

COEUR D ALENE MINES CORP

Form 10-Q

November 06, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

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FORM 10-Q

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

For the quarterly period ended September 30, 2012

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-08641

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COEUR D' ALENE MINES CORPORATION

(Exact name of registrant as specified in its charter)

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Idaho

(State or other jurisdiction of  
incorporation or organization)

82-0109423

(I.R.S. Employer  
Identification No.)

PO Box I,

505 Front Ave.

Coeur d'Alene, Idaho

(Address of principal executive offices)

(208) 667-3511

(Registrant's telephone number, including area code)

83816

(Zip Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☒

Accelerated filer

☐

Non-accelerated filer

☐

Smaller reporting company

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The Company has 150,000,000 shares of common stock, par value of \$0.01, authorized of which 89,477,019 shares were issued and outstanding as of November 5, 2012.

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

		September 30, 2012	December 31, 2011
	Notes	(In thousands, except share data)	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		\$ 142,915	\$ 175,012
Short term investments	5	657	20,254
Receivables	6	70,963	83,497
Ore on leach pad		30,394	27,252
Metal and other inventory	7	156,130	132,781
Deferred tax assets		2,090	1,869
Restricted assets		396	60
Prepaid expenses and other		25,460	24,218
		429,005	464,943
NON-CURRENT ASSETS			
Property, plant and equipment, net	8	691,219	687,676
Mining properties, net	9	1,923,251	2,001,027
Ore on leach pad, non-current portion		15,575	6,679
Restricted assets		24,790	28,911
Marketable securities	5	31,243	19,844
Receivables, non-current portion	6	48,614	40,314
Debt issuance costs, net		4,056	1,889
Deferred tax assets		68	263
Other		12,619	12,895
TOTAL ASSETS		\$ 3,180,440	\$ 3,264,441
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		\$ 68,709	\$ 78,590
Accrued liabilities and other		7,160	13,126
Accrued income taxes		28,659	47,803
Accrued payroll and related benefits		22,892	16,240
Accrued interest payable		125	559
Current portion of debt and capital leases	10	56,340	32,602
Current portion of royalty obligation	10,15	69,959	61,721
Current portion of reclamation and mine closure	11	3,372	1,387
Deferred tax liabilities		53	53
		257,269	252,081
NON-CURRENT LIABILITIES			
Long-term debt and capital leases	10	5,053	115,861
Non-current portion of royalty obligation	10,15	164,272	169,788
Reclamation and mine closure	11	32,636	32,371
Deferred tax liabilities		540,023	527,573
Other long-term liabilities		37,888	30,046
		779,872	875,639
COMMITMENTS AND CONTINGENCIES (Notes 10, 11, 12, 15, 16 and 19)			

SHAREHOLDERS' EQUITY

Common stock, par value \$0.01 per share; authorized 150,000,000 shares, issued and outstanding 89,446,482 at September 30, 2012 and 89,655,124 at December 31, 2011	894	897
Additional paid-in capital	2,579,707	2,585,632
Accumulated deficit	(433,706)	) (444,833 )
Accumulated other comprehensive loss	(3,596)	) (4,975 )
	2,143,299	2,136,721
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 3,180,440	\$ 3,264,441

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

COEUR D'ALENE MINES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
(In thousands, except share data)				
Sales of metal	\$230,593	\$343,575	\$689,563	\$774,289
Production costs applicable to sales	(124,967)	) (141,253	) (349,344	) (310,829
Depreciation, depletion and amortization	(52,844)	) (58,652	) (166,460	) (166,334
Gross profit	52,782	143,670	173,759	297,126
<b>COSTS AND EXPENSES</b>				
Administrative and general	10,266	8,236	26,456	22,294
Exploration	6,957	4,772	19,829	11,611
Loss on impairment and other	1,293	—	6,106	—
Pre-development, care, maintenance and other	277	3,271	1,618	17,949
Total cost and expenses	18,793	16,279	54,009	51,854
<b>OPERATING INCOME</b>	<b>33,989</b>	<b>127,391</b>	<b>119,750</b>	<b>245,272</b>
<b>OTHER INCOME AND EXPENSE</b>				
Loss on debt extinguishments	—	(784	) —	(1,640
Fair value adjustments, net	(37,648	) (53,351	) (44,722	) (71,051
Interest income and other, net	12,664	(6,610	) 14,450	(1,946
Interest expense, net of capitalized interest	(7,351	) (7,980	) (21,578	) (26,553
Total other income and expense, net	(32,335	) (68,725	) (51,850	) (101,190
Income before income taxes	1,654	58,666	67,900	144,082
Income tax provision	(17,475	) (27,606	) (56,773	) (61,947
<b>NET INCOME (LOSS)</b>	<b>\$(15,821</b>	<b>) \$31,060</b>	<b>\$11,127</b>	<b>\$82,135</b>
<b>BASIC AND DILUTED INCOME (LOSS) PER SHARE</b>				
Basic income per share:				
Net income (loss)	\$(0.18	) \$0.35	\$0.12	\$0.92
Diluted income per share:				
Net income (loss)	\$(0.18	) \$0.35	\$0.12	\$0.92
Weighted average number of shares of common stock				
Basic	89,429	89,449	89,550	89,350
Diluted	89,429	89,739	89,690	89,702

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

COEUR D'ALENE MINES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(Unaudited)

	Three months ended September 30, 2012		2011		Nine months ended September 30, 2012		2011	
Net income (loss)								
OTHER COMPREHENSIVE INCOME (LOSS) net of tax:								
Unrealized gain (loss) on available for sale securities								
Reclassification adjustments for losses included in net income (loss)								
Other comprehensive income (loss)								
COMPREHENSIVE INCOME (LOSS)								

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

COEUR D'ALENE MINES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
Nine months ended September 30, 2012  
(Unaudited)

(In thousands)	Common Stock Shares	Common Stock Par Value	Additional Paid- In Capital	Accumulated Paid- Deficit	Accumulated Other Comprehensive Loss	Total
Balances at December 31, 2011	89,655	\$897	\$ 2,585,632	\$(444,833 )	\$ (4,975 )	\$2,136,721
Net income	—	—	—	11,127	—	11,127
Other comprehensive income	—	—	—	—	1,379	1,379
Common stock share buy back	(476 )	(5 )	(9,966 )	—	—	(9,971 )
Common stock issued/cancelled under long-term incentive plans and director fees and options, net	267	2	4,041	—	—	4,043
Balances at September 30, 2012	89,446	\$894	\$ 2,579,707	\$(433,706 )	\$ (3,596 )	\$2,143,299

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

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

	Three months ended September 30, 2012      2011 (In thousands)		Nine months ended September 30, 2012      2011 (In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income (loss)	\$(15,821 )	\$31,060	\$11,127	\$82,135
Add (deduct) non-cash items				
Depreciation, depletion and amortization	52,844	58,652	166,460	166,334
Accretion of discount on debt and other assets, net	585	516	1,683	1,460
Accretion of royalty obligation	4,276	4,990	14,348	16,027
Deferred income taxes	(4,944 )	3,084	12,425	13,177
Loss on debt extinguishment	—	784	—	1,640
Fair value adjustments, net	35,270	50,767	39,288	71,360
Gain (loss) on foreign currency transactions	(1,577 )	137	(1,208 )	(600 )
Share-based compensation	3,364	457	6,534	5,261
(Gain) loss on sale of assets	108	4	372	(1,220 )
Loss on impairment	1,848	—	6,621	—
Other non-cash charges	1,331	506	1,838	1,337
Changes in operating assets and liabilities:				
Receivables and other current assets	(5,648 )	(10,513 )	1,717	(23,492 )
Prepaid expenses and other	(2,481 )	(8,697 )	(564 )	(7,362 )
Inventories	(13,762 )	23,234	(35,387 )	(12,834 )
Accounts payable and accrued liabilities	24,342	26,930	(15,313 )	15,538
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>79,735</b>	<b>181,911</b>	<b>209,941</b>	<b>328,761</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of short term investments and marketable securities	(4,093 )	(8,804 )	(11,959 )	(21,914 )
Proceeds from sales and maturities of short term investments	337	495	21,038	3,855
Capital expenditures	(29,972 )	(38,099 )	(93,857 )	(79,780 )
Other	479	1,397	1,659	1,670
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(33,249 )</b>	<b>(45,011 )</b>	<b>(83,119 )</b>	<b>(96,169 )</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Proceeds from issuance of notes and bank borrowings	—	—	—	27,500
Payments on long-term debt, capital leases, and associated costs	(80,318 )	(16,405 )	(94,562 )	(51,640 )
Payments on gold production royalty	(17,458 )	(19,510 )	(58,119 )	(51,569 )
Payments on gold lease facility	—	—	—	(13,800 )
Reductions of (additions to) restricted assets associated with the Kensington Term Facility	4,645	—	4,645	(1,325 )
Share repurchases	(9,971 )	—	(9,971 )	—
Other	134	67	(912 )	6
<b>CASH USED IN FINANCING ACTIVITIES</b>	<b>(102,968 )</b>	<b>(35,848 )</b>	<b>(158,919 )</b>	<b>(90,828 )</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(56,482 )</b>	<b>101,052</b>	<b>(32,097 )</b>	<b>141,764</b>
Cash and cash equivalents at beginning of period	199,397	106,830	175,012	66,118
Cash and cash equivalents at end of period	\$142,915	\$207,882	\$142,915	\$207,882

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





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

**NOTE 1 – BASIS OF PRESENTATION**

**Basis of Presentation** — The Company's unaudited interim condensed consolidated financial statements have been prepared under United States Generally Accepted Accounting Principles ("U.S. GAAP") and applicable rules of the Securities and Exchange Commission ("SEC") regarding interim financial reporting and include the accounts of Coeur d'Alene Mines Corporation and its consolidated subsidiaries ("Coeur" or the "Company"). All significant intercompany transactions and balances have been eliminated during consolidation. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Form 10-K for the year ended December 31, 2011. The condensed consolidated balance sheet as of December 31, 2011, included herein, was derived from the audited consolidated financial statements as of that date. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the Company's financial position as of September 30, 2012 and December 31, 2011 and the Company's results of operations and cash flows for the three and nine months ended September 30, 2012 and 2011. The results for the three and nine months ended September 30, 2012 are not necessarily indicative of the results to be expected for the year ending December 31, 2012. All references to September 30, 2012 or to the three and nine months ended September 30, 2012 and 2011 in the notes to the condensed consolidated financial statements are unaudited.

**Use of Estimates:** The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company's consolidated financial statements and accompanying notes. Areas requiring significant management estimates and assumptions include: recoverable ounces from proven and probable reserves that are the basis of future cash flow estimates and units-of-production depreciation, depletion and amortization calculations; useful lives utilized for depreciation and amortization; estimates of future cash flows for long-lived assets; estimates of recoverable gold and silver ounces in ore on leach pad; amount and timing of reclamation and remediation costs; valuation allowance for deferred tax assets; assessment of valuation allowance for value added tax receivables; and employee benefit liabilities.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Recently Adopted Accounting Pronouncements:** Effective January 1, 2012, the Company adopted ASU 2011-04 which included new guidance on fair value measurement and disclosure requirements. This standard provides guidance on the application of fair value accounting where it is already required or permitted by other standards. This standard also requires additional disclosures related to transfers of financial instruments within the fair value hierarchy and quantitative and qualitative disclosures related to significant unobservable inputs. In addition, the standard includes specifications for the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position, but for which the fair value of such items is required to be disclosed. The adoption of this standard has no material effect on the Company's financial position, results of operations or cash flows. Refer to Note 4 — Fair Value Measurements, for further details regarding the Company's assets and liabilities measured at fair value.

Effective January 1, 2012, the Company adopted ASU 2011-05 which includes guidance for presentation of comprehensive income and requires that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance was effective for the Company's fiscal year beginning January 1, 2012. The Company chose to use the two-statement approach and the update had no effect on the Company's financial position, results of operations or cash flows. In December, 2011, the FASB issued ASU 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities." This ASU adds certain additional disclosure requirements about financial instruments and derivative

instruments that are subject to netting arrangements. ASU 2011-11 is effective for fiscal years, and interim periods within those years, beginning after January 1, 2013, with retrospective application required. We do not believe the adoption of this update will have a material impact on the disclosure requirements for our consolidated financial statements.

**NOTE 3 – EARNINGS PER SHARE**

Basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the three and nine months ended September 30, 2012, 772,368 and 640,660 shares, respectively of common stock equivalents related to equity-based awards have not been included in the diluted per share calculation as the shares would be antidilutive. In the three months ended September 30, 2012 the Company had a net loss, therefore all equity-based awards were excluded. For the three

## Coeur d'Alene Mines Corporation and Subsidiaries

## Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

and nine months ended September 30, 2011, 1,129,562 and 1,326,763 shares, respectively, of common stock equivalents related to convertible debt and equity based awards have not been included in the diluted per share calculation as the shares would be antidilutive. The 3.25% Convertible Senior Notes were not included in the computation of diluted earning per share for the three and nine months ended September 30, 2012 and 2011 because there is no excess value upon conversion over the principal amount of the Notes.

The effect of potentially dilutive stock outstanding as of September 30, 2012, and 2011 are as follows (in thousands, except per share data):

	Three months ended September 30, 2012			Nine months ended September 30, 2012		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income (loss) available to common shareholders	\$(15,821 )	89,429	\$ (0.18 )	\$ 11,127	89,550	\$ 0.12
Effect of Dilutive Securities						
Equity awards	—	—		—	140	
Diluted EPS						
Net income (loss) available to common shareholders	\$(15,821 )	89,429	\$ (0.18 )	\$ 11,127	89,690	\$ 0.12
	Three months ended September 30, 2011			Nine months ended September 30, 2011		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income available to common shareholders	\$ 31,060	89,449	\$ 0.35	\$ 82,135	89,350	\$ 0.92
Effect of Dilutive Securities						
Equity awards	—	290		—	352	
Diluted EPS						
Net income available to common shareholders	\$ 31,060	89,739	\$ 0.35	\$ 82,135	89,702	\$ 0.92

## NOTE 4 – FAIR VALUE MEASUREMENTS

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 Quoted market prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis (at least annually) by level within the fair value hierarchy. As required by accounting guidance, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement (in thousands):

## Coeur d'Alene Mines Corporation and Subsidiaries

## Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

	Fair Value at September 30, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Short term investments	657	657	—	—
Marketable equity securities	31,243	29,694	1,549	—
Other derivative instruments, net	1,440	—	1,440	—
Silver ounces receivable from Mandalay	676	—	676	—
	\$34,016	\$30,351	\$3,665	\$—
Liabilities:				
Royalty obligation embedded derivative	\$170,153	\$—	\$170,153	\$—
Put and call options	16,755	—	16,755	—
	\$186,908	\$—	\$186,908	\$—
	Fair Value at December 31, 2011			
	Total	Level 1	Level 2	Level 3
Assets:				
Short term investments	20,254	20,254	—	—
Marketable securities	19,844	19,844	—	—
Put and call options	3,040	—	3,040	—
Silver ounces receivable from Mandalay	814	—	814	—
	\$43,952	\$40,098	\$3,854	\$—
Liabilities:				
Royalty obligation embedded derivative	\$159,400	\$—	\$159,400	\$—
Put and call options	20,892	—	20,892	—
Other derivative instruments, net	4,012	—	4,012	—
	\$184,304	\$—	\$184,304	\$—

The Company's short-term investments are readily convertible to cash and, therefore, these investments are classified within Level 1 of the fair value hierarchy.

The Company's marketable equity securities, with the exception of its investment in Commonwealth Silver and Gold Mining, a private entity, are recorded at fair market value in the financial statements based on quoted market prices, which are accessible at the measurement date for identical assets. Such instruments are classified within Level 1 of the fair value hierarchy. Commonwealth Silver and Gold Mining was valued by applying an index of enterprise and market capitalization per reserve ounce, as published by Canaccord Financial, to its reserves and resources. The model inputs can generally be verified and do not involve significant management judgment, thus resulting in its classification in Level 2 of the fair value hierarchy. Please see Note 5 - INVESTMENTS for additional details on marketable equity securities.

The Company's derivative instruments related to the put and call options, silver ounces receivable from Mandalay, royalty obligation embedded derivative, and other derivative instruments, net, which relate to the concentrate sales contracts and foreign exchange contracts, are valued using pricing models which require inputs that are derived from observable market data, including contractual terms, forward market prices, yield curves and credit spreads. The model inputs can generally be verified and do not involve significant management judgment. Such instruments are classified within Level 2 of the fair value hierarchy.

The Company had no Level 3 financial assets and liabilities as of September 30, 2012 or December 31, 2011.

There were no transfers between levels of fair value measurements of financial assets and liabilities during the first nine months of 2012.

## Coeur d'Alene Mines Corporation and Subsidiaries

## Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

Financial assets and liabilities that are not measured at fair value at September 30, 2012 and December 31, 2011 are set forth in the following table (in thousands):

	Fair Value at September 30, 2012			
	Total	Level 1	Level 2	Level 3
Liabilities:				
3.25% Convertible Senior Notes	\$49,607	\$49,607	\$—	\$—
Palmarejo Gold Production Royalty Obligation	\$94,701	\$—	\$94,701	\$—
	Fair Value at December 31, 2011			
	Total	Level 1	Level 2	Level 3
Liabilities:				
3.25% Convertible Senior Notes	\$49,205	\$49,205	\$—	\$—
Palmarejo Gold Production Royalty Obligation	\$111,257	\$—	\$111,257	\$—

The fair value at September 30, 2012 and December 31, 2011 of the 3.25% Convertible Senior Notes outstanding were determined by active market transactions. As such, the notes are classified as Level 1 in the fair value hierarchy. The fair value of the Palmarejo Gold Production Royalty Obligation is valued using a pricing model which requires inputs that are derived from observable market data, including contractual terms, yield curves, and credit spreads. The model inputs can generally be verified and do not involve significant management judgment. As such, the obligation is classified within Level 2 of the fair value hierarchy.

The fair value of the Company's cash equivalents, receivables, restricted assets, accounts payable, accrued liabilities, and capital leases approximate book value due to the nature of these assets and liabilities and are classified as Level 1 in the fair value hierarchy, except for capital leases which are classified as Level 2.

The fair value of the Company's non-current portion of the refundable value added tax is not practicable to estimate due to the uncertainty of the timing of the expected future cash flows to be received.

## NOTE 5 – INVESTMENTS

The Company classifies the marketable securities in which it invests as available-for-sale securities. Such securities are measured at fair market value in the financial statements with unrealized gains or losses recorded in other comprehensive income (loss). Please see Note 4 - FAIR VALUE MEASUREMENT for additional information on fair value classification of marketable securities. At the time securities are sold or otherwise disposed of, gains or losses are included in net income. The equity securities reflected in the table below consist of equity securities of silver and gold exploration and development companies that the Company purchased. The following table summarizes the Company's available-for-sale securities on hand as of September 30, 2012 and December 31, 2011 (in thousands):

	Investments in marketable securities			
	Cost	Gross Unrealized Losses	Gross Unrealized Gains	Estimated Fair Value
Marketable securities at September 30, 2012	\$34,839	\$(7,982	) \$4,386	\$31,243
Marketable securities at December 31, 2011	\$24,819	\$(4,975	) \$—	\$19,844

In the three months ended September 30, 2012 and 2011, the Company recognized an unrealized gain of \$6.0 million and an unrealized loss of \$2.8 million, respectively, in other comprehensive income (loss). In the nine months ended September 30, 2012, and 2011, the Company recognized an unrealized gain of \$0.8 million and an unrealized loss of \$4.2 million, respectively, in other comprehensive income (loss). The Company performs a quarterly assessment on each of its marketable securities with unrealized losses to determine if the security is other than temporarily impaired. The Company has the intent and ability to hold these investments until they recover or increase in value. The Company's management team uses industry knowledge and expertise and has determined that unrealized losses on seven of the eight investments it currently holds are not other than temporary based on a review of the potential for each company. The Company determined that one of its available-for-sale investments was other than temporarily impaired at September 30, 2012 and recorded an impairment loss of \$0.6 million during the third quarter of 2012.

There were no impairment losses recorded during the third quarter of 2011. Gross realized gains and losses are based on cost, net

## Coeur d'Alene Mines Corporation and Subsidiaries

## Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

of discount or premium of investments sold.

In addition, the Company had \$0.7 million and \$20.3 million of short-term investments at September 30, 2012 and December 31, 2011, respectively. These investments are primarily in certificates of deposit with various banks and all have maturity dates of less than one year.

**NOTE 6 – RECEIVABLES**

Receivables consist of the following (in thousands):

	September 30, 2012	December 31, 2011
Receivables - current portion		
Accounts receivable - trade	\$ 12,276	\$ 14,366
Refundable income tax	11,399	11,480
Refundable value added tax	42,133	52,968
Accounts receivable - other	5,155	4,683
	\$ 70,963	\$ 83,497
Receivables - non-current portion		
Refundable value added tax	\$ 48,614	\$ 40,314

Trade receivables and other receivable balances are reported at outstanding principal amounts, net of an allowance for doubtful accounts. Management evaluates the collectability of receivable account balances to determine the allowance, if any. There were no allowances against receivable balances at December 31, 2011.

Taxes paid to foreign governments that are refundable to the Company are classified as “Refundable value added tax” at the face value of the amount of the tax refund due. Refunds expected to be received in the next twelve months are classified as “current” and amounts that are expected to be received after twelve months are classified as “non-current”.

**NOTE 7 – METAL AND OTHER INVENTORY**

Metal and other inventory consist of the following (in thousands):

	September 30, 2012	December 31, 2011
Concentrate and doré inventory	\$ 78,818	\$ 73,590
Supplies	77,312	59,191
Metal and other inventory	\$ 156,130	\$ 132,781

**NOTE 8 – PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following (in thousands):

	September 30, 2012	December 31, 2011
Land	\$ 2,010	\$ 1,432
Buildings and improvements	564,465	520,137
Machinery and equipment	314,031	246,584
Capitalized leases for machinery, equipment, buildings, and land	40,621	76,244
	921,127	844,397
Accumulated depreciation and amortization	(292,685 )	(235,528 )
	628,442	608,869
Construction in progress	62,777	78,807
	\$ 691,219	\$ 687,676

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Coeur d'Alene Mines Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

NOTE 9 – MINING PROPERTIES

Mining properties consist of the following (in thousands):

September 30, 2012	Palmarejo	San Bartolomé	Kensington	Rochester	Martha	Endeavor	Other	Total
Mining properties	\$ 151,373	\$ 70,099	\$ 331,697	\$ 114,639	\$ 11,416	\$—	\$—	\$ 679,224
Accumulated depletion	(74,974 )	(17,602 )	(39,204 )	(99,773 )	(11,416 )	—	—	(242,969 )
	76,399	52,497	292,493	14,866	—	—	—	436,255
Mineral interests	1,658,389	26,642	—	—	—	44,033	—	1,729,064
Accumulated depletion	(221,027 )	(7,015 )	—	—	—	(14,168 )	—	(242,210 )
	1,437,362	19,627	—	—	—	29,865	—	1,486,854
Non-producing and development properties	—	—	—	—	—	—	142	142
Total mining properties	\$ 1,513,761	\$ 72,124	\$ 292,493	\$ 14,866	\$—	\$ 29,865	\$ 142	\$ 1,923,251
December 31, 2011	Palmarejo	San Bartolomé	Kensington	Rochester	Martha	Endeavor	Other	Total
Mining properties	\$ 134,296	\$ 68,684	\$ 321,456	\$ 112,826	\$ 12,643	\$—	\$—	\$ 649,905
Accumulated depletion	(53,060 )	(14,989 )	(27,160 )	(97,834 )	(10,373 )	—	—	(203,416 )
	81,236	53,695	294,296	14,992	2,270	—	—	446,489
Mineral interests	1,658,389	26,642	—	—	—	44,033	—	1,729,064
Accumulated depletion	(158,627 )	(6,007 )	—	—	—	(10,034 )	—	(174,668 )
	1,499,762	20,635	—	—	—	33,999	—	1,554,396
Non-producing and development properties	—	—	—	—	—	—	142	142
Total mining properties	\$ 1,580,998	\$ 74,330	\$ 294,296	\$ 14,992	\$ 2,270	\$ 33,999	\$ 142	\$ 2,001,027

Operational Mining Properties

Palmarejo Mine: Palmarejo is located in the State of Chihuahua in northern Mexico, and its principal silver and gold properties are collectively referred to as the “Palmarejo mine.” The Palmarejo mine commenced production in April 2009.

San Bartolomé Mine: The San Bartolomé mine is a silver mine located near the city of Potosi, Bolivia. The mineral rights for the San Bartolomé project are held through long-term joint venture/lease agreements with several local independent mining co-operatives and the Bolivian state owned mining organization, (“COMIBOL”). The Company commenced commercial production at San Bartolomé in June 2008.

Kensington Mine: The Kensington mine is an underground gold mine and consists of the Kensington and adjacent Jualin properties located on the east side of the Lynn Canal about 45 miles north-northwest of Juneau, Alaska. The Company commenced commercial production in July of 2010.

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



Martha Mine: The Martha mine is an underground silver mine located in Argentina. Coeur acquired a 100% interest in the Martha mine in April 2002. Due to high operating costs and a short remaining expected mine life, the Company evaluated strategic and operational alternatives for the Martha mine and recorded an impairment charge of \$6.0 million in the nine months ended September 30, 2012. The Martha mine ceased active mining operations in September 2012.

#### Mineral Interests

Endeavor Mine: In May 2005, CDE Australia Pty Ltd, (“CDE Australia”), a wholly-owned subsidiary of Coeur acquired the silver production and reserves, up to a maximum 17.7 million payable ounces, contained at the Endeavor mine in Australia, which is owned and operated by Cobar Operations Pty. Limited (“Cobar”), a wholly-owned subsidiary of CBH Resources Ltd. (“CBH”). In March 2006, CDE Australia entered into an amended agreement under which it owns all silver production and reserves up to a total of 20.0 million payable ounces.

# Coeur d'Alene Mines Corporation and Subsidiaries

## Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

CDE Australia began realizing reductions in revenues in the fourth quarter of 2008 as a result of a silver price sharing provision that was part of the purchase agreement. CDE Australia has received approximately 4.1 million payable ounces to-date and the current ore reserve contains approximately 4.6 million payable ounces based on current metallurgical recovery and current smelter contract terms.

### Non-Producing and Development Properties

**Joaquin Project – Argentina:** The Joaquin project is located in the Santa Cruz province of southern Argentina. The Company commenced exploration of this large property, consisting of over 28,450 hectares (70,300 acres), north of the Company's Martha silver mine, in November 2007. Since that time the Company has defined silver and gold mineralization in two deposits at Joaquin, La Negra and La Morocha, collectively referred to as the "Joaquin Project," and has recently commenced work on detailed drilling and other technical, economic and environmental programs which it expects will lead to completion of pre-feasibility and feasibility studies. The Company has not capitalized any expenditures associated with the Joaquin Project as of September 30, 2012. The Company has a 51% participating and managing equity interest in the Joaquin Project, and upon completion of a feasibility study, will have earned an additional 10% interest. The Company has further rights to increase its participating interest in the property to 71% subject to other conditions in the joint venture agreement.

### NOTE 10 – DEBT AND CAPITAL LEASE OBLIGATIONS

The current and non-current portions of long-term debt and capital lease obligations as of September 30, 2012 and December 31, 2011 are as follows (in thousands):

	September 30, 2012		December 31, 2011	
	Current	Non-Current	Current	Non-Current
3.25% Convertible Senior Notes due March 2028	\$47,424	\$—	\$—	\$45,545
Kensington Term Facility	—	—	15,398	60,425
Capital lease obligations	8,916	5,053	17,119	9,891
Other	—	—	85	—
	\$56,340	\$5,053	\$32,602	\$115,861

### 3.25% Convertible Senior Notes

As of September 30, 2012, the outstanding balance of the 3.25% Convertible Senior Notes due 2028 was \$48.7 million, or \$47.4 million net of debt discount. The notes are classified as current liabilities as of September 30, 2012 as a result of the holders' option to require the Company to repurchase the notes on March 15, 2013.

The fair value of the notes outstanding, as determined by market transactions at September 30, 2012 and December 31, 2011 was \$49.6 million and \$49.2 million, respectively. The carrying value of the equity component at September 30, 2012 and December 31, 2011 was \$10.9 million.

For the three months ended September 30, 2012 and 2011 interest expense recognized was \$0.4 million and \$0.4 million, respectively. For the nine months ended September 30, 2012 and 2011 interest expense recognized was \$1.2 million, and \$1.2 million, respectively. For the three months ended September 30, 2012 and 2011 accretion of the debt discount was \$0.6 million and \$0.6, respectively. For the nine months ended September 30, 2012 and 2011 accretion of the debt discount was \$1.9 million and \$1.7 million, respectively. The debt discount remaining at September 30, 2012 was \$1.2 million, which will be amortized through March 15, 2013. The effective interest rate on the notes was 8.9%.

### Revolving Credit Facility

On August 1, 2012, Coeur Alaska, Inc. and Coeur Rochester, Inc. (the "Borrowers"), each a wholly-owned subsidiary of the Company, entered into a new Credit Agreement (the "Credit Agreement") by and among the Company, the Borrowers, the lenders party thereto and Wells Fargo Bank, N.A., as administrative agent. The Credit Agreement provides for a senior secured revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of up to \$100.0 million, which principal amount may be increased, subject to receiving additional commitments therefor, by up to \$50.0 million. The unused line fee for the three months ended September 30, 2012 was \$0.1 million

and was charged to interest expense.

The term of the Revolving Credit Facility is four years. Amounts may be borrowed under the Revolving Credit Facility to finance working capital and general corporate purposes of the Company and its subsidiaries, including the payment of fees and expenses incurred in connection with the Revolving Credit Facility. The obligations under the Revolving Credit Facility are secured by substantially all of the assets of the Company and its domestic subsidiaries, including the land, mineral rights and infrastructure at the Kensington and Rochester mines, as well as a pledge of the shares of certain of the Company's subsidiaries.

Coeur d'Alene Mines Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

In addition, in connection with the Revolving Credit Facility, Coeur Alaska, Inc. retained its existing hedge positions established under the Kensington Term Facility described below, with Wells Fargo Bank, N.A. as hedge provider. Borrowings under the Revolving Credit Facility bear interest at a rate selected by the Borrowers equal to either LIBOR plus a margin of 2.25%-3.25% or an alternate base rate plus a margin of 1.25%-2.25%, with the margin determined by reference to the Company's ratio of consolidated debt to adjusted EBITDA.

Voluntary prepayments of the loans and voluntary reductions of the unutilized portion of the commitments under the Revolving Credit Facility are permitted without prepayment premium or penalty, subject to payment of customary LIBOR breakage costs. Amounts so repaid may be re-borrowed subject to customary requirements.

The Revolving Credit Facility contains representations and warranties, events of default and affirmative and negative covenants that are usual and customary, including covenants that, among other things, restrict the ability of the Company and its subsidiaries to incur additional debt, incur or permit liens on assets, make investments and acquisitions, consolidate or merge with any other company, engage in asset sales and make dividends and distributions. The Revolving Credit Facility also contains financial covenants that require (i) our ratio of consolidated debt to adjusted EBITDA to be not greater than 3.25 to 1.00 (subject to a step-down to 3.00 to 1.00 after two years), (ii) our ratio of adjusted EBITDA to interest expense to be not less than 3.00 to 1.00 and (iii) our tangible net worth to be not less than 90% of our tangible net worth as of March 31, 2012 plus 25% of our net income for each fiscal quarter ending after March 31, 2012 to the date of measurement.

As of September 30, 2012, no amounts were outstanding under the Revolving Credit Facility.

**Kensington Term Facility**

On August 16, 2012, Coeur Alaska prepaid all obligations and indebtedness outstanding under the Coeur Alaska, Inc. Term Facility Agreement, as amended and restated on December 20, 2010, with Credit Suisse AG (the "Kensington Term Facility"), which totaled approximately \$68.6 million. Upon payment in full, the Kensington Term Facility was terminated and all of the liens granted under the Kensington Term Facility were released.

As a condition to the Kensington Term Facility with Credit Suisse, the Company agreed to enter into a gold hedging program which protects a minimum of 243,750 ounces of gold production over the life of the term facility against the risk associated with fluctuations in the market price of gold. This program consists of a series of zero cost collars which consist of a floor price and a ceiling price of gold. Coeur Alaska has transferred these hedge positions to Wells Fargo Bank, N.A., as hedge provider. Call options protecting 104,000 ounces of gold were outstanding at September 30, 2012. The weighted average strike price of the call options was \$1,970.05. Put options protecting 139,000 ounces of gold were outstanding at September 30, 2012. The weighted average strike price of the put options was \$962.42.

**Capital Lease Obligations**

As of September 30, 2012 and December 31, 2011, the Company had outstanding balances on capital leases of \$14.0 million and \$27.0 million, respectively.

**Palmarejo Gold Production Royalty Obligation**

The Company recognized accretion expense on the Palmarejo gold production royalty obligation for the three and nine months ended September 30, 2012 and 2011 of \$4.4 million and \$5.4 million and \$15.0 million and \$16.4 million, respectively. As of September 30, 2012 and December 31, 2011, the remaining minimum obligation under the royalty agreement was \$64.1 million and \$72.1 million, respectively.

## Coeur d'Alene Mines Corporation and Subsidiaries

## Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

## Interest Expense

The Company expenses interest incurred on its various debt instruments as a cost of operating its properties. For the three and nine months ended September 30, 2012 and 2011, the Company expensed interest of \$7.4 million and \$8.0 million, and \$21.6 million and \$26.6 million, respectively.

	Three months ended September 30, 2012 2011 (in thousands)		Nine months ended September 30, 2012 2011 (in thousands)	
3.25% Convertible Senior Notes due March 2028	\$395	\$395	\$1,186	\$1,186
Senior Term Notes (terminated in 2011)	—	366	—	1,280
Kensington Term Facility (terminated in 2012)	459	1,086	2,339	3,353
Capital lease obligations	219	416	827	1,353
Other debt obligations	436	144	668	801
Gold Lease Facility (terminated in 2011)	—	—	—	107
Accretion of Franco Nevada royalty obligation	4,384	5,370	15,047	16,407
Amortization of debt issuance costs	1,331	504	1,838	1,646
Accretion of debt discount	639	585	1,879	1,722
Capitalized interest	(512)	(886)	(2,206)	(1,302)
Total interest expense, net of capitalized interest	\$7,351	\$7,980	\$21,578	\$26,553
Capitalized Interest				

The Company capitalizes interest incurred on its various debt instruments as a cost of properties under development. For the three and nine months ended September 30, 2012 and 2011, the Company capitalized interest of \$0.5 million and \$0.9 million, and \$2.2 million and \$1.3 million, respectively.

## NOTE 11 – RECLAMATION AND MINE CLOSURE

Reclamation and mine closure costs are based principally on legal and regulatory requirements. Management estimates costs associated with reclamation of mining properties as well as remediation costs for inactive properties. The Company uses assumptions about future costs, mineral prices, mineral processing recovery rates, production levels, capital costs and reclamation costs. Such assumptions are based on the Company's current mining plan and the best available information for making such estimates. The sum of the expected costs by year is discounted, using the Company's credit adjusted risk free interest rate. On an ongoing basis, management evaluates its estimates and assumptions; however, actual amounts could differ from those based on such estimates and assumptions.

Changes to the Company's asset retirement obligations are as follows (in thousands):

	Three months ended September 30, 2012 2011		Nine months ended September 30, 2012 2011	
Asset retirement obligation - Beginning	\$34,510	\$28,557	\$32,714	\$27,302
Accretion	714	670	2,180	1,961
Addition and changes in estimates	—	—	335	—
Settlements	(13)	(15)	(18)	(51)
Asset retirement obligation - September 30	\$35,211	\$29,212	\$35,211	\$29,212

In addition, the Company has accrued \$0.8 million and \$1.0 million as of September 30, 2012 and December 31, 2011, respectively, for reclamation liabilities related to former mining activities. These amounts are also included in reclamation and mine closure liabilities.

## NOTE 12 – INCOME TAXES

For the three and nine months ended September 30, 2012, the Company reported an income tax provision of approximately \$17.5 million and \$56.8 million, respectively, compared to an income tax provision of \$27.6 million and \$61.9 million for the three and nine months ended September 30, 2011, respectively.



## Coeur d'Alene Mines Corporation and Subsidiaries

## Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

The following table summarizes the components of the Company's income tax provision from continuing operations for the three and nine months ended September 30, 2012 and 2011 (in thousands):

	Three months ended September 30,		Nine months ended September 30,		
	2012	2011	2012	2011	
United States	\$ (465	) \$ 1,300	\$ (3,990	) \$ 342	
Argentina	1,232	(23	) 993	60	
Australia	(545	) (858	) (1,751	) (1,976	)
Mexico	5,409	(2,963	) (10,341	) (13,165	)
Bolivia	(23,106	) (25,062	) (41,684	) (47,208	)
Income tax provision from continuing operations	\$ (17,475	) \$ (27,606	) \$ (56,773	) \$ (61,947	)

The income tax provision for the three and nine months ended September 30, 2012 and 2011 varies from the statutory rate primarily because of differences in tax rates for the Company's foreign operations and changes in valuation allowances for net deferred tax assets, permanent differences and foreign exchange rate differences. The variance is also attributable to an audit of San Bartolomé's 2009 Bolivian tax return, whereby San Bartolomé incurred an additional \$1.4 million of tax expense, including interest and penalties, related to the 2009 tax year and recognized a further \$10.3 million of tax expense, including interest and penalties, related to uncertainty in similar tax positions for the years 2010 and 2011. In addition, the Company has recognized approximately \$2.1 million of additional tax expense for 2012 related to these uncertain tax positions.

The Company has U.S. net operating loss carryforwards which expire in 2017 through 2031. Net operating losses in foreign countries have an indefinite carryforward period, except in Mexico where net operating loss carryforwards are limited to ten years.

## NOTE 13 – SHARE-BASED COMPENSATION PLANS

The Company has an annual incentive plan and a long-term incentive plan. The Company's shareholders approved the Amended and Restated 2003 Long-Term Incentive Plan of Coeur d'Alene Mines Corporation at the 2010 annual shareholders meeting.

The compensation expense recognized in the Company's consolidated financial statements for the three months ended September 30, 2012 and 2011 for share based compensation awards was \$3.4 million and \$0.5 million, respectively.

The compensation expense recognized in the Company's consolidated financial statements for the nine months ended September 30, 2012 and 2011 for share based compensation awards was \$6.1 million and \$5.3 million, respectively.

The stock appreciation rights (SARs), restricted stock units (RSUs) and performance units outstanding under the plan are liability-based awards and are required to be re-measured at the end of each reporting period with corresponding adjustments to previously recognized and future stock-based compensation expense. As of September 30, 2012, there was \$6.9 million of total unrecognized compensation cost (net of estimated forfeitures) related to unvested stock options, SARs, restricted stock, RSUs, performance shares and performance units which is expected to be recognized over a weighted-average remaining vesting period of 1.6 years.

The following table summarizes the new grants issued during the nine months ended September 30, 2012:

Grant date	Restricted stock	Grant date fair value of restricted stock	Stock options	Grant date fair value of stock options	Performance shares	Grant date fair value of performance shares
January 31, 2012	165,169	\$27.66	120,720	\$17.67	77,137	\$41.53
March 1, 2012	4,844	\$28.72	—	\$—	—	\$—
April 2, 2012	2,009	\$24.32	—	\$—	—	\$—
May 1, 2012	3,185	\$21.65	—	\$—	—	\$—
May 7, 2012	7,511	\$19.01	11,803	\$12.10	7,511	\$28.54
June 1, 2012	1,361	\$18.35	—	\$—	—	\$—

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July 2, 2012	6,166	\$17.35	—	\$—	—	\$—
August 1, 2012	2,209	\$15.84	—	\$—	—	\$—
September 4, 2012	8,590	\$23.55	—	\$—	—	\$—

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Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

The following options and stock appreciation rights were exercised during the nine months ended September 30, 2012:

Award Type	Number of Units	Weighted Average Exercise Price
Options	37,395	\$ 11.18
Stock Appreciation Rights	34,385	\$ 12.73

The following shows the weighted average fair value of SARs, performance units and RSUs outstanding at September 30, 2012:

	September 30, 2012		
	SARs	Performance units	Restricted stock units
Weighted average fair value	\$ 17.38	\$ 54.26	\$ 28.83

The following table shows the options and SARs exercisable at September 30, 2012:

Options Exercisable	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
209,619	\$ 34.18	46,125	\$ 13.72

## NOTE 14 – DEFINED CONTRIBUTION AND 401(k) PLANS

### Defined Contribution Plan

The Company provides a noncontributory defined contribution retirement plan for all eligible U.S. employees. Total contributions, which are based on a percentage of the salary of eligible employees, were \$0.6 million and \$0.4 million, for the three months ended September 30, 2012 and 2011, respectively. Total contributions were \$1.6 million and \$1.1 million for the nine months ended September 30, 2012 and 2011, respectively.

### 401(k) Plan

The Company maintains a retirement savings plan (which qualifies under Section 401(k) of the U.S. Internal Revenue Code) covering all eligible U.S. employees. Under the plan, employees may elect to contribute up to 100% of their cash compensation, subject to ERISA limitations. The Company adopted a Safe Harbor Tiered Match and is required to make matching contributions equal to 100% of the employee's contribution up to 3% of the employee's compensation plus matching contributions equal to 50% of the employee's contribution up to an additional 2% of the employee's compensation. Total plan expenses recognized in the Company's consolidated financial statements for the three months ended September 30, 2012 and 2011 were \$0.4 million and \$0.4 million, respectively. Total plan expenses recognized for the nine months ended September 30, 2012 and 2011 were \$1.5 million and \$1.0 million, respectively.

## NOTE 15 – DERIVATIVE FINANCIAL INSTRUMENTS

### Palmarejo Gold Production Royalty

On January 21, 2009, the Company entered into a gold production royalty transaction with Franco-Nevada Corporation. The royalty covers 50% of the life of mine production from the Palmarejo mine and adjacent properties. The royalty transaction included a minimum obligation of 4,167 ounces per month that ends when payments have been made on a total of 400,000 ounces of gold. As of September 30, 2012, a total of 209,853 ounces of gold remain outstanding under the minimum royalty obligation.

The price volatility associated with the minimum royalty obligation is considered an embedded derivative financial instrument under U.S. GAAP. As such, the Company is required to recognize the change in fair value of the remaining minimum obligation due to the changing gold prices. Unrealized gains are recognized in periods when the gold price has decreased from the previous period and unrealized losses are recognized in periods when the gold price increases. The fair value of the embedded derivative is reflected net of the Company's current credit adjusted risk free rate, which was 4.9% and 5.7% at September 30, 2012 and December 31, 2011, respectively. The fair value of the embedded derivative at September 30, 2012 and December 31, 2011, based on forward gold prices averaging

approximately \$1,793 and \$1,611 per ounce, respectively, was a liability of \$170.2 million and \$159.4 million, respectively. During the three and nine months ended September 30, 2012 and 2011, mark-to-market adjustments for this embedded derivative amounted to a loss of \$23.4 million and \$14.5 million, and a loss of \$10.8 million and \$17.4 million, respectively.

Payments on the royalty obligation occur monthly resulting in a decrease to the carrying amount of the minimum obligation and the derivative liability and the recognition of realized gains or losses as a result of changing prices for gold. Each monthly

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Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

payment is an amount equal to the greater of the minimum of 4,167 ounces of gold or 50% of the actual gold production per month multiplied by the excess of the monthly average market price of gold above \$400 per ounce (which \$400 floor is subject to a 1% annual inflation compounding adjustment beginning on January 21, 2013). For the three and nine months ended September 30, 2012 and 2011, realized losses on settlement of the liabilities were \$10.9 million and \$11.9 million, and \$35.0 million and \$29.1 million, respectively. The mark-to-market adjustments and realized losses are included in fair value adjustments, net in the consolidated statement of operations.

Forward Foreign Exchange Contracts

The Company periodically enters into forward foreign currency contracts to reduce the foreign exchange risk associated with forecasted Mexican peso ("MXN") operating costs at its Palmarejo mine. At September 30, 2012, the Company had MXN foreign exchange contracts of \$17.4 million in U.S. dollars. These contracts require the Company to exchange U.S. dollars for MXN at a weighted average exchange rate of 13.19 MXN to each U.S. dollar and the Company had an asset with a fair value of \$0.2 million at September 30, 2012. At December 31, 2011, the Company had MXP foreign exchange contracts of \$25.5 million in U.S. dollars. These contracts required the Company to exchange U.S. dollars for MXN at a weighted average exchange rate of 12.40 MXN to each U.S. dollar and the Company had a liability with a fair value of \$3.2 million at December 31, 2011. The Company recorded mark-to-market gains on these contracts of \$0.6 million and \$3.4 million for the three and nine months ended September 30, 2012, respectively. The Company recorded mark-to-market losses of \$4.1 million and \$3.8 million for the three and nine months ended September 30, 2011, respectively. These mark-to-market adjustments are reflected in fair value adjustments, net. The Company recorded a realized gain of \$0.4 million and a realized loss of \$1.5 million in production costs applicable to sales during the three and nine months ended September 30, 2012, respectively. The Company recorded a realized loss of \$0.1 million and a realized gain of \$1.0 million in production costs applicable to sales during the three and nine months ended September 30, 2011, respectively.

Concentrate Sales Contracts

The Company enters into concentrate sales contracts with third-party smelters. The contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. The provisionally priced sales contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of concentrates at the forward price at the time of sale. The embedded derivative, which is the final settlement price based on a future price, does not qualify for hedge accounting. These embedded derivatives are recorded as derivative assets (in Prepaid expenses and other) or derivative liabilities (in Accrued liabilities and other) on the balance sheet and are adjusted to fair value through earnings each period until the date of final settlement. At September 30, 2012, the Company had outstanding provisionally priced sales of \$20.9 million, consisting of 0.5 million ounces of silver and 3,734 ounces of gold, which had a fair value of \$22.1 million including the embedded derivative. At December 31, 2011, the Company had outstanding provisionally priced sales of \$22.5 million consisting of 0.2 million ounces of silver and 9,701 ounces of gold, which had a fair value of approximately \$21.7 million including the embedded derivative.

Commodity Derivatives

As of September 30, 2012, the Company had outstanding call options requiring it to deliver 104,000 ounces of gold at a weighted average strike price of \$1,970.05 per ounce if the market price of gold exceeds the strike price. At September 30, 2012, the Company had outstanding put options allowing it to sell 139,000 ounces of gold at a weighted average strike price of \$962.42 per ounce if the market price of gold were to fall below the strike price. The contracts will expire over the next four years. At December 31, 2011, the Company had written outstanding call options requiring it to deliver 136,000 ounces of gold at a weighted average strike price of \$1,919.83 per ounce if the market price of gold exceeds the strike price. At December 31, 2011, the Company had outstanding put options allowing it to sell 190,000 ounces of gold at a weighted average strike price of \$951.93 per ounce if the market price of gold were to fall below the strike price. As of September 30, 2012 and December 31, 2011, the fair market value of these contracts was a net liability of \$16.8 million and \$17.9 million, respectively. During the three months ended September 30, 2012, 17,000 ounces of gold put options expired at a weighted average strike price of \$923.34 per ounce, resulting in a realized loss of \$0.7 million. During the nine months ended September 30, 2012, 51,000 ounces

of gold put options expired at a weighted average strike price of \$923.34 per ounce, resulting in a realized loss of \$2.2 million. During the three and nine months ended September 30, 2012, 7,000 ounces of gold call options at a weighted average strike price of \$2,000.00 expired. During the three and nine months ended September 30, 2012 and 2011, the Company recorded unrealized losses of \$3.6 million and unrealized gains of \$1.1 million, and unrealized losses of \$19.9 million and \$18.2 million, respectively, related to the outstanding options which was included in fair value adjustments, net.

In connection with the sale of the Cerro Bayo mine to Mandalay Resources Corporation, the Company received the right to 125,000 ounces of silver to be delivered in six equal quarterly installments commencing in the third quarter of 2011. The Company recognized mark-to-market gains of \$0.1 million and mark-to-market losses of \$0.1 million associated with this silver in the three and nine months ended September 30, 2012, respectively. The Company recognized mark-to-market gains of \$0.8 million and \$0.4 million associated with this silver in the three and nine months ended September 30, 2011, respectively. The silver ounces

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Coeur d'Alene Mines Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

receivable from Mandalay Resources Corporation had a fair value of \$1.4 million at September 30, 2012, and a fair value of \$2.3 million at December 31, 2011.

As of September 30, 2012, the Company had the following derivative instruments that settle in each of the years indicated in the table (in thousands except average prices, ounces and notional data):

	2012	2013	2014	Thereafter
Palmarejo gold production royalty	\$8,392	\$25,097	\$24,895	\$45,831
Average gold price in excess of minimum contractual deduction	\$504	\$502	\$498	\$492
Notional ounces	16,668	50,004	50,004	93,177
Mexican peso forward purchase contracts	\$8,700	\$8,700	\$—	\$—
Average rate (MXP/\$)	\$12.85	\$13.52	\$—	\$—
Mexican peso notional amount	111,798	117,628	—	—
Silver ounces receivable from Mandalay	\$769	\$—	\$—	\$—
Average silver forward price	\$18.45	\$—	\$—	\$—
Notional ounces	41,667	—	—	—
Silver concentrate sales agreements	\$14,343	\$—	\$—	\$—
Average silver price	\$30.74	\$—	\$—	\$—
Notional ounces	466,588	—	—	—
Gold concentrates sales agreements	\$6,508	\$—	\$—	\$—
Average gold price	\$1,743	\$—	\$—	\$—
Notional ounces	3,734	—	—	—
Gold put options purchased	\$720	\$1,800	\$720	\$—
Average gold strike price	\$923	\$928	\$979	\$1,010
Notional ounces	17,000	45,000	47,000	30,000
Gold call options sold	\$—	\$—	\$720	\$—
Average gold strike price	\$2,000	\$2,000	\$1,934	\$2,000
Notional ounces	7,000	20,000	47,000	30,000

The following summarizes the classification of the fair value of the derivative instruments as of September 30, 2012 and December 31, 2011 (in thousands):

	September 30, 2012				
	Prepaid expenses and other	Accrued liabilities and other	Other long-term liabilities	Current portion of royalty obligation	Non-current portion of royalty obligation
Silver ounces receivable from Mandalay	\$676	\$—	\$—	\$—	\$—
Forward foreign exchange contracts	286	80	—	—	—
Palmarejo gold production royalty	—	—	—	46,005	124,148
Put and call options, net	—	2,840	13,915	—	—
Concentrate sales contracts	1,239	5	—	—	—
	\$2,201	\$2,925	\$13,915	\$46,005	\$124,148

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Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

	December 31, 2011				
	Prepaid expenses and other	Accrued liabilities and other	Other long-term Liabilities	Current portion of royalty obligation	Non-current portion of royalty obligation
Silver ounces receivable from Mandalay	\$814	\$—	\$—	\$—	\$—
Forward foreign exchange contracts	—	3,188	—	—	—
Palmarejo gold production royalty	—	—	—	37,206	122,194
Put and call options, net	—	3,183	14,669	—	—
Concentrate sales contracts	—	825	—	—	—
	\$814	\$7,196	\$14,669	\$37,206	\$122,194

The following represent mark-to-market gains (losses) on derivative instruments for the three and nine months ended September 30, 2012 and 2011 (in thousands):

Financial statement line	Derivative	Three months ended September 30,		Nine months ended September 30,	
		2012	2011	2012	2011
Sales of metal	Concentrate sales contracts	\$1,591	\$1,466	\$2,050	\$4,339
Production costs applicable to sales	Forward foreign exchange contracts	394	(65)	(1,540)	1,045
Fair value adjustments, net	Gold lease facility	—	—	—	(132)
Fair value adjustments, net	Forward foreign exchange contracts	621	(4,089)	3,394	(3,791)
Fair value adjustments, net	Forward gold contract	—	—	—	35
Fair value adjustments, net	Silver ounces receivable	280	(554)	302	(90)
Fair value adjustments, net	Palmarejo gold royalty	(34,266)	(26,464)	(45,771)	(46,505)
Fair value adjustments, net	Put and call options	(4,283)	(22,244)	(2,647)	(20,568)
		\$(35,663)	\$(51,950)	\$(44,212)	\$(65,667)

Please see Note 4 - FAIR VALUE MEASUREMENTS for additional detail on the fair value amounts for derivatives.

#### Credit Risk

The credit risk exposure related to any potential derivative instruments is limited to the unrealized gains, if any, on outstanding contracts based on current market prices. To reduce counter-party credit exposure, the Company deals with financial institutions management deems credit worthy and limits credit exposure to each. The Company does not anticipate non-performance by any of its counterparties. In addition, to allow for situations where positions may need to be revised, the Company deals only in markets that management considers highly liquid.

#### NOTE 16 – COMMITMENTS AND CONTINGENCIES

##### Labor Union Contracts

The Company maintains two labor agreements in South America, consisting of a labor agreement with Asociacion Obrera Minera Argentina at the Martha mine in Argentina and with Sindicato de la Empresa Minera Manquiri at the San Bartolomé mine in Bolivia. The agreement at the Martha mine is effective from June 12, 2006 to December 31, 2012. The labor agreement at the San Bartolomé mine, which became effective October 11, 2007, does not have a fixed term. As of September 30, 2012, approximately 13.0% of the Company's worldwide labor force was covered by collective bargaining agreements.

##### Termination Benefits

The Company established a termination benefit program for its employees at the Rochester mine in 2005. The program provides a financial benefit in the form of severance pay to terminated employees if their employment is terminated due to curtailment of operations. The individual benefit is based on the employee's service time and rate of

pay at the time of termination. The Rochester mine resumed mining and crushing operations in late 2011, and currently employs more than 200 employees. This termination benefit program has been extended to include newly hired employees. As of September 30, 2012, the total benefit expected to be incurred under this plan is approximately \$4.7 million. The liability is recognized at the discounted amount and accreted over the service period.

## Coeur d'Alene Mines Corporation and Subsidiaries

## Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

Changes to the Company's termination benefits are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Beginning Balance	\$3,651	\$2,733	\$3,335	\$1,105
Accruals	85	336	401	1,964
Ending Balance	\$3,736	\$3,069	\$3,736	\$3,069

The Company does not have a written severance plan for any of its foreign operations including those operations located in Chile, Argentina, Bolivia and Mexico. However, laws in these foreign jurisdictions require payment of certain minimum statutory termination benefits. Accordingly, in situations where minimum statutory termination benefits must be paid to the affected employees, the Company records employee severance costs in accordance with U.S. GAAP. The Company has accrued obligations for post-employment benefits in these locations of approximately \$8.1 million and \$7.4 million as of September 30, 2012 and December 31, 2011, respectively.

#### Kensington Production Royalty

On July 7, 1995, Coeur, through its wholly-owned subsidiary, Coeur Alaska, Inc., acquired the 50% ownership interest of Echo Bay Exploration Inc., or Echo Bay, giving Coeur 100% ownership of the Kensington property. Coeur Alaska is obligated to pay Echo Bay, a subsidiary of Kinross Gold Corporation, a scaled net smelter return royalty on 1.0 million ounces of future gold production after Coeur Alaska recoups the \$32.5 million purchase price and its construction and development expenditures incurred after July 7, 1995 in connection with placing the property into commercial production. The royalty ranges from 1% at gold prices of \$400 per ounce to a maximum of 2.5% at gold prices above \$475 per ounce, with the royalty to be capped at 1.0 million ounces of production. No royalty has been paid to date.

#### Rochester Production Royalty

The Company acquired the Rochester property from ASARCO, a subsidiary of Grupo Mexico SA de CV, in 1983. The Company is obligated to pay a net smelter royalty interest to ASARCO when the market price of silver equals or exceeds \$23.60 per ounce up to a maximum rate of 5%. Royalty expense was \$0.8 million and \$0.8 million, and \$2.0 million and \$1.7 million for the three and nine months ended September 30, 2012 and 2011, respectively.

#### Palmarejo Gold Production Royalty

On January 21, 2009, Coeur Mexicana entered into a gold production royalty transaction with Franco-Nevada Corporation under which Franco-Nevada purchased a royalty covering 50% of the life of mine gold to be produced from its Palmarejo silver and gold mine in Mexico. The royalty agreement provides for a minimum obligation to be paid monthly on a total of 400,000 ounces of gold, or 4,167 ounces per month over an initial eight year period.

#### NOTE 17 – SIGNIFICANT CUSTOMERS

The Company markets its doré to credit worthy bullion trading houses, market makers and members of the London Bullion Market Association, industrial companies and sound financial institutions. The refined metals are sold to end users for use in electronic circuitry, jewelry, silverware, pharmaceutical products, and the technology industry. The Company currently has seven trading counterparties (International Commodities, Mitsui, Mitsubishi, Standard Bank, TD Securities, Valcambi, and Auramet) and the sales of metals to these companies amounted to approximately 92% and 81% of total metal sales for the nine months ended September 30, 2012 and 2011, respectively. Generally, the loss of a single bullion trading counterparty would not adversely affect the Company due to the liquidity of the markets and the availability of alternative trading counterparties.

Sales of silver and gold concentrates to third parties (Nyrstar, Aurubis, Sumitomo, Trafigura, Auramet, and China National Gold) amounted to approximately 8% and 19% of total metal sales for the nine months ended September 30, 2012, and 2011, respectively. The loss of any one smelting and refining client may have a material adverse effect if alternate smelters and refiners are not available. The Company believes there is sufficient global capacity available to address the loss of any one smelter.





## Coeur d'Alene Mines Corporation and Subsidiaries

## Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

The following table indicates customers that represent 10% or more of total sales of metal for the three months ended September 30, 2012 and 2011 (in millions):

Customer	Three months ended September 30, 2012	Three months ended September 30, 2011	Segments reporting sales of metal
Valcambi	\$112.7	\$112.4	Palmarejo, San Bartolomé
Auramet	\$32.0	\$—	San Bartolomé, Kensington
Mitsui	\$14.2	\$49.9	Palmarejo, San Bartolomé, Rochester
International Commodities	\$10.8	\$47.0	Palmarejo, San Bartolomé, Rochester
Standard	\$17.5	\$36.0	Palmarejo

The following table indicates customers that represent 10% or more of total sales of metal for the nine months ended September 30, 2012 and 2011 (in millions):

Customer	Nine months ended September 30, 2012	Nine months ended September 30, 2011	Segments reporting sales of metal
Valcambi	\$368.9	\$255.3	Palmarejo, San Bartolomé
Standard	\$42.0	\$86.4	Palmarejo
Mitsui	\$40.1	\$81.9	Palmarejo, San Bartolomé, Rochester
China National Gold	\$25.7	\$94.4	Kensington
International Commodities	\$34.7	\$93.3	Palmarejo, San Bartolomé, Rochester

## NOTE 18 – SEGMENT REPORTING

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

The operating segments are managed separately because each segment represents a distinct use of company resources and a separate contribution to the Company's cash flows. The Company's reportable operating segments include the Palmarejo, San Bartolomé, Martha, Rochester, Kensington and Endeavor mining properties. All operating segments are engaged in the discovery and/or mining of gold and silver and generate the majority of their revenues from the sale of these precious metal concentrates and/or refined precious metals. The Martha mine sells precious metal concentrates, typically under long-term contracts, to trading partners located in the United States and Switzerland. The Kensington mine sells precious metals and concentrates, typically under long-term contracts to smelters in China and Germany. Refined gold and silver produced by the Rochester, Palmarejo, and San Bartolomé mines are principally sold on a spot basis to precious metals trading banks such as International Commodities, Mitsui, Mitsubishi, Standard Bank, TD Securities, Valcambi and Auramet. Concentrates produced at the Endeavor mine are sold to Nyrstar (formerly Zinifex), an Australian smelter. The Company's exploration programs are reported in its other segment. The other segment also includes the corporate headquarters, elimination of intersegment transactions and other items necessary to reconcile to consolidated amounts. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies above. The Company evaluates performance and allocates resources based on profit or loss before interest, income taxes, depreciation and amortization, unusual and infrequent items and extraordinary items.

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Coeur d'Alene Mines Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

Financial information relating to the Company's segments is as follows (in thousands):

Three months ended September 30, 2012	Palmarejo Mine	San Bartolomé Mine	Kensington Mine	Rochester Mine	Martha Mine	Endeavor Mine	Other	Total
Sales of metals	\$102,642	\$46,192	\$36,450	\$36,244	\$4,933	\$4,132	\$—	\$230,593
Productions costs applicable to sales	(48,672 )	(19,937 )	(26,881 )	(21,014 )	(6,481 )	(1,982 )	—	(124,967 )
Depreciation and depletion	(34,007 )	(4,163 )	(11,512 )	(2,061 )	(32 )	(898 )	(171 )	(52,844 )
Gross profit (loss)	19,963	22,092	(1,943 )	13,169	(1,580 )	1,252	(171 )	52,782
Exploration expense	2,288	50	1,476	1,158	1,217	—	768	6,957
Loss on impairment	—	—	—	—	1,293	—	—	1,293
Other operating expenses	—	50	39	1,109	133	—	9,212	10,543
OPERATING INCOME (LOSS)	17,675	21,992	(3,458 )	10,902	(4,223 )	1,252	(10,151 )	33,989
Interest and other income, net	4,914	8,353	—	59	(342 )	—	(320 )	12,664
Interest expense, net	(4,401 )	(11 )	(1,834 )	(6 )	(2 )	—	(1,097 )	(7,351 )
Fair value adjustments, net	(34,266 )	—	(4,283 )	—	—	—	901	(37,648 )
Income tax expense	5,495	(23,106 )	—	—	1,233	(202 )	(895 )	(17,475 )
Net income (loss)	\$(10,583 )	\$7,228	\$(9,575 )	\$10,955	\$(3,334 )	\$1,050	\$(11,562 )	\$(15,821 )
Segment assets (A)	\$1,926,695	\$299,041	\$520,619	\$104,066	\$11,339	\$32,619	\$18,613	\$2,912,992
Capital expenditures (B)	\$11,321	\$4,406	\$9,034	\$4,777	\$6	\$—	\$428	\$29,972

Three months ended September 30, 2011	Palmarejo Mine	San Bartolomé Mine	Kensington Mine	Rochester Mine	Martha Mine	Endeavor Mine	Other	Total
Sales of metals	\$166,875	\$102,820	\$44,185	\$17,453	\$6,037	\$6,205	\$—	\$343,575
Productions costs applicable to sales	(64,112 )	(30,085 )	(24,347 )	(11,356 )	(8,143 )	(3,210 )	—	(141,253 )
Depreciation and depletion	(41,182 )	(6,067 )	(9,567 )	(573 )	(237 )	(914 )	(112 )	(58,652 )
Gross profit (loss)	61,581	66,668	10,271	5,524	(2,343 )	2,081	(112 )	143,670
Exploration expense	2,200	61	308	242	1,477	—	484	4,772
Other operating expenses	225	111	88	3,158	150	(1 )	7,776	11,507
OPERATING INCOME (LOSS)	59,156	66,496	9,875	2,124	(3,970 )	2,082	(8,372 )	127,391
Interest and other income, net	(6,278 )	(227 )	1	7	(99 )	—	(14 )	(6,610 )
Interest expense, net	(5,270 )	(9 )	(1,115 )	(14 )	(35 )	—	(1,537 )	(7,980 )
Loss on debt extinguishment	—	—	—	—	—	—	(784 )	(784 )
Fair value adjustments, net	(26,464 )	—	(22,244 )	—	—	—	(4,643 )	(53,351 )

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Income tax expense	(2,459 )	(25,063 )	(1 )	—	(173 )	107	(17 )	(27,606 )
Net income (loss)	\$18,685	\$41,197	\$(13,484 )	\$2,117	\$(4,277 )	\$2,189	\$(15,367 )	\$31,060
Segment assets (A)	\$2,050,108	\$265,488	\$515,335	\$55,734	\$19,537	\$37,546	\$17,693	\$2,961,441
Capital expenditures (B)	\$9,528	\$4,418	\$9,230	\$13,559	\$1,130	\$—	\$234	\$38,099

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

(B) Balance represents cash flow amounts

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Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

Nine months ended September 30, 2012	Palmarejo Mine	San Bartolomé Mine	Kensington Mine	Rochester Mine	Martha Mine	Endeavor Mine	Other	Total
Sales of metals	\$362,729	\$140,951	\$67,950	\$89,156	\$12,700	\$16,077	\$—	\$689,563
Productions costs applicable to sales	(157,070)	(56,317)	(60,078)	(51,331)	(17,276)	(7,272)	—	(349,344)
Depreciation and depletion	(114,525)	(12,452)	(27,836)	(5,763)	(1,332)	(4,134)	(418)	(166,460)
Gross profit (loss)	91,134	72,182	(19,964)	32,062	(5,908)	4,671	(418)	173,759
Exploration expense	5,232	51	1,971	3,003	7,391	—	2,181	19,829
Loss on impairment	—	—	—	—	6,106	—	—	6,106
Other operating expenses	—	80	75	3,142	411	—	24,366	28,074
OPERATING INCOME (LOSS)	85,902	72,051	(22,010)	25,917	(19,816)	4,671	(26,965)	119,750
Interest and other income, net	4,774	9,079	1	347	(912)	—	1,161	14,450
Interest expense, net	(14,883)	(47)	(3,627)	(21)	(3)	—	(2,997)	(21,578)
Fair value adjustments, net	(45,771)	—	(2,647)	—	—	—	3,696	(44,722)
Income tax expense	(10,015)	(41,684)	—	—	993	(202)	(5,865)	(56,773)
Net income (loss)	\$20,007	\$39,399	\$(28,283)	\$26,243	\$(19,738)	\$4,469	\$(30,970)	\$11,127
Segment assets (A)	\$1,926,695	\$299,041	\$520,619	\$104,066	\$11,339	\$32,619	\$18,613	\$2,912,992
Capital expenditures (B)	\$29,665	\$22,413	\$29,235	\$10,362	\$1,194	\$—	\$988	\$93,857
Nine months ended September 30, 2011	Palmarejo Mine	San Bartolomé Mine	Kensington Mine	Rochester Mine	Martha Mine	Endeavor Mine	Other	Total
Sales of metals	\$378,767	\$204,739	\$118,307	\$46,149	\$10,492	\$15,835	\$—	\$774,289
Productions costs applicable to sales	(139,251)	(58,329)	(70,111)	(24,054)	(11,502)	(7,582)	—	(310,829)
Depreciation and depletion	(116,610)	(16,392)	(28,822)	(1,671)	(82)	(2,398)	(359)	(166,334)
Gross profit (loss)	122,906	130,018	19,374	20,424	(1,092)	5,855	(359)	297,126
Exploration expense	4,112	96	674	604	4,300	—	1,825	11,611
Other operating expenses	225	219	224	17,719	150	(1)	21,707	40,243
OPERATING INCOME (LOSS)	118,569	129,703	18,476	2,101	(5,542)	5,856	(23,891)	245,272
Interest and other income, net	(4,450)	560	4	58	(588)	—	2,470	(1,946)
Interest expense, net	(17,085)	(45)	(3,722)	(14)	(448)	—	(5,239)	(26,553)
Loss on debt extinguishment	—	—	—	—	—	—	(1,640)	(1,640)
Fair value adjustments, net	(46,505)	—	(20,568)	—	—	—	(3,978)	(71,051)
Income tax expense	(12,521)	(47,209)	(21)	—	(542)	104	(1,758)	(61,947)

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Net income (loss)	\$38,008	\$83,009	\$(5,831)	) \$2,145	\$(7,120)	) \$5,960	\$(34,036)	\$82,135
Segment assets (A)	\$2,050,108	\$265,488	\$515,335	\$55,734	\$19,537	\$37,546	\$17,693	\$2,961,441
Capital expenditures (B)	\$24,887	\$11,230	\$21,964	\$19,428	\$1,954	\$—	\$317	\$79,780

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

(B) Balance represents cash flow amounts

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	September 30, 2012	December 31, 2011
Assets		
Total assets for reportable segments	\$ 2,912,992	\$ 2,963,130
Cash and cash equivalents	142,915	175,012
Short term investments	657	20,254
Other assets	123,876	106,045
Total consolidated assets	\$ 3,180,440	\$ 3,264,441
Geographic Information		
	September 30, 2012	December 31, 2011
Long Lived Assets:		
United States	\$ 522,595	\$ 515,096
Australia	29,865	33,999
Chile	65	65
Argentina	1,772	5,213
Bolivia	241,890	230,956
Mexico	1,818,283	1,903,374
Total	\$ 2,614,470	\$ 2,688,703

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Revenues:				
United States	\$72,694	\$61,638	\$157,106	\$164,456
Mexico	102,642	166,875	362,729	378,767
Bolivia	46,192	102,820	140,951	204,739
Australia	4,132	6,205	16,077	15,835
Argentina	4,933	6,037	12,700	10,492
Total	\$230,593	\$343,575	\$689,563	\$774,289

NOTE 19 – LITIGATION AND OTHER EVENTS

Sites Related to Callahan Mining Corporation

In 1991, the Company acquired all of the outstanding common stock of Callahan Mining Corporation. Since then, the Company has received requests for information or notices of potential liability from state or federal agencies with regard to Callahan's operations at sites in Idaho, Maine, Colorado and Washington. The Company did not make any decisions with respect to generation, transport or disposal of hazardous waste at these sites. Therefore, the Company believes that it is not liable for any potential cleanup costs either directly as an operator or indirectly as a parent. To date, none of these agencies have made any claims against the Company or Callahan for cleanup costs. The Company anticipates that further agency interaction may be possible with respect to two of these sites.

Callahan operated a mine and mill in Brooksville, Maine from 1968 until 1972 and subsequently disposed of the property. In 2000, the U.S. Environmental Protection Agency, or EPA, made a formal request to the Company for information regarding the site. The site was placed on the National Priorities List on September 5, 2002, and the Maine Department of Transportation, a partial owner of the property, signed a consent order in 2005. In January 2009, the EPA and the State of Maine made additional formal requests to the Company for information relating to the site, to which the Company responded. The first phase of cleanup at the site began in April 2011.

The Van Stone Mine in Stevens County, Washington consists of several parcels and was mined from 1926 until 1993. Callahan sold its parcel in 1990. In February 2010, the State of Washington Department of Ecology notified Callahan

Mining Corporation that it, among others, is a potentially liable person (PLP) under Washington law. Asarco LLC ("Asarco"), an affiliate of American Smelting and Refining Company, which developed the mill on the site in 1951, settled for \$3.5 million. Another potentially liable person, Vaagen Brothers, signed a consent order which allows access to the site for a Remedial Investigation and Feasibility Study. Neither the Company nor Callahan Mining Corporation has received any further notices from the Washington



Coeur d'Alene Mines Corporation and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

Department of Ecology. On June 5, 2012, Asarco filed a lawsuit in the U.S. District Court for the Eastern District of Washington against five named defendants, including Callahan Mining Corporation, seeking contribution for the \$3.5 million settlement. Callahan Mining Corporation does not believe it has any liability to Asarco. On August 10, 2012, Callahan filed a motion with the Court for dismissal as a party to the lawsuit. A hearing on the motion is set for November 8, 2012.

**Bolivian Temporary Restriction on Mining above 4,400 Meters**

On October 14, 2009, the Bolivian state-owned mining organization, COMIBOL, announced by resolution that it was temporarily suspending mining activities above the elevation of 4,400 meters above sea level while stability studies of Cerro Rico mountain are undertaken. The Company holds rights to mine above this elevation under valid contracts with COMIBOL as well as under authorized contracts with local mining cooperatives that hold their rights under contract themselves with COMIBOL. The Company temporarily adjusted its mine plan to confine mining activities to the ore deposits below 4,400 meters above sea level and timely notified COMIBOL of the need to lift the restriction. The Cooperative Reserva Fiscal, with which the Company has one of those contracts, subsequently interpreted the COMIBOL resolution and determined that the Huacajchi deposit was not covered by such resolution. In March 2010, the Cooperative Reserva Fiscal notified COMIBOL that, based on its interpretation, it was resuming mining of high grade material above the 4,400 meter level in the Huacajchi deposit. In December 2011, the Cooperative Reserva Fiscal sent a similar notification to COMIBOL with respect to a further area above the 4,400 meter level known as Huacajchi Sur. Based on these notifications and on the absence of any objection from COMIBOL, the Company resumed mining operations at the San Bartolomé mine on the Huacajchi deposit and Huacajchi Sur. Mining in other areas above the 4,400 meter level continues to be suspended.

The partial suspension may reduce production until the Company is able to resume mining above 4,400 meters generally. It is uncertain at this time how long the suspension will remain in place. In addition, it is possible that COMIBOL may decide that the Company's operations at the Huacajchi deposit or Huacajchi Sur are subject to the COMIBOL resolution, which may force the Company to cease mining at such deposits. If COMIBOL objects to the Company mining at the Huacajchi deposit or Huacajchi Sur or if the other restrictions are not lifted, the Company may need to write down the carrying value of the asset. It is also uncertain if any new mining or investment policies or shifts in political attitude may affect mining in Bolivia.

**Unpatented Mining Claims Dispute at Rochester in Nevada**

On December 5, 2011, Coeur Rochester filed a lawsuit in the Sixth Judicial District Court of Nevada against Rye Patch Gold Corp and Rye Patch Gold US, Inc. seeking a declaratory judgment as to Coeur Rochester's ownership of 447 unpatented mining claims covering approximately 8,600 acres of federal lands in and surrounding the Coeur Rochester mine operation. On December 5, 2011, Rye Patch Gold US, Inc. filed a similar action asserting its interest in the claims in the Second Judicial District Court of Nevada. The Rye Patch action was subsequently moved to the Sixth Judicial Court and consolidated with Coeur Rochester's pending action. The dispute stems from competing asserted interests in the mining claims between Coeur Rochester and Rye Patch following Coeur Rochester's inadvertent failure to pay annual mining claim maintenance fees. On December 5, 2011, the court issued a temporary restraining order prohibiting Rye Patch from entering the property. On December 20, 2011, following a hearing, the District Court judge issued a preliminary injunction, enjoining Rye Patch from entering certain active mine areas at the Coeur Rochester mine operation. On March 6, 2012 Rye Patch filed a Motion for Preliminary Injunction to which Coeur Rochester responded in opposition on March 21, 2012. It is Coeur Rochester's position that there is no new material for review by the Court since the original preliminary injunction was granted in favor of Coeur Rochester. However, if granted in favor of Rye Patch, a preliminary injunction could halt Coeur Rochester's mining operations on the disputed claims. On May 7, 2012, the Court appointed a Special Master to address certain pre-trial matters. A hearing on the Motion was held before the Special Master appointed by the Court on June 27-28, 2012. On August 6, 2012, the Special Master issued a recommendation that the Court deny Rye Patch's motion on the grounds that Rye Patch did not demonstrate a likelihood of success on the merits of the case and did not show that it would suffer irreparable harm if a preliminary injunction were not granted. On August 9-10, 2012, the Court entered orders adopting a number of recommendations made by the Special Master regarding several pending motions, including an

order denying Rye Patch's motion to revoke the appointment of the Special Master. On October 12, 2012, the Court continued the original November 2012 trial date, which has since been re-scheduled for September 2013.

On August 27, 2012, Coeur Rochester filed a Motion for Partial Summary Judgment with the Court, requesting the Court enter an Order declaring that Rye Patch's LH Claims located within Coeur Rochester's current Bureau of Land Management (BLM) approved plan of operations boundary are invalid because claims located by trespass cannot be valid. On August 29, 2012, Rye Patch filed a competing Motion for Partial Summary Judgment requesting the Court enter an Order declaring Coeur Rochester's old unpatented mining claims as forfeited for failure to pay the annual maintenance fees to the BLM and that Rye Patch had a federal statutory right to locate the LH claims. Coeur Rochester and Rye Patch each has responded in opposition to the other party's motions and filed subsequent replies to the opposition.

On September 7, 2012, Rye Patch filed a petition with the Nevada Supreme Court requesting a special writ be issued to the District Court to prevent its enforcement of its appointment of the Special Master. On October 5, 2012, the Supreme Court entered

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Notes to Condensed Consolidated Financial Statements (Unaudited) - (Continued)

an order granting Rye Patch's request for a temporary stay of the appointment of the Special Master. Coeur Rochester filed an answer to Rye Patch's appeal with respect to the appointment of the Special Master on November 5, 2012. The Supreme Court will determine whether to hold a hearing or decide the appeal based only on the written filings. The Company believes it holds a superior property interest to Rye Patch based on flaws in the Rye Patch claims, and the Company's valid possessory rights in the claims. The mine operates under an approved BLM plan of operations and has continued normal operations while the legal action is pending. The Company cannot predict how the court will rule on the ownership interest in the claims and if all or some of the claims at issue will be retained by the Company. The Company believes there would be no impact to the current silver and gold reserves at Coeur Rochester assuming an adverse outcome. However, the Company does believe an adverse outcome would cause it to modify existing plans to further expand future mining operations and would require permits to be updated to reflect changes in claim ownership arising from an adverse outcome.

Appeal of Plan of Operations Amendment at Rochester in Nevada

The Rochester property is also the subject of an administrative appeal filed by Great Basin Resource Watch ("GBRW") with the Interior Board of Land Appeals ("IBLA"). This appeal challenges the decision of the U.S. Bureau of Land Management ("BLM") to approve a plan of operations amendment permitting resumed mining in the existing mine pit and construction of a new heap leach pad. GBRW asserts that the National Environmental Policy Act ("NEPA") required an Environmental Impact Statement for the plan of operations amendment, as opposed to the Environmental Assessment ("EA") that was prepared. GBRW further alleges that BLM violated the Federal Land Policy & Management Act ("FLPMA") by failing to avoid unnecessary and undue degradation of public lands. Because GBRW did not seek a stay of BLM's decision, operations are proceeding as approved. Coeur was granted intervenor status in the appeal and is actively participating in its resolution. The BLM and Coeur assert that the EA complies with NEPA and that BLM complied with FLPMA by, among other things, requiring mitigation of any possible future effects on water quality. BLM filed a Supplemental Briefing on March 1, 2012 regarding additional analysis conducted by the BLM further supporting and strengthening BLM and Coeur's positions that the EA complies with NEPA. The Company cannot predict whether this will result in further briefing with the IBLA, when the IBLA will rule on the appeal or what impact, if any, an adverse ruling may have on Rochester's operations.

NOTE 20 – SUBSEQUENT EVENTS

There were no subsequent events to be disclosed as of November 5, 2012.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide the reader of the Company's financial statements with a narrative from management's perspective on its financial condition, results of operations, liquidity and other factors that may affect our future results. The Company believes it is important to read its MD&A in conjunction with its Annual Report on Form 10-K for the year ended December 31, 2011, as well as other publicly available information.

This report contains numerous forward-looking statements relating to the Company's gold and silver mining business, including estimated production data, expected operating schedules, results of operations, ore reserves and resources, expected capital costs and other expected operating data and permit and other regulatory approvals. Such forward-looking statements are identified by the use of words such as "believes," "intends," "expects," "hopes," "may," "should," "will," "plan," "projected," "contemplates," "anticipates" or similar words. Actual production, operating schedules, results of operations, ore reserves and resources, capital costs and permit and regulatory approvals could differ materially from those projected in the forward-looking statements. The factors that could cause actual results to differ materially from those in the forward-looking statements include: (i) the risk factors set forth below under Part II, Item 1A and the risks and uncertainties discussed in this MD&A; (ii) risks and hazards inherent in the mining business (including environmental hazards, industrial accidents, weather or geologically related conditions); (iii) changes in the market prices of gold and silver; (iv) uncertainties inherent in the Company's production, exploratory and developmental activities, including risks relating to permitting and regulatory delays and disputed mining claims; (v) any future labor disputes or work stoppages; (vi) uncertainties inherent in the estimation of gold and silver ore reserves; (vii) changes that could result from the Company's future acquisition of new mining properties or businesses; (viii) reliance on third parties to operate certain mines where the Company owns silver production and reserves; (ix) the loss of any third-party smelter to which the Company markets silver and gold; (x) effects of environmental and other governmental regulations; (xi) risks inherent in the ownership or operation of or investment in mining properties or businesses in foreign countries; (xii) the worldwide economic downturn and difficult conditions in the global capital and credit markets; and (xiii) the Company's possible inability to raise additional financing necessary to conduct its business, make payments or refinance its debt. Readers are cautioned not to put undue reliance on forward-looking statements. The Company disclaims any intent or obligation to update publicly these forward-looking statements, whether as a result of new information, future events or otherwise.

**Non-U.S. GAAP Measures**

We supplement the reporting of our financial information determined under United States generally accepted accounting principles (U.S. GAAP) with certain non-U.S. GAAP financial measures, including cash operating costs, total cash costs, and operating cash flow. We believe that these adjusted measures provide meaningful information to assist management, investors and analysts in understanding our financial results and assessing our prospects for future performance. We believe these adjusted financial measures are important indicators of our recurring operations because they exclude items that may not be indicative of, or are unrelated to our core operating results, and provide a better baseline for analyzing trends in our underlying businesses. We believe cash operating costs and operating cash flow are important measures in assessing the Company's overall financial performance.

**Introduction to the Company**

The Company is a large primary silver producer with growing gold production and has assets located in the United States, Mexico, Bolivia, Argentina and Australia. The Palmarejo mine, San Bartolomé mine, Kensington mine, Rochester mine and Martha mine, each of which is operated by the Company, and the Endeavor mine, which is operated by a non-affiliated party, constituted the Company's principal sources of mining revenues during the first nine months of 2012. The Martha mine ceased active operations in September of 2012.

The Company's business strategy is to discover, acquire, develop and operate low-cost silver and gold operations that it expects to produce long-term cash flow, provide opportunities for growth through continued exploration, and generate superior and sustainable returns for shareholders. The Company's management focuses on maximizing cash flow from its existing operations, the main elements of which are silver and gold prices, cash costs of production and capital expenditures. The Company also focuses on reducing its non-operating costs in order to maximize cash flow.

The results of the Company's operations are significantly affected by the prices of silver and gold, which may fluctuate widely and are affected by numerous 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. In addition, the Company faces challenges including raising capital, increasing production and managing social, political and environmental issues. Operating costs at its mines are subject to variation due to a number of factors such as changing commodity prices, ore grades, metallurgy, revisions to mine plans and changes in accounting principles. At foreign locations, operating costs are also influenced by currency fluctuations that may affect the Company's U.S.

dollar costs.

## Overview of Performance

### Production

In the third quarter of 2012, the Company's total silver production decreased 10.2% to 4.4 million ounces as compared to 4.9 million ounces in the comparable period in 2011. The decrease is primarily due to lower production from Palmarejo and San Bartolomé compared to the same time period in 2011. The reduced production at Palmarejo was primarily the result of slower advances in the underground operations due to unfavorable ground conditions encountered in September and a transition in open pit production. The reduction at San Bartolomé was due to unplanned temporary mill interruptions in the month of August due to power interruptions. The Company's total gold production in the third quarter of 2012 increased by 1,716 ounces, or 3.0%, to 58,768 ounces, as compared to 57,052 ounces in the comparable period in 2011. The increase was primarily driven by increased gold production at the Rochester mine.

### Sales of Metal

Sales of metal decreased \$113.0 million, or 32.9%, to \$230.6 million in the third quarter of 2012, compared to \$343.6 million in the third quarter of 2011, primarily due to the production decreases at the Palmarejo and San Bartolomé mines. The Company's average realized silver and gold prices during the third quarter of 2012 were \$30.09 per ounce and \$1,654 per ounce, respectively, representing a decrease of 21.4% and a decrease of 1.6%, respectively, over last year's third quarter. Sales of silver contributed 58.8% of the Company's total metal sales during the third quarter of 2012, compared to 68.0% during the third quarter of 2011.

### Earnings

The Company reported a net loss of \$15.8 million, or \$0.18 per share, compared to net income of \$31.1 million, or \$0.35 per share, for the three months ended September 30, 2012 and 2011, respectively. The earnings reflect non-cash fair value adjustments that decreased net income by \$37.6 million and \$53.4 million in the three months ended September 30, 2012 and 2011, respectively. These fair value adjustments are driven primarily by changing gold prices which impact the estimated future liabilities related to the Palmarejo gold production royalty obligation.

Production costs decreased by \$16.3 million or 11.5% for the three months ended September 30, 2012 compared to the same time period in 2011. The decrease was due primarily to a lower volume of ounces sold when compared to the same time period during 2011.

Depreciation, depletion, and amortization decreased by \$5.8 million or 9.9% for the three months ended September 30, 2012 compared to the same time period in 2011 as a result of decreased depletion at Palmarejo due to a decrease in volume. This was offset by increased depreciation at Palmarejo, Kensington, and Rochester from new projects that have been completed this year.

Administrative and general expenses increased by \$2.0 million or 24.6% during the three months ended September 30, 2012 compared to the same time period in 2011. The increase was primarily due to increased legal and finance related expense and salaries and relocation costs for new employees.

Exploration expense increased by \$2.2 million or 45.8% for the three months ended September 30, 2012 compared to the same time period in 2011 as a result of increased exploration activity at the Palmarejo, Kensington and Rochester mines, and at the Joaquin project.

Pre-development, care, maintenance and other expenses decreased by \$3.0 million or 91.5% during the three months ended September 30, 2012 compared to the same time period in 2011, due to lower expenses at the Rochester mine as a result of the new leach pad being placed into service during the fourth quarter of 2011.

Interest expense decreased \$0.6 million or 7.9% during the three months ended September 30, 2012 as compared to the same period in 2011, primarily due to a decrease in total debt outstanding.

### Other Highlights

In addition to the matters discussed above regarding the key elements of the Company's business strategy, the matters management considers most important in evaluating the Company's financial condition and results of operations include:

• The average price of silver (Handy & Harman) and gold (London Gold PM) for the three months ended September 30, 2012 was \$29.88 and \$1,652 per ounce, respectively, compared to \$38.96 and \$1,702 per ounce, respectively, for the three months ended September 30, 2011. The closing market price of silver and gold on

November 5, 2012 was \$31.02 per ounce and \$1,684 per ounce, respectively.

Net cash provided by operating activities for the third quarter of 2012 was \$79.7 million, compared to \$181.9 million during the third quarter of 2011. The reduction was primarily the result of lower sales during the quarter.

The Company spent \$30.0 million on capital expenditures in the third quarter of 2012, which is \$8.1 million lower than

the same time period last year. Capital expenditures in the third quarter were primarily related to capitalized exploration drilling and development of the Guadalupe satellite underground mine; underground development at Palmarejo; and tailings expansion, underground development and expanded dormitories at Kensington.

The Company's ratio of current assets to current liabilities was 1.67 to 1 at September 30, 2012, compared to 1.84 to 1 at December 31, 2011.

The Company repurchased 475,500 shares of its common stock for \$10.0 million during the quarter.

The Company finalized a \$100 million, four-year revolving credit facility and terminated and repaid the remaining outstanding balance of the Kensington Term Facility.

#### Operating Highlights and Statistics

##### Palmarejo Mine:

Production during the third quarter of 2012 was 1.8 million ounces of silver, which represented a 18.6% decrease compared to the third quarter of 2011. Gold production was 23,702 ounces, which represented a 20.5% decrease from the third quarter of 2011. The reduced production was primarily the result of slower advances in the underground operations due to unfavorable ground conditions encountered in September and a transition in open pit production. Cash operating costs and total cash costs per silver ounce during the third quarter increased to \$3.75 compared to \$(1.16) for the third quarter of 2011. Higher cash operating costs per ounce were due to decreased production, increased mining costs for additional ground support, increased maintenance costs and increased waste haulage costs in the open pit. Production costs applicable to sales for the three months ended September 30, 2012 decreased by 24.1% compared to the same time period in 2011 due primarily to a lower volume of ounces sold when compared to the same time period during 2011.

##### San Bartolomé Mine:

Silver production for the third quarter of 2012 decreased 25.6% to 1.5 million ounces of silver compared to 2.1 million ounces of silver in the third quarter of 2011 due in part to a temporary electric power problem and lubrication system repairs, which led to unplanned mill interruptions.

Production costs applicable to sales decreased by 33.7% during the third quarter of 2012 as compared to the third quarter of 2011 due primarily to a lower volume of ounces sold when compared to the same time period during 2011. Total cash operating costs per ounce during the third quarter of 2012 were \$12.13 and total cash costs per ounce, including royalties and taxes, were \$13.36 compared to \$9.32 and \$10.89, respectively, in the third quarter of 2011. On October 14, 2009, the Bolivian state-owned mining organization, COMIBOL, announced by resolution that it was temporarily suspending mining activities above the elevation of 4,400 meters above sea level while stability studies of the Cerro Rico mountain are undertaken. The Company holds rights to mine above this elevation under valid contracts with COMIBOL as well as under authorized contracts with local mining cooperatives that hold their rights under contract themselves with COMIBOL. The Company temporarily adjusted its mine plan to confine mining activities to the ore deposits below 4,400 meters above sea level and timely notified COMIBOL of the need to lift the restriction. The Cooperative Reserva Fiscal, with which the Company has one of those contracts, subsequently interpreted the COMIBOL resolution and determined that the Huacajchi deposit was not covered by such resolution. In March 2010, the Cooperative Reserva Fiscal notified COMIBOL that, based on its interpretation, it was resuming mining of high grade material above the 4,400 meter level in the Huacajchi deposit. In December 2011, the Cooperative Reserva Fiscal sent a similar notification to COMIBOL with respect to a further area above the 4,400 meter level known as Huacajchi Sur. Based on these notifications and on the absence of any objection from COMIBOL, the Company resumed mining operations at the San Bartolomé mine on the Huacajchi deposit and Huacajchi Sur. Mining in other areas above the 4,400 meter level continues to be suspended.

The partial suspension may reduce production until the Company is able to resume mining above 4,400 meters generally. It is uncertain at this time how long the suspension will remain in place. In addition, it is possible that COMIBOL may decide that the Company's operations at the Huacajchi deposit or Huacajchi Sur are subject to the COMIBOL resolution, which may force the Company to cease mining at such deposits. If COMIBOL objects to the Company mining at the Huacajchi deposit or Huacajchi Sur or if the other restrictions are not lifted, the Company may need to write down the carrying value of the asset. It is also uncertain if any new mining or investment policies or shifts in political attitude may affect mining in Bolivia.

##### Kensington Mine:



Production at Kensington during the third quarter of 2012 was 24,391 ounces of gold, as compared to 25,687 ounces of gold for the same time period of 2011. Total cash operating costs per ounce in the third quarter of 2012 were \$1,298 as compared to \$973 for the same time period during 2011. Higher than expected costs in the third quarter were due to increased definition drilling and maintenance costs for unplanned generator rebuilds.

Continuous improvements at the mill resulted in a 95.9% recovery rate compared to 94.2% in the second quarter 2012. Rochester Mine:

Production was 0.8 million ounces of silver and 10,599 ounces of gold during the third quarter of 2012 compared to 0.4 million ounces of silver and 1,435 ounces of gold in the third quarter of 2011. Production costs applicable to sales increased to \$21.0 million during the third quarter of 2012, as compared to \$11.4 million during the same time period in 2011 due to the increase in production. Total cash operating costs per ounce in the third quarter of 2012 were \$9.58 and total cash costs per ounce, including production taxes and royalties, were \$11.34 in the third quarter of 2012 as compared to total cash operating costs per silver ounce of \$36.71 and total cash costs per silver ounce of \$39.80 in the third quarter of 2011.

In 2008, the Company commenced studies to investigate the potential to recommence mining and leaching of new material and in 2009 and 2010 completed feasibility studies demonstrating the viability of an expansion of mining and leaching operations at the mine through 2017. The Company prepared an Amended Plan of Operations for resumption of mining within the existing and permitted Rochester pit and construction of an additional heap leach pad, all within the currently permitted mine boundary. The Bureau of Land Management (BLM) deemed this plan complete in August 2009 under federal regulations and initiated the National Environmental Policy Act process. The BLM issued a positive Decision Record (DR) for the mine to extend silver and gold mining operations by several years. The Company began to recover new production ounces in the fourth quarter of 2011.

Martha Mine:

Silver production at the Martha mine was 0.1 million ounces in the third quarter of 2012 compared to 0.1 million ounces in the third quarter of 2011. Total cash operating costs per ounce in the third quarter of 2012 were \$48.12 and total cash costs per ounce, including royalties and taxes, were \$49.20, as compared to \$39.31 and \$41.29, respectively, during the third quarter of 2011. Due to high operating costs and a short remaining expected mine life, the Company evaluated strategic and operational alternatives for the Martha mine and recorded an impairment charge of \$4.8 million in the second quarter of 2012. The Martha mine ceased active mining operations in September 2012 and the Company recorded an additional impairment charge of \$1.3 million.

Endeavor Mine:

Silver production at the Endeavor mine in the third quarter of 2012 was 0.1 million ounces compared to 0.1 million ounces in the third quarter of 2011. Production costs applicable to sales were \$2.0 million for the quarter compared to \$3.2 million in the third quarter of 2011. Total cash costs per ounce of silver produced were \$15.97 in the third quarter of 2012 compared to \$22.26 in the third quarter of 2011. The decrease in total cash costs per ounce was primarily due to the price participation component terms of the silver purchase agreement with CBH Resources Ltd. Under the terms of the price participation component, CDE Australia Pty. Ltd, a subsidiary of the Company, pays an additional operating cost contribution of 50% of the amount by which the silver price exceeds \$7.00 per ounce.

As of September 30, 2012, CDE Australia Pty Ltd had recovered approximately 96.0% of the transaction consideration consisting of 4.1 million payable ounces, or 20.5% of the 20.0 million maximum payable silver ounces to which CDE Australia Pty. Ltd is entitled under the terms of the silver sale and purchase agreement.

Minority Investments in Silver and Gold Development Companies

Between January 1, 2011 and September 30, 2012, the Company made strategic minority investments in eight silver and gold development companies in North and South America as part of its business growth strategy. Coeur made such investments in Apogee Silver Ltd; Caracara Silver Peru, Inc.; Huldra Silver, Inc.; Silver Bull Resources, Inc.; Soltoro Ltd.; Pershing Gold Corporation; International Northair Mines Ltd; and Commonwealth Silver and Gold Mining, Inc. As of September 30, 2012, the Company's investments in these companies had an estimated fair value of \$31.2 million.

## Operating Statistics from Continuing Operations

The following table presents information by mine and consolidated sales information for the three and nine month periods ended September 30, 2012 and 2011:

	Three months ended September 30,		Nine months ended September 30,		
	2012	2011	2012	2011	
<b>Silver Operations:</b>					
<b>Palmarejo</b>					
Tons milled	532,775	403,978	1,551,242	1,217,437	
Ore grade/Ag oz	3.82	7.34	5.21	6.88	
Ore grade/Au oz	0.04	0.08	0.06	0.08	
Recovery/Ag oz <sup>(1)</sup>	90.0	% 75.9	% 82.7	% 75.8	%
Recovery/Au oz <sup>(1)</sup>	102.5	% 93.6	% 95.1	% 92.2	%
Silver production ounces	1,833,109	2,250,818	6,681,407	6,351,120	
Gold production ounces	23,702	29,815	86,040	90,963	
Cash operating cost/oz	\$3.75	\$(1.16)	\$(0.12)	\$(0.47)	)
Cash cost/oz	\$3.75	\$(1.16)	\$(0.12)	\$(0.47)	)
Total production cost/oz	\$22.53	\$17.33	\$17.14	\$18.07	
<b>San Bartolomé</b>					
Tons milled	344,349	428,978	1,113,458	1,195,286	
Ore grade/Ag oz	4.91	5.40	4.58	5.21	
Recovery/Ag oz <sup>(1)</sup>	90.3	% 88.6	% 90.0	% 88.3	%
Silver production ounces	1,525,725	2,051,426	4,587,359	5,503,951	
Cash operating cost/oz	\$12.13	\$9.32	\$11.12	\$9.07	
Cash cost/oz	\$13.36	\$10.89	\$12.29	\$10.58	
Total production cost/oz	\$16.56	\$13.90	\$15.14	\$13.61	
<b>Martha</b>					
Tons milled	27,281	24,086	100,548	64,025	
Ore grade/Ag oz	4.17	5.33	4.01	7.24	
Ore grade/Au oz	0.003	0.01	0.004	0.01	
Recovery/Ag oz <sup>(1)</sup>	81.5	% 92.3	% 80.3	% 86.2	%
Recovery/Au oz <sup>(1)</sup>	82.6	% 72.9	% 72.2	% 74.0	%
Silver production ounces	92,698	118,523	323,286	399,630	
Gold production ounces	76	115	257	471	
Cash operating cost/oz	\$48.12	\$39.31	\$49.82	\$32.48	
Cash cost/oz	\$49.20	\$41.29	\$50.76	\$33.95	
Total production cost/oz	\$58.52	\$45.73	\$57.25	\$35.31	
<b>Rochester <sup>(A)</sup></b>					
Tons milled	2,361,951	607,031	6,640,365	607,031	
Ore grade/Ag oz	0.52	0.34	0.56	0.34	
Ore grade/Au oz	0.004	0.007	0.005	0.007	
Recovery/Ag oz <sup>(2)</sup>	67.0	% 168.3	% 52.6	% 487.5	%
Recovery/Au oz <sup>(2)</sup>	102.4	% 35.8	% 84.1	% 106.8	%
Silver production ounces	819,349	351,717	1,973,392	1,018,844	
Gold production ounces	10,599	1,435	26,012	4,283	
Cash operating cost/oz	\$9.58	\$36.71	\$12.75	\$17.46	
Cash cost/oz	\$11.34	\$39.80	\$14.38	\$19.87	
Total production cost/oz	\$13.96	\$41.72	\$17.50	\$21.75	

1. Recoveries are affected by timing inherent in the leaching process.

2.

Recoveries at Rochester are affected by residual leaching on Stage IV and timing differences inherent in the heap leaching process.

	Three months ended September 30,		Nine months ended September 30,		
	2012	2011	2012	2011	
Endeavor					
Tons milled	205,096	182,226	601,999	556,901	
Ore grade/Ag oz	1.22	1.43	2.61	1.97	
Recovery/Ag oz <sup>(1)</sup>	56.0	% 53.0	% 40.0	% 45.8	%
Silver production ounces	140,267	137,843	628,393	501,638	
Cash operating cost/oz	\$15.97	\$22.26	\$16.82	\$19.79	
Cash cost/oz	\$15.97	\$22.26	\$16.82	\$19.79	
Total production cost/oz	\$22.37	\$28.88	\$23.40	\$24.57	
Gold Operation:					
Kensington <sup>(B)</sup>					
Tons milled	123,428	116,255	265,158	343,640	
Ore grade/Au oz	0.21	0.24	0.21	0.24	
Recovery/Au oz <sup>(1)</sup>	95.9	% 91.7	% 94.9	% 92.3	%
Gold production ounces	24,391	25,687	53,407	75,121	
Cash operating cost/oz	\$1,298	\$973	\$1,515	\$961	
Cash cost/oz	\$1,298	\$973	\$1,515	\$961	
Total production cost/oz	\$1,770	\$1,346	\$2,037	\$1,345	
CONSOLIDATED PRODUCTION TOTALS <sup>(B)</sup>					
Total silver ounces	4,411,148	4,910,326	14,193,197	13,775,183	
Total gold ounces	58,768	57,052	165,716	170,838	
Silver Operations: <sup>(C)</sup>					
Cash operating cost per oz - silver	\$9.05	\$7.57	\$7.19	\$6.36	
Cash cost per oz - silver	\$9.83	\$8.49	\$7.82	\$7.18	
Total production cost oz - silver	\$19.62	\$18.65	\$17.74	\$17.30	
Gold Operation: <sup>(D)</sup>					
Cash operating cost per oz - gold	\$1,298	\$973	\$1,515	\$961	
Cash cost per oz - gold	\$1,298	\$973	\$1,515	\$961	
Total production cost per oz - gold	\$1,770	\$1,346	\$2,037	\$1,345	
CONSOLIDATED SALES TOTALS <sup>(E)</sup>					
Silver ounces sold	4,520,500	6,200,397	14,412,503	13,922,833	
Gold ounces sold	59,156	67,391	157,621	183,243	
Realized price per silver ounce	\$30.09	\$38.28	\$30.52	\$36.69	
Realized price per gold ounce	\$1,654	\$1,681	\$1,649	\$1,523	

(A) The Rochester mine recommenced production in the fourth quarter of 2011. The leach cycle at Rochester requires five to ten years to recover gold and silver contained in the ore. The Company estimates the ultimate recovery to be approximately 61% for silver and 92% for gold. However, ultimate recoveries will not be known until leaching operations cease, which is currently estimated for 2017. Current recovery may vary significantly from ultimate recovery. See Critical Accounting Policies and Estimates – Ore on Leach Pad in the Company’s Form 10-K for the year ended December 31, 2011.

(B) Current production ounces and recoveries reflect final metal settlements of previously reported production ounces.

(C) Amount includes by-product gold credits deducted in computing cash costs per ounce.

(D) Amounts reflect Kensington per ounce statistics only.

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

“Cash Operating Costs per Ounce” and “Cash Costs per Ounce” are calculated by dividing the operating cash costs and 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 operating costs per ounce and cash costs per ounce as key indicators of the profitability of each of its mining properties. Gold and silver are sold and priced in the world financial markets on a U.S. dollar per ounce basis.

“Cash Operating Costs” and “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 expenses, on-site general and administrative costs, royalties, in-mine drilling expenditures related to production and other direct costs. Produced by-product metal units at the average market price is deducted from the above in computing cash costs. Cash costs exclude depreciation, depletion and amortization, accretion, corporate general and administrative expenses, exploration, interest, and pre-feasibility costs. Cash operating costs include all cash costs except production taxes and royalties, if applicable. Cash costs are calculated and presented using the “Gold Institute Production Cost Standard” applied consistently for all periods presented.

Total cash operating costs and cash costs per ounce are non-U.S. GAAP measures and investors are cautioned not to place undue reliance on them and are urged to read all U.S. GAAP accounting disclosures presented in the consolidated financial statements and accompanying footnotes. In addition, see the reconciliation of “cash costs” to production costs under “Reconciliation of Non-U.S. GAAP Cash Costs to U.S. GAAP Production Costs” set forth below. We supplement the reporting of our financial information determined under United States generally accepted accounting principles (U.S. GAAP) with certain non-U.S. GAAP financial measures, including cash operating costs, cash costs and operating cash flow. We believe that these adjusted measures provide meaningful information to assist management, investors and analysts in understanding our financial results and assessing our prospects for future performance. We believe these adjusted financial measures are important indicators of our recurring operations because they exclude items that may not be indicative of, or are unrelated to our core operating results, and provide a better baseline for analyzing trends in our underlying businesses. We believe cash operating costs, cash costs and operating cash flow are important measures in assessing the Company's overall financial performance.

The following tables present a reconciliation between non-U.S. GAAP cash operating costs per ounce and cash costs per ounce to production costs applicable to sales including depreciation, depletion and amortization, which are calculated in accordance with U.S. GAAP:

Reconciliation of Non-U.S. GAAP Cash Costs to U.S. GAAP Production Costs

Three months ended

September 30, 2012

(In thousands except ounces and per ounce costs)

	Palmarejo	San Bartolomé	Kensington	Rochester	Martha	Endeavor	Total
Total cash operating cost (Non-U.S. GAAP)	\$6,878	\$18,504	\$31,660	\$7,853	\$4,461	\$2,241	\$71,597
Royalties	—	1,879	—	1,441	100	—	3,420
Production taxes	—	—	—	—	—	—	—
Total cash costs (Non-U.S. GAAP)	\$6,878	\$20,383	\$31,660	\$9,294	\$4,561	\$2,241	\$75,017
Add/Subtract:							
Third party smelting costs	—	—	(3,141)	—	(541)	(605)	(4,287)
By-product credit	39,034	—	—	17,506	124	—	56,664
Other adjustments	424	720	2	85	798	—	2,029
Change in inventory	2,337	(1,166)	(1,639)	(5,871)	1,539	345	(4,455)
Depreciation, depletion and amortization	33,997	4,161	11,512	2,061	66	898	52,695
Production costs applicable to sales, including depreciation, depletion and amortization (U.S. GAAP)	\$82,670	\$24,098	\$38,394	\$23,075	\$6,547	\$2,879	\$177,663
Production of silver (ounces)	1,833,109	1,525,725	—	819,349	92,698	140,267	4,411,148
Cash operating cost per silver ounce	\$3.75	\$12.13	\$—	\$9.58	\$48.12	\$15.97	\$9.05

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Cash costs per silver ounce	\$3.75	\$13.36	\$—	\$11.34	\$49.20	\$15.97	\$9.83
Production of gold (ounces)	—	—	24,391	—	—	—	24,391
Cash operating cost per gold ounce	\$—	\$—	\$1,298	\$—	\$—	\$—	\$1,298
Cash cost per gold ounce	\$—	\$—	\$1,298	\$—	\$—	\$—	\$1,298



## Reconciliation of Non-U.S. GAAP Cash Costs to U.S. GAAP Production Costs

Nine months ended

September 30, 2012

(In thousands except

ounces and per ounce

costs)

	Palmarejo	San Bartolomé	Kensington	Rochester	Martha	Endeavor	Total
Total cash operating cost (Non-U.S. GAAP)	\$(774 )	\$51,006	\$80,911	\$25,164	\$16,110	\$10,571	\$182,988
Royalties	—	5,372	—	1,959	305	—	7,636
Production taxes	—	—	—	1,255	—	—	1,255
Total cash costs (Non-U.S. GAAP)	\$(774 )	\$56,378	\$80,911	\$28,378	\$16,415	\$10,571	\$191,879
Add/Subtract:							
Third party smelting costs	—	—	(7,044 )	—	(3,959 )	(2,843 )	(13,846 )
By-product credit	141,923	—	—	42,758	422	—	185,103
Other adjustments	792	642	17	401	882	—	2,734
Change in inventory	15,129	(703 )	(13,805 )	(20,206 )	3,516	(457 )	(16,526 )
Depreciation, depletion and amortization	114,499	12,450	27,836	5,763	1,216	4,134	165,898
Production costs applicable to sales, including depreciation, depletion and amortization (U.S. GAAP)	\$271,569	\$68,767	\$87,915	\$57,094	\$18,492	\$11,405	\$515,242
Production of silver (ounces)	6,681,407	4,587,359	—	1,973,392	323,286	628,393	14,193,197
Cash operating cost per silver ounce	\$(0.12 )	\$11.12	\$—	\$12.75	\$49.82	\$16.82	\$7.19
Cash costs per silver ounce	\$(0.12 )	\$12.29	\$—	\$14.38	\$50.76	\$16.82	\$7.82
Production of gold (ounces)	—	—	53,407	—	—	—	53,407
Cash operating cost per gold ounce	\$—	\$—	\$1,515	\$—	\$—	\$—	\$1,515
Cash cost per gold ounce	\$—	\$—	\$1,515	\$—	\$—	\$—	\$1,515

## Reconciliation of Non-U.S. GAAP Cash Costs to U.S. GAAP Production Costs

Three months ended

September 30, 2011

(In thousands except

ounces and per ounce

costs)

	Palmarejo	San Bartolomé	Kensington	Rochester	Martha	Endeavor	Total
Total cash operating cost (Non-U.S. GAAP)	\$(2,607 )	\$19,120	\$25,000	\$12,912	\$4,660	\$3,068	\$62,153
Royalties	—	3,217	—	827	234	—	4,278
Production taxes	—	—	—	260	—	—	260
Total cash costs (Non-U.S. GAAP)	\$(2,607 )	\$22,337	\$25,000	\$13,999	\$4,894	\$3,068	\$66,691
Add/Subtract:							
Third party smelting costs	—	—	(3,096 )	—	(566 )	(808 )	(4,470 )
By-product credit	51,185	—	—	2,433	198	—	53,816
Other adjustments	435	111	—	117	290	—	953

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Change in inventory	15,099	7,637	2,443	(5,193 )	3,328	949	24,263
Depreciation, depletion and amortization	41,174	6,062	9,568	556	237	914	58,511
Production costs applicable to sales, including depreciation, depletion and amortization (U.S. GAAP)	\$105,286	\$36,147	\$33,915	\$11,912	\$8,381	\$4,123	\$199,764
Production of silver (ounces)	2,250,818	2,051,426	—	351,717	118,523	137,843	4,910,327
Cash operating cost per silver ounce	\$(1.16 )	\$9.32	\$—	\$36.71	\$39.31	\$22.26	\$7.57
Cash costs per silver ounce	\$(1.16 )	\$10.89	\$—	\$39.80	\$41.29	\$22.26	\$8.49
Production of gold (ounces)	—	—	25,687	—	—	—	25,687
Cash operating cost per gold ounce	\$—	\$—	\$973	\$—	\$—	\$—	\$973
Cash cost per gold ounce	\$—	\$—	\$973	\$—	\$—	\$—	\$973

## Reconciliation of Non-U.S. GAAP Cash Costs to U.S. GAAP Production Costs

Nine months ended

September 30, 2011

(In thousands except  
ounces and per ounce  
costs)

	Palmarejo	San Bartolomé	Kensington	Rochester	Martha	Endeavor	Total
Total cash operating cost (Non-U.S. GAAP)	\$(3,014 )	\$49,946	\$72,199	\$17,787	\$12,981	\$9,926	\$159,825
Royalties	—	8,281	—	1,734	587	—	10,602
Production taxes	—	—	—	728	—	—	728
Total cash costs (Non-U.S. GAAP)	\$(3,014 )	\$58,227	\$72,199	\$20,249	\$13,568	\$9,926	\$171,155
Add/Subtract:							
Third party smelting costs	—	—	(9,122 )	—	(2,366 )	(2,390 )	(13,878 )
By-product credit	139,842	—	—	6,554	706	—	147,102
Other adjustments	1,208	298	19	256	462	—	2,243
Change in inventory	1,216	(196 )	7,015	(3,005 )	(869 )	45	4,206
Depreciation, depletion and amortization	116,584	16,387	28,823	1,655	81	2,398	165,928
Production costs applicable to sales, including depreciation, depletion and amortization (U.S. GAAP)	\$255,836	\$74,716	\$98,934	\$25,709	\$11,582	\$9,979	\$476,756
Production of silver (ounces)	6,351,120	5,503,951	—	1,018,844	399,630	501,638	13,775,183
Cash operating cost per silver ounce	\$(0.47 )	\$9.07	\$—	\$17.46	\$32.48	\$19.79	\$6.36
Cash costs per silver ounce	\$(0.47 )	\$10.58	\$—	\$19.87	\$33.95	\$18.85	\$7.18
Production of gold (ounces)	—	—	75,121	—	—	—	75,121
Cash operating cost per gold ounce	\$—	\$—	\$961	\$—	\$—	\$—	\$961
Cash cost per gold ounce	\$—	\$—	\$961	\$—	\$—	\$—	\$961

## Exploration Activity

During the third quarter, the Company invested \$7.0 million in expensed exploration and \$1.6 million in capitalized exploration, completing 147,023 feet (44,813 meters) of drilling and trenching in its global exploration program.

## Palmarejo

The Company invested a total of \$3.7 million in exploration at Palmarejo and completed 75,814 feet (23,108 meters) of core drilling in the third quarter. Results were obtained from underground drilling at Rosario and the Inter-Clavos Zone (a new target between the Rosario and 76 zones). Results range from narrow, high-grade intervals such as 0.5 meter true width grading 2,600 grams per tonne silver and 30.5 grams per tonne gold, to much wider intervals such as 15.5 meters true width grading 74.6 grams per tonne silver and 1.2 grams per tonne gold. Favorable in-fill drilling results were received from Guadalupe Norte, notably 15.0 meters true width of 304 grams per tonne silver and 2.76 grams per tonne gold. Drilling also commenced at La Union, a new target located southeast of the Chapotillo surface mine where wide zones of altered rock and veining occur near surface in association with the projection of the main ore-bearing structure in Chapotillo.

## Kensington

Drilling at Kensington focused on new targets around the main mine. Results were obtained from Kensington South and Elmira. Hole KX12-003 at Kensington South cut 10 feet of mineralization grading 1.72 ounces per ton. This drill intercept is situated about 750 feet south of the current Kensington mine and over 500 feet deeper on the

south-striking mine trend.

Joaquin, Martha and other Argentina Sites

At Joaquin, in Santa Cruz, Argentina data from an additional 44 in-fill core holes (31 from La Negra and 13 from La Morocha) were received in the quarter and will be used to prepare a third update of mineralization for both deposits). Results were returned from drilling in the prior quarter at Lejano, in northern Santa Cruz, Argentina. This data, consisting of new core holes to twin old holes as well as new sampling of archived core samples, will be used to prepare the Company's first model of silver mineralization of Lejano later this year. In general the new twin-hole results compare well with the old data. Re-sampling of old core from the Cisne area in the Lejano district returned positive results, suggesting that silver mineralization in that area may be more extensive than originally estimated. Further work is planned.

## Rochester

A total of 33,056 feet (10,075 meters) of drilling in 132 reverse circulation holes and 11 sonic twin holes were completed in the third quarter at various historic stockpiles. Favorable silver and gold grade intercepts in drill assays, including assays at higher than the current average reserve grade, allowed mining and placement of 350,000 tons of stockpile material on the Rochester leach pads in September 2012.

## San Bartolomé

Trenching recommenced late in the quarter on a new target, Pucka Loma, which is about 150 feet (500 meters) west of the Company's existing reserves and covers an area approximately 100 feet, east-west (350 meters) by 275 feet (900 meters) north-south. Assay results from these trench samples yielded silver values averaging 113 grams per tonne (3.3 ounces per ton) over an average of 13.1 feet (4 meters) deep. Thirty-seven shallow trenches were excavated and sampled. Sampling will continue during the fourth quarter 2012.

## Critical Accounting Policies and Estimates

**Use of Estimates:** The preparation of the Company's consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in their consolidated financial statements and accompanying notes. The areas requiring significant management estimates and assumptions relate to: recoverable ounces from proven and probable reserves that are the basis of future cash flow estimates and units-of-production depreciation and amortization calculations; useful lives utilized for depreciation, depletion and amortization; estimates of future cash flows for long-lived assets; estimates of recoverable gold and silver ounces in ore on leach pad; amount and timing of reclamation and remediation costs; valuation allowance for deferred tax assets; assessment of valuation allowance for value added tax receivables; and other employee benefit liabilities. Please see Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES for additional critical accounting policies and estimates.

## RESULTS OF OPERATIONS

Three Months Ended September 30, 2012 Compared to Three Months Ended September 30, 2011

Sales of metal from continuing operations in the third quarter of 2012 decreased by 32.9% to \$230.6 million from \$343.6 million in the third quarter of 2011. The decrease in sales of metal was due to a decrease in silver and gold ounces sold and a decrease in the realized price per ounce of silver and gold. In the third quarter of 2012, the Company sold 4.5 million ounces of silver and 59,156 ounces of gold compared to 6.2 million ounces of silver and 67,391 ounces of gold for the same period in 2011. Realized silver and gold prices in the third quarter of 2012 decreased 21.4% and 1.6%, respectively, over the third quarter 2011. Realized silver and gold prices were \$30.09 and \$1,654 per ounce, respectively, in the third quarter of 2012, compared to \$38.28 and \$1,681 per ounce, respectively, in the comparable quarter of 2011.

Included in sales of metals are the by-product sales derived from the sale of gold by the Company's silver mines. Total gold sales for the three months ended September 30, 2012 and 2011 were \$95.0 million and \$109.9 million, respectively. Of those totals, by-product metal sales in the same periods were \$58.5 million and to \$65.7 million, respectively. The decreases in by-product sales were primarily due to the decrease in gold ounces sold.

In the third quarter of 2012, the Company produced a total of 4.4 million ounces of silver and 58,768 ounces of gold, compared to 4.9 million ounces of silver and 57,052 ounces of gold in the third quarter of 2011. The decrease is primarily due to lower production from Palmarejo and San Bartolomé compared to the same time period in 2011. The reduced production at Palmarejo was primarily the result of slower advances in the underground operations due to unfavorable ground conditions encountered in September and a transition in open pit production. The reduction at San Bartolomé was due to unplanned temporary mill interruptions in the month of August due to power interruptions. While quarterly sales of metal declined 32.9%, production costs applicable to sales of metal decreased from \$141.3 million in the third quarter of 2011 to \$125.0 million in the third quarter of 2012 as a result of the decrease in ounces sold.

Depreciation, depletion, and amortization decreased by \$5.8 million, from \$58.7 million to \$52.8 million, compared to the third quarter of 2011, as a result of decreased depletion at Palmarejo due to a decrease in volume. This was offset by increased depreciation at Palmarejo, Kensington, and Rochester from new projects that have been completed and placed in service this year.

## Costs and Expenses

Administrative and general expenses increased by \$2.0 million or 24.6% during the three months ended September 30, 2012 compared to the same time period in 2011. The increase was primarily due to increased legal and finance related expenses and salaries and relocation costs for new employees.

Exploration expenses increased to \$7.0 million in the third quarter of 2012 compared to \$4.8 million in the same period of 2011 primarily due to increased exploration activity at the Palmarejo, Kensington and Rochester mines, and at the Joaquin project.

#### Other Income and Expenses

Non-cash fair value adjustments, net in the three months ended September 30, 2012 were a loss of \$37.6 million compared to a loss of \$53.4 million in the third quarter of 2011. These fair value adjustments are driven primarily by changing gold prices which impact the estimated future liabilities related to the Palmarejo gold production royalty obligation.

Interest income and other increased by \$19.3 million to \$12.7 million in the third quarter of 2012 compared with a net expense of \$6.6 million in the third quarter of 2011. The majority of the increase is the result of foreign currency gains and a \$2.5 million business interruption insurance settlement at San Bartolomé.

Interest expense, net of capitalized interest, decreased to \$7.4 million in the third quarter of 2012 from \$8.0 million in the third quarter of 2011. The decrease in interest expense was primarily due to a decrease in total debt and capital leases outstanding.

#### Income Taxes

For the three months ended September 30, 2012, the Company reported an income tax provision of approximately \$17.5 million compared to an income tax provision of \$27.6 million for the same time period in 2011. The following table summarizes the components of the Company's income tax provision from continuing operations for the three months ended September 30, 2012 and 2011 (in thousands):

	Three months ended September 30,	
	2012	2011
United States	\$ (465 )	\$ 1,300 )
Argentina	1,232	(23 )
Australia	(545 )	(858 )
Mexico	5,409	(2,963 )
Bolivia	(23,106 )	(25,062 )
Income tax provision	\$ (17,475 )	\$ (27,606 )

During the three months ended September 30, 2012, the Company recognized a current provision in Bolivia, Mexico and Australia primarily related to inflation adjustments on non-monetary assets, and the Company being subject to the Mexico IETU tax; which is a form of alternative minimum tax. Further, the Company accrued foreign withholding taxes of approximately \$1.6 million on intercompany transactions between the U.S. parent and its subsidiary in Mexico and anticipated future withholding on dividends from Bolivia. Also, as a result of an audit of the 2009 Bolivian tax return, the Company has recognized an additional \$11.7 million of expense, including interest and penalties, for uncertain tax positions for the years 2009, 2010, 2011 and an additional \$2.1 million of expense for 2012. In addition, the Company recognized a net \$6.8 million deferred tax benefit for the recognition of deferred taxes on deductible temporary differences, foreign exchange rate adjustments and net operating loss carryforwards in various jurisdictions (principally in the U.S. and Mexico).

During the three months ended September 30, 2011, the Company recognized a current provision in Bolivia, Mexico and Australia primarily related to higher metal prices and inflationary adjustments on non-monetary assets. Further, the Company accrued foreign withholding taxes of approximately \$0.2 million on inter-company transactions between the U.S. parent and subsidiaries operating in Mexico, Argentina and Australia. In addition, the Company recognized a net \$3.1 million deferred tax provision for the recognition of deferred taxes on deductible temporary differences, foreign exchange rate adjustments and net operating loss carryforwards in various jurisdictions (principally in Bolivia and Mexico).

#### Nine Months Ended September 30, 2012 Compared to Nine Months Ended September 30, 2011

Sales of metal from continuing operations in the nine months ended September 30, 2012 decreased by 10.9% to \$689.6 million from \$774.3 million in the nine months ended September 30, 2011. The decrease in sales of metal was due to a decrease in gold ounces sold and a decrease in the realized price per ounce of silver. In the nine months ended September 30, 2012, the Company sold 14.4 million ounces of silver and 157,621 ounces of gold compared to 13.9

million ounces of silver and 183,243 ounces of gold for the same period in 2011. Realized silver and gold prices in the nine months ended September 30, 2012 decreased by 16.8% and increased by 8.3%, respectively, over the same time period in 2011. Realized silver and gold prices were \$30.52 and \$1,649 per ounce, respectively, in the nine months ended September 30, 2012, compared to \$36.69 and \$1,523 per ounce, respectively, in the comparable time period of 2011.



Included in sales of metals are the by-product sales derived from the sale of gold by the Company's silver mines. Total gold sales for the nine months ended September 30, 2012 and 2011 were \$254.0 million and \$269.3 million, respectively. Of those totals, by-product metal sales were \$186.0 million compared to \$151.0 million, respectively. The increases in by-product sales were primarily due to the increase in gold prices.

In the nine months ended September 30, 2012, the Company produced a total of 14.2 million ounces of silver and 165,716 ounces of gold, compared to 13.8 million ounces of silver and 170,838 ounces of gold in the same time period of 2011.

While sales of metal declined 10.9%, production costs applicable to sales of metal increased from \$310.8 million in the nine months ended September 30, 2011 to \$349.3 million in the nine months ended September 30, 2012. The increase was due primarily to a higher volume of silver ounces sold and increased costs of consumables at San Bartolomé in 2012, higher maintenance costs at Palmarejo, and higher costs at Rochester in 2012 due to the resumption of active mining late in 2011.

Depreciation, depletion, and amortization increased by \$0.2 million, from \$166.3 million to \$166.5 million, compared to the nine months ended September 30, 2011.

#### Costs and Expenses

Administrative and general expenses increased by \$4.2 million, from \$22.3 million to \$26.5 million, as compared to the nine months ended September 30, 2011. The increase was primarily due to share-based compensation adjustment on cash settled awards resulting from alternating fluctuations in share prices and the recognition of debt issuance costs associated with the Company's withdrawn notes offering in the second and third quarters of 2012.

Exploration expenses increased to \$19.8 million in the nine months ended September 30, 2012 compared to \$11.6 million in the same period of 2011 primarily due to increased exploration activity at the Palmarejo, Rochester, Kensington, and Martha mines.

Due to high operating costs and a short remaining expected mine life, the Company evaluated strategic and operational alternatives for the Martha mine and recorded an impairment charge of \$4.8 million in the second quarter of 2012. The Martha mine ceased active mining operations in September 2012 and the Company recorded an additional impairment charge of \$1.3 million in the third quarter of 2012. The segment assets attributable to the Martha mine after the impairment was recorded were \$11.3 million as of September 30, 2012.

#### Other Income and Expenses

Non-cash fair value adjustments, net in the nine months ended September 30, 2012 were a loss of \$44.7 million compared to a loss of \$71.1 million in the nine months ended September 30, 2011. The majority of the increase in the fair value adjustment, net was due to the impact of changing gold prices on the Palmarejo gold production royalty obligation.

Interest income and other increased by \$16.4 million to \$14.5 million in the nine months ended September 30, 2012, compared with net expense of \$1.9 million in the same time period in 2011. The majority of the increase is the result of foreign currency gains and a \$2.5 million business interruption insurance settlement at San Bartolomé.

Interest expense, net of capitalized interest, decreased to \$21.6 million in the nine months ended September 30, 2012 from \$26.6 million in the the same time period in 2011. The decrease in interest expense was primarily due to a decrease in total outstanding debt and capital lease obligations.

#### Income Taxes

For the nine months ended September 30, 2012, the Company reported an income tax provision of approximately \$56.8 million compared to an income tax provision of \$61.9 million for the same time period in 2011.

The following table summarizes the components of the Company's income tax provision for the nine months ended September 30, 2012 and 2011 (in thousands):

	Nine months ended September 30,	
	2012	2011
United States	\$ (3,990)	) \$ 342
Argentina	993	60
Australia	(1,751)	) (1,976)
Mexico	(10,341)	) (13,165)

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Bolivia	(41,684	) (47,208	)
Income tax provision	\$(56,773	) \$(61,947	)

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During the nine months ended September 30, 2012, the Company recognized a current provision in Bolivia, Mexico and Australia primarily related to inflation adjustments on non-monetary assets and the Company being subject to the Mexico IETU tax; which is a form of alternative minimum tax. Further, the Company accrued foreign withholding taxes of approximately \$7.2 million on intercompany transactions between the U.S. parent and its subsidiary in Mexico and anticipated future withholding on dividends from Bolivia. Also, as a result of an audit of the 2009 Bolivian tax return, the Company has recognized an additional \$11.7 million of expense, including interest and penalties, for uncertain tax positions for the years 2009, 2010, 2011 and an additional \$2.1 million of expense for 2012. In addition, the Company recognized a net \$5.0 million deferred tax provision for the recognition of deferred taxes on deductible temporary differences, foreign exchange rate adjustments and net operating loss carryforwards in various jurisdictions (principally in the U.S. and Mexico).

During the nine months ended September 30, 2011, the Company recognized a current provision in Bolivia, Mexico and Australia primarily related to higher metal prices and inflationary adjustments on non-monetary assets. Further, the Company accrued foreign withholding taxes of approximately \$0.6 million on inter-company transactions between the U.S. parent and subsidiaries operating in Mexico, Argentina and Australia, and a \$2.0 million benefit for anticipated operating losses in the U.S. In addition, the Company recognized a net \$13.2 million deferred tax provision for the recognition of deferred taxes on deductible temporary differences, foreign exchange rate adjustments and net operating loss carryforwards in various jurisdictions (principally in Bolivia, the U.S. and Mexico).

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

#### Working Capital; Cash and Cash Equivalents

As of September 30, 2012, the Company's cash, cash equivalents and short-term investments totaled \$143.6 million compared to \$195.3 million as of December 31, 2011.

The Company's working capital decreased by \$41.1 million between December 31, 2011 and September 30, 2012 to \$171.7 million, compared to \$212.9 million at December 31, 2011. The ratio of current assets to current liabilities was 1.67 to 1 at September 30, 2012 and was 1.84 to 1 at December 31, 2011. The decrease was primarily attributable to the reclassification of the 3.25% Convertible Senior Notes due March 2028 from non-current to current liabilities as a result of the holders' option to require the Company to repurchase the notes on March 15, 2013.

The Company intends to indefinitely reinvest a portion of its earnings from its Palmarejo operations in Mexico. Accordingly, U.S. and non-U.S. income and withholding taxes for which deferred taxes might otherwise be required, have not been provided on a cumulative amount of temporary differences (including, for this purpose, any difference between the tax basis in the stock of a consolidated subsidiary and the amount of the subsidiary's net equity determined for financial reporting purposes) related to investments in foreign subsidiaries of approximately \$170.0 million for the three and nine months ended September 30, 2012 and the year ended December 31, 2011. The additional U.S. and non-U.S. income and withholding tax that would arise on the reversal of the temporary differences could be offset in part, by tax credits. Because the determination of the amount of available tax credits and the limitations imposed on the annual utilization of such credits are subject to a highly complex series of calculations and expense allocations, it is impractical to estimate the amount of net income and withholding tax that might be payable if a reversal of temporary differences occurred. The Company does not believe that the amounts permanently reinvested will have a material impact on liquidity.

#### Cash Provided by Operating Activities

Net cash provided by operating activities in the three months ended September 30, 2012 was \$79.7 million, compared with \$181.9 million for the same time period in 2011. Net cash provided by operating activities in the nine months ended September 30, 2012 was \$209.9 million, compared to \$328.8 million for the same time period in 2011.

Excluding changes in operating assets and liabilities, the Company's operating cash flow consisted of the following:

	Three months ended September 30, 2012		Nine months ended September 30, 2012	
	2011		2011	
	(In thousands)		(In thousands)	
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$79,735</b>	<b>\$181,911</b>	<b>\$209,941</b>	<b>\$328,761</b>
Changes in operating assets and liabilities:				
Receivables and other current assets	5,648	10,513	(1,717)	23,492
Prepaid expenses and other	2,481	8,697	564	7,362
Inventories	13,762	(23,234)	35,387	12,834
Accounts payable and accrued liabilities	(24,342)	(26,930)	15,313	(15,538)
Operating cash flow (Non GAAP)	\$77,284	\$150,957	\$259,488	\$356,911

#### Cash Used in Investing Activities

Net cash used in investing activities in the three months ended September 30, 2012 was \$33.2 million, compared to \$45.0 million in the three months ended September 30, 2011. The decrease was primarily the result of decreased investment in capital. Net cash used in investing activities for the nine months ended September 30, 2012 was \$83.1 million, compared to \$96.2 million in the nine months ended September 30, 2011. The decrease is primarily due to proceeds from the sale of short-term investments offset by increased capital expenditures.

The Company spent \$30.0 million on capital expenditures in the third quarter of 2012, compared with \$38.1 million during the same time period last year. Capital expenditures in the third quarter were primarily related to capitalized exploration drilling and development of the Guadalupe satellite underground mine; underground development at Palmarejo; and tailings expansion, underground development and expanded dormitories at Kensington. The Company spent \$93.9 million on capital expenditures in the nine months ended September 30, 2012, compared with \$79.8 million in the nine months ended September 30, 2011. The majority of the capital expenditures for the first nine months of 2012 were at Palmarejo, Kensington, and San Bartolomé.

#### Cash Used in Financing Activities

Net cash used in financing activities during the three months ended September 30, 2012 was \$103.0 million compared to \$35.8 million for the same time period last year. The increase in cash used in financing activities is primarily the result of paying off the Kensington Term Facility. Net cash used in financing activities during the nine months ended September 30, 2012 was \$158.9 million compared to \$90.8 million for the same time period in 2011. During the three and nine months ended September 30, 2012, the Company paid \$97.8 million and \$152.7 million, respectively, to settle existing debt and royalty obligations, primarily the pay down of the Kensington Term Facility and the Palmarejo gold production royalty. During the three and nine months ended September 30, 2011, the Company paid \$35.9 million and \$117.0 million respectively, to settle existing debt.

#### Debt and Capital Resources

##### Revolving Credit Facility

On August 1, 2012, Coeur Alaska, Inc. and Coeur Rochester, Inc. (the "Borrowers"), each a wholly-owned subsidiary of the Company, entered into a Credit Agreement (the "Credit Agreement") by and among the Company, the Borrowers, the lenders party thereto and Wells Fargo Bank, N.A., as administrative agent. The Credit Agreement provides for a senior secured revolving credit facility (the "Revolving Credit Facility") in an aggregate principal amount of up to \$100.0 million, which principal amount may be increased, subject to receiving additional commitments therefor, by up to \$50.0 million. The unused line fee for the three months ended September 30, 2012 was \$0.1 million and was charged to interest expense.

The term of the Revolving Credit Facility is four years. Amounts may be borrowed under the Revolving Credit Facility to finance working capital and general corporate purposes of the Company and its subsidiaries, including the payment of fees and expenses incurred in connection with the Revolving Credit Facility. The obligations under the Revolving Credit Facility will be secured by substantially all of the assets of the Company and its domestic subsidiaries, including the land, mineral rights and infrastructure at the Kensington and Rochester mines, as well as a pledge of the shares of certain of the Company's subsidiaries. In addition, in connection with the Revolving Credit

Facility, Coeur Alaska, Inc. transferred its existing hedge positions established under the Kensington Term Facility, to Wells Fargo Bank, N.A. as hedge provider.

Borrowings under the Revolving Credit Facility will bear interest at a rate selected by the Borrowers equal to either LIBOR plus a margin of 2.25%-3.25% or an alternate base rate plus a margin of 1.25%-2.25%, with the margin determined by reference to the Company's ratio of consolidated debt to adjusted EBITDA.

Voluntary prepayments of the loans and voluntary reductions of the unutilized portion of the commitments under the Revolving Credit Facility are permitted without prepayment premium or penalty, subject to payment of customary LIBOR breakage costs. Amounts so repaid may be re-borrowed subject to customary requirements.

The Revolving Credit Facility contains representations and warranties, events of default and affirmative and negative covenants that are usual and customary, including covenants that, among other things, restrict the ability of the Company and its subsidiaries to incur additional debt, incur or permit liens on assets, make investments and acquisitions, consolidate or merge with any other company, engage in asset sales and make dividends and distributions. The Revolving Credit Facility also contains financial covenants that require (i) our ratio of consolidated debt to adjusted EBITDA to be not greater than 3.25 to 1.00 (subject to a step-down to 3.00 to 1.00 after two years), (ii) our ratio of adjusted EBITDA to interest expense to be not less than 3.00 to 1.00 and (iii) our tangible net worth to be not less than 90% of our tangible net worth as of March 31, 2012 plus 25% of our net income for each fiscal quarter ending after March 31, 2012 to the date of measurement.

#### 3.25% Convertible Senior Notes due 2028

As of September 30, 2012, the outstanding balance of the 3.25% Convertible Senior Notes was \$48.7 million, or \$47.4 million net of debt discount.

The carrying value of the equity component representing the embedded conversion option at September 30, 2012 and December 31, 2011 was \$10.9 million.

Each holder of the notes may require that the Company repurchase some or all of the holder's notes on March 15, 2013, March 15, 2015, March 15, 2018 and March 15, 2023 at a repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, in cash, shares of common stock or a combination of cash and shares of common stock, at the Company's election. Holders will also have the right, following certain fundamental change transactions, to require the Company to repurchase all or any part of their notes for cash at a repurchase price equal to 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest. The Company may redeem the notes for cash in whole or in part at any time on or after March 22, 2015 at 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest.

The notes provide for "net share settlement" of any conversions. Pursuant to this feature, upon conversion of the notes, the Company (1) will pay the note holder an amount in cash equal to the lesser of the conversion obligation or the principal amount of the notes and (2) will settle any excess of the conversion obligation above the notes' principal amount in the Company's common stock, cash or a combination thereof, at the Company's election.

The notes are convertible under certain circumstances, as defined in the indenture agreement, at the holder's option, at an initial conversion rate of 17.60254 shares of the Company's common stock per \$1,000 principal amount of notes, which is equivalent to an initial conversion price of approximately \$56.81 per share, subject to adjustment in certain circumstances.

#### Kensington Term Facility

On August 16, 2012, Coeur Alaska prepaid all obligations and indebtedness outstanding under the Kensington Term Facility, which totaled approximately \$68.6 million. Upon payment in full, the Kensington Term Facility was terminated and all of the liens granted under the Kensington Term Facility were released.

As a condition to the Kensington Term Facility with Credit Suisse, the Company agreed to enter into a gold hedging program which protects a minimum of 243,750 ounces of gold production over the life of the facility against the risk associated with fluctuations in the market price of gold. This program consists of a series of zero cost collars which consist of a floor price and a ceiling price of gold. Coeur Alaska has transferred these hedge positions to Wells Fargo Bank, N.A., as hedge provider. Call options protecting 104,000 ounces of gold were outstanding at September 30, 2012. The weighted average strike price of the call options was \$1,970.05. Put options protecting 139,000 ounces of gold were outstanding at September 30, 2012. The weighted average strike price of the put options was \$962.42.

#### Capital Lease Obligations

As of September 30, 2012 and December 31, 2011, the Company had outstanding balances on capital leases of \$14.0 million and \$27.0 million, respectively.

Palmarejo Gold Production Royalty Obligation

The Company recognized accretion expense on the Palmarejo gold production royalty obligation of \$4.4 million and \$5.4 million for the three months ended September 30, 2012 and 2011, respectively, and \$15.0 million and \$16.4 million for the nine months ended September 30, 2012 and 2011, respectively. As of September 30, 2012 and December 31, 2011, the remaining minimum obligation under the royalty agreement was \$64.1 million and \$72.1 million, respectively.

#### Capitalized Interest

The Company capitalizes interest incurred on its various debt instruments as a cost of properties under development. For the three months ended September 30, 2012 and 2011, the Company capitalized interest of \$0.5 million and \$0.9 million, respectively. For the nine months ended September 30, 2012 and 2011, the Company capitalized interest of \$2.2 million and \$1.3 million, respectively.

#### Litigation and Other Events

For a discussion of litigation and other events, see Note 19 to the Company's Condensed Consolidated Financial Statements, Litigation and Other Events.

### Item 3. Quantitative and Qualitative Disclosure about Market Risk

#### Risk Mitigation Overview

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 instruments for profit. This discussion of the Company's market risk assessments contains "forward looking statements" that are subject to 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. From time to time, in order to mitigate some of the risk associated with these fluctuations, the Company may 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 risk 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 enters into contracts and other arrangements from time to time in an effort to reduce the negative effect of price changes on its cashflows. These arrangements typically consist of managing the Company's exposure to foreign currency exchange rates and market prices associated with changes in gold and silver commodity prices. The Company also may manage price risk by purchasing put options.

#### Concentrate Sales Contracts

The Company enters into concentrate sales contracts with third-party smelters. The contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. The provisionally priced sales contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of concentrates at the forward price at the time of sale. The embedded derivative, which is the final settlement price based on a future price, does not qualify for hedge accounting. These embedded derivatives are recorded as derivative assets (in Prepaid expenses and other) or derivative liabilities (in Accrued liabilities and other) on the balance sheet and are adjusted to fair value through earnings each period until the date of final settlement. At September 30, 2012, the Company had outstanding provisionally priced sales of \$20.9 million, consisting of 0.5 million ounces of silver and 3,734 ounces of gold, which had a fair value of \$22.1 million including the embedded derivative. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately \$5,000; and for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately \$3,700. At December 31, 2011, the Company had outstanding provisionally priced sales of \$22.5 million consisting of 0.2 million ounces of silver and 9,701 ounces of gold, which had a fair value of approximately \$21.7 million including the embedded derivative. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately \$2,000 and for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately \$9,700.

#### Foreign Currency Contracts



The Company operates, or has mining interests, in several foreign countries, specifically Argentina, Australia, Bolivia and Mexico, which exposes the Company to risks associated with fluctuations in the exchange rates of the currencies involved. From time to time, as part of its program to manage foreign currency risk, the Company may enter into foreign currency forward exchange contracts. These contracts enable the Company to purchase a fixed amount of foreign currencies at pre-established exchange rates. 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. The Company has no outstanding firm commitments

at September 30, 2012. 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. The Company periodically enters into forward foreign currency contracts to reduce the foreign exchange risk associated with forecasted Mexican peso ("MXN") operating costs at its Palmarejo mine. At September 30, 2012, the Company had MXN foreign exchange contracts of \$17.4 million in U.S. dollars. These contracts require the Company to exchange U.S. dollars for MXN at a weighted average exchange rate of 13.19 MXN to each U.S. dollar and had a fair value of \$0.2 million at September 30, 2012. The Company recorded a mark-to-market gain of \$0.6 million and a loss of \$4.1 million for the three months ended September 30, 2012 and 2011, respectively. The Company recorded mark-to-market gains of \$3.4 million and a loss of \$3.8 million for the nine months ended September 30, 2012 and 2011, respectively. The mark-to-market gains are reflected in fair value adjustments, net. A 10% weakening of the MXN would result in a reduction in fair value of \$2.0 million. The Company recorded realized gains of \$0.4 million and realized losses of \$0.1 million in production costs applicable to sales during the three months ended September 30, 2012 and 2011, respectively. The Company recorded realized losses of \$1.5 million and realized gains of \$1.0 million in production costs applicable to sales during the nine months ended September 30, 2012 and 2011, respectively.

#### Palmarejo Gold Production Royalty

On January 21, 2009, the Company entered into the gold production royalty transaction with Franco-Nevada Corporation. The minimum royalty obligation ends when payments have been made on a total of 400,000 ounces of gold. As of September 30, 2012, a total of 209,853 ounces of gold remain outstanding under the minimum royalty obligation. The price volatility associated with the minimum royalty obligation is considered an embedded derivative financial instrument under U.S. GAAP. The fair value of the embedded derivative at September 30, 2012 and December 31, 2011 was a liability of \$170.2 million and \$159.4 million, respectively. During the three months ended September 30, 2012 and 2011, the mark-to-market adjustments for this embedded derivative amounted to a gain of \$23.4 million and a loss of \$14.5 million, respectively. During the nine months ended September 30, 2012 and 2011, the mark-to-market adjustments for this embedded derivative amounted to a gain of \$10.8 million and a loss of \$17.4 million, respectively. For the three months ended September 30, 2012 and 2011, realized losses on settlement of the liabilities were \$10.9 million and \$11.9 million, respectively. For the nine months ended September 30, 2012 and 2011, realized losses on settlement of the liabilities were \$35.0 million and \$29.1 million, respectively. The mark-to-market adjustments and realized losses are included in fair value adjustments, net in the consolidated statement of operations.

For each \$1.00 increase in the price of gold, the fair value of the net derivative liability at September 30, 2012 would have increased by approximately \$0.2 million. For each \$1.00 decrease in the price of gold, the fair value of the net derivative liability at September 30, 2012 would have decreased by approximately \$0.2 million.

#### Gold Hedges

On September 30, 2012 the Company had outstanding call options requiring it to deliver 104,000 ounces of gold at a weighted average strike price of \$1,970.05 per ounce if the market price of gold exceeds the strike price. At September 30, 2012, the Company had outstanding put options allowing it to sell 139,000 ounces of gold at a weighted average strike price of \$962.42 per ounce if the market price of gold were to fall below the strike price. The contracts will expire over the next four years. As of September 30, 2012 the fair market value of these contracts was a net liability of \$16.8 million.

Additional information about the Company's derivative financial instruments may be found in Note 15 to the Company's Condensed Consolidated Financial Statements, Derivative Financial Instruments and Fair Value of Financial Instruments.

#### Item 4. Controls and Procedures

##### (a) Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act),

and management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature, can provide only reasonable assurance regarding management's control objectives. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events. Based upon the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective and operating to provide reasonable assurance that information required to be disclosed by it in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that such information is accumulated and communicated to the Company's management, including its Chief Executive

Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

Based on an evaluation by the Company's Chief Executive Officer and Chief Financial Officer, such officers concluded that there was no change in the Company's internal control over financial reporting during the quarter ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. Other Information

Item 1. Legal Proceedings

The information contained under Note 19 to the Company's Condensed Consolidated Financial Statements in this Form 10-Q is incorporated herein by reference.

Item 1A. Risk Factors

The Company's results of operations, cash flows and operating costs are highly dependent upon the market prices of silver and gold and other commodities, which are volatile and beyond our control. The Company's use of derivative contracts to protect against such volatility exposes us to risk of opportunity loss, mark-to-market accounting adjustments and exposure to counterparty credit risk.

Silver and gold are commodities, and their prices are volatile. During the last twelve months ended September 30, 2012, the price of silver ranged from a low of \$26.39 per ounce to a high of \$36.88 per ounce, and the price of gold ranged from a low of \$1,531 per ounce to a high of \$1,795 per ounce. During the third quarter of 2012, the price of silver ranged from a low of \$26.83 per ounce to a high of \$34.72 per ounce, and the price of gold ranged from a low of \$1,556 per ounce to a high of \$1,785 per ounce. The closing market prices of silver and gold on November 5, 2012 were \$31.02 per ounce and \$1,684 per ounce, respectively.

Silver and gold prices are affected by many factors beyond the Company's control, including prevailing interest rates and returns on other asset classes, expectations regarding inflation, speculation, currency values, governmental decisions regarding the disposal of precious metals stockpiles, global and regional demand and production, political and economic conditions and other factors. In addition, Exchange Traded Funds ("ETFs"), which have substantially facilitated the ability of large and small investors to buy and sell precious metals, have become significant holders of gold and silver.

Because the Company derives all of its revenues from sales of silver and gold, our results of operations and cash flows will fluctuate as the prices of these metals increase or decrease. A sustained period of declining gold and silver prices would materially and adversely affect the results of operations and cash flows. Factors that are generally understood to contribute to a decline in the prices of silver and gold include a strengthening of the U.S. dollar, net outflows from gold and silver ETFs, bullion sales by private and government holders and a general global economic slowdown.

In addition, operating costs at the Company's mines are affected by the price of input commodities, such as fuel, electricity, labor, chemical reagents, explosives, steel and concrete. Prices for these input commodities are volatile and can fluctuate due to conditions that are difficult to predict, including global competition for resources, currency fluctuations, consumer or industrial demand and other factors. Continued volatility in the prices of commodities and other supplies the Company purchases could lead to higher costs, which would adversely affect results of operations and cash flows.

From time to time, the Company may enter into price risk management contracts to protect against fluctuations in the price of its products and changes in the price of fuel and other input costs. These contracts could include forward sales or purchase contracts, futures contracts, purchased or sold put and call options and other contracts. Any such use of forward or futures contracts can expose us to risk of an opportunity loss. The use of derivative contracts may also result in significant mark-to-market accounting adjustments, which may have a material adverse impact on reported financial results. The Company is exposed to credit risk with contract counter-parties, including, but not limited to, sales contracts and derivative contracts. In the event of non-performance in connection with a contract, the Company could be exposed to a loss of value for that contract.

Since the beginning of 2011, the Company has made strategic minority investments in eight silver and gold development companies in North and South America. The value of these investments depends significantly on the market prices of silver and gold. The Company cannot assure that the value of these investments, or the value of future investments we may make in other development companies, will not decline. Declines in the value of these

investments could adversely affect our financial condition.

A substantial decline in gold and silver prices could cause one or more of our mining properties to become unprofitable, which could require the Company to record write-downs of long-lived assets that would adversely affect results of operations and financial condition.

Established accounting standards for impairment of the value of long-lived assets such as mining properties requires us

to review the recoverability of the cost of our assets by estimating the future undiscounted cash flows expected to result from the use and eventual disposition of the asset. Impairment, measured by comparing an asset's carrying value to its fair value, must be recognized when the carrying value of the asset exceeds these cash flows. A significant and sustained decline in silver or gold prices, or our failure to control production costs or realize the minable ore reserves at our mining properties, could lead the Company to terminate or suspend mining operations at one or more of its properties and require a write down the carrying value of the assets. Any such actions would negatively affect results of operations and financial condition.

The Company may record other types of additional mining property charges in the future if it sells a property for a price less than its carrying value or has to increase reclamation liabilities in connection with the closure and reclamation of a property. Any such additional write-downs of mining properties could adversely affect results of operations and financial condition.

The Company is an international company and is exposed to political and social risks in the countries in which it has significant operations or interests.

A majority of the Company's revenues are generated by operations outside the United States, and it is subject to significant risks inherent in resource extraction by foreign companies and contracts with government owned entities. Exploration, development, production and closure activities in many countries are potentially subject to heightened political and social risks that are beyond the Company's control. These risks include the possible unilateral cancellation or forced re-negotiation of contracts, unfavorable changes in foreign laws and regulations, royalty and tax increases, claims by governmental entities or indigenous communities, expropriation or nationalization of property and other risks arising out of foreign sovereignty over areas in which operations are conducted. The right to export silver and gold may depend on obtaining certain licenses and quotas, which could be delayed or denied at the discretion of the relevant regulatory authorities. In addition, the Company's rights under local law may be less secure in countries where judicial systems are susceptible to manipulation and intimidation by government agencies, non-governmental organizations or civic groups.

Any of these developments could require the Company to curtail or terminate operations at its mines, incur significant costs to meet newly-imposed environmental or other standards, pay greater royalties or higher prices for labor or services and recognize higher taxes, which could materially and adversely affect financial condition, results of operations and cash flows.

These risks may be higher in developing countries in which the Company may expand its exploration for and development of mineral deposits. Potential operations in these areas increase the Company's exposure to risks of war, local economic conditions, political disruption, civil disturbance and governmental policies that may disrupt its operations.

The Company's operations outside the United States also expose it to economic and operational risks.

The Company's operations outside the United States also expose it to economic and operational risks. Local economic conditions can cause shortages of skilled workers and supplies, increase costs and adversely affect the security of operations. In addition, higher incidences of criminal activity and violence in the area of some of our foreign operations, including drug-cartel related violence in Mexico, could adversely affect the Company's ability to operate in an optimal fashion and may impose greater risks of theft and greater risks as to property security. These conditions could lead to lower productivity and higher costs, which would adversely affect results of operations and cash flows. The Company sells gold and silver doré in U.S. dollars, but it conducts operations outside the United States in local currency. Currency exchange movements could adversely affect results of operations.

Silver and gold mining involves significant production and operational risks.

Silver and gold mining involves significant production and operational risks, including those related to uncertain mineral exploration success, unexpected geological or mining conditions, the difficulty of development of new deposits, unfavorable climate conditions, equipment or service failures, current unavailability of or delays in installing and commissioning plants and equipment, import or customs delays and other general operating risks.

Commencement of mining can reveal mineralization or geologic formations, including higher than expected content of other minerals that can be difficult to separate from silver, which can result in unexpectedly low recovery rates. Problems also may arise due to the quality or failure of locally obtained equipment or interruptions to services (such as power, water, fuel or transport or processing capacity) or technical support, which could result in the failure to

achieve expected target dates for exploration, or could cause production activities to require greater capital expenditure to achieve expected recoveries.

Many of these production and operational risks are beyond the Company's control. Delays in commencing successful mining activities at new or expanded mines, disruptions in production and low recovery rates could have adverse effects on the Company's financial condition, results of operations and cash flows.

In late 2011, the Company temporarily reduced processing rates to complete several projects designed to improve long-term operational efficiency and consistency at the Kensington mine, including accelerated underground development, aggressive

definition drilling of the ore body and completion of the underground paste backfill plant. There are no assurances that production at Kensington will achieve design capacity in the time periods the Company currently expects, or at all. The estimation of ore reserves is imprecise and depends upon subjective factors. Estimated ore reserves may not be realized in actual production. The Company's results of operations and financial position may be negatively affected by inaccurate estimates.

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

Forward sales and royalty arrangements can result in limiting the Company's ability to take advantage of increased metal prices while increasing its exposure to lower metal prices.

The Company has in the past entered into, and may in the future enter into, arrangements under which it has agreed to make royalty or similar payments to lenders in amounts that are based on expected production and price levels for gold or silver. The Company enters into such arrangements when it concludes that they provide it with necessary capital to develop a specific mining property on favorable terms. Royalty or similar payment obligations, however, can limit the Company's ability to realize the full effects of rising gold or silver prices and require the Company to make potentially significant cash payments if the mine fails to achieve specified minimum production levels. The Company's future operating performance may not generate cash flows sufficient to meet debt payment obligations.

As of September 30, 2012, the Company had a total of approximately \$125.5 million of outstanding indebtedness, which includes \$64.1 million for future estimated gold production royalty payments due to Franco-Nevada Corporation, \$47.4 million of 3.25% Convertible Senior Notes due 2028 (the "3.25% Convertible Senior Notes") and capital lease obligations of \$14.0 million. The liabilities associated with such royalty payments increase as the price of gold increases. The Company's ability to make scheduled debt payments on outstanding indebtedness will depend on future results of operations and cash flows. The Company's results of operations and cash flows, in part, are subject to economic factors beyond its control, including the market prices of silver and gold. The Company may not be able to generate enough cash flow to meet obligations and commitments. If the Company cannot generate sufficient cash flow from operations to service debt, it may need to further refinance debt, dispose of assets or issue equity to obtain the necessary funds. The Company cannot predict whether it would be able to refinance debt, issue equity or dispose of assets to raise funds on a timely basis or on satisfactory terms.

The Company's future growth will depend upon its ability to develop new mines, either through exploration at existing properties or by acquisition from other mining companies.

Because mines have limited lives based on proven and probable ore reserves, an important element of the Company's business strategy is the opportunistic acquisition of silver and gold mines, properties and businesses or interests therein. During 2011, the Company successfully constructed a new leach pad at the Company's Rochester mine and substantially completed development of other major mining properties at Palmarejo, San Bartolomé and Kensington. The Company's ability to achieve significant additional growth in revenues and cash flows will depend upon success in further developing existing properties and developing or acquiring new mining properties. Both strategies are inherently risky, and the Company cannot assure that it will be able to successfully compete in either the development of existing or new mining properties or acquisitions of additional mining properties.

While it is the Company's practice to engage independent mining consultants to assist in evaluating and making acquisitions, any mining properties or interests that it may acquire may not be developed profitably. If profitable when



acquired, that profitability might not be sustained. In connection with any future acquisitions, the Company may incur indebtedness or issue equity securities, resulting in increased interest expense, or dilution of the percentage ownership of existing shareholders. The Company cannot predict the impact of future acquisitions on the price of its business or common stock or that it would be able to obtain any necessary financing on acceptable terms. Unprofitable acquisitions, or additional indebtedness or issuances of securities in connection with such acquisitions, may negatively affect results of operations.

In addition, since the beginning of 2011, the Company has also made strategic minority investments in eight silver and gold development companies in North and South America. As of September 30, 2012, the Company's investments in these companies had an estimated fair value of \$31.2 million. The Company cannot assure that the value of these investments, or the value of future investments it may make in other development companies, will not decline. Declines in the value of these investments could adversely affect the Company's financial condition and results of operations.

Mineral exploration and development inherently involves significant and irreducible financial risks. The Company may suffer from the failure to find and develop profitable mines.

The exploration for and development of mineral deposits involves significant financial risks that even a combination of careful evaluation, experience and knowledge cannot eliminate. Unprofitable efforts may result from the failure to discover mineral deposits. Even if mineral deposits are found, those deposits may be insufficient in quantity and quality to return a profit from production, or it may take a number of years until production is possible, during which time the economic viability of the project may change. Few properties which are explored are ultimately developed into producing mines.

Substantial expenditures are required to establish ore reserves, to extract metals from ores and, in the case of new properties, to construct mining and processing facilities. The economic feasibility of any development project is based upon, among other things, volatile metals prices, estimates of the size and grade of ore reserves, proximity to infrastructures and other resources such as water and power, metallurgical recoveries, production rates and capital and operating costs. Development projects also are subject to the completion of favorable feasibility studies, issuance and maintenance of necessary permits and receipt of adequate financing.

The commercial viability of a mineral deposit, once developed, depends on a number of factors, including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; government regulations including taxes, royalties and land tenure; land use; importing and exporting of minerals; environmental protection; and mineral prices. Factors that affect adequacy of infrastructure include: reliability of roads, bridges, power sources and water supply; unusual or infrequent weather phenomena; sabotage; and government or other interference in the maintenance or provision of such infrastructure. All of these factors are highly cyclical. The exact effect of these factors cannot be accurately predicted, but the combination may result in not receiving an adequate return on invested capital.

Significant investment risks and operational costs are associated with exploration, development and mining activities. These risks and costs may result in lower economic returns and may adversely affect the Company's business.

The Company's ability to sustain or increase our present production levels depends in part on successful exploration and development of new ore bodies and expansion of existing mining operations. Mineral exploration, particularly for silver and gold, involves many risks and is frequently unproductive. The economic feasibility of any development project is based upon, among other things, estimates of the size and grade of ore reserves, proximity to infrastructures and other resources (such as water and power), metallurgical recoveries, production rates and capital and operating costs of such development projects, and metals prices. Development projects are also subject to the completion of favorable feasibility studies, issuance and maintenance of necessary permits and receipt of adequate financing.

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

The Company might be unable to raise additional financing necessary to meet capital needs, conduct business, make payments when due or refinance debt.

The Company might need to raise additional funds in order to meet capital needs, implement its business plan, refinance debt or acquire complementary businesses or products. Any required additional financing might not be

available on commercially reasonable terms, or at all. If the Company raises additional funds by issuing equity securities, holders of its common stock could experience significant dilution of their ownership interest, and these securities could have rights senior to those of the holders of common stock.

A significant delay or disruption in sales of concentrates as a result of the unexpected discontinuation of purchases by smelter customers could have a material adverse effect on operations.

The Company currently markets silver and gold concentrates to third-party smelters and refineries in Mexico, Germany, China, Australia, and the United States. The loss of any one smelter could have a material adverse effect on the Company if alternative smelters and refineries were unavailable. The Company cannot assure you that alternative smelters or refineries would be available if the need for them were to arise or that it would not experience delays or disruptions in sales that would materially and adversely affect results of operations.

The Company's silver and gold production may decline in the future, reducing our results of operations and cash flows.

The Company's silver and gold production, unless it is able to develop or acquire new properties, will decline over time due to the exhaustion of reserves and the possible closure of mines in response to declining metals prices or other factors. Identifying promising mining properties is difficult and speculative. The Company encounters strong competition from other mining companies in connection with the acquisition of properties producing or capable of producing silver and gold. Many of these companies have greater financial resources than the Company does. Consequently, the Company may be unable to replace and expand current ore reserves through the acquisition of new mining properties or interests therein on terms that are considered acceptable. As a result, revenues from the sale of silver and gold may decline, resulting in lower income and reduced growth. The Company cannot assure that it would be able to replace the production that would be lost due to the exhaustion of reserves and the possible closure of mines.

There are significant hazards associated with mining activities, some of which may not be fully covered by insurance. The mining business is subject to risks and hazards, including environmental hazards, industrial accidents, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, reduced production and delays in mining, asset write-downs, monetary losses and possible legal liability. Insurance fully covering many environmental risks, including potential liability for pollution or other hazards as a result of disposal of waste products occurring from exploration and production, is not generally available to us or to other companies in the industry. Any liabilities that the Company incurs for these risks and hazards could be significant and could adversely affect results of operation, cash flows and financial condition.

The Company is subject to significant governmental regulations, including under the Federal Mine Safety and Health Act, and related costs and delays may negatively affect its business.

Mining activities are subject to extensive federal, state, local and foreign laws and regulations governing environmental protection, natural resources, prospecting, development, production, post-closure reclamation, taxes, labor standards and occupational health and safety laws and regulations, including mine safety, toxic substances and other matters. The costs associated with compliance with such laws and regulations are substantial. Possible future laws and regulations, or more restrictive interpretations of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of operations and delays in the development of new properties.

U.S. surface and underground mines like the Kensington and Rochester mines are continuously inspected by the U.S. Mine Safety and Health Administration ("MSHA"), which inspections often lead to notices of violation. Recently, the MSHA has been conducting more frequent and more comprehensive inspections.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, which may require corrective measures including capital expenditures, installation of additional equipment or remedial actions. In addition, any of our U.S. mines could be subject to a temporary or extended shut down as a result of a violation alleged by the MSHA. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may be subject to civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Any such penalties, fines, sanctions or shutdowns could have a material adverse effect on the Company's business and results of operations.

Compliance with environmental regulations and litigation based on environmental regulations could require significant expenditures.

Environmental regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, and set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility

for mining companies and their officers, directors and employees. The Company may incur environmental costs that could have a material adverse effect on financial condition and results of operations. Any failure to remedy an environmental problem could require it to suspend operations or enter into interim compliance measures pending completion of the required remedy. The environmental standards that ultimately may be imposed at a mine site affect the cost of remediation and could exceed the financial accruals that the Company has made for such remediation. The potential exposure may be significant and could have a material adverse effect on the Company's financial condition and results of operations.

Moreover, governmental authorities and private parties may bring lawsuits based upon damage to property and injury to persons resulting from the environmental, health and safety impacts of prior and current operations, including operations conducted by other mining companies many years ago at sites located on properties that the Company currently or formerly owned. These lawsuits could lead to the imposition of substantial fines, remediation costs, penalties and other civil and criminal sanctions. Substantial costs and liabilities, including for restoring the environment after the closure of mines, are inherent in our operations. The Company cannot assure that any such law, regulation, enforcement or private claim would not have a negative effect on its financial condition, results of operations or cash flows.

Some of the Company's mining wastes currently are exempt to a limited extent from the extensive set of federal Environmental Protection Agency (the "EPA") regulations governing hazardous waste under the Resource Conservation and Recovery Act ("RCRA"). If the EPA designates these wastes as hazardous under RCRA, the Company would be required to expend additional amounts on the handling of such wastes and to make significant expenditures to construct hazardous waste disposal facilities. In addition, if any of these wastes causes contamination in or damage to the environment at a mining facility, that facility could be designated as a "Superfund" site under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). Under CERCLA, any present owner or operator of a Superfund site or the owner or operator at the time of contamination may be held liable and may be forced to undertake extensive remedial cleanup action or to pay for the government's cleanup efforts. The owner or operator also may be liable to governmental entities for the cost of damages to natural resources, which could be substantial. Additional regulations or requirements also are imposed on our tailings and waste disposal areas in Alaska under the federal Clean Water Act ("CWA") and in Nevada under the Nevada Water Pollution Control Law which implements the CWA.

Airborne emissions are subject to controls under air pollution statutes implementing the Clean Air Act in Nevada and Alaska. In addition, there are numerous legislative and regulatory proposals related to climate change, including legislation pending in the U.S. Congress to require reductions in greenhouse gas emissions. Adoption of these proposals could have a materially adverse effect on results of operations and cash flows.

We rely on third parties to operate, maintain and produce silver for us at the Endeavor mine.

The Endeavor mine is owned, maintained and operated by Cobar Operations Pty. Limited ("Cobar"), a wholly-owned subsidiary of CBH Resources Ltd. ("CBH"). However, pursuant to a silver sale and purchase agreement, the Company's wholly-owned subsidiary, CDE Australia Pty. Ltd. ("CDE Australia"), has acquired all silver production and reserves at the Endeavor mine, up to a total of 20.0 million payable ounces. CDE Australia has agreed to pay Cobar an operating cost contribution of \$1.00 for each ounce of payable silver plus 50% of the amount by which the silver price exceeds \$7.00 per ounce, subject to annual adjustments for inflation.

Under this arrangement, the Company relies on Cobar to own, maintain and operate the Endeavor mine, which exposes it to substantial counterparty risk. Cobar may fail to adequately or appropriately operate or maintain the project or may fail to fulfill its other obligations under the silver purchase agreement. The Company cannot assure that Cobar will not suffer financial hardship, that it will continue as a going concern or that it will not enter bankruptcy or otherwise liquidate. Any such event could expose the Company to significant costs and could limit the amounts, if any, it could recover in any proceeding against CBH or Cobar for breach of the silver purchase agreement. Any failure, inability or refusal of Cobar to meet its obligations to the Company could have a material and adverse effect on its business, results of operations or financial condition.

The Company's ability to obtain necessary government permits to expand operations or begin new operations can be materially affected by third party activists.

Private parties such as environmental activists frequently attempt to intervene in the permitting process and to persuade regulators to deny necessary permits or seek to overturn permits that have been issued. Obtaining the necessary governmental permits is a complex and time-consuming process involving numerous jurisdictions and often involving public hearings and costly undertakings. These third party actions can materially increase the costs and cause delays in the permitting process and could cause the Company to not proceed with the development or expansion of a mine.

An environmental organization, Great Basin Resource Watch (“GBRW”) has brought an administrative appeal challenging the Bureau of Land Management's approval of a plan of amendment which allows active mining to be resumed and a new heap leach pad to be constructed at the Rochester property. The Interior Board of Land Appeals (“IBLA”) is expected to rule on the

appeal in 2012 or early 2013. However, because GBRW did not seek a stay of the BLM's decision, operations have been proceeding as approved during the IBLA proceeding. The Company cannot predict the outcome of the appeal or what effect, if any, an adverse ruling may have on current operations. If an adverse ruling is issued, the Company may be required to update the permitting for the current operations at Rochester.

The Company's operations in Bolivia are subject to political risks.

The Bolivian government adopted a new constitution in early 2009 that strengthened state control over key economic sectors such as mining. In connection with the 2009 constitution, the government of Bolivia announced a restructuring of the mining law. A commission was established in March 2011 to finalize the mining law updates and the commission's evaluation remains ongoing. The Company has been assessing the potential effects of the proposed legislation on its Bolivian operations but any effects remain uncertain until the law is enacted. The law is expected to regulate taxation and royalties and to provide for contracting with the government rather than concession holding. The revised mining law is expected to be enacted in 2012 or early 2013. The Company cannot assure that its operations at the San Bartolomé mine will not be affected by the current political environment in Bolivia.

On October 14, 2009, the Bolivian state-owned mining company, Corporación Minera de Bolivia ("COMIBOL"), announced by resolution that it was temporarily suspending mining activities above the elevation of 4,400 meters above sea level while stability studies of the Cerro Rico mountain are undertaken. The Company holds rights to mine above this elevation under valid contracts with COMIBOL as well as under authorized contracts with local mining cooperatives that hold their rights under contract themselves with COMIBOL. The Company temporarily adjusted its mine plan to confine mining activities to the ore deposits below 4,400 meters above sea level and timely notified COMIBOL of the need to lift the restriction. The Cooperative Reserva Fiscal, with which the Company has one of those contracts, subsequently interpreted the COMIBOL resolution and determined that the Huacajchi deposit was not covered by such resolution. In March 2010, the Cooperative Reserva Fiscal notified COMIBOL that, based on its interpretation, it was resuming mining of high grade material above the 4,400 meter level in the Huacajchi deposit. In December 2011, the Cooperative Reserva Fiscal sent a similar notification to COMIBOL with respect to a further area above the 4,400 meter level known as Huacajchi Sur. Based on these notifications and on the absence of any objection from COMIBOL, the Company resumed mining operations at the San Bartolomé mine on the Huacajchi deposit and Huacajchi Sur. Mining in other areas above the 4,400 meter level continue to be suspended. The partial suspension may reduce production until the Company is able to resume mining above 4,400 meters generally. It is uncertain at this time how long the suspension will remain in place. In addition, it is possible that COMIBOL may decide that the Company's operations at the Huacajchi deposit or Huacajchi Sur are subject to the COMIBOL resolution, which may force the Company to cease mining at such deposits. If COMIBOL objects to the Company mining at the Huacajchi deposit or Huacajchi Sur or if the other restrictions are not lifted, it may need to write down the carrying value of the asset. It is also uncertain if any new mining or investment policies or shifts in political attitude may affect mining in Bolivia.

The Company's business depends on good relations with our employees.

The Company could experience labor disputes, work stoppages or other disruptions in production that could adversely affect its business and results of operations. Labor disruptions may be used to advocate labor, political or social goals, particularly at non-U.S. mines. For example, labor disruptions may occur in sympathy with strikes or labor unrest in other sectors of local economies. During the past three years, two of the Company's mines have experienced work stoppages, each of which was resolved within a short period of time and had no material effect on operations. Most recently, in May 2012, a small, unorganized group of employees at the Palmarejo mine blocked access to the mine. Palmarejo management supervised an orderly, temporary shut-down of the mine and mill in order to allow for dialogue with employees while ensuring the safety of workers at the mine site. Management considered the actions taken by the group to be illegal. Within approximately five days, the group agreed to return to work and full production resumed at the mine. The Company cannot assure that work stoppages or other disruptions will not occur in the future. Any such work stoppage or disruption could expose the Company to significant costs and have a material and adverse effect on its business, results of operations or financial condition.

As of September 30, 2012, unions represented approximately 13.0% of our worldwide workforce. We currently have a collective bargaining agreement covering the Martha mine, which expires on December 31, 2012, and a labor agreement at our San Bartolomé mine, which became effective October 11, 2007 and does not have a fixed term. We



cannot predict whether these agreements will be renewed, whether future labor disruptions will occur or, if disruptions do occur, how long they will last.

Third parties may dispute the Company's unpatented mining claims, which could result in the discovery of defective titles and losses affecting its business.

The validity of unpatented mining claims, which constitute a significant portion of the Company's property holdings in the United States, is often uncertain and may be contested. Although the Company has attempted to acquire satisfactory title to undeveloped properties, in accordance with mining industry practice it does not generally obtain title opinions until a decision is

made to develop a property. As a result, some titles, particularly titles to undeveloped properties may be defective. Defective title to any of the Company's mining claims could result in litigation, insurance claims and potential losses affecting its business as a whole.

Coeur Rochester, Inc. ("Coeur Rochester"), the Company's wholly-owned subsidiary, is party to a legal action relating to a third party's assertion of rights to unpatented mining claims at and near the Rochester property in Nevada. Coeur Rochester held 541 U.S. Federal unpatented claims through August 2011. On September 1, 2011, the Company inadvertently missed a claims fee payment to the U.S. Bureau of Land Management ("BLM") and as a result the prior unpatented mining claims were forfeited. The Company re-staked 479 claims in early December 2011 and filed notices with Pershing County, Nevada and the BLM. The new claims cover the majority of the prior unpatented claim area. A third party asserts that it also staked and filed notices on the Company's original unpatented mining claims. The Company believes it holds a superior property interest to the adverse staking party and filed a lawsuit to quiet title in the claims. The mine operates under an approved BLM plan of operations and has continued normal operations while the legal action is pending. The Company believes there would be no effect on the current silver and gold reserves at Coeur Rochester assuming an adverse outcome. However, the Company does believe an adverse outcome would require it to modify existing plans to further expand future mining operations and would require permits to be updated to reflect changes in claim ownership.

There may be challenges to the title of any of the claims comprising the Company's mines that, if successful, could impair development and operations. A defect could result in the Company losing all or a portion of its right, title, estate and interest in and to the properties to which the title defect relates.

The Company has the ability to issue additional equity securities, which would lead to dilution of its issued and outstanding common stock and may materially and adversely affect the price of its common stock.

The issuance of additional equity securities or securities convertible into equity securities would result in dilution of the Company's existing shareholders' equity ownership. The Company is authorized to issue, without shareholder approval, 10,000,000 shares of preferred stock in one or more series, to establish the number of shares to be included in each series and to fix the designation, powers, preferences and relative participating, optional, conversion and other special rights of the shares of each series as well as the qualification, limitations or restrictions on each series. Any series of preferred stock could contain dividend rights, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences or other rights superior to the rights of holders of its common stock. If the Company issues additional equity securities, the price of its common stock may be materially and adversely affected.

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

### Issuer Purchases of Equity Securities

On June 7, 2012, the Company announced that its Board of Directors had approved a program to repurchase up to \$100 million of the Company's common stock. Common stock repurchase activity during the third quarter of 2012, all of which was under the program announced on June 7, 2012, was as follows (in thousands, except per share amounts):

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Dollar Value of Shares that May Yet Be Purchased Under the Plans
July 1, 2012 - July 31, 2012	—	\$0.00	\$100,000
August 1, 2012 - August 31, 2012	475.5	\$20.94	\$90,041
September 31, 2012 - September 30, 2012	—	\$0.00	\$90,041
Total	475.5	\$20.94	\$90,041

## Item 4. Other Information

### Mine Safety Disclosures

Information concerning any mine safety violations and other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act has been included in Exhibit 95.1 to this Quarterly Report on Form 10-Q.



Item 6. Exhibits

Exhibits

- |         |  |
|---------|--|
| 3.1     | Amended and Restated By-Laws (Incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on July 23, 2012)   |
| 10.1    | Form of Director Indemnification Agreement (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on July 23, 2012)  |
| 10.2    | Form of Officer Indemnification Agreement (Incorporated herein by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on July 23, 2012)   |
| 10.3    | Credit Agreement dated August 1, 2012, by and among Coeur d' Alene Mines Corporation, Coeur Alaska, Inc. and Coeur Rochester, Inc., as the borrowers, the lenders party thereto and Wells Fargo Bank N.A., as administrative agent (Incorporated herein by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 7, 2012) |
| 31.1    | Certification of the CEO   |
| 31.2    | Certification of the CFO   |
| 32.1    | Certification of the CEO (18 U.S.C. Section 1350)  |
| 32.2    | Certification of the CFO (18 U.S.C. Section 1350)  |
| 95.1    | Mine Safety Disclosure Exhibit   |
| 101.INS | XBRL Instance Document   |
| 101.SCH | XBRL Schema Document   |
| 101.CAL | XBRL Calculation Linkbase Document   |
| 101.DEF | Definition Linkbase Document   |
| 101.LAB | XBRL Labels Linkbase Document  |
| 101.PRE | XBRL Presentation Linkbase Document  |

**SIGNATURES**

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

COEUR D'ALENE MINES CORPORATION  
(Registrant)

Dated November 6, 2012

/s/ Mitchell J. Krebs  
MITCHELL J. KREBS  
President and Chief Executive Officer

Dated November 6, 2012

/s/ Frank L. Hanagarne Jr.  
FRANK L. HANAGARNE JR.  
Senior Vice President and Chief Financial Officer