $0.5 million was paid early in the second quarter of 2007.

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

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

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

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

Federal District Court of Alaska Permit Challenge

On September 12, 2005 three environmental groups (Plaintiffs) filed a lawsuit in Federal District Court in Alaska against the U.S. Army Corps of Engineers (Corps of Engineers) and the U.S. Forest Service (USFS) seeking to invalidate the permit issued to Coeur Alaska, Inc. for the Company s Kensington mine. The Plaintiffs claim the Clean Water Act (CWA) Section 404 permit issued by the Corps of Engineers authorizing the deposition of mine tailings into Lower Slate Lake conflicts with the CWA and is thus illegal. They additionally claim the USFS s approval of the Amended Plan of Operations is arbitrary and capricious because it relies on the 404 permit issued by the Corps of Engineers.

On November 8, 2005, the Corps of Engineers filed a Motion for Voluntary Remand with the court to review the permit issued to the Company under the CWA Section 404 and requested that the court stay the legal proceeding filed by the plaintiffs pending the outcome of review. On November 12, 2005, the Federal District Court in Alaska granted the remand of the permit to the Corps of Engineers for further review. On November 22, 2005, the Corps of Engineers advised the Company that it was suspending the Section 404 permit pursuant to the Court s remand to further review the permit.

On March 29, 2006, the Corps of Engineers reinstated the Company s 404 permit. On April 6, 2006 the lawsuit challenging the permit was re-opened, and Coeur Alaska, Inc. filed its answer to the Amended Complaint and Motion to Intervene as a Defendant-Intervenor in the action. Two other parties, the State of Alaska and Goldbelt, Inc., a local native corporation, also filed Motions to Intervene as Defendant-Intervenors as supporters of the Kensington project as permitted. The Company, the State of Alaska and Goldbelt, Inc. were granted Defendant-Intervenor status and joined the agencies in their defense of the permits as issued.

On August 4, 2006, the Federal District Court in Alaska dismissed the Plaintiffs challenge and upheld the Section 404 permit. On August 7, 2006 the Plaintiffs filed a Notice of Appeal of the decision to the Ninth Circuit Court of Appeals (Circuit Court) and on August 9, 2006 Plaintiffs additionally filed a Motion for Injunction Pending Appeal with the Circuit Court. The Circuit Court granted a temporary injunction pending appeal on August 24, 2006, enjoining certain activities relating to the lake tailings facility. The Circuit Court further ordered an expedited briefing schedule on the merits of the legal challenge. As of October 13, 2006, the parties filed their briefs in the Circuit Court and participated in an oral argument on December 4, 2006 .

On March 7, 2007, the Department of Justice (DOJ), on behalf of the Corps of Engineers, filed a motion for authorization under injunction pending appeal to permit construction of a western interception ditch which related to site stabilization due to spring snowmelt. On March 16, 2007, the Circuit Court panel issued an Order which denied the western interception ditch work plan. This Order further announced that the Circuit Court intended to reverse the District Court s upholding of the Section 404 permit, vacate the permit authorizing the lake tailings facility and remand the order to the District Court with instructions to enter summary judgments in favor of the Plaintiffs. The Court stated that it planned to publish an opinion in the case that would explain the reasons for its holding in greater detail and directed that all tailings pond construction-related activities cease. The Court has not yet published such opinion. Once the Court publishes its opinion explaining its ruling, the Company will consider all options of appeal. The Company cannot now predict the ultimate outcome of the litigation as a final order has not been issued.

This litigation has contributed to an increase in capital costs. While the Company believes it will ultimately prevail in the defense of the awarded permits, in the event that the Company does not prevail, it could be necessary to seek an alternate site for the tailings disposal facility. The Company is not aware of an alternate site that could be permitted or would be economic. Therefore, it is possible that an adverse legal decision could render the project uneconomic and an asset impairment would be necessary**.** Assuming the Company prevails in the permit challenge, the Company estimates that as a result of the increase in capital and operating costs at the Kensington project, an impairment writedown could be necessary should the expectation of the long-term price for gold decrease below approximately $535 per ounce. As of March 31, 2007, the Kensington project has a carrying value of its long-lived assets of $231 million.

NOTE O SUBSEQUENT EVENT

On May 3, 2007, the Company entered into definitive agreements with Bolnisi Gold NL (Bolnisi) and Palmarejo Silver and Gold Corporation (Palmarejo) to combine the three companies. Bolnisi is the majority shareholder of Palmarejo, holding 73.6% of its outstanding shares. Under the terms of the agreements, Bolnisi shareholders will receive 0.682 Coeur shares for each Bolnisi share they own (or, at the election of the Bolnisi shareholder, CHESS Depositary Interests representing Coeur shares), and Palmarejo shareholders (other than Bolnisi) will receive 2.715 Coeur shares for each Palmarejo share they own. It is anticipated that this will result in Coeur issuing a total of approximately 271.3 million new shares. In addition, Bolnisi and Palmarejo shareholders will receive a nominal cash payment equal to A$0.004 (US$0.003) per Bolnisi share and C$0.004 (US$0.003) per Palmarejo share.

The transaction is subject to approval by the shareholders of Coeur, Bolnisi and Palmarejo, the completion of satisfactory due diligence by Coeur (which is to be completed by June 2, 2007) and the satisfaction of customary closing conditions (including completion of regulatory reviews and receipt of regulatory approvals, including those of antitrust agencies). The consummation of each of the Bolnisi transaction and the Palmarejo transaction is also conditioned upon the consummation of the other transaction, although Coeur has the right to waive this condition if the Palmarejo transaction does not proceed, and still proceed with the Bolnisi transaction. Both arrangements require approval by the applicable courts in Canada and Australia. Assuming timely completion of the required regulatory processes and receipt of the required shareholder and Court approvals, the Company expects the transaction to be completed in the third quarter of 2007.

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

This document contains numerous forward-looking statements relating to the Company s gold and silver mining business. The United States Private Securities Litigation Reform Act of 1995 provides a safe harbor for certain forward-looking statements. Operating, exploration and financial data, and other statements in this document are based on information the Company believes reasonable, but involve significant risks and uncertainties, including the risks set forth under Part II Item 1A below, as to future gold and silver prices, costs, ore grades, estimation of gold and silver reserves, mining and processing conditions, changes that could result from the Company s future acquisition of new mining properties or businesses, the risks and hazards inherent in the mining business (including environmental hazards, industrial accidents, weather or geologically related conditions), regulatory and permitting matters, and risks inherent in the ownership and operation of, or investment in, mining properties or businesses in foreign countries. Actual results and timetables could vary significantly from the estimates presented. Readers are cautioned not to put undue reliance on forward-looking statements. The Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise.

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

General

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

The average price of silver (Handy & Harman) and gold (London Final) for the first three months of 2007 was $13.30 and $650 per ounce, respectively. The market price of silver and gold on May 8, 2007 was $13.39 per ounce and $684 per ounce, respectively.

The Company s operating mines are the Rochester mine in Nevada, the Cerro Bayo mine in Chile, the Martha mine in Argentina and the Endeavor and Broken Hill mines in Australia. As of March 31, 2006, the Company classified the Silver Valley (Galena) mine as held for sale and its operating results have been reported as discontinued operations.

Operating Highlights and Statistics

North American Operations

Rochester Mine:

At the Rochester mine, silver production was 1,182,796 ounces and gold production was 14,289 ounces during the first quarter of 2007 compared to 1,148,363 ounces of silver and 16,117 ounces of gold in the first quarter of 2006. Total cash costs per ounce increased to $4.92 from $4.32 in the first quarter of 2006. The increase in cash cost per ounce is primarily due to decreased by-product credits and higher operating costs.

27

South American Operations

Cerro Bayo Mine:

At the Cerro Bayo mine in Southern Chile, silver production was 351,948 ounces and 9,428 ounces of gold in the first quarter of 2007 compared to 515,822 ounces of silver and 8,794 ounces of gold in the first quarter of 2006. The decline in silver production was primarily due to a 41.7% decrease in tons mined as a result of the Company transitioning its mining activities to higher-grade areas of the mine. Total cash costs per ounce in the first quarter of 2007 was $1.21 per ounce compared to $3.46 per ounce in 2006. The decrease in cash cost per ounce is primarily due to lower overall operating costs primarily attributed to lower tons mined and higher grades.

Martha Mine:

At the Martha Mine in Southern Argentina, silver production was 623,098 ounces in the first quarter of 2007 compared to 543,486 ounces in the first quarter of 2006. The increase in silver production was primarily due to higher silver and gold grades partially offset by lower tons mined. Total cash costs per ounce in the first quarter of 2007 were $6.11 per ounce compared to $4.93 per ounce in 2006. The increase in total cash cost per ounce was primarily due to higher costs of labor and taxes, including increased royalties resulting from higher realized metal prices in the first quarter of 2007 compared to the first quarter of 2006.

Australia Operations

Endeavor Mine:

On May 23, 2005, the Company acquired all of the silver production and reserves, up to a maximum 17.7 million payable ounces, contained at the Endeavor Mine in Australia, which is owned and operated by Cobar Operations Pty. Limited (Cobar), a wholly-owned subsidiary of CBH Resources Ltd. (CBH), for $39.1 million. The Endeavor Mine is located 720 km northwest of Sydney in New South Wales and has been in production since 1983. Under the terms of the original agreement, CDE Australia, a wholly-owned subsidiary of Coeur, paid Cobar $15.4 million of cash at the closing. In addition, CDE Australia will pay Cobar approximately $23.7 million upon the receipt of a report confirming that the reserves at the Endeavor mine are equal to or greater than the reported ore reserves for 2004. In addition to these upfront payments, Coeur originally committed to pay Cobar an operating cost contribution of $1.00 for each ounce of payable silver plus a further increment when the silver price exceeds $5.23 per ounce. This further increment was to have begun on the second anniversary of this agreement and is 50% of the amount by which the silver price exceeds $5.23 per ounce. A cost contribution of $0.25 per ounce is also payable by Coeur in respect of new ounces of proven and probable silver reserves as they are discovered. During the first quarter of 2007, $2.0 million was paid for new ounces of proven and probable silver reserves.

On March 28, 2006, CDE Australia Pty, Ltd. (CDE Australia) reached an agreement with CBH Resources Ltd. to modify the terms of the original silver purchase agreement. Under the modified terms, CDE Australia owns all silver production and reserves up to a total of 20.0 million ounces, up from 17.7 million ounces in the original agreement. The Company has received approximately 0.7 million payable ounces to date and the current ore reserve contains approximately 15.3 million payable ounces based on current metallurgical recovery and current smelter contract terms. Expansion of the ore reserve will be required to achieve the maximum payable ounces of silver production as set forth in the modified contract. It is expected that future expansion to the ore reserve will occur as a result of the conversion of portions of the property s existing inventory of mineralized material and future exploration discoveries. CBH conducts regular exploration to discover new mineralization and to define reserves from surface and underground drilling platforms. The silver price-sharing provision is deferred until such time as Coeur has received approximately 2 million cumulative ounces of silver from the mine or June 2007, whichever is later. In addition, the silver price-sharing threshold increased to US$7.00 per ounce, from the previous level of US$5.23 per ounce.

28

In connection with the modification of the terms of the agreement, CDE Australia agreed to provide CBH with an advance of up to A$15.0 million of the A$30 million that remains to be paid under the terms of the original agreement. The remaining payment from Coeur to CBH is subject to the Endeavor mine achieving certain operational benchmarks. The advance, in the form of a loan facility, bears interest at 7.75% per annum once drawn by CBH. The term is for a twelve month period with an option for CBH to extend the term for an additional six months. No advances have been drawn under the facility as of March 31, 2007.

Production at the Endeavor mine in the first quarter of 2007 was 160,277 ounces of silver compared to 84,280 ounces of silver in the first quarter of 2006. Total cash costs per ounce of silver produced was $3.19 in the first quarter of 2007 compared to $2.13 in the first quarter of 2006.

Broken Hill Mine:

On September 8, 2005, the Company acquired all of the silver production and reserves, up to 17.2 million payable ounces, contained at the Broken Hill mine in Australia, which is owned and operated by Perilya Broken Hill Ltd. (PBH) for $36.0 million. The Broken Hill Mine is located in New South Wales, Australia and is a zinc/lead/silver ore body. Pursuant to the agreement, the transaction includes up to a maximum of approximately 24.5 million contained ounces (or 17.2 million payable ounces) of silver to be mined by PBH at Broken Hill on the Company s behalf. In addition, CDE Australia will pay PBH an operating cost contribution of approximately $2.00 for each ounce of payable silver. Under the terms of the agreement, PBH may earn up to US$6.0 million of additional consideration by meeting certain silver production thresholds over the next eight years.

Production at the Broken Hill Mine in the first quarter of 2007 was 302,848 ounces compared to 557,311 ounces in the first quarter of 2006. The decrease in silver production is primarily due to a 43% decrease in tons mined as a result of a mine fatality which temporarily halted certain operating activities. Normal production levels have resumed. Total cash costs per ounce of silver production was $3.16 in the first quarter of 2007 compared to $2.89 in the first quarter of 2006.

The Bolnisi and Palmarejo Transactions

On May 3, 2007, the Company entered into definitive agreements with Bolnisi Gold NL (Bolnisi) and Palmarejo Silver and Gold Corporation (Palmarejo) to combine the three companies. Bolnisi is the majority shareholder of Palmarejo, holding 73.6% of its outstanding shares. Under the terms of the agreements, Bolnisi shareholders will receive 0.682 Coeur shares for each Bolnisi share they own (or, at the election of the Bolnisi shareholder, CHESS Depositary Interests representing Coeur shares), and Palmarejo shareholders (other than Bolnisi) will receive 2.715 Coeur shares for each Palmarejo share they own. It is anticipated that this will result in Coeur issuing a total of approximately 271.3 million new shares. In addition, Bolnisi and Palmarejo shareholders will receive a nominal cash payment equal to A$0.004 (US$0.003) per Bolnisi share and C$0.004 (US$0.003) per Palmarejo share.

The transaction is subject to approval by the shareholders of Coeur, Bolnisi and Palmarejo, the completion of satisfactory due diligence by Coeur (which is to be completed by June 2, 2007) and the satisfaction of customary closing conditions (including completion of regulatory reviews and receipt of regulatory approvals, including those of antitrust agencies). The consummation of each of the Bolnisi transaction and the Palmarejo transaction is also conditioned upon the consummation of the other transaction, although Coeur has the right to waive this condition if the Palmarejo transaction does not proceed, and still proceed with the Bolnisi transaction. Both arrangements require approval by the applicable courts in Canada and Australia. Assuming timely completion of the required regulatory processes and receipt of the required shareholder and Court approvals, the Company expects the transaction to be completed in the third quarter of 2007.

29

Operating Statistics From Continuing Operations

The following table presents information by mine and consolidated sales information for the three-month periods ended March 31, 2007 and 2006:

	Three Months Ended March 31, 2007	2006
Rochester		
Tons processed	2,083,272	2,531,900
Ore grade/Ag oz	0.76	0.67
Ore grade/Au oz	0.007	0.014
Recovery/Ag oz (A)	75.0%	67.4%
Recovery/Au oz (A)	92.6%	46.5%
Silver production ounces	1,182,796	1,148,363
Gold production ounces	14,289	16,117
Cash cost/oz	$4.92	$4.32
Total cost/oz	$8.77	$7.61
Cerro Bayo		
Tons milled	58,450	100,275
Ore grade/Ag oz	6.35	5.54
Ore grade/Au oz	0.171	0.095

	Three Months Ended March 31,	
Recovery/Ag oz	94.9%	92.9%
Recovery/Au oz	94.1%	92.2%
Silver production ounces	351,948	515,822
Gold production ounces	9,428	8,794
Cash cost/oz	$1.21	$3.46
Total cost/oz	$5.09	$5.94
Martha Mine		
Tons milled	8,200	8,849
Ore grade/Ag oz	79.64	65.86
Ore grade/Au oz	0.108	0.082
Recovery/Ag oz	95.4%	93.3%
Recovery/Au oz	94.5%	92.3%
Silver production ounces	623,098	543,486
Gold production ounces	835	670
Cash cost/oz	$6.11	$4.93
Total cost/oz	$6.55	$5.37
Endeavor		
Tons milled	281,781	103,003
Ore grade/Ag oz	0.90	1.30
Recovery/Ag oz	62.9%	62.9%
Silver production ounces	160,277	84,280
Cash cost/oz	$3.19	$2.13
Total cost/oz	$4.17	$3.43
Broken Hill		
Tons milled	301,617	527,096
Ore grade/Ag oz	1.14	1.46
Recovery/Ag oz	87.9%	72.3%
Silver production ounces	302,848	557,311
Cash cost/oz	$3.16	$2.89
Total cost/oz	$5.12	$5.64
CONSOLIDATED PRODUCTION TOTALS		
Silver ounces	2,620,967	2,849,262
Gold ounces	24,552	25,581
Cash cost per oz/silver	$4.40	$3.94
Total cost/oz	$7.05	$6.37
CONSOLIDATED SALES TOTALS (B)		
Silver ounces sold	2,676,435	2,877,890
Gold ounces sold	24,632	25,734
Realized price per silver ounce	$13.74	$10.36
Realized price per gold ounce	$645	$588

30

(A) The leach cycle at Rochester requires 5 to 10 years to recover gold and silver contained in the ore. The Company estimates the ultimate recovery to be approximately 61.5% for silver and 93% for gold. However, ultimate recoveries will not be known until leaching operations cease, which is currently estimated for 2011. Current recovery may vary significantly from ultimate recovery. See Critical Accounting Policies and Estimates Ore on Leach Pad.

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

Cash Costs per Ounce are calculated by dividing the cash costs computed for each of the Company s mining properties for a specified period by the amount of gold ounces or silver ounces produced by that property during that same period. Management uses cash costs per ounce as a key indicator of the profitability of each of its mining properties. Gold and silver are sold and priced in the world financial markets on a US dollar per ounce basis.

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

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

Operating Statistics From Discontinued Operation

The following table presents information for Coeur Silver Valley which was sold on June 1, 2006:

	Three Months Ended March 31, 2006
Silver Valley/Galena	
Tons milled	32,652
Ore grade/Silver oz	15.91%
Recovery/Silver oz	96.2%
Silver production ounces	499,647
Cash cost/oz	$9.24
Total cost/oz	$10.43
Gold production	122

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

THREE MONTHS ENDED MARCH 31, 2007
(In thousands except ounces and per ounce costs)

	Rochester	Cerro Bayo	Martha	Endeavor	Broken Hill	Total
Production of Silver (ounces)	1,182,796	351,948	623,098	160,277	302,848	2,620,967
Cash Costs per ounce	$ 4.92	$ 1.21	$ 6.11	$ 3.19	$ 3.16	$ 4.40
Total Cash Costs	$ 5,821	$ 427	$ 3,809	$ 511	$ 958	$ 11,526
Add/Subtract:						
Third Party Smelting Costs	--	(606)	(519)	(368)	(367)	(1,860)
By-Product Credit	9,277	6,139	544	--	--	15,960
Other Adjustments	139	--	--	--	--	139
Change in Inventory	(3,481)	(1,787)	518	12	(7)	(4,745)
Depreciation, depletion and amortization	4,555	1,365	271	157	594	6,942
Production costs applicable to sales	$ 16,311	$ 5,538	$ 4,623	$ 312	$ 1,178	$ 27,962

31

THREE MONTHS ENDED MARCH 31, 2006
(In thousands except ounces and per ounce costs)

	Rochester	Cerro Bayo	Martha	Endeavor	Broken Hill	Total
Production of Silver (ounces)	1,148,363	515,822	543,486	84,280	557,311	2,849,262
Cash Costs per ounce	$ 4.32	$ 3.46	$ 4.93	$ 2.13	$ 2.89	$ 3.94
Total Cash Costs	$ 4,965	$ 1,783	$ 2,681	$ 179	$ 1,609	$ 11,217
Add/Subtract:						
Third Party Smelting Costs	--	(770)	(312)	(103)	(572)	(1,757)
By-Product Credit	8,941	4,873	371	--	--	14,185
Other Adjustments	739	--	--	--	--	739
Change in Inventory	(2,893)	(1,352)	(63)	(48)	71	(4,285)
Depreciation, depletion and amortization	3,777	1,282	239	109	1,533	6,940
Production costs applicable to sales	$ 15,529	$ 5,816	$ 2,916	$ 137	$ 2,641	$ 27,039

The following tables present a reconciliation between non-GAAP cash costs per ounce to GAAP production costs applicable to sales reported in Discontinued Operations (see Note D):

THREE MONTHS ENDED MARCH 31, 2006
(In thousands except ounces and per ounce costs)

Coeur Silver Valley/Galena

	2006
Production of Silver (ounces)	499,647
Cash Costs per ounce	$ 9.24
Total Cash Costs (000 s)	$ 4,615
Add/Subtract:	
Third Party Smelting Costs	(869)
By-Product Credit	796
Change in Inventory	(282)
Depreciation, depletion and amortization	595
Production costs applicable to sales	$ 4,855

Exploration Activity

Cerro Bayo Mine (Chile)

Exploration at Cerro Bayo during the first quarter of 2007 focused on reserve development/delineation drilling and discovery of new mineralization. Approximately 12,400 meters (40,800 feet) were drilled in the two programs. The majority of the drilling (71%) was devoted to definition of new reserves around the current mine operations areas. Results from both programs are expected to produce additional reserves and mineralized material though the impact of the new drilling will not be fully evaluated until the program is completed.

Martha Mine (Argentina)

At Martha, a total of 8,985 meters (29,500 feet) of drilling was completed during the first quarter to expand reserves and discover new mineralization. Results obtained from drilling R4 Deep, Francisca and Catalina continues to expand the strike and depth of the mineralization in those veins, which were discovered in 2004. Drilling will continue throughout the year on these and other targets in the Martha mine district.

In addition to its exploration program near the Martha mine, the Company also conducts exploration in other parts of the Santa Cruz province of Argentina. In the first quarter of 2007, the Company focused this effort on the Sascha property. Sascha is one of two properties on which the Company has an option to earn up to a 71% interest in a joint venture with Mirasol Resources Ltd. During the quarter, we drilled 1,170 meters (3,800 feet) of core at Sascha.

Tanzania (Africa)

In the first quarter, the Company continued exploration on its properties in the Lake Victoria Goldfields District of northern Tanzania. Core and reverse circulation drilling was conducted on the Saragurwa and Kiziba Hill properties in the quarter and total 2,799 meters (9,180 feet).

Development Projects:

San Bartolome (Bolivia)

During 2004, the Company completed an updated feasibility study, obtained all required permits and commenced construction of the San Bartolome mine. The Company estimates the direct capital cost of the project, excluding political risk insurance premiums and capitalized interest, to be approximately $174 million, and the annual production to be approximately 6-8 million ounces of silver over a mine life of approximately 14 years.

During the first three months of 2007, construction work activity has increased and included the construction of access roads to and around the site, final earthwork preparation of the mill site area, preparation of an ore stockpile area, installation of a concrete batch plant and the start of concrete foundation work for the leach tanks and crusher, and construction of the mine s tailings facility. Detailed engineering and procurement will be completed in May, and most of the construction contracts have been awarded. As of late-April, 23 contractors were employed on site with a total employment of 615 workers, most of whom are Bolivian, and the project has recorded 341,000 man-hours without a lost time accident.

During the three months ended March 31, 2007, Coeur expended approximately $11.3 million and plans to incur additional engineering, procurement and construction costs of approximately $140.2 million in 2007, assuming a full-scale construction schedule is implemented during the year. The Company plans to complete construction activities toward the end of 2007.

The San Bartolome project involves risks that are inherent in any mining venture, as well as particular risks associated with the location of the project. The estimate of mineralized material indicated by the geologic studies performed to date are preliminary in nature and may differ materially after further metallurgical testing is completed. Also, managing mining projects in the altiplano area of Bolivia, where Cerro Rico is located, presents logistical challenges. The political and cultural differences of Bolivia may also present challenges.

We have obtained a political risk insurance policy from the Overseas Private Insurance Corporation (OPIC) and another private insurer. The policy is in the amount of $155 million and covers 85% of any loss arising from expropriation, political violence or currency inconvertibility. The policy is expected to cost approximately $3.4 million during the course of construction and $0.21 per ounce of silver produced when the project commences commercial production.

Kensington (Alaska)

The Kensington project consists of approximately 6,000 acres, of which approximately 750 acres are patented claims. The property is located on the east side of Lynn Canal between Juneau and Haines, Alaska. Coeur Alaska is obligated to pay Echo Bay a scaled net smelter return royalty on 1.0 million ounces of future gold production after Coeur Alaska recoups the $32.5 million purchase price and its construction and development expenditures incurred after July 7, 1995, in connection with placing the property into commercial production. The royalty ranges from 1% at $400 gold prices to a maximum of 2 ½% at gold prices above $475, with the royalty to be capped at 1.0 million ounces of production.

During the fourth quarter of 2004, the U.S. Forest Service (USFS) issued its Record of Decision (ROD) for the Final Supplemental Environmental Impact Statement (FSEIS). On June 28, 2005, the Company received the Environmental Protection Agency s (EPA) National Pollution Discharge Elimination System (NPDES) Permit. In addition, the Company received the U.S. Army Corps of Engineers (Corps of Engineers) 404 Wetlands Permit, which authorized the construction of a Lower Slate Lake tailings facility, millsite road improvements and a Slate Creek Cove dock facility. All permits were reviewed for consistency by both the Alaska Coastal Management and Department of Governmental Coordination, which issued its final ACMP permit certification.

On September 12, 2005 three environmental groups (Plaintiffs) filed a lawsuit in Federal District Court in Alaska against the Corps of Engineers and the USFS seeking to invalidate permits issued to Coeur Alaska, Inc. for the Company s Kensington mine. The Plaintiffs claim the Clean Water Act (CWA) Section 404 permit issued by the Corps of Engineers authorizing the deposition of mine tailings into Lower Slate Lake conflicts with the CWA and is thus illegal. They additionally claim the USFS s approval of the Amended Plan of Operations is arbitrary and capricious because it relies on the 404 permit issued by the Corps of Engineers.

On August 4, 2006, the Federal District Court in Alaska dismissed the Plaintiffs challenge and upheld the Section 404 permit. On August 7, 2006 the Plaintiffs filed a Notice of Appeal of the decision to the Ninth Circuit Court of Appeals (Circuit Court) and on August 9, 2006 the Plaintiffs additionally filed a Motion for Injunction Pending Appeal with the Circuit Court. The Circuit Court granted a temporary injunction pending appeal on August 24, 2006, enjoining certain activities relating to the lake tailings facility. The Circuit Court further ordered an expedited briefing schedule on the merits of the legal challenge. As of October 13, 2006, the parties filed their briefs in the Circuit Court and participated in an oral argument in December 2006.

On March 7, 2007, the Department of Justice (DOJ), on behalf of the Corps of Engineers, filed a motion for authorization under injunction pending appeal to permit construction of a western interception ditch which related to site stabilization due to spring snowmelt. On March 16, 2007, the Circuit Court panel issued an Order which denied the western interception ditch work plan. This Order further announced that the Circuit Court intended to reverse the District Court s upholding of the Section 404 permit, vacate the permit authorizing the lake tailings facility and remand the order to the District Court with instructions to enter summary judgments in favor of the Plaintiffs. The Court stated that it planned to publish an opinion in the case that would explain the reasons for its holding in greater detail and directed that all tailings pond construction-related activities cease. The Court has not yet published such opinion. Once the Court publishes its opinion explaining its ruling, the Company will consider all options of appeal.

The Company is unable to predict the outcome of the litigation or the impact of the temporary injunction. The Company is continuing to move forward with all construction activities at the mine not related to the temporarily enjoined lake tailings facility area activities.

No assurance can be given as to whether or when regulatory permits and approvals granted to the Company may be further challenged, appealed or contested by third parties or issuing agencies, or as to whether the Company will place the Kensington project into commercial production. The Company currently estimates the total cost of construction to be approximately $238 million. The date of commencement of production is uncertain and dependent upon the outcome of the legal challenge.

Total expenditures by the Company at the Kensington property in the three months ended March 31, 2007 were $24.9 million. Such expenditures were used to continue the permitting and development activities. The Company plans to incur additional construction cost of approximately $52.3 million during the remainder of 2007, subject to the litigation outcome.

Critical Accounting Policies and Estimates

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

Revenue Recognition. Revenue includes sales value received for our principal product, silver, and associated by-product revenues from the sale of by-product metals consisting primarily of gold and copper. 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 terms of the sales contract. Product pricing is determined at the point revenue is recognized by reference to active and freely traded commodity markets, for example, the London Bullion Market for both gold and silver, in an identical form to the product sold.

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

The effects of forward sales contracts are reflected in revenue at the date the related precious metals are delivered or the contracts expire. Third party smelting and refining costs are recorded as a reduction of revenue.

At March 31, 2007, the Company had outstanding provisionally priced sales of $51.4 million consisting of 2.8 million ounces of silver and 23,000 ounces of gold. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately $28,000; and for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately $23,000.

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

We review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. We utilize the methodology set forth in Statement of Financial Accounting Standard (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, to evaluate the recoverability of 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. 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. During the first quarter of 2007, the Company performed an asset impairment assessment on the Kensington project as a result of a triggering event. The Company did not record any write-downs during the periods ended March 31, 2007 and 2006.

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

36

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

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

We use several integrated steps to scientifically measure the metal content of ore placed on the leach pads during the key stages. As the ore body is drilled in preparation for the blasting process, samples of the drill residue are assayed to determine estimated quantities of contained metal. We estimate the quantity of ore by utilizing global positioning satellite survey techniques. We then process the ore through a crushing facility where the output is again weighed and sampled for assaying. A metallurgical reconciliation with the data collected from the mining operation is completed with appropriate adjustments made to previous estimates. We then transport the crushed ore to the leach pad for application of the leaching solution. As the leach solution is collected from the leach pads, we continuously sample for assaying. We measure the quantity of leach solution by flow meters throughout the leaching and precipitation process. After precipitation, the product is converted to dorè, which is the final product produced by the mine. We again sample and assay the dorè. Finally, a third party smelter converts the dorè into refined silver and gold bullion. At this point we are able to determine final ounces of silver and gold available for sale. We then review this end result and reconcile it to the estimates we had used and developed throughout the production process. Based on this review, we adjust our estimation procedures when appropriate.

Our reported inventories include metals estimated to be contained in the ore on leach pad of $71.0 million as of March 31, 2007. Of this amount, $31.8 million is reported as a current asset and $39.2 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 ore on leach pad inventory is stated at actual production costs incurred to produce and place ore on the leach pad during the current period, adjusted for the effects on monthly production costs of abnormal production levels.

The estimate of both the ultimate recovery expected over time, and the quantity of metal that may be extracted relative to such twelve month period, requires the use of estimates which are inherently inaccurate since they rely upon laboratory testwork. Testwork consists of 60 day leach columns from which we project metal recoveries into the future. The quantities of metal contained in the ore are based upon actual weights and assay analysis. The rate at which the leach process extracts gold and silver from the crushed ore is based upon laboratory column tests and actual experience occurring over approximately twenty years of leach pad operation at the Rochester Mine. The assumptions we use to measure metal content during each stage of the inventory conversion process includes estimated recovery rates based on laboratory testing and assaying. We periodically review our estimates compared to actual experience and revise our estimates when appropriate. 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.

37

When we began operations at the Rochester mine in 1986, based solely on laboratory testing, we estimated the ultimate recovery of silver and gold at 50% and 80%, respectively. Since 1986, we have adjusted the expected ultimate recovery 3 times (once in each of 1989, 1997 and 2003) based upon actual experience gained from leach operations. In 1989, we increased our estimated recoveries for silver and gold to 55% and 85%, respectively. The change was accounted for prospectively as a change in estimate, which had the effect of increasing the estimated recoverable ounces of silver and gold contained in the heap by 1.6 million ounces and 10,000 ounces, respectively. In 1997, we revised our estimated recoveries for silver and gold to 59% and 89%, respectively, which increased the estimated recoverable ounces of silver and gold contained in the heap by 4.7 million ounces and 39,000 ounces, respectively. Finally, in 2003, we revised our estimated recoveries for silver and gold to 61.5% and 93%, respectively, which increased the estimated recoverable ounces of silver and gold contained in the heap by 1.8 million ounces and 41,000 ounces, respectively.

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

	Positive/Negative Change in Silver Recovery			**Positive/Negative Change in Gold Recovery**		
	1%	**2%**	**3%**	**1%**	**2%**	**3%**
Quantity of recoverable ounces	1.7 million	3.4 million	5.2 million	13,094	26,188	39,281
Positive impact on future cost of production per silver equivalent ounce for increases in recovery rates	$ 1.14	$ 1.98	$ 2.62	$ 0.48	$ 0.90	$ 1.27
Negative impact on future cost of production per silver equivalent ounce for decreases in recovery rates	$ 1.64	$ 4.21	$ 8.79	$ 0.55	$ 1.18	$ 1.92

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

Reclamation and remediation costs. Reclamation and remediation costs are based principally on legal and regulatory requirements. Management estimates costs associated with reclamation of mining properties as well as remediation cost for inactive properties. Such costs related to active mines are accrued and charged over the expected operating lives of the mines using the units-of-production method.

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

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

The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions. The Company has substantially concluded all U.S. federal income tax matters for years through 1999. Federal income tax returns for 2000 through 2005 are subject to examination. The Company s continuing practice is to recognize interest and/or penalties related to income tax matters in income tax expense. There were no accrued interest or penalties at March 31, 2007.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006

Revenues

Sales of metal from continuing operations in the first quarter of 2007 increased by $6.0 million, or 13.4%, from the first quarter of 2006 to $50.9 million. The increase in product sales of metal was primarily attributable to increased metal prices realized, partially offset by a decrease in the quantity of ounces sold during the first quarter of 2007 compared to the first quarter of 2006. In the first quarter of 2007, the Company sold 2.7 million ounces of silver and 24,632 ounces of gold compared to 2.9 million ounces of silver and 25,734 ounces of gold for the same period in 2006. Realized silver and gold prices were $13.74 and $645 per ounce, respectively, in the first quarter of 2007 compared to $10.36 and $588 in the comparable quarter of 2006.

Included in revenues is the by-product revenue associated with by-product metal sales consisting of gold. During the first quarter of 2007, by-product revenues totaled $16.3 million compared to $15.0 million in the first quarter of 2006. The increase is due to an increase in realized prices for gold. The Company believes, based on best estimates, that presentation of these revenue streams as by-products from its current operations will continue to be appropriate in the future.

In the first quarter of 2007, the Company produced a total of 2,620,967 ounces of silver and 24,552 ounces of gold, compared to 2,849,262 ounces of silver and 25,581 ounces of gold in the first quarter of 2006. The decrease in silver production is primarily due to decreased production from the Cerro Bayo and Broken Hill mines offset by increased production from the Rochester, Martha and Endeavor mines.

Costs and Expenses

Production costs applicable to sales from continuing operations in the first quarter of 2007 increased by $0.9 million, or 4.6%, from the first quarter of 2006 to $21.0 million. The increase in production costs in the first quarter of 2007 is primarily due to higher costs of labor, fuel, power and other consumables.

Depreciation and depletion increased by $0.7 million, or 11.1%, in the first quarter of 2007 compared to the prior year s first quarter, primarily due to increased amortization related to an increase in estimated asset retirement obligations.

Administrative and general expenses increased by $1.1 million in the first quarter of 2007 compared to the same period in 2006 due to increases in compensation costs and other general administrative expenses.

Exploration expenses increased by $0.9 million to $2.9 million in the first quarter of 2007 compared to $2.0 million in the same period of 2006 as a result of increased exploration activity.

During the first quarter of 2007, the Company accrued the final $0.5 million royalty to the U.S. Government called for under the May 2001 settlement agreement relating to the federal natural resources action commenced against the Company in March 1996. The final payment was made early in the second quarter of 2007. No royalty payments were made during the first quarter of 2006, as the royalty payment obligation did not commence until May 14, 2006.

Other Income and Expenses

Interest and other income in the first quarter of 2007 increased by $2.0 million to $4.6 million compared with the first quarter of 2006. The increase was primarily due to higher levels of invested cash and short-term investments on hand during the first quarter of 2007 compared to the prior year s quarter.

Interest expense decreased to $0.1 million in the first quarter of 2007 compared to $0.5 million in the first quarter of 2006 due to an increase in the amount of interest expense capitalized as a result of higher capital expenditures at the Kensington and San Bartolome development projects. Capitalized interest was $0.6 million in the first quarter of 2007 compared to $0.1 million in the prior year s first quarter.

Income Taxes

For the three months ended March 31, 2007, the Company reported an income tax provision of approximately $3.7 million compared to an income tax benefit of $0.3 million in the first quarter of 2006. The following table summarizes the components of the Company s income tax provision (benefit) for the three months ended March 31, 2007 and 2006.

	Three Months Ended March 31,	
	2007	2006
Current:		
United States - Alternative minimum tax	$ (233)	$ (100)
United States - Foreign withholding	(383)	(323)
Foreign - Argentina	(1,598)	(611)
Foreign - Australia	(1,114)	(693)
Deferred:		
Foreign - Argentina	175	213
Foreign - Australia	100	(226)
Foreign - Chile	(648)	2,087
Income tax benefit (provision)	$ (3,701)	$ 347

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

During the first quarter of 2006, due to significantly higher metals prices, additional proven and probable reserves, and a full quarter of operations in Australia, the Company recognized a current provision in the U.S. and certain foreign operating jurisdictions. Further, the Company recognized a $2.1 million deferred tax benefit in Chile related to the release of valuation allowance on net operating loss carryforwards due to significantly higher metal prices and additional proven and probable reserves.

Results of Discontinued Operations

On April 10, 2006, the Company announced that it had entered into an agreement to sell 100% of the shares of Coeur Silver Valley Inc. to U.S. Silver Corporation for $15 million in cash. On June 1, 2006, the Company completed the sale of 100% of CSV to U.S. Silver Corporation for a total of $15 million in cash plus a post-closing working capital adjustment of $1.1 million. Pursuant to SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, CSV was classified as held for sale and the results of its operations reported in discontinued operations for all periods presented.

The following is a summary of the Company s discontinued operations included in the consolidated statements of operations for the three months ended March 31, 2006 (in thousands):

	Three Months Ended March 31, 2006
Sales of metal	$ 5,710
Production costs applicable to sales	(4,260)
Depreciation and depletion	(595)
Mining exploration	(210)
Other	(33)
Income (loss) from discontinued operations	$ 612

LIQUIDITY AND CAPITAL RESOURCES

Working Capital; Cash and Cash Equivalents

The Company s working capital at March 31, 2007, decreased by $28.3 million to approximately $354.8 million compared to $383.1 million at December 31, 2006. The decrease in working capital was primarily attributed to increased capital spending related to the Kensington and San Bartolome projects. The ratio of current assets to current liabilities was 6.7 to 1 at March 31, 2007, compared to 7.5 to 1 at December 31, 2006.

Net cash provided by operating activities in the three months ended March 31, 2007 was $22.7 million compared to net cash provided by operating activities of $17.2 million in the three months ended March 31, 2006. The increase of $5.5 million in cash flow from operations is primarily due to an increase in cash received from customers of approximately $12.3 million offset by an increase of cash paid to suppliers, employees, etc. of approximately $9.1 million and an increase in interest received of $1.8 million. Net cash used in investing activities in the first quarter of 2007 was $14.7 million compared to net cash used in investing activities of $133.9 million in the prior year s comparable period. The decrease of $119.2 million in cash used in investing activities is primarily due to an increase in purchases of short-term investments in the first quarter of 2006 and an increase in capital expenditures related to construction activities at the Kensington and San Bartolome projects. Net cash used in financing activities was $0.7 million in the first quarter of 2007, compared to $145.5 million provided in the first quarter of 2006. The decrease was primarily due to the receipt of proceeds from the issuance of common stock which was completed in the first quarter of 2006.

Debt and Capital Resources

At March 31, 2007, the Company had $321.4 million of cash, cash equivalents and short-term investments. Management therefore believes that its existing and available cash and cash flow from operations will allow it to meet its obligations for the next twelve months. The Company estimates approximately $242.2 million will be spent in the remainder of 2007 on capital expenditures at its operating mines and development-stage properties.

Issuance of Common Stock

During the first quarter of 2006, the Company completed a public offering of 27.6 million shares of common stock at a public offering price of $5.60 per share. The Company realized net proceeds of $146.2 million after payment of the underwriters discount.

Litigation and Other Events

Federal Natural Resources Action

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

In May 2001, the Company and representatives of the U.S. Government, including the Environmental Protection Agency, the Department of Interior and the Department of Agriculture, reached an agreement 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 $0.6 million was paid in June 2001. In addition, the Company (i) will 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) has accomplished certain cleanup work on the Mineral Point property and Caladay property, and (iii) has made a conveyance to the U.S. of certain real property to be used as a waste repository. Finally, commencing five years after effectiveness of the settlement, the Company was obligated to pay royalties on all of its domestic and foreign operating properties, up to a cumulative 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 royalty on gold production if the price of gold exceeds $325 per ounce. The royalty payment obligation commenced on May 14, 2006 and was to expire May 14, 2021. As of March 31, 2007, $2.5 million of the $3.0 million has been paid, and the remaining $0.5 million was paid early in the second quarter of 2007.

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

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

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

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

Federal District Court of Alaska Permit Challenge

On September 12, 2005 three environmental groups (Plaintiffs) filed a lawsuit in Federal District Court in Alaska against the U.S. Army Corps of Engineers (Corps of Engineers) and the U.S. Forest Service (USFS) seeking to invalidate the permit issued to Coeur Alaska, Inc. for the Company s Kensington mine. The Plaintiffs claim the Clean Water Act (CWA) Section 404 permit issued by the Corps of Engineers authorizing the deposition of mine tailings into Lower Slate Lake conflicts with the CWA and is thus illegal. They additionally claim the USFS s approval of the Amended Plan of Operations is arbitrary and capricious because it relies on the 404 permit issued by the Corps of Engineers.

On November 8, 2005, the Corps of Engineers filed a Motion for Voluntary Remand with the court to review the permit issued to the Company under the CWA Section 404 and requested that the court stay the legal proceeding filed by the plaintiffs pending the outcome of review. On November 12, 2005, the Federal District Court in Alaska granted the remand of the permit to the Corps of Engineers for further review. On November 22, 2005, the Corps of Engineers advised the Company that it was suspending the Section 404 permit pursuant to the Court s remand to further review the permit.

On March 29, 2006, the Corps of Engineers reinstated the Company s 404 permit. On April 6, 2006 the lawsuit challenging the permit was re-opened, and Coeur Alaska, Inc. filed its answer to the Amended Complaint and Motion to Intervene as a Defendant-Intervenor in the action. Two other parties, the State of Alaska and Goldbelt, Inc., a local native corporation, also filed Motions to Intervene as Defendant-Intervenors as supporters of the Kensington project as permitted. The Company, the State of Alaska and Goldbelt, Inc. were granted Defendant-Intervenor status and joined the agencies in their defense of the permits as issued.

On August 4, 2006, the Federal District Court in Alaska dismissed the Plaintiffs challenge and upheld the Section 404 permit. On August 7, 2006 the Plaintiffs filed a Notice of Appeal of the decision to the Ninth Circuit Court of Appeals (Circuit Court) and on August 9, 2006 the Plaintiffs additionally filed a Motion for Injunction Pending Appeal with the Circuit Court. The Circuit Court granted a temporary injunction pending appeal on August 24, 2006, enjoining certain activities relating to the lake tailings facility. The Circuit Court further ordered an expedited briefing schedule on the merits of the legal challenge. As of October 13, 2006, the parties filed their briefs in the Circuit Court and participated in an oral argument in December 2006.

On March 7, 2007, the Department of Justice (DOJ), on behalf of the Corps of Engineers, filed a motion for authorization under injunction pending appeal to permit construction of a western interception ditch which related to site stabilization due to spring snowmelt. On March 16, 2007, the Circuit Court panel issued an Order which denied the western interception ditch work plan. This Order further announced that the Circuit Court intended to reverse the District Court s upholding of the Section 404 permit, vacate the permit authorizing the lake tailings facility and remand the order to the District Court with instructions to enter summary judgments in favor of the Plaintiffs. The Court stated that it planned to publish an opinion in the case that would explain the reasons for its holding in greater detail and directed that all tailings pond construction-related activities cease. The Court has not yet published such opinion. Once the Court publishes its opinion explaining its ruling, the Company will consider all options of appeal.

43

The Company is unable to predict the outcome of the litigation or the impact of the temporary injunction. The Company is continuing to move forward with all construction activities at the mine not related to the temporarily enjoined lake tailings facility area activities. No assurance can be given as to whether or when regulatory permits and approvals granted to the Company may be further challenged, appealed or contested by third parties or issuing agencies, or as to whether the Company will place the Kensington project into commercial production.

This litigation has contributed to an increase in capital costs. While the Company believes it will ultimately prevail in the defense of the awarded permits, in the event that the Company does not prevail, it could be necessary to seek an alternate site for the tailings disposal facility. The Company is not aware of an alternate site that could be permitted or would be economic. Therefore, it is possible that an adverse legal decision could render the project uneconomic and an asset impairment would be necessary. Assuming the Company prevails in the permit challenge, the Company estimates that as a result of the increase in capital and operating costs at the Kensington project, an impairment writedown could be necessary should the expectation of the long-term price for gold decrease below approximately $535 per ounce. As of March 31, 2007, the Kensington project has a carrying value of its long-lived assets of $231 million.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

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

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

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

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

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, from time to time, the Company enters into foreign currency forward exchange contracts. These contracts enable the Company to purchase a fixed amount of foreign currencies. Gains and losses on foreign exchange contracts that are related to firm commitments are designated and effective as hedges and are deferred and recognized in the same period as the related transaction. All other contracts that do not qualify as hedges are marked to market and the resulting gains or losses are recorded in income. The Company continually evaluates the potential benefits of entering into these contracts to mitigate foreign currency risk and proceeds when it believes that the exchange rates are most beneficial. During the first quarter of 2006, the Company entered into forward foreign currency exchange contracts to reduce the foreign exchange risk associated with forecasted Chilean peso operating costs for 2006 at its Cerro Bayo mine. The contracts require the Company to exchange U.S. dollars for Chilean pesos at a weighted average exchange rate of 535 pesos to each U.S. dollar. At March 31, 2007, the Company had foreign exchange contracts of $10.8 million in U.S. dollars. For the three months ended March 31, 2007, the Company recorded a realized loss of approximately $22,000 in connection with its foreign currency hedging program. As of March 31, 2007, the fair value of the foreign exchange contracts was a liability of $0.3 million.

All of the Company s long-term debt at March 31, 2007, is fixed-rate based. The fair value of the Company s long-term debt at March 31, 2007 was $158.4 million. The fair value was estimated based upon bond market closing prices at March 31, 2007.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures

The Company s disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by it in its periodic reports filed with the Securities and Exchange Commission is recorded, processed, summarized and reported, within the time periods specified in the Commission s rules and forms. Based on an evaluation of the Company s disclosure controls and procedures conducted by the Company s Chief Executive Officer and Chief Financial Officer, such officers concluded at March 31, 2007, that the Company s disclosure controls and procedures were effective at a reasonable level.

(b) Changes in Internal Control Over Financial Reporting

Based on an evaluation by the Company s Chief Executive Officer and Chief Financial Officer, such officers concluded that there was no change in the Company s internal control over financial reporting during the quarter ending March 31, 2007 that has materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings.

Kensington Project Permit Challenge

On September 12, 2005 three environmental groups (Plaintiffs) filed a lawsuit in Federal District Court in Alaska against the U.S. Army Corps of Engineers (Corps of Engineers) and the U.S. Forest Service (USFS) seeking to invalidate the permit issued to Coeur Alaska, Inc. for the Company s Kensington mine. The Plaintiffs claim the Clean Water Act (CWA) Section 404 permit issued by the Corps of Engineers authorizing the deposition of mine tailings into Lower Slate Lake conflicts with the CWA and is thus illegal. They additionally claim the USFS s approval of the Amended Plan of Operations is arbitrary and capricious because it relies on the 404 permit issued by the Corps of Engineers.

On November 8, 2005, the Corps of Engineers filed a Motion for Voluntary Remand with the court to review the permit issued to the Company under the CWA Section 404 and requested that the Court stay the legal proceeding filed by the Plaintiffs pending the outcome of review. On November 12, 2005, the Federal District Court of Alaska (District Court) granted the remand of the permit to the Corps of Engineers for further review. On November 22, 2005, the Corps of Engineers advised the Company that it was suspending the Section 404 permit pursuant to the Court s remand to further review the permit.

On March 29, 2006, the Corps of Engineers reinstated the Company s 404 permit. On April 6, 2006 the lawsuit challenging the permit was re-opened and Coeur Alaska, Inc. filed its answer to the Amended Complaint and Motion to Intervene as a Defendant-Intervenor in the action. Two other parties, the State of Alaska and Goldbelt, Inc., a local native corporation, also filed Motions to Intervene as Defendant-Intervenors as supporters of the Kensington project as permitted. The Company, the State of Alaska and Goldbelt, Inc., were granted Defendant-Intervenors status and joined the agencies in their defense of the permits as issued.

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

On March 7, 2007, the Department of Justice (DOJ), on behalf of the Corps of Engineers, filed a motion for authorization under injunction pending appeal to permit construction of a western interception ditch which related to site stabilization due to spring snowmelt. On March 16, 2007, the Circuit Court panel issued an Order which denied the western interception ditch work plan. This Order further announced that the Circuit Court intended to reverse the District Court s upholding of the Section 404 permit, vacate the permit authorizing the lake tailings facility and remand the order to the District Court with instructions to enter summary judgments in favor of the Plaintiffs. The Court stated that it planned to publish an opinion in the case that would explain the reasons for its holding in greater detail and directed that all tailings pond construction-related activities cease. The Court has not yet published such opinion. Once the Court publishes its opinion explaining its ruling, the Company will consider all options of appeal. The Company is unable to predict the outcome of the litigation or the impact of the temporary injunction.

Item 1A. Risk Factors

Item 1A (Risk Factors) of the Company s Annual Report on Form 10-K for the year ended December 31, 2006 sets forth information relating to important risks and uncertainties that could materially adversely affect the Company s business, financial condition or operating results. Those risk factors continue to be relevant to an understanding of the Company s business, financial condition and operating results. Certain of those risk factors have been updated in this Form 10-Q to provide updated information, as set forth below. References to we, our and us in these risk factors refer to the Company.

We may have to record additional write-downs, which could negatively impact our results of operations.

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

If silver or gold prices decline or we fail to control production costs or realize the mineable ore reserves at our mining properties, we may be required to recognize further asset write-downs. We also may record other types of additional mining property write-downs in the future to the extent a property is sold by us for a price less than the carrying value of the property, or if liability reserves have to be increased in connection with the closure and reclamation of a property. Additional write-downs of mining properties could negatively impact our results of operations.

The Kensington property has been the subject of litigation involving a permit required to complete construction of a required tailings facility. On September 12, 2005 three environmental groups (Plaintiffs) filed a lawsuit in Federal District Court in Alaska against the U.S. Army Corps of Engineers (Corps of Engineers) and the U.S. Forest Service (USFS) seeking to invalidate the permit issued to Coeur Alaska, Inc. for the Company s Kensington mine. The Plaintiffs claim the Clean Water Act (CWA) Section 404 permit issued by the Corps of Engineers authorizing the deposition of mine tailings into Lower Slate Lake conflicts with the CWA. They additionally claim the USFS s approval of the Amended Plan of Operations is arbitrary and capricious because it relies on the 404 permit issued by the Corps of Engineers.

On November 8, 2005, the Corps of Engineers filed a Motion for Voluntary Remand with the court to review the permit issued to the Company under the CWA Section 404 and requested that the court stay the legal proceeding filed by the Plaintiffs pending the outcome of review. On November 12, 2005, the Federal District Court in Alaska granted the remand of the permit to the Corps of Engineers for further review. On November 22, 2005, the Corps of Engineers advised the Company that it was suspending the Section 404 permit pursuant to the Court s remand to further review the permit.

On March 29, 2006, the Corps of Engineers reinstated the Company s 404 permit. On April 6, 2006 the lawsuit challenging the permit was re-opened, and Coeur Alaska, Inc. filed its answer to the Amended Complaint and Motion to Intervene as a Defendant-Intervenor in the action. Two other parties, the State of Alaska and Goldbelt, Inc., a local native corporation, also filed Motions to Intervene as Defendant-Intervenors as supporters of the Kensington project as permitted. The Company, the State of Alaska and Goldbelt, Inc. were granted Defendant-Intervenor status and joined the agencies in their defense of the permits as issued.

On August 4, 2006, the Federal District Court in Alaska dismissed the Plaintiffs challenge and upheld the Section 404 permit. On August 7, 2006 the Plaintiffs filed a Notice of Appeal of the decision to the Ninth Circuit Court of Appeals (Circuit Court) and on August 9, 2006 the Plaintiffs additionally filed a Motion for Injunction Pending Appeal with the Circuit Court. The Circuit Court granted a temporary injunction pending appeal on August 24, 2006, enjoining certain activities relating to the lake tailings facility. The Circuit Court further ordered an expedited briefing schedule on the merits of the legal challenge. As of October 13, 2006, the parties filed their briefs in the Circuit Court and participated in an oral argument on December 4, 2006.

On March 7, 2007, the Department of Justice (DOJ), on behalf of the Corps of Engineers, filed a motion for authorization under injunction pending appeal to permit construction of a western interception ditch which related to site stabilization due to spring snowmelt. On March 16, 2007, the Circuit Court panel issued an Order which denied the western interception ditch work plan. This Order further announced that the Circuit Court intended to reverse the District Court s upholding of the Section 404 permit, vacate the permit authorizing the lake tailings facility and remand the order to the District Court with instructions to enter summary judgments in favor of the Plaintiffs. The Court stated that it planned to publish an opinion in the case that would explain the reasons for its holding in greater detail and directed that all tailings pond construction-related activities cease. The Court has not yet published such opinion. Once the Court publishes its opinion explaining its ruling, the Company will consider all options of appeal. The Company is unable to predict the outcome of the litigation or the impact of the temporary injunction.

This litigation has contributed to an increase in capital costs. While the Company believes it will ultimately prevail in the defense of the awarded permits, in the event that the Company does not prevail, it could be necessary to seek an alternate site for the tailings disposal facility. The Company is not aware of an alternate site that could be permitted or would be economic. Therefore, it is possible that an adverse legal decision could render the project uneconomic and an asset writedown would be necessary. Assuming the Company prevails in the permit challenge, the Company estimates that as a result of the increase in capital and operating costs at the Kensington project, an impairment writedown could be necessary should the expectation of the long-term price for gold decrease below approximately $535 per ounce. As of March 31, 2007, the Kensington project has a carrying value of its long-lived assets of $231 million.

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

We have historically financed our operations through the issuance of common stock and convertible debt, and may be required to incur additional indebtedness in the future. During 2004, we commenced construction at the San Bartolome project and in 2005 we commenced construction at the Kensington project. Construction of both projects could require a total capital investment of approximately $412.0 million of which approximately $192.5 million will be required in future periods. While we believe that our cash, cash equivalents and short-term investments combined with cash flow generated from operations will be sufficient for us to make this level of capital investment, no assurance can be given that additional capital investments will not be required to be made at these or other projects. If we are unable to generate enough cash to finance such additional capital expenditures through operating cash flow and the issuance of common stock, we may be required to issue additional indebtedness. Any additional indebtedness would increase our debt payment obligations, and may negatively impact our results of operations.

Prior to 2005, we did not have sufficient earnings to cover fixed charges, which deficiency could occur in future periods.

As a result of our net losses prior to 2005, our earnings were not adequate to satisfy fixed charges (i.e., interest, preferred stock dividends and that portion of rent deemed representative of interest) in each of those periods prior to 2005. The amounts by which earnings were inadequate to cover fixed charges were approximately $80.8 million in 2002, $63.9 million in 2003 and $22.7 million in 2004. Earnings have been sufficient to cover fixed charges subsequent to 2004. We are required to make fixed payments on the $180 million principal amount of our 1¼% Senior Convertible Notes due 2024, requiring annual interest payments of approximately $2.25 million until their maturity.

We expect to satisfy our fixed charges and other expense obligations in the future from cash flow from operations and, if cash flow from operations is insufficient, from working capital, which amounted to approximately $354.8 million at March 31, 2007. Prior to 2005, we experienced negative cash flow from operating activities. The amount of net cash used in our operating activities amounted to approximately $8.5 million in 2002, $5.1 million in 2003 and $18.6 million in 2004. During the years ended December 31, 2006 and 2005, we generated $91.2

million and $6.7 million, respectively, of operating cash flow. The availability of future cash flow from operations or working capital to fund the payment of interest on the notes and other fixed charges will be dependent upon numerous factors, including our results of operations, silver and gold prices, levels and costs of production at our mining properties and the amount of our capital expenditures and expenditures for acquisitions, developmental and exploratory activities.

The market prices of silver and gold are volatile. If we experience low silver and gold prices it may result in decreased revenues and decreased net income or losses, and may negatively affect our business.

Silver and gold are commodities. Their prices fluctuate, and are affected by many factors beyond our control, including interest rates, expectations regarding inflation, speculation, currency values, governmental decisions regarding the disposal of precious metals stockpiles, global and regional demand and production, political and economic conditions and other factors. Because we currently derive approximately 69% of our revenues from continuing operations from sales of silver, our earnings are primarily related to the price of this metal.

The market prices of silver (Handy & Harman) and gold (London Final) on May 8, 2007 were $13.39 and $684 per ounce, respectively. The prices of silver and gold may decline in the future. Factors that are generally understood to contribute to a decline in the price of silver include sales by private and government holders, and a general global economic slowdown.

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

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

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

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

We use several integrated steps to scientifically measure the metal content of ore placed on the leach pads during the key stages. As the ore body is drilled in preparation for the blasting process, samples of the drill residue are assayed to determine estimated quantities of contained metal. We estimate the quantity of ore by utilizing global positioning satellite survey techniques. We then process the ore through a crushing facility where the output is again weighed and sampled for assaying. A metallurgical reconciliation with the data collected from the mining operation is completed with appropriate adjustments made to previous estimates. We then transport the crushed ore to the leach pad for application of the leaching solution. As the leach solution is collected from the leach pads, we continuously sample for assaying. We measure the quantity of leach solution with flow meters throughout the leaching and precipitation process. After precipitation, the product is converted to doré, which is the final product produced by the mine. We again weigh, sample and assay the doré. Finally, a third party smelter converts the doré and determines final ounces of silver and gold available for sale. We then review this end result and reconcile it to the estimates we developed and used throughout the production process. Based on this review, we adjust our estimation procedures when appropriate.

Our reported inventories include metals estimated to be contained in the ore on leach pad of $71.0 million as of March 31, 2007. Of this amount, $31.8 million is reported as a current asset and $39.2 million is reported as a noncurrent asset. The distinction between current and noncurrent is based upon the expected length of time necessary for the leaching process to remove the metals from the crushed ore. The historical cost of the metal that is expected to be extracted within twelve months is classified as current and the historical cost of metals contained within the crushed ore that will be extracted beyond twelve months is classified as noncurrent. The ore on leach pad inventory is stated at actual production costs incurred to produce and place ore on the leach pad during the current period, adjusted for the effects on monthly production costs of abnormal production levels.

The estimate of both the ultimate recovery expected over time, and the quantity of metal that may be extracted relative to such twelve month period, requires the use of estimates which are inherently inaccurate since they rely upon laboratory test work. Test work consists of 60 day leach columns from which we project metal recoveries into the future. The quantities of metal contained in the ore are based upon actual weights and assay analysis. The rate at which the leach process extracts gold and silver from the crushed ore is based upon laboratory column tests and actual experience occurring over approximately nineteen years of leach pad operation at the Rochester mine. The assumptions we use to measure metal content during each stage of the inventory conversion process includes estimated recovery rates based on laboratory testing and assaying. We periodically review our estimates compared to actual experience and revise our estimates when appropriate. The length of time necessary to achieve our currently estimated ultimate recoveries of between 59% and 61.5% for silver, depending on the area being leached, and 93% for gold is estimated to be between 5 and 10 years. However, the ultimate recovery will not be known until leaching operations cease, which is currently estimated for approximately 2011.

When we began leach operations in 1986, based solely on laboratory testing, we estimated the ultimate recovery of silver and gold at 50% and 80%, respectively. Since 1986, we have adjusted the expected ultimate recovery three times (once in each of 1989, 1997 and 2003) based upon actual experience gained from leach operations. In 2003, we increased our estimated recoveries for silver and gold, respectively, to between 59% and 61.5%, depending on the area being leached for silver, and 93% for gold. The leach cycle at the Rochester Mine requires leaching to approximately the year 2011 for all recoverable metal to be recovered.

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

	Positive/Negative Change in Silver Recovery			Positive/Negative Change in Gold Recovery		
	1%	**2%**	**3%**	**1%**	**2%**	**3%**
Quantity of recoverable ounces	1.7 million	3.4 million	5.2 million	13,094	26,188	39,281
Positive impact on future cost of production per silver equivalent ounce for increases in recovery rates	$ 1.14	$ 1.98	$ 2.62	$ 0.48	$ 0.90	$ 1.27
Negative impact on future cost of production per silver equivalent ounce for decreases in recovery rates	$ 1.64	$ 4.21	$ 8.79	$ 0.55	$ 1.18	$ 1.92

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

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

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

We are required to obtain government permits to expand operations or begin new operations. The acquisition of such permits can be materially impacted by third party litigation seeking to prevent the issuance of such permits. The costs and delays associated with such approvals could affect our operations, reduce our revenues, and negatively affect our business as a whole.

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

Reference is made to the discussion of the current litigation regarding the validity of the mine tailings permit at the Kensington property in Alaska that is set forth under the above risk factor entitled We may have to record additional write-downs, which could negatively impact our results of operations.

Our business depends on good relations with our employees.

The Company could experience labor disputes, work stoppages or other disruptions in production that could adversely affect us. As of March 31, 2007, unions represented approximately 17% of our worldwide workforce. On that date, the Company had 108 employees at its Cerro Bayo mine and 57 employees at its Martha mine who were working under a collective bargaining agreement. The agreement covering the Cerro Bayo mine expires on December 21, 2007 and a collective bargaining agreement covering the Martha mine expires on June 11, 2008.

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

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

We are continuously considering possible acquisitions of additional mining properties or interests therein that are located in other countries, and could be exposed to significant risks associated with any such acquisitions.

In the ordinary course of our business, we are continuously considering the possible acquisition of additional significant mining properties or interests therein that may be located in countries other than those in which we now have operations or interests. Consequently, in addition to the risks inherent in the valuation and acquisition of such mining properties, as well as the subsequent development, operation or ownership thereof, we could be subject to additional risks in such countries as a result of governmental policies, economic instability, currency value fluctuations and other risks associated with the development, operation or ownership of mining properties or interests therein. Such risks could adversely effect our results of operations.

Item 6. Exhibits

Exhibits.

2.1 Merger Implementation Agreement dated May 3, 2007 by and among Coeur d Alene Mines Corporation and Palmarejo Silver and Gold Corporation (Incorporated herein by reference to Exhibit 2.1 to the Registrant s Current Report on Form 8-K, as filed on May 4, 2007).

2.2

Merger Implementation Agreement dated May 3, 2007 by and among Coeur d Alene Mines Corporation, Coeur d Alene Mines Australia Pty Ltd, Coeur Sub Two, Inc. and Bolnisi Gold NL (Incorporated herein by reference to Exhibit 2.2 to the Registrant s Current Report on Form 8-K, as filed on May 4, 2007).

2.3 Deed Poll made by Coeur d Alene Mines Corporation in favor of Bolnisi shareholders dated May 3, 2007 (Incorporated herein by reference to Exhibit 2.3 to the Registrant s Current Report on Form 8-K, as filed on May 4, 2007).

3.1 Articles of Amendment, dated May 20, 2004, to the Restated and Amended Articles of Incorporation of the Registrant (Incorporated herein by reference to Exhibit 3.5 to the Form S-4 Registration Statement of Coeur d Alene Mines Holding Company and Coeur d Alene Canadian Acquisition Corporation filed on July 13, 2004 (file No. 333-117325))

10.1 Second Amendment to Employment Agreement, dated May 2, 2007, between the Registrant and Dennis E. Wheeler (Incorporated herein by reference to Exhibit 10.1 to the Registrant s Form 8-K filed on May 7, 2007)

31.1 Certification of the CEO

31.2 Certification of the CFO

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

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

99.1(a) Option Deed dated May 3, 2007 by and between Coeur d Alene Mines Corporation and Kenneth M. Phillips (Incorporated herein by reference to Exhibit 99.1(a) to the Registrant s Current Report on Form 8-K, as filed on May 4, 2007).

99.1(b) Option Deed dated May 3, 2007 by and between Coeur d Alene Mines Corporation and Altinova Nominees Pty Ltd (Incorporated herein by reference to Exhibit 99.1(b) to the Registrant s Current Report on Form 8-K, as filed on May 4, 2007).

99.1(c) Option Deed dated May 3, 2007 by and between Coeur d Alene Mines Corporation and Dragonlyn Pty Ltd (Incorporated herein by reference to Exhibit 99.1(c) to the Registrant s Current Report on Form 8-K, as filed on May 4, 2007).

99.1(d) Option Deed dated May 3, 2007 by and between Coeur d Alene Mines Corporation and Rosignol Consultants Pty Ltd (Incorporated herein by reference to Exhibit 99.1(d) to the Registrant s Current Report on Form 8-K, as filed on May 4, 2007).

99.1(e) Option Deed dated May 3, 2007 by and between Coeur d Alene Mines Corporation and Promin Mining Services Pty Limited (Incorporated herein by reference to Exhibit 99.1(e) to the Registrant s Current Report on Form 8-K, as filed on May 4, 2007).

99.1(f) Option Deed dated May 3, 2007 by and between Coeur d Alene Mines Corporation and Rosignol Pty Limited (Incorporated herein by reference to Exhibit 99.1(f) to the Registrant s Current Report on Form 8-K, as filed on May 4, 2007).

SIGNATURES

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

COEUR D ALENE MINES CORPORATION
(Registrant)

Dated May 7, 2007	/s/ Dennis E. Wheeler DENNIS E. WHEELER Chairman, President and Chief Executive Officer
Dated May 7, 2007	/s/ James A. Sabala JAMES A SABALA Executive Vice President and Chief Financial Officer