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

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

FORM 10-K/A No. 2

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

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

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

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

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

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

The undersigned registrant hereby includes the following items, financial statements, exhibits or other portions of its Annual Report on Form 10-K for the fiscal year ended December 31, 2003, as set forth in the pages attached hereto:

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

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

COEUR D'ALENE MINES CORPORATION

Date: August 18, 2004

By: /s/ James A. Sabala
James A. Sabala
Executive Vice President and Chief Financial Officer

COEUR D ALENE MINES CORPORATION

AMENDMENT No. 2 TO ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

Explanatory Note

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

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

PART II

Item 6. Selected Financial Data

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

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

	2003	2002	2001	2000	1999
Income Statement Data:					
Basic and Diluted Earnings Per Share Data:					
Net loss per share	$ (0. 39)	$ (1.03)	$ (0.07)	$ (1.41)	$ (1.61)
Cash dividends paid per Common share	$ --	$ --	$ --	$ --	$ --
Weighted average shares of Common stock	168,186	78,193	41,946	35,439	24,185

	December 31,				
	2003	2002	2001	2000	1999
Balance Sheet Data:	Restated [1]	Restated [1]			
			(In thousands)		
Total assets	$ 259,467	$ 173,491	$ 210,380	$ 271,377	$ 354,047
Working capital - **(restated)** [4] [5]	$ 100,315	$ 7,034	$ 16,270	$ 52,263	$ 169,054
Long-term liabilities	$ 39,529	$ 89,711	$ 141,877	$ 228,659	$ 264,709
Shareholders' equity	$ 197,478	$ 47,687	$ 26,788	$ 17,440	$ 68,165

(1) Historically, the Company has recorded revenue from concentrate sales agreements based on the gold and silver prices prevailing at the time risk of loss and title to the concentrate passes to third-party smelters (at the lower of month-end spot price or the average monthly price for that month). The final settlement price is not fixed until a later date (typically one to three months after shipment) based upon quoted metal prices by an established metal exchange as set forth in each contract, at such date. The Company s provisionally priced sales contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receiveable from the sale of concentrates measured at the forward price at the time of sale. The embedded does not qualify for hedge accounting. The embedded derivative is recorded as a derivative asset in Prepaid expenses and other, or, a derivative liability on the balance sheet and is adjusted to fair value through revenue each period unit the date of final gold and silver settlement. The Company has corrected the error in valuing these embedded derivatives on the financial statements for each of the three, six and nine month periods ending March 31, June 30, and September 30 for 2003 and 2002, and the years ending December 31, 2003 and 2002.

(2) Included in other income for the year 2003 are: (i) $0.4 million of insurance settlement (ii) $0.5 million of gains on foreign currency and (iii) $0.5 million of interest income. Included in other income for the year 2002 are: (i) the gain on the sale of Petorca of $1.4 million, and (ii) a gain on the sale of other assets of $3.2 million. Included in other income in 2001 was interest income of $2.7 million. Included in other income for the year 2000 are: (i) a gain recorded on mark to market of the Company s gold call positions sold of $4.1 million, and (ii) loss on investment in Pan American Silver Corp. stock of $2.3 million. Included in other income for the year 1999 are: (i) a gain of $21.1 million in settlement of a lawsuit, and (ii) a loss recorded on mark to market of the Company s gold call positions sold of $4.3 million.

(3) The year 2002 includes an impairment to the Coeur Silver Valley properties of $19.0 million. The year 2001 includes an impairment to the Kensington property of $6.1 million. During 2001, the Company also recorded an expense of approximately $4.2 million for settlement of an environmental lawsuit, including $3.9 million in payments and estimated legal fees and other costs. As a consequence of the sale of the Company s shareholding in Gasgoyne Gold Mines NL, the Company recorded a write-down of $12.2 million in 2000 to reflect the excess book value of its shareholding in Gasgoyne above the $15.6 million sales price. In 1999, the Company evaluated the recoverability of its investment in Yilgarn Star Mine and determined that its investment in property, plant and equipment at the Yilgarn Star Mine in Australia was impaired. The total amount of the impairment recorded in 1999 was $16.2 million.

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

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

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

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

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

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

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

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

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

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

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

Item 7. Management s Discussion and Analysis of Financial Condition andResults of Operations

General

The results of the Company s operations are significantly affected by the market prices of gold and silver which fluctuate widely and are affected by many factors beyond the Company s control, including interest rates, expectations regarding inflation, currency values, governmental decisions regarding the disposal of precious metals stockpiles, global and regional political and economic conditions, and other factors.

The Company s business strategy is to capitalize on the ore reserve/mineralized material bases located at its operating mines and the expertise of its management team to become the leading primary silver production company through long-term, cash flow generating growth. The principal elements of the Company s business strategy are to: (i) increase the Company s silver production and reserves in order to remain the nation s largest primary silver producer and one of the world s larger primary silver producers; (ii) decrease cash costs and increase production at the Company s existing silver mining operations; (iii) to transform development-stage properties into producing mines; (iv) acquire operating

mines, exploration and/or development properties with a view to reducing the Company s cash and total costs, provide short-term positive cash flow return and expand its silver production base and reserves; and (v) continue to explore for new silver and gold discoveries primarily near its existing mine sites and evaluate new opportunities to expand its production through acquisitions and exploration.

The Rochester Mine, Cerro Bayo/Martha Mine and Silver Valley s Galena Mine, each operated by the Company, constituted the Company s principal sources of mining revenues in 2003.

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Critical Accounting Policies and Estimates

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

Revenue Recognition: Revenue is recognized when title to silver and gold passes to the buyer and when collectibility is reasonably assured. The passing of title to the customer is based on the terms of the sales contract. Product pricing is determined at the point revenue is recognized by reference to active and freely traded commodity markets for example, the London Bullion Market, an active and freely traded commodity market, for both gold and silver, in an identical form to the product sold.

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

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

At December 31, 2003, the Company had outstanding provisionally priced sales of $32.8 million, consisting of 3.7 million ounces of silver, 37,487 ounces of gold and 681,196 pounds of copper. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately $37,000; for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately $37,487; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately $6,812. At December 31, 2002, the Company had outstanding provisionally priced sales of $23.7 million consisting of 3.2 million ounces of silver, 26,250 ounces of gold and 1,180,447 pounds of copper. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately $32,000; for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately $26,000; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately $12,000.

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

We review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. We utilize the methodology set forth in Statement of Financial Accounting Standard (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Asset, to evaluate the recoverability of capitalized mineral property costs. An impairment is considered to exist if total estimated future cash flows or probability-weighted cash flows on an undiscounted basis is less than the carrying amount of the assets, including property, plant and equipment, mineral property, development property, and any deferred costs such as deferred stripping. The accounting estimates related to impairment are critical accounting estimates because the future cash flows used to determine whether an impairment exists is dependent on reserve estimates and other assumptions including, silver and gold prices, production levels, and capital and reclamation costs, all of which are based on detailed engineering life-of-mine plans. An impairment loss exists when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Any impairment loss recognized represents the excess of the asset s carrying value as compared to its estimated fair value. The Company reviews the carrying value of its assets whenever events or changes in circumstances indicate that the carrying amount of its assets may not be fully recoverable. The Company has previously recorded $0.0 million, $19.0 million and $6.1 million in write-downs for the years ended December 31, 2003, 2002 and 2001, respectively.

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

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

[1] 2002 - Coeur Silver Valley
[2] 2001 - Kensington mine
[3] Holding costs at Coeur Silver Valley, Kensington and Cerro Bayo
[4] Earthworks Technology costs; 2003, 2002 Mine depot costs; 2001
[5] Amount of doré carried at Handy & Harman during its bankruptcy

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

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

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

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

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

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

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

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

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

	Positive/Negative Change in Silver Recovery			**Positive/Negative Change in Gold Recovery**		
	1%	**2%**	**3%**	**1%**	**2%**	**3%**
Quantity of recoverable ounces	1.4 million	2.7 million	4.0 million	9,100	18,200	27,300
Positive impact on future cost of production per silver equivalent ounce for increases in recovery						

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

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

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

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

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

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

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

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

Operating Statistics and Reserve Estimates

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

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

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

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

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

Proven and Probable Ore Reserve Sensitivity to Prices

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

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

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

(A) The Company commenced production in April 2002.

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

(C) Historically, the Company has recorded revenue from concentrate sales agreements based on the gold and silver prices prevailing at the time risk of loss and title to the concentrate passes to third-party smelters (at the lower of month-end spot price or the average monthly price for that month). The final settlement price is not fixed until a later date (typically one to three months after shipment) based upon quoted metal prices by an established metal exchange as set forth in each contract, at such date. The Company s provisionally priced sales contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of concentrates measured at the forward price at the time of sale. The embedded does not qualify for hedge accounting. The embedded derivative is recorded as a derivative asset in prepaid expenses and other, or, a derivative liability on the balance sheet and is adjusted to fair value through revenue each period unit the date of final gold and silver settlement. The Company has corrected the error in valuing these embedded derivatives on the financial statements for each of the three, six and nine month periods ending March 31, June 30, and September 30 for 2003 and 2002, and the years ending December 31, 2003 and 2002. In addition, the restatement resulted in an increase in price realized per oz./gold of $1 and a decrease in the price realized per oz./gold of $1 and an increase in price realized per oz./silver of $0.02 and decrease in price realized per oz./silver of $0.01 , for the years ended December 31, 2003 and 2002, respectively.

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

YEAR ENDED DECEMBER 31, 2003
(In thousands except ounces and per ounce costs)

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

YEAR ENDED DECEMBER 31, 2002
(In thousands except ounces and per ounce costs)

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

(1) Commenced operations of Cerro Bayo in April 2002.

YEAR ENDED DECEMBER 31, 2001
(In thousands except ounces and per ounce costs)

	Rochester	Galena	Petorca[2]	Total
Production of Silver (ounces)	6,348,292	4,507,652		10,855,944
Production of Gold (ounces)	--	--	17,945	17,945

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

[2] Shut down operations for Petorca in August 2001.

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

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

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

Results of Operations

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

Revenues

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

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

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Costs, Expenses and Write-downs

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

[GRAPHIC OMITTED]

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

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

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

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

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

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

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

Early Retirement of Debt

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

Cumulative Effect of Change in Accounting Principle

Effective with the first quarter of 2003 the Company was required by the FASB to change the methodology used to recognize its reclamation obligations. Prior to 2003, the Company recognized a pro rata share of the future estimated reclamation liability on a units-of-production basis. After January 1, 2003 companies are required to recognize the full discounted estimated future reclamation liability and set up a corresponding asset to be amortized over the life of the mine on a units-of-production basis. The impact of this change was accounted for as a change in accounting principle as of January 1, 2003. See Note J to the Consolidated Financial Statements Reclamation and remediation costs.

Net Loss

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

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

Revenues

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

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

Costs, Expenses and Write-downs

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

[GRAPHIC OMITTED]

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

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

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

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

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

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

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

Early Retirement of Debt

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

Net Loss

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

Liquidity and Capital Resources

Working Capital; Cash and Cash Equivalents

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

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

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

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

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

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

Capitalized Expenditures

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

Debt Reduction Program

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

1998-2000 Repurchases and exchanges

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

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

2001 Public Exchange Offer

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

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

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2001 Private Exchange Transactions

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

2001 Conversions

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

2002 Private Placement Transaction

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

2002 Exchanges and Conversions

During 2002, the holders of the 6%, 6 3/8% and 7 1/4% Debentures exchanged a total of $13.7 million, $11.1 million, and $3.0 million principal amount, respectively, in exchange for a total of 14.4 million, 8.6 million and 2.3 million shares of common stock, respectively. Shares issued for the 6 3/8% and 7 ¼% Debentures include 0.7 million and 0.2 million shares of common stock issued for payment of interest.

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

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

2003 Issuance of 9% Senior Convertible Notes

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

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

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

2003 Redemptions

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

2003 Exchanges and Conversions

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

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

Issuances of Common Stock

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

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

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

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

Subsequent Events

2004 Issuance of 1.25% Convertible Senior Notes

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

Redemption of Remaining 7 ¼% Convertible Subordinated Debentures due October 2005 Announced

On February 11, 2004, the Company announced the redemption of the remaining outstanding $9.6 million principal amount of the Company s 7 ¼% Convertible Subordinated Debentures due October 15, 2005. The final redemption is set for March 11, 2004.

Contractual Obligations

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

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

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

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

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

On February 11, 2004, the Company announced the redemption of the remaining outstanding $9.6 million principal amount of the Company s 7 ¼% Convertible Subordinated Debentures due October 15, 2005. The final redemption is set for March 11, 2004.

(2) The Company has entered into various operating lease agreements which expire over a period of three years.

(3) The Company has entered into various capital lease agreements for commitments over the next two years.

(4) Purchase obligation for the Kensington property in Alaska.

(5) The Company has secured a 10-year loan for $1.3 million at an interest rate of 10% for the Corporate Office Building utilizing the building as collateral for the loan. The amount of this loan outstanding at December 31, 2003 was $1.2 million. The loan was paid in full on February 11, 2004.

(6) Reclamation and mine closure amounts represent the Company s estimate of the discounted cash flows of its legal obligation to reclaim and remediate mining properties. This amount will increase over the passage of time for accretion of the obligation and will decrease as reclamation and remediation work is completed. Amounts shown on table are undiscounted.

(7) Pension and health benefit amounts were determined by the actuary and are estimated based on the census information for the employee or retiree for each respective plan.

(8) The remaining liabilities include amounts required by GAAP to accrue and include liabilities for severance, workers compensation and other miscellaneous accruals.

Risk Factors; Forward-Looking Statements

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

Litigation

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

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Environmental Compliance Expenditures

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

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

Realization of Net Operating Loss Carryforwards

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

Off-Balance Sheet Arrangements

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

Recent Accounting Pronouncements

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

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

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

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

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

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

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

Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>

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

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

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

All of the Company s long-term debt at December 31, 2003, is fixed-rate based. The Company s exposure to interest rate risk, therefore, is limited to the amount it could pay at current market rates. The Company currently does not have any derivative financial instruments to offset the fluctuations in the market interest rate. It may choose to use instruments, such as interest rate swaps, in the future to manage the risk associated with interest rate changes.

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

	2004	2005	2006	2007	2008	Total	Fair Value 12/31/03
Liabilities							
Short and Long Term Debt							

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

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

At December 31, 2003, the Company had outstanding provisionally priced sales of $32.8 million, consisting of 3.7 million ounces of silver, 37,487 ounces of gold and 681,196 pounds of copper, which had a fair value of approximately $33.8 million.

Item 8. Financial Statements and Supplementary Data

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

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

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

COEUR D ALENE MINES CORPORATION

COEUR D ALENE, IDAHO

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Coeur d Alene Mines Corporation:

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

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

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

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

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

/s/ KPMG LLP

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

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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

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

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

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

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

/s/ Arthur Andersen LLP

Denver, Colorado,
February 15, 2002.

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CONSOLIDATED BALANCE SHEETS
COEUR D ALENE MINES CORPORATION AND SUBSIDIARIES

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

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

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

CONSOLIDATED BALANCE SHEETS
COEUR D ALENE MINES CORPORATION AND SUBSIDIARIES

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

	December 31,	
	22,460	36,093
LONG-TERM LIABILITIES		
6 3/8% Convertible Subordinated Debentures due January 2004		