

COEUR D ALENE MINES CORP
Form 10-K/A
May 22, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

FORM 10-K/A No. 1

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

Amendment No. 1 to Annual Report on Form 10-K for the fiscal year ended December 31, 2005

COEUR D ALENE MINES CORPORATION

(Exact name of Registrant as specified in its charter)

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

505 Front Avenue, P.O. Box I
Coeur d Alene, Idaho, 83814

(Address of principal executive offices) (zip code)

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

The undersigned registrant hereby includes the following items, financial statements, exhibits or other portions of its Annual Report on Form 10-K for the fiscal year ended December 31, 2005, as set forth in the pages attached hereto:

Part I.	Item 2.	Properties
Part II.	Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations
Part IV.	Item 15(c).	Exhibits - Certifications of CEO and CFO

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

COEUR D ALENE MINES CORPORATION

Date: May 22, 2006

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

COEUR D ALENE MINES CORPORATION

AMENDMENT NO. 1 TO ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2005

INTRODUCTION

The purpose of this Form 10-K/A No. 1 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2005, of Coeur d Alene Mines Corporation (the Company) is to (i) revise certain disclosures relating to the Company's mining properties and related ore reserves in Item 2 (Properties), and (ii) revise certain of the disclosures relating to operating statistics and other disclosures in the Management's Discussion and

Analysis of Financial Condition and Results of Operations (Item 7). No changes have been made in the previously reported consolidated financial statements or to the related footnotes. The revisions in this amendment are being made in response to a letter of comments, dated May 9, 2006, received by the Company from the Securities and Exchange Commission.

PART I

Item 2. Properties.

SILVER AND GOLD MINING PROPERTIES

North America

Rochester Mine

The Rochester Mine is a silver and gold surface mine located in Pershing County, Nevada, which is located approximately 25 road miles northeast of the town of Lovelock. The mine commenced operations in 1986. The Company owns 100% of the Rochester Mine by virtue of its 100% ownership of its subsidiary, Coeur Rochester, Inc. (Coeur Rochester). The property consists of 22 patented and 589 unpatented contiguous mining claims, including 54 mill-site claims and 53 unpatented, leased claims totaling approximately 11,000 acres.

The Company acquired the Rochester property from Asarco Incorporated in 1983 and commenced mining in 1986. No mining or processing was conducted at Rochester by the prior owner. The Company acquired initial interest in the adjacent Nevada Packard property in 1996, completed the full purchase in 1999 and commenced mining in 2003. Very limited mining and processing was conducted at Nevada Packard by the prior owner. Collectively, the Rochester and Nevada Packard properties comprise the company's Rochester silver and gold mining and processing operation.

Production at the Rochester mine in 2005 was approximately 5.7 million ounces of silver and 70,298 ounces of gold, compared to 5.7 million ounces of silver and 69,456 ounces of gold in 2004. Cash costs per ounce of silver increased by 23% to \$4.82 per ounce in 2005, compared to \$3.93 per ounce in 2004.

The mine utilizes the heap leaching process to extract both silver and gold from ore mined using conventional open pit methods. Approximately 47,300 tons of ore and waste per day were mined in 2005, compared to 48,100 tons per day in 2004. The average ore to waste strip ratio for the remaining life of the mine will vary based primarily on future gold and silver prices; however, it is anticipated to be less than 1:1. The Company expects to complete mining of the existing ore reserves in late 2006 or early 2007. While mining operations will be discontinued, it is expected that metal production will continue as a result of residual leaching through approximately 2011.

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Ore is crushed and transported by conveyor to a loadout facility where it is transferred to 150 ton trucks which transport the crushed ore to leach pads where solution is applied via drip irrigation to dissolve the silver and gold contained in the ore. Certain low-grade ores are hauled directly, as run-of-mine, by 100 ton haul trucks to leach pads where solution is applied to dissolve the silver and gold contained in the ore. The solutions containing the dissolved silver and gold are pumped to a processing plant where zinc precipitation is used to recover the silver and gold from solution as dore. The dore is transported to a refinery for final processing after which the silver and gold is sold on established markets through third party broker dealers. The property, plant and equipment are maintained in good working condition through a regular preventive maintenance program and periodic improvements as required. The crushing circuit was upgraded in 2003 at a cost of approximately \$11 M. Mining is conducted with open pit methods. Power is provided to the mine and processing facility from the public grid servicing the local communities. The Company completed 16,200 feet of exploration drilling in 2005 which included 33 holes for 14,380 feet on the Rochester property and 8 holes 1,820 feet at Nevada Packard. A small exploration program of in-pit drilling is planned for 2006.

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Based upon actual operating experience and certain metallurgical testing, the Company estimates ultimate recovery rates from the crushed ore of 61.5% for silver, depending on the ore being leached, and 93% for gold. The leach cycle at the Rochester Mine requires leaching to approximately the year 2011 for all recoverable metal to be recovered. A significant proportion of metal recovery occurs after mining is completed.

At the Nevada Packard satellite deposit, located south of the Rochester deposit, the Company commenced mining of silver in the first quarter of 2003. Mining at Nevada Packard is expected to be completed in 2006.

The Company's capital expenditures at the Rochester Mine totaled approximately \$1.2 million in 2005. During 2003, the Company relocated and upgraded its existing crushing facility, at a capital cost of \$9.2 million, in order to access a portion of the reserves contained underneath the existing crusher. The Company plans capital expenditures at the Rochester Mine of \$0.5 million in 2006.

Asarco Incorporated (Asarco), the prior owner, had a net smelter royalty interest which is payable only when the market price of silver equals or exceeds \$20.64 per ounce up to maximum rate of 5%. No royalties were required to be paid by the Company during the three years ended December 31, 2005.

Silver and gold mineralization is hosted in folded and faulted volcanic rocks of the Rochester Formation and overlying Weaver Formation. Silver and gold, consisting of silver sulfosalt minerals, argentite, argentian tetrahedrite and minor native gold, are contained in zones of multiple quartz veins and veinlets with variable but lesser amounts of pyrite.

Year-end Proven and Probable Ore Reserves- Rochester Mine (includes Nevada Packard)

	2005	2004	2003
	(1,3,4,5,6)		
Tons (000 s)	10,168	23,998	32,563
Ounces of silver per ton	0.86	0.86	0.91
Contained ounces of silver (000 s)	8,765	20,731	29,596
Ounces of gold per ton	0.011	0.009	0.009
Contained ounces of gold	112,650	213,000	283,000

Year-end Mineralized Material

	2005	2004	2003
Tons (000 s)	15,646	35,064	40,328
Ounces of silver per ton	1.03	0.86	0.77
Ounces of gold per ton	0.010	0.005	0.006

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Operating Data

	2005	2004	2003
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Operating Data

Production			
Tons ore mined (000's)	9,023	10,751	6,626
Tons crushed/leached (000's)	9,327	8,976	7,324
Ore grade silver (oz./ton)	0.91	0.74	0.94
Ore grade gold (oz./ton)	0.010	0.009	0.005
Silver produced (oz.)	5,720,489	5,669,074	5,585,385
Gold produced (oz.)	70,298	69,456	52,363
Cost per Ounce of Silver			
Cash costs ⁽²⁾	\$ 4.82	\$ 3.93	\$ 4.67
Non-cash costs	1.84	1.73	0.91
	\$ 6.66	\$ 5.66	\$ 5.58
Total production costs	\$ 6.66	\$ 5.66	\$ 5.58

- (1) Metal prices used in calculating proven and probable reserves were \$6.50 per ounce of silver and \$410 per ounce of gold in 2005.
- (2) Cash costs per ounce of silver or gold represent a non-U.S. GAAP measurement that management uses to monitor and evaluate the performance of its mining operations. See Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations; Total Production and Reserves for reconciliation of this non-GAAP measure to GAAP production costs.
- (3) The ore reserves are in-place and do not include for factors for mining dilution or losses.
- (4) Metallurgical recovery factors of 92% and 55% should be applied to the gold and silver reserve ounces, respectively.
- (5) Reserve estimates were prepared by the Company's technical staff.
- (6) Ore reserves are defined by a drill grid of at least 65 feet by 140 feet for proven (Measured) and at least 100 feet by 200 feet for probable (indicated) and may include open pit mine production sampling information, especially for proven. In practice, reserve blocks are defined by the number of proximal composites and three-dimensional geologic controls. For proven (measured) reserves the number of composites must be at least 4 at Rochester and 20 at Nevada Packard with a maximum search distance of 75 feet. For probable (indicated), the number of composites must be at least 4 at Rochester and 5 at Nevada Packard with a maximum search distance of 150 feet for Rochester and 120 feet at Nevada Packard. Mineralized material is similarly classified.

Coeur Silver Valley

Coeur Silver Valley is a wholly-owned subsidiary of the Company which owns and operates the Galena underground silver mine, an operating mine, and the Coeur and Caladay properties, that adjoin to the Galena mine, located in the heart of the Coeur d'Alene Mining District. Coeur Silver Valley's property consists of 6,131 acres of Company-owned fee land, patented mining claims and unpatented claims in addition to 4,800 acres of leased claims. Coeur Silver Valley's operations are accessed by paved road from US Interstate 90 south of the town of Wallace, Idaho. Silver Valley recommenced operations at the Coeur mine in June 1996 and continued mining existing reserves there through July 2, 1998 when known reserves were depleted. Silver Valley resumed production at the Galena Mine in May 1997 and operations continue to date. During the second half of 2003, we commenced a three-year plan designed to locate, develop and mine additional resources believed to exist on the property which, if successful, could result in an extended mine life. However, as a result of the mine's performance during 2005, the Company is currently evaluating the mine plan, including the current development and exploration plans, and strategic alternatives which could include a possible sale of the wholly-owned subsidiary which owns the mine. The outcome of this review is not known at this time but the extent of future mine operations could be impacted.

The property, plant and equipment are maintained in good working condition through a regular preventive maintenance program and periodic improvements as required. Mining is conducted with underground methods. Power is provided from local public utilities. During 2005, we spent \$1.4 million for exploration activities at the Galena mine and adjacent properties. Overall, reserves decreased at Galena due to mining depletion, higher operating costs and external smelter and refinery costs which resulted in an overall increase in the ore reserve cutoff grade. Mineralized Material increased at Galena as a result of exploration and reclassification from proven and probable reserves to mineralized material in year-end 2004 reserves due to increased operating costs.

Galena Mine

North America

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The Galena Mine property is located immediately west of the City of Wallace in Shoshone County in northern Idaho. The property consists of 52 patented mining claims and 25 unpatented mining claims totaling approximately 1,100 acres.

The Galena Mine is an underground silver-copper mine and is served by two vertical shafts. The No. 3 shaft is the primary production shaft and is 5,800 feet deep. The Galena shaft primarily provides utility access for water, electrical power and sand backfill for underground operations down to the 2,400 level.

The mine utilizes conventional and mechanized cut and fill mining methods with sand backfill to extract ore from the high grade silver-copper vein deposits that constitute the majority of the ore reserves. Silver and copper are recovered by a flotation mill that produces a silver rich concentrate which is sold to third-party smelters in Canada. Silver recovery through the mill averaged 97% in 2005 and 97% in 2004.

Waste material from the milling process is deposited in a tailings pond located approximately two miles from the minesite. The tailings containment pond, which is expanded on an as needed basis, has capacity for approximately seven additional years at current production rates.

Silver production at the Galena Mine in 2005 was approximately 2.1 million ounces of silver compared to 3.5 million ounces in 2004. During 2005, silver production was adversely affected by the loss of production from the 2400 Upper Silver vein and the Lower 72 vein while these areas were under redevelopment, as well as ore grade dilution from development activities currently occurring on the 3400 and 4000 level 215 vein systems.

Cash costs for 2005 increased to \$8.37 per ounce compared to \$5.46 per ounce in 2004. The higher cash costs are the result of lower-grade ore and the conversion to higher-cost mining methods needed to accommodate ground conditions in certain mining areas during 2005.

Total capital expenditures by Silver Valley at the Galena Mine in 2005 were \$3.5 million and the Company currently plans for capital expenditures of approximately \$3.3 million for the Galena Mine during 2006.

Silver mineralization at Coeur Silver Valley is hosted in near vertical fracture filling veins that cut through quartzite and argillite of the Upper Revett Formation. Veins consist of siderite with variable amounts of pyrite and quartz. The silver ore minerals are tetrahedrite and argentiferous galena. Lead is contained in galena and copper in tetrahedrite and chalcopyrite.

Year-end Proven and Probable Ore Reserves - Galena Mine

	2005	2004	2003
	(1,4,5,6,7)		
Tons (000 s)	444	718	717
Ounces of silver per ton	24.50	18.84	21.54
Contained ounces of silver (000 s)	10,879	13,518	15,432

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Year-end Mineralized Material ⁽²⁾

	2005	2004	2003
Tons (000 s)	2,580	2,169	2,252
Ounces of silver per ton	11.74	10.92	10.94

Operating Data

	2005	2004	2003
Production			
Tons ore milled	128,502	169,413	164,732
Ore grade silver (oz./ton)	16.53	21.43	23.61
Recovery (%)	97	97	96
Silver produced (oz.)	2,060,338	3,521,813	3,735,663
Cost per Ounce of Silver			
Cash costs ⁽³⁾	\$ 8.37	\$ 5.46	\$ 4.66

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	Operating Data		
Non-cash costs	0.97	0.56	0.37
Total production costs	\$ 9.34	\$ 6.02	\$ 5.03

- (1) The Galena Mine reserve estimate is based on a minimum mining width of 4 to 4.5 feet diluted to 5.0 feet minimum width for most silver-copper and silver-lead veins. Metal prices used in calculating proven and probable reserves were \$6.50/ounce of silver, \$410/ounce of gold, \$1.30/pound of copper, and \$0.34/pound of lead in 2005.
- (2) Mineralized material includes both the Galena and Coeur mines.
- (3) Cash costs per ounce of silver or gold represent a non-U.S.-GAAP measurement that management uses to monitor and evaluate the performance of its mining operations. See Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations; Total Production and Reserves for reconciliation of this non-GAAP measure to GAAP production costs.
- (4) The ore reserves include variable factors for mining dilution ranging from 10% to 50%.
- (5) Metallurgical recovery factors of 96.9% should be applied to the silver reserve ounces.
- (6) Reserve estimates were prepared by the Company's technical staff.
- (7) Proven (measured) and probable (indicated) reserves are defined by a drill spacing ranging 50 to 75 feet and will include underground mine sampling information on tighter spacings. In practice, reserve blocks are also defined by three-dimensional geologic controls to define search distances. For proven (measured) a block must have underground samples on at least 2 sides of the block or samples generally less than 50 feet from the block center. For probable (indicated) a block must have underground sampling at least on 1 side of the block or samples not more than 75 feet from the block center. Mineralized material is similarly classified.

Coeur Mine

The Coeur Mine is an underground silver mine located west of and adjacent to the Galena Mine and consists of approximately 868 acres comprised of 38 patented mining claims and four unpatented mining claims.

The Coeur Mine operated until mid-1998 when the property was placed on care and maintenance. While there was no mining activity at the Coeur mine in 2005, the Company conducts exploration on the property and believes that there is potential to discover additional high grade silver veins beneath the current limit of the underground workings based on current geological conditions and recent exploration work. In addition, the Coeur Mine is connected to the Galena Mine, thus any future discoveries at either mine could be efficiently developed and processed at either facility. This connection is currently being utilized to provide ventilation and secondary access to the Galena Mine.

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Caladay Property

The Caladay property adjoins the Galena Mine on its east boundary. Prior to its acquisition by the Company in 1991, approximately \$32.5 million was expended on the property to construct surface facilities, a 5,101 ft. deep shaft and associated underground workings to explore the property. The Company conducts exploration at the Caladay property in recognition of geologic conditions which extend into the Caladay property from the adjacent Galena Mine. In addition, the Caladay facilities are used to provide additional ventilation to the Galena mine.

South America

Chile - Cerro Bayo Mine

The Cerro Bayo District covers about 205 square miles and is located south of Coyhaique, the capital of Region XI in southern Chile, and approximately 17 miles west of the town of Chile Chico. The project lies on the east side of the Andes mountain range at an elevation ranging from 600 to 4,500 feet and is serviced by a gravel road from Chile Chico. The mineral rights for the Cerro Bayo property are fully-owned by Compania Minera Cerro Bayo Ltd., a wholly-owned subsidiary of the Company, encompassing a continuous block of 57,095 acres of mining claims and 11,613 acres of Exploration Concessions. These concessions and separate surface use agreements from private owners, cover the

reserves of the property as well as the necessary rights to permit mining.

The Company acquired the property in 1990 from Freeport Chilean Exploration Company. No mining or processing was conducted by the prior owner. Initial mining and processing commenced by the Company in 1995 at the Fachinal area in the western portion of the holdings. Mining and processing temporarily ceased in 2000 then recommenced in 2002 at the Cerro Bayo area on the east. The entire holdings and infrastructure are now referred to as Cerro Bayo district. Construction of two ramps to intersect the high-grade Lucero Vein in the Cerro Bayo zone on the east side of its holdings, commenced in November 2001. Additional mineralized high-grade gold and silver vein systems were discovered since then from surface and underground exploration.

Production at the Cerro Bayo mine in 2005 was approximately 2.9 million ounces of silver and 61,000 ounces of gold compared to 3.2 million ounces of silver and 57,500 ounces of gold in 2004. Cash costs per ounce of silver produced was \$0.54 in 2005 compared to \$1.01 in 2004.

The ore processing mill for the Cerro Bayo Mine uses a standard flotation process to produce a high grade gold and silver concentrate. During 2005, the concentrate processed at this mill was sold to third-party smelters, primarily in Japan and Mexico. The mill has a design capacity of 1,650 tons per day. During 2005, the Company experienced recovery rates of approximately 92.8% for gold and 94.7% for silver. Electrical power is generated on-site by diesel generators and process water is obtained from a combination of the adjacent General Carrera Lake and from tailings re-circulation. The property, plant and equipment are maintained in good working condition through a regular preventive maintenance program and periodic improvements as required. Mining is conducted with both underground and open pit methods. Power is provided by company-owned diesel generators.

During 2005, the Company continued its exploration and development program in the district with its efforts concentrated in the Cerro Bayo and Laguna Verde zones in the east and west sections of the Company's land holdings. In 2005, we spent approximately \$4.8 million on exploration for new gold and silver mineralization and reserve definition and completed nearly 245,000 feet of core drilling. The company plans to continue its extensive exploration of the Cerro Bayo district in 2006 with a budget of \$4.9 million for this work. After giving effect to 2005 mine production silver reserves at December 31, 2005 increased by 72% to 7.5 million ounces, and gold reserves increased by 71% to 0.13 million ounces from 2004.

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Silver and gold mineralization is hosted in epithermal quartz veins and veinlets and lesser amounts of stockworks and breccias within generally sub-horizontal volcanic rocks of the Ibanez Formation. Veins and veinlets occur in sub-parallel clusters largely trending north-northwest and dipping steeply to the west and east. The main ore minerals of silver and gold are silver sulfosalt minerals, argentite and electrum (a naturally-occurring gold and silver alloy). Numerous epithermal veins located within the 205 square mile property package in the Cerro Bayo district offer exploration and development opportunities for us. To date, we have discovered over 100 veins, the majority of which are located within nine miles of our existing ore processing facilities. Of particular interest from 2005 exploration was the discovery of the Marcela Sur, Cascada and Gabriela veins. Marcela Sur, situated about 1,000 meters west of the current mining operations in main Cerro Bayo zone, was discovered beneath 50 to 70 meters of post-mineral sediment. Cascada lies south of the Cerro Bayo mining operations while Gabrielas occurs near the processing facility at Laguna Verde.

Total capital expenditures at the Cerro Bayo property in 2005 were \$2.7 million and the Company plans approximately \$6.1 million of additional capital expenditures there in 2006.

Year-end Proven and Probable Ore Reserves - Cerro Bayo Mine

	<u>2005</u>	<u>2004</u>	<u>2003</u>
	(1,3,4,5,6,7)		
Tons (000 s)	935	862	645
Ounces of silver per ton	8.00	7.09	8.34
Contained ounces of silver (000 s)	7,476	6,109	5,377
Ounces of gold per ton	0.14	0.13	0.15
Contained ounces of gold	131,600	115,900	93,777

Year-end Mineralized Material

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Tons (000 s)	4,113	3,829	3,475

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	Year-end Mineralized Material		
Ounces of silver per ton	6.19	4.29	4.83
Ounces of gold per ton	0.10	0.13	0.10

	Operating Data		
	<u>2005</u>	<u>2004</u>	<u>2003</u>
	(1,3,4,5,6,7)		
Production			
Tons ore milled	403,695	456,941	476,731
Ore grade gold (oz./ton)	0.163	0.137	0.153
Ore grade silver (oz./ton)	7.52	7.51	6.96
Recovery gold (%)	92.8	91.8	89.7
Recovery silver (%)	94.7	94.2	91.8
Gold produced (oz.)	61,058	57,558	65,370
Silver produced (oz.)	2,875,047	3,235,192	3,319,429
Cash costs ⁽²⁾	\$ 0.54	\$ 1.01	\$ (0.04)
Non-cash costs	1.76	1.42	2.43
Total production costs	\$ 2.30	\$ 2.43	\$ 2.39

- (1) Metal prices used to calculate proven and probable reserves were \$6.50/ounce of Ag and \$410/ounce of Au.
- (2) Cash costs per ounce of silver or gold represent a non-U.S.-GAAP measurement that management uses to monitor and evaluate the performance of its mining operations. See Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations; Total Production and Reserves for reconciliation of this non-GAAP measure to GAAP production costs.

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- (3) The ore reserves are in-place within underground and lesser open pit mine designs.
- (4) Underground mine reserves include dilution of 10% to 25% at zero grade. Open pit mine reserves include dilution of 25% at zero grade.
- (5) Metallurgical recovery factors of 91.2% and 89% should be applied to the in-place silver and gold reserves ounces, respectively.
- (6) Reserve estimates were prepared by the Company's technical staff.
- ((7)) Proven (measured) and probable (indicated) reserves are defined by a drill spacing of no more than 35 meters and may include underground production sampling information, especially for proven. In practice, reserve blocks are defined by the number of proximal composites and three-dimensional geologic controls. For proven (measured) reserves the number of composites must be at least 1 with a maximum search distance of generally 15 meters. For probable (indicated), the number of composites must be at least 2 with a maximum search distance of generally 35 meters. Mineralized material is similarly classified.

Argentina Martha Mine

The Martha Mine, owned and operated by Coeur Argentina S.R.L., a wholly-owned subsidiary of the Company, is located in the Santa Cruz Province of southern Argentina. Access to the mine is provided by all-weather gravel roads 30 miles northeast of the town of Gobernador Gregores and approximately 270 miles southeast of Cerro Bayo.

The mineral rights for the Martha property are fully-owned by Coeur Argentina S.R.L., encompassing a continuous block of 129,925 acres of exploration claims, 77,837 acres of discovery claims, and 351 acres of exploitation claims. The concessions cover the reserves of the property as well as the necessary rights to permit mining. The property and equipment are maintained in good working condition through a regular

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preventive maintenance program and periodic improvements as required. Mining is conducted with underground methods. Power is provided by company-owned diesel generators.

The Company acquired the property in 2002 through the purchase of a subsidiary of Yamana Resources Inc. for \$2.5 million. The prior owner conducted minor underground mining on the near-surface portion of the Martha vein from late 2000 to mid 2001.

We transport ore mined at the Martha Mine by truck for processing at the Cerro Bayo mill, which is located 270 miles northwest of the Martha Mine. The transport costs to ship the ore to the Cerro Bayo mill from the Martha Mine have necessitated a focus on the highest grade portions of the veins discovered at the Martha Mine; however, lower grade mineralized material exists, but is not included in reserves. During 2006, the Company plans to complete a feasibility study at the Martha mine which may allow the processing of the lower-grade material.

In June 2002, we commenced shipping of high-grade Martha Mine ore to the Cerro Bayo mill. All of the production came from the Martha vein, which was one of six known veins on the Martha Mine property prior to our acquisition of the property. Also in 2002, exploration discovered both extensions of the Martha Mine vein and the R4 Zone within the vein, which is located 300 feet southwest of the main Martha Mine mining areas. During 2005, we spent \$2.7 million on exploration at the Martha Mine to attempt to discover new silver- and gold-bearing veins and define new reserves.

Production at the Martha mine in 2005 was approximately 2.1 million ounces of silver and 2,600 ounces of gold compared to 1.7 million ounces of silver and 2,300 ounces of gold in 2004. Cash costs per ounce of silver produced was \$4.60 in 2005 compared to \$4.08 in 2004.

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In 2004, similar to Cerro Bayo, we embarked on the first year of an exploration program to extend the mine life at the Martha Mine to three years. During 2006, we expect to spend \$2.9 million on exploration for the discovery of new mineralization and reserve development, across our large land holdings in the province of Santa Cruz which totals over 620 square miles. In 2005, we announced discovery of the Betty West vein, approximately 0.6 miles north of the current Martha mine. In addition, exploration also defined extensions at depth and on strike of the Martha and R4 ore-bearing structures which was the main focus of the year's program. The Company plans to continue its extensive exploration of the Martha area in 2006 with a budget of \$2.9 million for this work. Work in the coming year will focus on expanding those discoveries and exploration for additional silver and gold mineralized veins and structures. After giving effect to 2005 mine production, silver reserves at December 31, 2005 increased by 59% to 4.1 million ounces from 2004. Based on reserves and mineralized material discovered to date, the mine life at the Martha Mine has been extended to at least three and a half years.

Silver and gold mineralization is hosted in epithermal quartz veins and veinlets within, generally sub-horizontal volcanic rocks of the Chon Aike Formation. The veins and veinlets occur as sub-parallel clusters largely trending west-northwest and dipping steeply to the southwest. The main ore minerals of silver and gold are silver sulfosalt minerals, argentite, electrum (a naturally-occurring gold and silver alloy) and native silver. The Martha Mine property is large, covering 283 square miles of prospective geology for silver and gold mineralization. To date, we have focused our exploration on the immediate Martha Mine area. In addition, we own about another 337 square miles of exploration stage properties in Santa Cruz, Argentina which we identified through our reconnaissance activities.

Year-end Proven and Probable Ore Reserves - Martha Mine

	2005	2004	2003
	(1,3,4,5,6)		
Tons (000 s)	67	57	16
Ounces of silver per ton	60.29	68.56	83.70
Contained ounces of silver (000 s)	4,054	3,930	1,349
Ounces of gold per ton	0.08	0.08	0.09
Contained ounces of gold	5,400	4,600	1,449

Year-end Mineralized Material

	2005	2004	2003
Tons (000 s)	134	74	24
Ounces of silver per ton	45.37	52.75	78.43
Ounces of gold per ton	0.05	0.06	0.08

Operating Data

	2005	2004	2003
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Operating Data

	(1,3,4,5,6,7)		
Production			
Tons ore milled	35,293	30,276	20,420
Ore grade gold (oz./ton)	0.079	0.084	0.097
Ore grade silver (oz./ton)	62.53	59.94	82.66
Recovery gold (%)	92.9	91.6	89.7
Recovery silver (%)	94.9	94.2	91.8
Gold produced (oz.)	2,590	2,318	1,785
Silver produced (oz.)	2,093,464	1,709,069	1,549,425
Cash costs ⁽²⁾	\$ 4.60	\$ 4.08	\$ 1.96
Non-cash costs	0.41	0.97	0.86
Total production costs	\$ 5.01	\$ 5.05	\$ 2.82

- (1) Metal prices used in calculating proven and probable reserves were \$6.50/ounce of Ag and \$410/ounce of Au.

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- (2) Cash costs per ounce of silver or gold represent a non-U.S.-GAAP measurement that management uses to monitor and evaluate the performance of its mining operations. See Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations; Total Production and Reserves for reconciliation of this non-GAAP measure to GAAP production costs.
- (3) The ore reserves are in-place in underground mine design and include 10 to 25% factors for dilution at zero grade and mining losses of 5 to 10% depending on vein size.
- (4) Metallurgical recovery factors of 91.8% and 88.8% should be applied to the silver and gold reserve ounces, respectively.
- (5) Reserve estimates were prepared by the Company's technical staff.
- (6) Proven (measured) and probable (indicated) reserves are defined by a drill spacing of no more than 25 meters and may include underground production sampling information, especially for proven. In practice, reserve blocks are defined by the number of proximal composites and three-dimensional geologic controls. For proven (measured) reserves the number of composites must be at least 2 with a maximum search distance of generally 18 meters. For probable (indicated), the number of composites must be at least 2 with a maximum search distance of generally 25 meters. Mineralized material is similarly classified.

Australia Endeavor Mine

The Endeavor Mine is located in north central New South Wales, Australia. Access to the mine is by paved roads 30 miles to the northwest from the community of Cobar.

The reserves at Endeavor are covered by five Consolidated Mining Leases issued by the state of New South Wales to CBH Resource Ltd. The leases form a contiguous block of 10,121 acres in size. The property and equipment are maintained in good working condition, by CBH Resources, through a regular preventive maintenance program and periodic improvements as required. Power to the mine and processing facilities is provided by the grid servicing the local communities. CBH Resources Ltd. conducts regular exploration to define new reserves at the mine from both underground and surface core drilling platforms. For fiscal year 2005/2006 (July - June), the 2006 the exploration budget at the mine is \$3.0A million (\$2.3US).

On May 23, 2005, the Company acquired all of the silver production and reserves, up to a maximum 17.7 million payable ounces, contained at the Endeavor Mine in Australia, which is owned and operated by Cobar Operations Pty. Limited (Cobar), a wholly-owned subsidiary of CBH Resources Ltd. (CBH) for \$38.4 million. The Endeavor Mine is located 720 km northwest of Sydney in New South Wales and has been in production since 1983. Under the terms of the agreement, CDE Australia, a wholly-owned subsidiary of Coeur, paid Cobar

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\$15.4 million of cash at the closing. In addition, CDE Australia will pay Cobar approximately \$23.0 million upon the receipt of a report confirming that the reserves at the Endeavor mine are equal to or greater than the reported ore reserves for 2004. Payment is expected to be made in 2006. In addition to these upfront payments, Coeur pays Cobar an operating cost contribution of \$1.00 for each ounce of payable silver plus a further increment when the silver price exceeds \$5.23 per ounce. This further increment begins on the second anniversary of this agreement and is 50% of the amount by which the silver price exceeds \$5.23 per ounce. A cost contribution of \$0.25 per ounce is also payable by Coeur in respect of new ounces of proven and probable silver reserves as they are discovered.

The Endeavor mine is an underground lead/zinc/silver mine. The mine employs bulk mining methods and utilizes a conventional flotation mill to produce a concentrate that is sold to a third party smelter. Silver recovery averaged approximately 45% from May 23, 2005 to December 31, 2005.

On October 24, 2005, CBH announced that mining operations at the Endeavor mine had been suspended below the No. Four haulage level following an uncontrolled fall of waste ground into the mine's 6Z2 crown pillar stope. Limiting production to above this level was done as a safety precaution due to the proximity of the 6Z2 crown pillar stope to the main haulage decline. In late November 2005, CBH announced that mine operations had recommenced below the No. Four haulage level, but at a reduced production rate. Based on the progress made to date in correcting issues related to the ground fall, the Company expects the mine to resume normal operations during mid-2006.

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The Company's share of silver production in 2005 from the Endeavor mine from May 23, 2005 amounted to 316,169 ounces of silver. The cash cost per ounce of silver production was \$2.05.

The Company is not required to contribute to ongoing capital costs at the mine.

Silver, lead and zinc mineralization at the Endeavor Mine is contained within sulfide lenses hosted in fine-grained sedimentary rocks of the Paleozoic-aged Ampitheatre Group. Sulphide lenses are elliptically-shaped, steeply-dipping to the southwest and strike to the northwest. Principal ore minerals are galena, sphalerite and chalcopyrite. Silver occurs with both lead and zinc rich sulphide zones.

Proven and Probable Ore Reserves ^(1,4,5,6,7) - Endeavor Mine

	2005
Tons (000 s)	12,125
Ounces of silver per ton	1.93
Contained ounces of silver (000 s)	23,341

Mineralized Material

	2005
Tons (000 s)	8,488
Ounces of silver per ton	2.03

Operating Data (Coeur's Share) ⁽³⁾

	2005
	(1,3,4,5,6,7)
<u>Production</u>	
Tons ore milled	463,129
Ore grade silver (oz./ton)	1.52
Recovery silver (%)	45
Gold produced (oz.)	--
Silver produced (oz.)	316,169
Cash costs ⁽²⁾	\$ 2.05
Non-cash costs	1.30

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Operating Data (Coeur s Share) ⁽³⁾

Total production costs \$ 3.35

- (1) Ore reserves are reported as of June 30, 2005, which is the end of the most recent fiscal year of the operator, CBH. Metal price used was \$7.06/ounce of Ag.
- (2) Cash costs per ounce of silver or gold represent a non-U.S.-GAAP measurement that management uses to monitor and evaluate the performance of its mining operations. See Item 7: Management s Discussion and Analysis of Financial Condition and Results of Operations; Total Production and Reserves for reconciliation of this non-GAAP measure to GAAP production costs.
- (3) The Endeavor property was purchased on May 23, 2005. Operating data is presented commencing on May 23, 2005 to December 31, 2005.
- (4) The ore reserves are in-place and include an 11% average factor for mining dilution and mining recovery factors ranging from 40% to 70%.
- (5) Metallurgical recovery factor of 54.5% should be applied to the silver reserve ounces.

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- (6) Reserve estimates were prepared by Donald Earnest, an independent consultant and reviewed by the Company s technical staff.
 - (7) Classification of reserves is based on spacing from drill hole composites to reserve block centers. For proven (measured) reserves the maximum distance is 25 meters and for probable (indicated) reserves it is greater than 25 meters and less than 40 meters. Mineralized material is similarly classified.

Australia Broken Hill Mine

The Broken Hill Mine is located in western New South Wales, Australia. Access to the mine is by paved roads leading from the adjacent community of Broken Hill.

The reserves at Broken Hill are covered by nine Consolidated Mining Leases issued by the state of New South Wales to Perilya Broken Hill Ltd. The leases form a northeast elongate contiguous block of 18,502 acres in size. The property and equipment are maintained in good working condition by Perilya Broken Hill Ltd., through a regular preventive maintenance program and periodic improvements as required. Power to the mine and processing facilities is provided by the grid servicing the local community. Perilya Broken Hill Ltd. conducts regular exploration to define new reserves, largely from underground core drilling platforms. For fiscal year 2005/2006 (July June) the exploration budget at the mine is \$3.5 A million (\$2.7US).

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

The Broken Hill mine is an underground lead/zinc/silver mine. The mine uses bulk mining methods and utilizes a conventional flotation mill to produce a concentrate that is sold to third party smelters in Australia. Silver recovery averaged approximately 75.4% from September 8, 2005 to December 31, 2005.

The Company s share of silver production in 2005 from the Broken Hill mine from September 8, 2005 amounted to 657,093 ounces of silver. The cash cost per ounce of silver production was \$2.72.

The Company is not required to contribute to ongoing capital costs at the mine.

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Silver, lead and zinc mineralization at Broken Hill is contained within sulfide lenses hosted in metasedimentary and igneous rocks of Precambrian-aged Broken Hill and underlying Thackaringa groups. In general sulphide lenses are tabular in shape steeply dipping to the north-northwest and striking east-northeast. Principal ore minerals are galena, sphalerite and chalcopyrite. Silver occurs with both lead- and zinc-rich sulphide zones but is higher grade in the lead zones.

Proven and Probable Ore Reserves - Broken Hill Mine

	2005
	(1,4,5,6,7)
Tons (000 s)	11,519
Ounces of silver per ton	1.30
Contained ounces of silver (000 s)	14,955

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Mineralized Material

	2005
Tons (000 s)	10,825
Ounces of silver per ton	1.93

Operating Data (Coeur s share) ⁽³⁾

	2005
Production	
Tons ore milled	667,140
Ore grade silver (oz./ton)	1.31
Recovery (%)	75.4
Silver produced (oz.)	657,093
Cost per Ounce of Silver	
Cash costs ⁽²⁾	\$ 2.72
Non-cash costs	2.75
	\$ 5.47
Total production costs	\$ 5.47

- (1) Ore reserves are effective as of March 31, 2005. Metal price used was \$6.50/ounce of Ag.
- (2) Cash costs per ounce of silver or gold represent a non-U.S.-GAAP measurement that management uses to monitor and evaluate the performance of its mining operations. See Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations; Total Production and Reserves for reconciliation of this non-GAAP measure to GAAP production costs.
- (3) The Broken Hill property was purchased on September 8, 2005. Operating data is presented commencing on September 8, 2005 to December 31, 2005.
- (4) The ore reserves are in-place and include for factors for mining dilution and recovery. Dilution ranges from 0 to 20% additional tonnage while recovery ranges from 80 to 100% of the diluted tonnage.
- (5) Metallurgical recovery factor of 78% should be applied to the silver reserve ounces.
- (6) Reserve estimates were prepared by Donald Earnest, an independent consultant and the Company's technical staff.
- (7) The proven (measured) and probable (indicated) reserves are a combination of zinc, lead and silver mineralization remnant from historic mining and new parts or extensions of the mine. Proven (measured) and probable (indicated) reserves must be accessible as defined by the site specific conditions of the mine. Furthermore, reserves are defined by definition drilling on a grid of 40 meters horizontally by 20 meters vertically and over 70% of the proven (measured) reserves are drilled on a 20 meter by 10 meter

grid.

SILVER AND GOLD DEVELOPMENT PROPERTIES

Bolivia San Bartolome Silver Project

The San Bartolome silver development project is located on the flanks of the Cerro Rico mountain in the Department of Potosi, Bolivia. Access to the property is by paved and all-weather gravel roads leading south from the adjacent city of Potosi. Coeur acquired 100% of the equity in Empresa Minera Manquiri S.A. (Manquiri) from Asarco on September 9, 1999. Manquiri's principal asset is the mining rights to the San Bartolome project, a silver property located near the city of Potosi, Bolivia, on the flanks of the Cerro Rico Mountain. The San Bartolome project consists of several distinct silver-bearing gravel deposits, which are locally referred to as pallaco or sucu deposits. These deposits lend themselves to simple, free digging surface mining techniques and can be extracted without drilling and blasting. The deposits were formed as a result of erosion of the silicified silver-rich upper part of the Cerro Rico volcanic dome complex. Of the several pallaco deposits which are controlled by Coeur and surround Cerro Rico, three are of primary importance and are known as Huacajchi, Diablo (consisting of Diablo Norte, and Diablo Este) and Santa Rita.

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The mineral rights for the San Bartolome project are held through long-term lease agreements with several independent mining cooperatives and the Bolivian State Mining Company (COMIBOL). Manquiri controls 67 square kilometers under lease from COMIBOL and 16,600 acres under lease from the cooperatives at San Bartolome and approximately 17.8 square miles of concessions at the Khori Huasi property, a gold exploration target south of Potosi. The San Bartolome lease agreements are generally subject to a 4% production royalty payable partially to the cooperatives and partially to COMIBOL. During 2003, the Company acquired additional mining rights known as the Plahipo property which is adjacent to the original property package for \$1.3 million. The properties are currently subject to monthly payments totaling approximately \$31,200. Power is supplied to the development activities by on-site diesel generators and line power to the future processing facility.

Silver was first discovered in the area around 1545. Mining of silver and lesser amounts of tin has been conducted nearly continuously since that time from multiple underground mines driven into Cerro Rico. The company acquired the rights to the San Bartolome project in May 1999 from ASARCO Incorporated. The prior owner did not conduct any mining or processing of the surface ores at San Bartolome.

We completed a preliminary feasibility study in 2000, which concluded that an open pit mine was potentially capable of producing approximately 6 million ounces of silver annually. In 2003, SRK, an independent consulting firm, was retained to review the reserve/resource estimate to include additional sampling data to incorporate additional resources acquired with the Plahipo property, which lies to the east of Cerro Rico. During 2003, we retained Flour Daniel Wright to prepare an updated feasibility study which was completed at the end of the third quarter of 2004. The study provides for the use of a cyanide milling flow sheet with a wet preconcentration screen circuit which will result in the production of a dore that may be treated by a number of refiners under a tolling agreement which results in the return of refined silver to the Company that is readily marketed by metal banks and brokers to the ultimate customer. Based upon the results of the updated feasibility study, we estimate the capital cost of the project to be approximately \$135 million. In the second quarter of 2004, we obtained all operating permits. In the fourth quarter of 2004, we commenced construction activities at the project. An updated project review has confirmed the capital cost estimate for the project.

During the second quarter of 2005, the government of Bolivia experienced political unrest which resulted in the resignation of that country's President and the appointment of a temporary President. In December 2005, an election was held which resulted in a new president, without the necessity of a runoff election, as well as changes in numerous other levels of government. As a result, the Company is continuing the development of the project but has extended the construction period until it has been determined that the recent election has mitigated the political uncertainty. Additional construction work planned for the first half of 2006 includes the construction of access roads to and around the site, rough cut grading of the mill site, preparation of an ore stockpile area, movement of some ore to stockpile and the construction of a fence around the perimeter of the plant site area. As a result, the previously estimated construction period of 20 months and the original projected commencement of commercial production has been impacted. The Company is targeting July 1, 2006 for the resumption of full-scale construction activities at the site. The Company continues to monitor the events in Bolivia to determine when to commence full scale construction activities. The Company believes that commercial production could begin as early as 2007.

Coeur expended approximately \$10.5 million in 2005 and plans to incur construction costs of approximately \$65.6 million in 2006, assuming a more aggressive construction schedule is implemented during the year.

The San Bartolome project involves risks that are inherent in any mining venture, as well as particular risks associated with the location of the project. The estimate of mineralized material indicated by the geologic studies performed to date are preliminary in nature and may differ

materially after further metallurgical testing is completed. Also, managing mining projects in the altiplano area of Bolivia, where Cerro Rico is located, presents logistical challenges. The political and cultural differences of Bolivia may also present challenges.

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

Silver at San Bartolome is hosted in gravel (pallaco) and reworked gravel (sucu) deposits that occur on the flanks of Cerro Rico. Cerro Rico is a prominent mountain in the region that reaches an elevation of over 15,400 feet. It is composed of Tertiary-aged volcanic and intrusive rocks that were emplaced into and over older sedimentary, basement rocks. Silver, along with tin and base metals, is located in multiple veins that occur in a northeast trending belt that transects Cerro Rico. The upper parts of the Cerro Rico mineralized system was subsequently eroded and redeposited into flanking deposits. Silver is hosted in all portions of the pallacos and sucus with the best grades segregated to the coarser-grained silicified fragments.

Year-end Probable Ore Reserves - San Bartolome Project

	<u>2005</u>	<u>2004</u>	<u>2003</u>
	(1,2,3,4,5)		
Tons (000 s)	46,176	46,176	35,274
Ounces of silver per ton	3.29	3.29	3.48
Contained ounces of silver (000 s)	151,882	151,882	122,816

Year-end Mineralized Material - San Bartolome Project

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Tons (000 s)	1,166	1,166	238
Ounces of silver per ton	3.44	3.44	4.16

- (1) Metal prices used in calculating proven and probable reserves were \$6.00 per ounce of silver.
- (2) The ore reserves are in-place and do not include for factors for mining dilution or losses.
- (3) An average metallurgical recovery factor of 76.4% should be applied to the silver reserve ounces.
- (4) Reserve estimates were prepared Fluor Canada, an independent consultant group, as part of the project s Feasibility Study and reviewed by the Company s technical staff.
- (5) Proven (measured) and probable (indicated) reserves are defined by surface sampling drill holes or vertical shafts with an average spacing of no more than 70 meters. In practice, reserve blocks are defined by the number of proximal composites and three-dimensional geologic controls. For probable (indicated), the number of composites must be at least 8 with a maximum search distance of less than 275 meters. San Bartolome has only probable reserves. Mineralized material is similarly classified.

Alaska Kensington Gold Project

The Kensington gold development project, consisting of the Kensington and adjacent Jualin properties, is located on the east side of the Lynn Canal about 45 miles north-northwest of Juneau, Alaska. Access to the project is presently by helicopter, float plane or boat from Juneau.

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The Kensington property, which contains the project's reserves, consists of over 6,100 acres of patented and unpatented federal mining claims and state claims. The adjacent Jualin property to the south consists of 9,236 acres of patented and unpatented federal mining claims and state claims.

On July 7, 1995, Coeur, through its wholly-owned subsidiary, Coeur Alaska, Inc. (Coeur Alaska), acquired the 50% ownership interest of Echo Bay Exploration Inc. (Echo Bay) in the Kensington property from Echo Bay and Echo Bay Alaska, Inc. (collectively the Sellers), giving Coeur 100% ownership of the Kensington property. The Kensington project consists of approximately 6,000 acres, of which approximately 750 acres are patented claims. The property is located on the east side of Lynn Canal between Juneau and Haines, Alaska. Coeur Alaska is obligated to pay Echo Bay a scaled net smelter return royalty on 1.0 million ounces of future gold production after Coeur Alaska recoups the \$32.5 million purchase price and its construction and development expenditures incurred after July 7, 1995 in connection with placing the property into commercial production. The royalty ranges from 1% at \$400 gold prices to a maximum of 2 1/2% at gold prices above \$475, with the royalty to be capped at 1.0 million ounces of production.

During the fourth quarter of 2004, the U.S. Forest Service issued its Record of Decision (ROD) for the Final Supplemental Environmental Impact Statement (FSEIS). An environmental group, Southeast Alaska Conservation Council (SEACC), and a group of other community and private environmental groups, appealed the issuance of the ROD. On March 23, 2005, the US Forest Service upheld the decision to approve the FSEIS. On June 28, 2005, the Company received the Environmental Protection Agency's (EPA) National Pollution Discharge Elimination System (NPDES) Permit. In addition, the Company received the U.S. Army Corps of Engineers (Corps of Engineers) 404 Wetlands Permit, which authorized the construction of a Lower Slate Lake tailings facility, millsite road improvements and a Slate Creek Cove dock facility. All permits were reviewed for consistency by both the Alaska Coastal Management and Department of Governmental Coordination, which issued its final ACMP permit certification. On June 6, 2005, two environmental groups, Lynn Canal Conservation Inc. and the Sierra Club, Alaska Chapter filed an appeal of the State of Alaska 401 certification of the Corps of Engineers' approval of the project. Both the State of Alaska and the Company responded in opposition of the appeal to the Commissioner of the Department of Environmental Conservation. The Commissioner denied a hearing which concluded the administrative appeal process.

On September 12, 2005, SEACC, the Sierra Club and Lynn Canal Conservation filed a lawsuit in Federal District Court in Alaska challenging the permits issued by the Corps of Engineers and the US Forest Service and on November 8, 2005, the Corps of Engineers filed a Motion for Voluntary Remand with the court to review the permit issued to the Company under the Clean Water Act (CWA) Section 404 and requested that the court stay the legal proceeding filed by SEACC and the other environmental groups pending the outcome of review. On November 12, 2005, the Federal District Court in Alaska granted the remand of the permit to the Corps of Engineers for further review. On November 22, 2005, the Corps of Engineers advised the Company that it was suspending the Section 404 permit pursuant to the Court's remand to further review the permit. The Company has submitted a work plan which defines the activities at the project that are not impacted by the 404 permit or are allowable activities under the 404 permit that can continue during the suspension by the Corps of Engineers. The Company has been continuing its drilling and exploration activities and progressing construction pursuant to the work plan. The Company is unable to predict the impact of this suspension or litigation on the project at this time.

No assurance can be given as to whether or when regulatory permits and approvals granted to the Company may be challenged, appealed or contested by third parties or issuing agencies, or as to whether the Company will place the Kensington project into commercial production. Power is supplied to the development activities by on-site diesel generators.

In the second quarter of 2004, we completed an updated feasibility study based on an alternative operating scenario which would eliminate the need for a man camp, simplify operating logistics and focus mining on higher-grade areas of the deposit (thereby reducing significantly the size of the mill facilities). This plan significantly reduced capital and operating costs while preserving the ability to expand production as market conditions warrant. In the second quarter of 2005, the Company received its final construction permits and updated the construction and operating cost estimates set forth in the feasibility study. Due to a general increase in commodity prices impacting the industry in general, the Company retained an independent engineering firm to review its capital cost estimate during the fourth quarter of 2005. As a result of increased earthwork requirements, increased storm water management programs, the costs associated with the challenges to the project's permits and the general increase in commodity prices, the Company currently estimates the total cost of construction to be approximately \$190 million. Construction commenced during the third quarter of 2005 and is expected to take approximately 18 months. The Company believes that commercial production could commence in as early as late 2007, subject to successful resolution of the permitting and litigation issues described above.

During 2005, the Company invested \$50.2 million in connection with the development of the mine, of which \$44.2 million was capitalized. The Company plans to spend approximately \$76.7 million on the project during 2006.

The Kensington ore deposit consists of multiple precious metals bearing mesothermal, quartz, carbonate, pyrite vein swarms and discrete quartz-pyrite veins hosted in the Cretaceous age Jualin diorite. The gold-telluride-mineral calaverite is associated with the pyrite mineralization.

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Year-end Proven and Probable Ore Reserves - Kensington Property

	2005	2004	2003
	(1,2,3,4,5)		
Tons (000 s)	4,206	4,206	4,113
Ounces of gold per ton	0.25	0.25	0.24
Contained ounces of gold	1,050,000	1,050,000	1,003,000

Year-end Mineralized Material

	2005	2004	2003
Tons (000 s)	3,116	3,116	7,262
Ounces of gold per ton	0.27	0.27	0.12

- (1) A gold price of \$375 per ounce was used to determine ore reserves.
- (2) The ore reserves are in-place and include factors for mining dilution or losses. An allowance of 2% additional tonnage at 0.03 ounce per ton is included for internal dilution. A factor for external dilution, averaging 10.2% at 0.056 ounces per ton, is also included.
- (3) Metallurgical recovery factors of 95.3% should be applied to the gold reserve ounces.
- (4) Reserve estimates were prepared by Snowden Mining Industry Consultants, an independent consultant group, as part of the project's 2004 Feasibility Study and reviewed by the Company's technical staff.
- (5) The Kensington gold development project contains only probable (indicated) reserves. The reserves are defined with over 340,000 feet of core drilling, largely from underground drilling fans, and 27,000 feet of underground workings. In practice, reserve blocks are defined by the number of proximal composites and three-dimensional geologic controls. Probable (indicated) reserve blocks must at least 2 drill holes spaced not more than 60 feet from the block center. Mineralized material is similarly classified.

Not all Kensington ore zones have been fully delineated internally, or at depth or on strike and several peripheral zones and veins remain to be explored. In the third quarter of 2005 the Company commenced an exploration program designed to increase the size and geologic continuity of gold mineralization currently in its mineralized material inventory and ultimately result in an increase in proven and probable reserves. For the year, a total of \$2.2 million was spent on this exploration program which consisted of completion of approximately 34,000 feet of core drilling, sampling and assaying from underground platforms at Kensington. The program will be continued into 2006 and an updated model of reserves and additional mineralized material is expected to be completed in the third quarter of 2006. A total of 74 holes were drilled in 2005 of which 62, or 87%, encountered gold mineralization with assays greater than or equal to 0.120 troy ounces per short ton; the expected cut-off grade for the current mineralized material. Based on the drilling completed to date, the Company expects to convert a significant portion of the existing mineralized material into reserves and expects the total reserves and mineralized material to increase during 2006 although there can be no assurance we will be able to do so. In addition, the Company possesses the right to develop the Jualin property, an exploratory property located adjacent to the Kensington Property where approximately \$0.7 million was spent on approximately 5,000 feet of core drilling, sampling and assaying. The Company's rights to use and develop the Jualin property are subject to an Amended Lease Agreement dated August 5, 2005 between Hyak Mining Company Inc. as Lessor and Coeur Alaska Inc. as Lessee which expires in August 2020 with provision for lease extension.

EXPLORATION ACTIVITY

Coeur, either directly or through its wholly-owned subsidiaries, owns, leases and has interests in certain exploration-stage mining properties located in the United States, Chile, Argentina, Tanzania and Bolivia. Exploration expenses of approximately \$11.9 million, \$9.7 million and \$4.9 million were incurred by the Company in connection with exploration activities in 2005, 2004 and 2003, respectively.

Donald J. Birak, Coeur's Senior Vice President of Exploration, is the qualified person responsible for the preparation of the scientific and technical information in this Annual Report on Form 10-K. Mr. Birak has reviewed the available data and procedures and believes the

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calculations of mineral resources and mineral reserves were conducted in a professional and competent manner.

Cerro Bayo Mine, Chile

Coeur continued to have exploration success at its 100%-owned Cerro Bayo gold/silver mining operation in southern Chile. Approximately \$4.8 million was spent in exploration during 2005. A total of nearly 245,000 feet of core drilling was completed during the year primarily to discover new mineral resources and define new mineral reserves.

The Company believes that there is potential to discover additional high grade veins within the entire Cerro Bayo district, which is over 2.5 miles east west by 6 miles north-south. The exploration budget for 2006 is estimated to be \$4.9 million.

Martha Mine, Argentina

Coeur had encouraging exploration results at its 100%-owned high-grade silver Martha Mine area located in Santa Cruz Province, Argentina. The underground mine is approximately 270 miles southeast of Coeur's Cerro Bayo property located in Southern Chile.

Coeur continued a mine development and exploration program during 2005 and focused primarily on areas around the 100 acre Martha mine property. The Martha vein, which is exposed for over one mile, is one of seven presently known veins that have had very limited exploration prior to Coeur's acquisition of the property. Coeur's efforts consisted of mapping, sampling and nearly 83,000 feet of core drilling for a total expenditure of \$2.7 million.

The 2005 program was successful in discovering extensions of high grade ore along the strike of the Martha and R4 veins within the mine itself as well as locating several new high-grade ore shoots, in the depth and eastern extensions of the known veins. An ongoing drill program during 2006 is planned to expand the high-grade mineralization discovered in 2005 and to explore for additional high-grade veins.

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Coeur also continued reconnaissance on its large land package in Santa Cruz Province surrounding the Martha mine as well as 90 miles to the north surrounding its Lejano property. The Company plans to continue to map, sample and drill targets on its holdings in 2006.

Tanzania, Africa

During the first quarter of 2004, the Company acquired ten prospecting licenses for properties located in the Victoria Gold Belt of Tanzania, Africa. The prospecting licenses are valid for a period of three years and contain renewal options. During 2005, work consisted of mapping, sampling and acquisition and interpretation of geophysical and remote sensing data. As a result of this work, a large gold-in-soil anomaly, measuring over 2 kilometers (1.2 miles) long in an east-west orientation, by over 0.5 kilometers (0.3 miles) wide was defined on the Geita 2 exploration concession. Other, smaller-scale gold anomalies were also defined on this 105 square kilometer-sized property which lies on the same belt of Archean-aged rocks, commonly termed "greenstone", which host the Geita gold mine to the east. Greenstone rocks, a mixture of volcanic, sedimentary and intrusive rocks, are a major host to gold mineralization around the globe. During 2005 the company added the Sargurwa property, northwest of its Geita 2 concession, to its portfolio through an option agreement with a local Tanzanian group of owners.

Plans for 2006 are to conduct shallow rotary air-blast (RAB) drilling on Geita 2 to determine the source of the gold-in-soil anomaly and map bedrock geology under the lateritic terrain typical of east Africa and follow-up with deeper core drilling on favorable RAB drilling and geochemical results, as well as reconnaissance activity on the Company's other parcels. During 2006, the Company plans to spend approximately \$0.8 million on exploration activities which, if successful, could identify targets for drilling later in 2006.

SILVER AND GOLD PRICES

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. The volatility of such prices is illustrated by the following table, which sets forth the high and low prices of silver (as reported by Handy and Harman) and gold (London Final) per ounce during the periods indicated:

Year Ended December 31,		
2005	2004	2003

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	High	Low	High	Low	High	Low
Silver	\$9.11	\$6.38	\$8.24	\$5.57	\$5.97	\$4.39
Gold	\$536.50	\$411.10	\$454.20	\$375.00	\$416.25	\$319.90

MARKETING

The Company markets its metals products and concentrates primarily to bullion trading banks and third party smelters. These customers then sell the metals to end users for use in industry applications such as electronic circuitry, jewelry and silverware production and the manufacture and development of photographic film. Sales of metals to bullion trading banks amounted to approximately 40%, 48% and 41% of total sales of metals in 2005, 2004 and 2003, respectively, and sales of metal concentrates to third party smelters amounted to approximately 60%, 52% and 59% of total metal sales in 2005, 2004 and 2003, respectively. Generally, the loss of a single bullion trading bank customer would not adversely affect the Company in view of the liquidity of the product and availability of alternative trading banks. In 2005, the Company had sales of concentrates to two third-party smelters which constituted 10% or more of the Company's total metal sales. A significant delay or disruption as the result of a disruption in the Company's contracts could have a materially adverse effect on our operations if we were unable to locate an alternate smelter to treat our concentrates.

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The Company has no future silver or gold production hedged at December 31, 2005 and has no plans to hedge its silver in the future. Coeur has historically sold the gold from its mines both pursuant to forward contracts and at spot prices prevailing at the time of sale. Silver has been sold at spot prices prevailing at the time of sale. Entering into forward sale contracts is a strategy which can be used to enhance revenues and/or mitigate some of the risks associated with fluctuating precious metals prices. For further details of the Company's gold sales program please refer to Note M - Derivative Financial Instruments and Fair Value Financial Instruments of the Company's Consolidated Financial Statements and Accompanying Notes.

GOVERNMENT REGULATION

General

The Company's commitment to environmental responsibility has been recognized in 23 awards received since 1987, which included the Dupont/Conoco Environmental Leadership Award, awarded to the Company on October 1, 1991 by a judging panel that included representatives from environmental organizations and the federal government, the Star award granted on June 23, 1993 by the National Environmental Development Association, and the Environmental Waikato Regional Council award for Golden Cross environmental initiative granted on May 15, 1995 and in March 2004 the Habitat Restoration Award from the Nevada Division of Wildlife for developing habitat at the Rochester mine. In 1994, the Company's Chairman and Chief Executive Officer, and in 1997, the Company's Vice President of Environmental and Governmental Affairs, were awarded the American Institute of Mining, Metallurgical and Petroleum Engineers' Environmental Conservation Distinguished Service Award.

The Company's activities are subject to extensive federal, state and local laws governing the protection of the environment, prospecting, development, production, taxes, labor standards, occupational health, mine safety, toxic substances and other matters. Although the Company is usually involved in regulatory proceedings for renewal or reissue of various permits, such regulations have never caused the Company to close any mine. The costs associated with compliance with such regulatory requirements are substantial and possible future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permitting, including the approval of reclamation plans, the Company must comply with known standards and regulations which may entail significant costs and delays. Although Coeur has been recognized for its commitment to environmental responsibility and believes it is in substantial compliance with applicable laws and regulations, amendments to current laws and regulations, the more stringent implementation thereof through judicial review or administrative action or the adoption of new laws could have a materially adverse effect upon the Company.

For the years ended December 31, 2005, 2004 and 2003, the Company expended \$5.1 million, \$4.4 million and \$4.5 million, respectively, in connection with routine environmental compliance activities at its operating properties and expects to expend approximately \$3.7 million for that purpose in 2006. Future environmental expenditures will be determined by governmental regulations and the overall scope of the Company's operating and development activities.

Federal Environmental Laws

Mining wastes are currently exempt to a limited extent from the extensive set of Environmental Protection Agency (EPA) regulations governing hazardous waste, although such wastes may be subject to regulation under state law as a solid or hazardous waste. The EPA plans to develop a program to regulate mining waste pursuant to its solid waste management authority under the Resource Conservation and Recovery Act (RCRA). Certain processing and other wastes are currently regulated as hazardous wastes by the EPA under RCRA. The EPA is studying how mine wastes from extraction and beneficiation should be managed and regulated. If the Company 's mine wastes were treated as hazardous waste or such wastes resulted in operations being designated as a Superfund site under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or Superfund) for cleanup, material expenditures would be required for the construction of additional waste disposal facilities or for other remediation expenditures. Under CERCLA, any present owner or operator of a Superfund site or an owner or operator at the time of its contamination generally may be held liable and may be forced to undertake remedial cleanup action or to pay for the government 's cleanup efforts. Additional regulations or requirements may also be imposed upon the Company 's tailings and waste disposal in Idaho and Alaska under the Federal Clean Water Act (CWA) and state law counterparts, and in Nevada under the Nevada Water Pollution Control Law which implements the CWA. Air emissions are subject to controls under Nevada 's, Idaho 's and Alaska 's air pollution statutes implementing the Clean Air Act.

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Proposed Mining Legislation

Legislation has been introduced, on several occasions, in the U.S. Congress to change the Mining Act under which the Company holds mining claims on public lands. It is possible that the Mining Act may be amended or be replaced by more onerous legislation in the future. Previously proposed legislation contained new environmental standards and conditions, additional reclamation requirements and extensive new procedural steps which would be likely to result in delays in permitting. The Forest Service and the Bureau of Land Management have considered revising regulations governing operations under the Mining Act on public lands they administer, which, if reintroduced, may result in additional procedures and environmental conditions and standards on those lands.

During the last several Congressional sessions, bills have been introduced which would supplant or materially alter the Mining Act. If enacted, such legislation may materially impair the ability of the Company to develop or continue operations which derive ore from federal lands. No such bills have been passed and the extent of the changes, if any, which may be enacted by Congress is not presently known. A significant portion of Coeur 's U.S. mining properties are on public lands. Any reform of the Mining Act or Bureau of Land Management and Forest Service regulations thereunder based on these initiatives could increase the costs of mining activities on unpatented mining claims, and as a result could have an adverse effect on the Company and its results of operations. Until such time, if any, as new reform legislation or regulations are enacted, the ultimate effects and costs of compliance on the Company cannot be estimated.

Foreign Government Regulations

The mining properties of the Company that are located in Chile and Argentina are subject to various government laws and regulations pertaining to the protection of the air, surface water, ground water and the environment in general, as well as the health of the work force, labor standards and the socioeconomic impacts of mining facilities upon the communities. A recently established State Council for the Environment (CODEMA) has responsibility to define policy, approve plans and programs, control regulatory activities and enforce compliance. The Company believes it is in substantial compliance with all applicable laws and regulations to which it is subject in Chile and Argentina.

The Republic of Bolivia, where the San Bartolome project is located, has adopted laws and guidelines for environmental permitting that are similar to those in effect in the United States and other South American countries. The permitting process requires a thorough study to determine the baseline condition of the mining site and surrounding area, an environmental impact analysis, and proposed mitigation measures to minimize and offset the environmental impact of mining operations. The Company has received all permits required to build and operate the San Bartolome mine.

The Company does not directly hold any interest in mining properties in Australia. However, under the respective Silver Sale Agreements with CBH Resources Limited and Perilya Broken Hill Limited, the Company has purchased the silver resources in the ground of these mining companies. These two companies are responsible for the mining operation and compliance with Government regulations and the Company is not responsible for compliance. The Company is however at risk for any production stoppages resulting from non-compliance. The mining properties of CBH and Perilya are subject to a range of State and Federal government laws and regulations pertaining to the protection of the air, surface water, ground water, noise, site rehabilitation and the environment in general, as well as the occupational health and safety of the work force, labor standards and the socio-economic impacts of mining facilities among local communities. In addition, the various Federal and State native title legislation recognizes and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs, and may restrict mining and exploration activity and/or result in additional costs. CBH and Perilya are required to deal with a number of governmental departments in development and exploitation of their respective mining properties. The Company is not aware of any substantial non-compliance with applicable laws and regulations to which its partners are subject in

Australia.

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Maintenance of Claims

United States

At mining properties in the United States, including the Rochester, Kensington, Coeur, Galena and Caladay mines, operations are conducted in part upon unpatented mining claims, as well as patented mining claims. Pursuant to applicable federal law it is necessary, in order to maintain the unpatented claims, to pay to the Secretary of the Interior, on or before August 31 of each year, a claim maintenance fee of \$100 per claim. This claim maintenance fee is in lieu of the assessment work requirement contained in the Mining Law of 1872. In addition, in Nevada, holders of unpatented mining claims are required to pay the county recorder of the county in which the claim is situated an annual fee of \$3.50 per claim. No maintenance fees are payable for patented claims. Patented claims are similar to land held by an owner who is entitled to the entire interest in the property with unconditional power of disposition.

Chile

In Chile, operations are conducted upon mineral concessions granted by the national government. For exploitation concessions (somewhat similar to a U.S. patented claim), to maintain the concession, an annual tax is payable to the government before March 31 of each year in the approximate amount of \$1.14 per hectare. For exploration concessions, to maintain the right, the annual tax is approximately \$.30 per hectare. An exploration concession is valid for a five-year period. It may be renewed for new periods unless a third party claims the right to explore upon the property, in which event the exploration concession must be converted to an exploitation concession in order to maintain the rights to the concession.

Argentina

Minerals are owned by the Argentine government, which allows individual provinces to impose a maximum 3% mine-mouth royalty on mineral production. The first step in acquiring mining rights is filing a cateo, which gives exclusive prospecting rights for the requested area for a period of time, generally up to 3 years. Maximum size of each cateo is 10,000 hectares; a maximum of 20 cateos can be held by a single entity (individual or company) in any one province.

The holder of a cateo has exclusive right to establish a Manifestation of Discovery (MD) on that cateo, but MDs can also be set without a cateo on any land not covered by someone else's cateo. MDs are filed as either a vein or disseminated discovery. A square protection zone can be declared around the discovery up to 840 hectares for vein MD or up to 7,000 hectares for a disseminated MD. The protection zone grants the discoverer exclusive rights for an indefinite period, during which the discoverer must provide an annual report presenting a program of exploration work and investments related to the protection zone. An MD can later be upgraded to a Mina (mining claim), which give the holder the right to begin commercial extraction of minerals.

Bolivia

The Bolivian national mining company, Corporacion Minera Bolivia (Comibol), is the underlying owner of all of the mining rights relating to the San Bartolome project, with the exception of the Thuru property, which is owned by the Cooperativa Reserva Fiscal, a local miners cooperative. Comibol's ownership derives from the Supreme Decree 3196 in October 1952, when the government nationalized most of the mines in Potosi, except for Thuru. Except for Thuru, Comibol has leased the mining rights for the surface sucu or pallaco gravel deposits to several Potosi cooperatives. The cooperatives in turn have subleased their mining rights to Manquiri through a series of joint venture contracts. In addition to those agreements with the cooperatives, Coeur, through its subsidiary Manquiri, holds additional mining rights under lease agreements. All of Manquiri's mining and surface rights collectively constitute the San Bartolome project.

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Australia

At mining properties in Australia operated by CBH Resources Limited and Perilya Broken Hill Limited, operations are conducted on designated Mining Leases issued by the relevant State Government mining department. Mining Leases are issued for a specific term and include a range of environmental and other conditions including the payment of production royalties, annual lease fees and the use of cash or a bank guarantee as security for reclamation liabilities. The amounts required to be paid to secure reclamation liabilities are determined on a case by case basis. In addition, both CBH Resources Limited and Perilya Broken Hill Limited hold a range of exploration titles permits which are also

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issued by the respective State government mining departments for specified terms and require payment of annual fees and completion of designated expenditure programs on the leases to maintain title. In Australia, minerals in the ground are owned by the state until severed from the ground through mining operations.

EMPLOYEES

The number of full-time employees at December 31, 2005 of Coeur d Alene Mines Corporation and its subsidiaries was:

United States Corporate Staff & Office	38
Silver Valley - Galena Mine ⁽¹⁾	181
Rochester Mine	226
Kensington Property	38
Chilean Corporate Staff & Office	48
Cerro Bayo Mine ⁽¹⁾	509
Mina Martha/Argentina ⁽¹⁾	128
San Bartolome	38
	<hr/>
Total	1,206
	<hr/>

- (1) The Company maintains a labor agreement with the United Steelworkers of America at its Coeur Silver Valley mine. The agreement is effective from March 26, 2003 to March 1, 2006, which was further extended to September 1, 2006. The Company also maintains a labor agreement with Sindicato De Trabajadores De Compania Minera Cerro Bayo LTA at its Cerro Bayo Chile mine. The agreement is effective from December 22, 2005 to December 21, 2007. As of December 31, 2005, the Company had approximately 25% of its labor force covered by collective bargaining. In Argentina, the Company's production workforce is not currently represented by a union; however, negotiations started in February 2006 with the Asociacion Obrea Minera Argentina with the intent of reaching a labor agreement by the end of March 2006. Management believes it has a satisfactory relationship with its Union workforce.

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

General

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

The Company's business strategy is to capitalize on the ore reserve/mineralized material bases located at its operating mines and the expertise of its management team to continue as a leading primary silver production company through long-term, cash flow generating growth. The principal elements of the Company's business strategy are to: (i) increase the Company's silver production and reserves; (ii) decrease cash costs and increase production at the Company's existing silver mining operations; (iii) transform development-stage properties into producing mines; (iv) acquire operating mines, exploration and/or development properties with a view to reducing the Company's cash and total costs, provide short-term positive cash flow return and expand its silver production base and reserves; and (v) continue to explore for new silver and gold discoveries primarily near its existing mine sites and evaluate new opportunities to expand its production through acquisitions and exploration.

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The Rochester mine, Cerro Bayo mine/Martha mine and Silver Valley's Galena mine, each operated by the Company, and the Endeavor and Broken Hill mines which are operated by others, constituted the Company's principal sources of mining revenues in 2005.

Critical Accounting Policies and Estimates

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

Revenue Recognition. Revenue includes sales value received for our principle product, silver, and associated by-product revenues from the sale of by-product metals consisting primarily of gold and copper. Revenue is recognized when title to silver and gold passes to the buyer and when collectibility is reasonably assured. The passing of title to the customer is based on terms of the sales contract. Product pricing is determined at the point revenue is recognized by reference to active and freely traded commodity markets for example, the London Bullion Market, an active and freely traded commodity market, for both gold and silver, in an identical form to the product sold.

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

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

At December 31, 2005, the Company had outstanding provisionally priced sales of \$53.6 million consisting of 4.3 million ounces of silver, 40,000 ounces of gold and 0.5 million pounds of copper. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately \$43,000; for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately \$40,000; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately \$5,200. At December 31, 2004, the Company had outstanding provisionally priced sales of \$26.7 million, consisting of 2.5 million ounces of silver, 18,755 ounces of gold and 1.0 million pounds of copper. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately \$25,000; for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately \$18,755; and for each one cent per pound change in realized copper price, revenue would vary (plus or minus) approximately \$10,000.

Reserve Estimates. The preparation of this Annual Report on Form 10-K requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements, and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates. The most

critical accounting principles upon which the Company's financial status depends are those requiring estimates of recoverable ounces from proven and probable reserves and/or assumptions of future commodity prices. There are a number of uncertainties inherent in estimating quantities of reserves, including many factors beyond our control. Ore reserves estimates are based upon engineering evaluations of samplings of drill holes and other openings. These estimates involve assumptions regarding future silver and gold prices, the geology of our mines, the mining methods we use and the related costs we incur to develop and mine our reserves. Changes in these assumptions could result in material adjustments to our reserve estimates. We use reserve estimates in determining the units-of-production depreciation and amortization expense, as well as in evaluating mine asset impairments.

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We review and evaluate our long-lived assets for impairment when events or changes in circumstances indicate that the related carrying amounts may not be recoverable. We utilize the methodology set forth in Statement of Financial Accounting Standard (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Asset, to evaluate the recoverability of capitalized mineral property costs. An impairment is considered to exist if total estimated future cash flows or probability-weighted cash flows on an undiscounted basis is less than the carrying amount of the assets, including property, plant and equipment, mineral property, development property, and any deferred costs such as deferred stripping. The accounting estimates related to impairment are critical accounting estimates because the future cash flows used to determine whether an impairment exists is dependent on reserve estimates and other assumptions including, silver and gold prices, production levels, and capital and reclamation costs, all of which are based on detailed engineering life-of-mine plans. An impairment loss exists when estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. Any impairment loss recognized represents the excess of the asset's carrying value as compared to its estimated fair value. The Company reviews the carrying value of its assets whenever events or changes in circumstances indicate that the carrying amount of its assets may not be fully recoverable. The Company did not record any write-downs during the years ended December 31, 2005, 2004 and 2003.

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

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

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

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

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Our reported inventories include metals estimated to be contained in the ore on the leach pads of \$54.6 million as of December 31, 2005. Of this amount, \$25.4 million is reported as a current asset and \$29.2 million is reported as a noncurrent asset. The distinction between current and noncurrent is based upon the expected length of time necessary for the leaching process to remove the metals from the broken ore. The historical cost of the metal that is expected to be extracted within twelve months is classified as current and the historical cost of metals contained within the broken ore that will be extracted beyond twelve months is classified as noncurrent. The ore on leach pad inventory is stated at actual production costs incurred to produce and place ore on the leach pad during the current period, adjusted for production issues encountered during

the period.

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

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

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

	Positive/Negative Change in Silver Recovery			Positive/Negative Change in Gold Recovery		
	1%	2%	3%	1%	2%	3%
Quantity of recoverable ounces	1.6 million	3.3 million	4.9 million	11,900	23,800	35,800
Positive impact on future cost of production per silver equivalent ounce for increases in recovery rates	\$0.78	\$1.36	\$1.82	\$0.36	\$0.68	\$0.97
Negative impact on future cost of production per silver equivalent ounce for decreases in recovery rates	\$1.08	\$2.70	\$5.35	\$0.42	\$0.91	\$1.48

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

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

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

Operating Statistics and Reserve Estimates

The Company's total production in 2005 was 13.7 million ounces of silver and 134,227 ounces of gold, compared to 14.1 million ounces of silver and 129,686 ounces of gold in 2004. Total estimated proven and probable reserves at December 31, 2005 were approximately 221.4 million ounces of silver and 1.3 million ounces of gold, compared to silver and gold reserves at December 31, 2004 of approximately 196.2 million ounces and 1.4 million ounces, respectively.

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

	Proven and Probable ⁽¹⁾					Mineralized Material		
	Tons (000 s)	Grade Ag oz/t	Grade Au oz/t	Ounces AG (000 s)	Ounces AU (000 s)	Tons (000 s)	Grade Ag oz/t	Grade Au oz/t
Rochester	10,168	.86	.011	8,765	113	15,646	1.03	.01
Silver Valley	444	24.50	--	10,879	--	2,580	11.74	--
Cerro Bayo	935	8.00	.14	7,476	132	4,113	6.19	.10
Mina Martha	67	60.29	.08	4,054	5	134	45.37	.05
San Bartolome	46,176	3.29	--	151,882	--	1,166	3.44	--
Kensington	4,206	--	.25	--	1,050	3,116	--	.27
Endeavor ⁽²⁾	12,125	1.93	--	23,341	--	8,488	2.03	--
Broken Hill ⁽³⁾	11,519	1.30	--	14,955	--	10,825	1.93	--
Total tons	85,640			221,352	1,300	46,068		
Summary by metal:	Total tons (000 s)	Ag oz/t (Wt. Avg.)	Au oz/t (Wt. Avg.)			Total tons (000 s)	Ag oz/t (Wt. Avg.)	Au oz/t (Wt. Avg.)
Silver	81,434	2.72				42,952	2.80	
Gold	15,376		0.08			23,009		0.06

- (1) Reserves using silver price of \$6.50 and gold price of \$410, except for Endeavor which uses a \$7.06 silver price, San Bartolome which uses a \$6.00/oz. silver price and Kensington which uses a gold price of \$375.
- (2) Reserves are provided by the operator as of June 30, 2005, the end of the operator's most recent fiscal year. These totals do not include additions or depletions through December 31, 2005.
- (3) Reserves are provided by the operator as of March 31, 2005. These totals do not include additions or depletions through December 31, 2005.

The ore reserves at December 31, 2005 may change with fluctuations in the price of gold and silver. The following table shows the estimated changes to ore reserves at mines operated by the Company at different pricing ranges.

Proven and Probable Ore Reserve Sensitivity to Prices

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	Per ounce Silver Price	Per ounce Gold Price	Tons (000 s)	(000 s) Ounces AG	(000 s) Ounces AU
Rochester ⁽¹⁾	\$6.00	\$400	10,168	8,765	113
	\$6.50	\$410	10,168	8,765	113
	\$7.00	\$425	10,168	8,765	113
	\$7.65	\$465	10,168	8,765	113
Silver Valley	\$6.00	\$400	261	6,810	--
	\$6.50	\$410	444	10,879	--
	\$7.00	\$425	584	13,248	--
	\$7.65	\$465	756	15,292	--
Cerro Bayo	\$6.00	\$400	869	7,080	125
	\$6.50	\$410	935	7,476	132
	\$7.00	\$425	935	7,476	132
	\$7.65	\$465	967	7,602	134
Mina Martha	\$6.00	\$400	62	3,932	5
	\$6.50	\$410	67	4,054	5
	\$7.00	\$425	69	4,172	6
	\$7.65	\$465	69	4,172	6

(1) Due to constraints related to the current mine plan and mining equipment fleet, the Rochester reserve does not change within the specific range of metals prices.

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The following table presents production information by mine and consolidated sales information for the years ended December 31:

	2005	2004	2003
<i>ROCHESTER MINE</i>			
Silver ozs	5,720,489	5,669,074	5,585,385
Gold ozs	70,298	69,456	52,363
Cash Costs per oz./silver	\$ 4.82	\$ 3.93	\$ 4.67
Total Costs per oz./silver	\$ 6.66	\$ 5.66	\$ 5.58
<i>GALENA MINE (COEUR SILVER VALLEY)</i>			
Silver ozs	2,060,338	3,521,813	3,735,663
Gold ozs	282	354	843
Cash Costs per oz./silver	\$ 8.37	\$ 5.46	\$ 4.66
Total Costs per oz./silver	\$ 9.34	\$ 6.02	\$ 5.03
<i>CERRO BAYO MINE</i>			
Silver ozs	2,875,047	3,235,192	3,319,429
Gold ozs	61,058	57,558	65,370
Cash Costs per oz./silver	\$ 0.54	\$ 1.01	\$ (0.04)
Total Costs per oz./silver	\$ 2.30	\$ 2.43	\$ 2.39
<i>MARTHA MINE</i>			
Silver ozs	2,093,464	1,709,069	1,549,425
Gold ozs	2,589	2,318	1,785
Cash costs per oz./silver	\$ 4.60	\$ 4.08	\$ 1.96
Total costs per oz./silver	\$ 5.01	\$ 5.05	\$ 2.82
<i>ENDEAVOR MINE ^(A)</i>			
Silver ozs	316,169	--	--

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	2005	2004	2003
	<u> </u>	<u> </u>	<u> </u>
Cash Costs per oz./silver	\$ 2.05	--	--
Total Costs per oz./silver	\$ 3.35	--	--
BROKEN HILL MINE ^(A)			
Silver ozs	657,093	--	--
Cash costs per oz./silver	\$ 2.72	--	--
Total costs per oz./silver	\$ 5.47	--	--
CONSOLIDATED PRODUCTION TOTALS			
Silver ozs	13,722,600	14,135,148	14,189,902
Gold ozs	134,227	129,686	120,361
Cash costs per oz./silver	\$ 4.26	\$ 3.66	\$ 3.27
Total costs per oz./silver	\$ 5.77	\$ 4.94	\$ 4.39
CONSOLIDATED SALES TOTAL			
Silver ozs. sold	14,707,933	13,354,961	15,032,114
Gold ozs. sold	146,749	117,257	128,899
Realized price per silver oz	\$ 7.44	\$ 6.82	\$ 4.89
Realized price per gold oz	\$ 452	\$ 409	\$ 345

^(A) The Company acquired its interests in the Endeavor and Broken Hill mines in May 2005 and September 2005, respectively.

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The tables below present reconciliations between Non-GAAP cash costs per ounce to production costs applicable to sales including depreciation, depletion and amortization (GAAP).

Total cash costs include all direct and indirect operating cash costs related directly to the physical activities of producing metals, including mining, processing and other plant costs, third-party refining and marketing expense, on-site general and administrative costs, royalties and mining production taxes, net of by-product revenues earned from all metals other than the primary metal produced at each unit. Total cash costs are a performance measure and provide management and investors an indication of net cash flow, after consideration of the realized price received for production sold. Management also uses this measurement for the comparative monitoring of performance of our mining operations period-to-period from a cash flow perspective. Total cash cost per ounce is a measure developed by precious metals companies in an effort to provide a comparable standard, however, there can be no assurance that our reporting of this non-GAAP measure is similar to that reported by other mining companies.

Production costs applicable to sales and depreciation, depletion and amortization, is the most comparable financial measure calculated in accordance with GAAP to total cash costs. The sum of the production costs applicable to sales and depreciation, depletion and amortization for our mines as set forth in the tables below is included in our Consolidated Statement of Operations and Comprehensive Loss.

YEAR ENDED DECEMBER 31, 2005

(In thousands except ounces and per ounce costs)

	<u>Rochester</u>	<u>Galena</u>	<u>Cerro Bayo</u>	<u>Martha</u>	<u>Endeavor ⁽¹⁾</u>	<u>Broken Hill ⁽¹⁾</u>	<u>Total</u>
Production of Silver (ounces)	5,720,489	2,060,338	2,875,047	2,093,464	316,169	657,093	13,722,600
Cash Costs per ounce	\$ 4.82	\$ 8.37	\$ 0.54	\$ 4.60	\$ 2.05	\$ 2.72	\$ 4.26
Total Cash Costs (Non-GAAP)	27,575	\$ 17,248	\$ 1,542	\$ 9,637	\$ 648	\$ 1,790	\$ 58,440
Add/Subtract:							

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Third Party Smelting Costs	--	(3,091)	(2,783)	(1,165)	(370)	(570)	(7,979)
By-Product Credit ⁽²⁾	31,601	2,722	27,114	1,152	--	--	62,589
Deferred Stripping Adjustment	140	--	--	--	--	--	140
Change in Inventory	(14,769)	(181)	7,421	(328)	--	(403)	(8,260)
Depreciation, depletion and amortization	10,403	1,996	5,063	860	411	1,807	20,540
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Production costs applicable to sales, including depreciation, depletion and amortization (GAAP)	\$ 54,950	\$ 18,694	\$ 38,357	\$ 10,156	\$ 689	\$ 2,624	\$ 125,470
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

YEAR ENDED DECEMBER 31, 2004

(In thousands except ounces and per ounce costs)

	<u>Rochester</u>	<u>Galena</u>	<u>Cerro Bayo</u>	<u>Martha</u>	<u>Endeavor ⁽¹⁾</u>	<u>Broken Hill ⁽¹⁾</u>	<u>Total</u>
Production of Silver (ounces)	5,669,074	3,521,813	3,235,192	1,709,069	--	--	14,135,148
Cash Costs per ounce	\$ 3.93	\$ 5.46	\$ 1.01	\$ 4.08	--	--	\$ 3.66
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Cash Costs (Non-GAAP)	\$ 22,287	\$ 19,231	\$ 3,253	\$ 6,975	--	--	\$ 51,746
Add/Subtract:							
Third Party Smelting Costs	--	(5,117)	(4,106)	(887)	--	--	(10,110)
By-Product Credit ⁽²⁾	28,646	3,766	23,845	951	--	--	57,208
Deferred Stripping Adjustment	(403)	1	110	--	--	--	(292)
Change in Inventory	(13,380)	756	(3,212)	(364)	--	--	(16,200)
Depreciation, depletion and amortization	10,229	1,967	4,588	1,669	--	--	18,453
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Production costs applicable to sales, including depreciation, depletion and amortization (GAAP)	\$ 47,379	\$ 20,604	\$ 24,478	\$ 8,344	--	--	\$ 100,805
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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YEAR ENDED DECEMBER 31, 2003

(In thousands except ounces and per ounce costs)

	<u>Rochester</u>	<u>Galena</u>	<u>Cerro Bayo</u>	<u>Martha</u>	<u>Endeavor ⁽¹⁾</u>	<u>Broken Hill ⁽¹⁾</u>	<u>Total</u>
Production of Silver (ounces)	5,585,385	3,735,663	3,319,429	1,549,425	--	--	14,189,902
Cash Costs per ounce	\$ 4.67	\$ 4.66	\$ (0.04)	\$ 1.96	--	--	\$ 3.27
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Cash Costs (Non-GAAP)	\$ 26,062	\$ 17,392	\$ (132)	\$ 3,043	--	--	\$ 46,365
Add/Subtract:							
Third Party Smelting Costs	--	(4,410)	(3,118)	(716)	--	--	(8,244)
By-Product Credit ⁽²⁾	18,980	2,256	23,735	648	--	--	45,619
Deferred Stripping Adjustment	(322)	--	--	--	--	--	(322)
Change in Inventory	(5,149)	(165)	1,465	473	--	--	(3,376)
Depreciation, depletion and amortization	5,421	1,520	8,080	1,320	--	--	16,341
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Production costs applicable to sales, including depreciation, depletion and amortization (GAAP)	\$ 44,992	\$ 16,593	\$ 30,030	\$ 4,768	--	--	\$ 96,383
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⁽¹⁾ The Company's share of silver production at Endeavor and Broken Hill commenced in May 2005 and September 2005, respectively.

⁽²⁾ By-product credits are based upon production units and the period's average metal price for purposes of reporting cash costs per ounce.

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

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

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

Results of Operations

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Revenues

Sales of metal in the year ended December 31, 2005 increased by \$39.5 million, or 30%, over the year ended December 31, 2004 to \$172.3 million. The increase in sales was primarily attributable to an increase in the quantity of silver and gold sold during 2005 and increased metal prices realized in 2005 as compared to 2004. In 2005, the Company sold 14.7 million ounces of silver and 146,749 ounces of gold, compared to sales of 13.4 million ounces of silver and 117,257 ounces of gold in 2004. In the year ended December 31, 2005, the Company realized average silver and gold prices of \$7.44 and \$452, respectively, compared with realized average prices of \$6.82 and \$409, respectively, in the prior year.

Included in revenues is the by-product revenue associated with by-product metal sales consisting primarily of gold and copper. In 2005, by-product revenues totaled \$70.2 million compared to \$51.9 million in 2004. The increase is primarily due to an increase in the quantity of gold sold and higher gold prices realized in 2005 compared to 2004.

The Company believes, based on the best estimates, that presentation of these revenue streams as by-products will continue to be appropriate in the future.

In the year ended December 31, 2005, the Company produced a total of 13.7 million ounces of silver and 134,227 ounces of gold compared to 14.1 million ounces of silver and 129,686 ounces of gold in 2004. The lower silver production in 2005, as compared to 2004, was primarily due to lower production at the Galena mine which was the result of lower than expected ore grades from the Lower 72 Vein area and shorter than expected strike length of the 2400 Upper silver vein which necessitated the redevelopment of these areas to reach higher ore grade horizons in the ore block. In addition, poor ground conditions have delayed the development and mining of the 112 vein. This was partially offset by higher silver production from the Rochester and Martha mines. In addition, on May 23, 2005, the Company acquired silver production and reserves contained at the Endeavor mine in Australia, which is owned and operated by Cobar Operations Pty. Limited, a subsidiary of CBH Resources Ltd. Coeur's share of silver production there amounted to 316,169 ounces. On September 8, 2005, the Company acquired silver production and reserves contained at the Broken Hill mine in Australia, which is owned and operated by Perilya Broken Hill Ltd. Coeur's share of silver production at that mine from September 8, 2005 to December 31, 2005 amounted to 657,093 ounces.

Costs, Expenses and Write-downs

The following table sets forth year 2005 versus year 2004 costs, expenses and write-downs:

Production costs applicable to sales in the year ended December 31, 2005 increased by \$22.6 million, or 27%, from the year ended December 31, 2004 to \$104.9 million. The increase for the year is primarily the result of higher diesel, utility and operating materials and supply costs at the Company's mining operations and the Company's operating costs associated with the Company's newly acquired interests in the Endeavor and Broken Hill mines.

Depreciation and amortization increased in the year ended December 31, 2005 by \$2.1 million, or 11%, over the prior year, primarily due to the increased depletion associated with the Company's newly acquired interests in the Endeavor and Broken Hill mines.

Administrative and general expenses increased \$3.5 million in the year ended December 31, 2005 compared to 2004 due primarily to higher outside audit services of \$1.4 million related to financial reporting compliance activities, higher compensation costs of \$0.7 million and \$1.4 million in increased other general administration expenses.

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Exploration expenses increased \$2.3 million in the year ended December 31, 2005 compared to 2004, due to increased exploration activities at the Kensington, Cerro Bayo and Martha mines.

Pre-development expense decreased \$5.4 million to \$6.1 million due to the classification of the San Bartolome and Kensington projects as development-stage properties in the fourth quarter of 2004 and the third quarter of 2005, respectively.

Write-downs of mining properties and other expenses amounted to \$1.4 million in 2005 compared to \$2.0 million in 2004. The decrease is primarily due to reduced holding costs on inactive properties.

During the first quarter of 2005, the Company recorded a litigation settlement of \$1.6 million related to the Company's settlement of the suit by Credit Suisse First Boston on April 6, 2005. See Note Q - Litigation.

Other Income and Expenses

Interest and other income in the year ended December 31, 2005 increased by \$5.2 million compared with the year ended December 31, 2004 due to higher interest rates earned on the Company's cash, cash equivalents and short-term investments. Interest expense decreased \$0.3 million in the year ended December 31, 2005 compared to 2004, due to the fact that the Company began capitalizing a portion of its interest expense associated with the capitalization of development expenditures at the Kensington and San Bartolome development projects. Capitalized interest was \$0.2 million in 2005 compared to \$0.1 million in 2004.

Expenses of \$15.7 million were incurred in 2004 in connection with the Company's tender offer for outstanding shares of Wheaton River Minerals Ltd. That offer expired on September 30, 2004, with Coeur not purchasing any Wheaton shares tendered due to unsatisfied conditions of the offer. No such expenses were incurred in 2005.

Income Taxes

For the year ended December 31, 2005, the Company recorded an income tax provision of approximately \$1.5 million. The tax provision is comprised of \$4.2 million deferred tax provision, reduced by a \$1.7 million deferred tax benefit primarily arising from a release of valuation allowance due to increased proven and probable reserves and revised projected future taxable income at the Cerro Bayo mine, a \$0.8 million deferred tax benefit primarily from the release of valuation allowance associated with net operating losses and other deductible temporary differences in Argentina, and a current benefit of approximately \$0.2 million primarily from the carryback of alternative minimum tax net operating losses which had previously been provided for. As of December 31, 2005, the net foreign deferred tax asset is approximately \$2.8 million (\$2.1 million current and \$0.7 million non-current).

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Revenues

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Sales of concentrates and dorè in the year ended December 31, 2004 increased by \$22.1 million, or 20%, over the year ended December 31, 2003 to \$132.8 million. The increase in sales was attributable to increased metal prices received in 2004 compared with 2003. In 2004, the Company sold 13.4 million ounces of silver and 117,257 ounces of gold, compared to sales of 15.0 million ounces of silver and 128,899 ounces of gold in 2003. In the year ended December 31, 2004, the Company realized average silver and gold prices of \$6.82 and \$409, respectively, compared with realized average prices of \$4.89 and \$345, respectively, in the prior year.

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In the year ended December 31, 2004, the Company produced a total of 14.1 million ounces of silver and 129,686 ounces of gold compared to 14.2 million ounces of silver and 120,361 ounces of gold in 2003.

Included in revenues is the by-product revenue associated with by-product metal sales consisting primarily of gold and copper. In 2004, by-product revenues totaled \$51.9 million compared to \$47.0 million in 2004. The increase is primarily due to an increase in the gold price realized for the by-product gold sales in 2004 compared to 2003.

The Company believes, based on the best estimates, that presentation of these revenue streams as by-products will continue to be appropriate in the future.

Costs, Expenses and Write-downs

The following table sets forth year 2004 versus year 2003 costs, expenses and write-downs:

Production costs applicable to sales in the year ended December 31, 2004 increased by \$2.3 million, or 3%, over the year ended December 31, 2003 to \$82.4 million. The increase for the year is primarily due to increased costs at the Company's Galena and Cerro Bayo/Martha mines. At the Galena mine, the cash cost per ounce of silver production increased to \$5.46 per ounce compared to \$4.66 per ounce in 2003. The higher cost in 2004 is attributable to the mining of lower-grade ore and the conversion to higher-cost mining methods needed to accommodate ground conditions in certain mining areas during 2004. Also contributing to higher costs were increased mine repair in connection with the ongoing optimization plan designed to increase production in future years. At the Cerro Bayo and Martha mines, the cash cost per ounce of production increased to \$1.01 and \$4.08 per silver ounce in 2004, respectively, compared to \$(0.04) and \$1.96 per silver ounce in 2003, respectively. The increase in costs is primarily attributable to the mining of lower-grade ore in 2004 compared to 2003. All operations were impacted by increasing costs for consumables, particularly diesel and steel. The increases at Galena and Cerro Bayo/Martha were partially offset by lower costs at the Rochester mine. At Rochester, the cash cost per ounce of silver production declined to \$3.93 in 2004 compared to \$4.67 in 2003. The decrease is primarily attributable to the increased production of by-product gold in 2004 occurring as a result of the mining of higher-grade gold ores.

Depreciation and amortization increased in the year ended December 31, 2004 by \$2.2 million, or 13%, over the prior year, primarily due to the placement of additional assets, particularly the new crusher facility at Rochester, in service during the year.

Administrative and general expenses increased \$3.7 million in the year ended December 31, 2004 compared to 2003 due primarily to costs associated with the implementation of Sarbanes-Oxley Section 404 activities, the termination of certain benefit plans and increased stock exchange fees resulting from an increase of the number of common shares outstanding.

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Exploration expenses increased \$4.7 million in the year ended December 31, 2004 compared to 2003, due to increased exploration activity at the Cerro Bayo and Mina Martha mines and increased activity to identify additional business opportunities.

Pre-development expense increased \$9.5 million as a result of an increased level of activity at the San Bartolome and Kensington mines during 2004. In the fourth quarter of 2004, we commenced construction activities at the San Bartolome project and as a result, \$1.0 million of expenditures were capitalized.

Write-downs of mining properties and other expenses amounted to \$2.0 million in 2004 compared to \$6.4 million in 2003. The decrease is primarily the result of classification of Kensington costs as pre-development in 2004 and reduced holding costs at the Galena mine stemming from its temporary shutdown in the third quarter of 2003.

Other Income and Expenses

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Interest and other income in the year ended December 31, 2004 increased by \$1.2 million compared with the year ended December 31, 2003. The increase is attributable to an increase in the level of cash, cash equivalents and short-term investments held during 2004 as compared to 2003. Interest expenses decreased \$10.0 million in the year ended December 31, 2004 compared to 2003, as a result of the completion of the Company's restructuring program which was substantially completed in 2003.

Expenses of \$15.7 million were incurred in 2004 in connection with the Company's tender offer for outstanding shares of Wheaton River Minerals Ltd. That offer expired on September 30, 2004, with Coeur not purchasing any Wheaton shares tendered due to unsatisfied conditions of the offer. No such expenses were incurred in 2003.

During 2003, the Company completed a debt restructuring program; therefore, no loss on exchange on early retirement of debt was incurred in 2004 compared to a \$41.6 million loss in 2003. See "Debt Reduction Program" discussion below.

Income Taxes

The Company recorded an income tax benefit of \$5.8 million or 25.5% of pre-tax loss for the year 2004. The tax benefit is comprised of a \$4.4 million benefit for income taxes associated with the expected utilization of past net operating losses and \$1.4 million reversal of a previous tax accrual.

Cumulative Effect of Change in Accounting Principle

Effective January 1, 2003, the Company was required by the FASB to recognize the full discounted estimated future reclamation liability and set up a corresponding asset to be amortized over the life of the mine on a units-of-production basis. The impact of this change was accounted for as a cumulative effect of a change in accounting principle as of January 1, 2003. Prior to 2003, the Company recognized a pro rata share of the future estimated reclamation liability on a units-of-production basis. See Note H to the Consolidated Financial Statements Reclamation and Remediation costs.

Liquidity and Capital Resources

Working Capital; Cash and Cash Equivalents

The Company's working capital at December 31, 2005 was approximately \$285.1 million compared to \$349.6 million at December 31, 2004. The ratio of current assets to current liabilities was 9.4 to 1 at December 31, 2005 compared to 16.8 to 1 at December 31, 2004. The decrease in working capital is primarily the result of a decrease in cash and cash equivalents and short-term investments primarily related to activities as discussed below:

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Net cash provided by operating activities in 2005 was \$6.7 million compared with net cash used in operating activities of \$18.6 million in 2004. The increase of \$25.3 million is primarily attributable to the change in net income.

A total of \$99.9 million was used in investing activities in 2005 compared to \$43.8 million used in 2004. The increase of \$56.1 million is due to an increase in capital expenditures related to the construction activities at the Kensington and San Bartolome projects and the acquisition of silver reserves and production from the Endeavor and Broken Hill mines.

The Company's financing activities provided \$34.8 million of cash during 2005 compared to \$273.0 million in 2004. The decrease is primarily due to the proceeds received from the issuance in 2004 of \$113.1 million of common stock, net of issuance costs, and the issuance of 1 1/4% Convertible Senior Notes of \$173.9 million, net of issuance costs, partially offset by the proceeds received of \$35.9 million, net of issuance costs, from issuance of common stock in 2005.

The Company believes its cash, cash equivalents and short-term investments and cash from operations will be adequate to meet its obligations during the next twelve months. Nevertheless, if the Company decides to pursue additional mineral interests or acquisitions, additional equity issuances or financing may be necessary. There can be no assurances that such financing will be available when or if needed.

The Company estimates approximately \$181.9 million will be spent during 2006 on capital expenditures at its operating mines and development-stage properties.

Capitalized Expenditures

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During 2005, the Company expended \$1.2 million at the Rochester mine, \$4.8 million for continuing mine development at the Cerro Bayo and Mina Martha properties, \$3.5 million at the Galena mine, \$0.5 million for corporate and other activities, \$10.5 million for the development of the San Bartolome project and \$44.2 million for construction and development activities at Kensington. In addition, the Company paid \$52.1 million for the acquired interests in Endeavor and Broken Hill. During 2006, the Company plans to expend approximately \$0.5 million for investment activities at the Rochester mine, \$3.3 million at the Galena mine, \$6.1 million at Cerro Bayo, \$2.4 million at Martha, \$76.7 million at the Kensington development property, \$65.9 million at the San Bartolome development property, \$23.0 million for the remaining payment for the Endeavor acquisition and \$4.0 million for corporate and other activities.

Debt Reduction Program

In 1998, the Company began a program of restructuring and reducing its outstanding indebtedness, which has resulted in a reduction of long-term debt from \$246.5 million at December 31, 1998 to \$180.0 million at December 31, 2004. In addition, the interest rate on the long-term debt has been reduced to 1 1/4%. A summary of the major components of the program for the years 2003 to 2005 is as follows:

2003 Issuance of 9% Senior Convertible Notes

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

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

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

2003 Redemptions

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

2003 Exchanges and Conversions

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

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

2004 Redemption

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

2004 Issuance of 1.25% Convertible Senior Notes

On January 13, 2004 the Company completed its offering of \$180 million aggregate principal amount of 1 1/4% Convertible Senior Notes due 2024 (1 1/4% Notes). The 1 1/4% Notes are convertible into shares of Coeur common stock at a conversion rate of approximately 131.5789 shares of Coeur common stock per \$1,000 principal amount of Notes, representing a conversion price of \$7.60 per share. Interest on the notes was payable in cash at the rate of 1 1/4% per annum beginning July 15, 2004. The Company intends to use the proceeds of the offering for general corporate purposes, which may include the development of its Kensington gold project and its San Bartolome silver project, or the acquisition of precious metals properties or businesses. Construction commenced at the San Bartolome and Kensington projects on October 1, 2004 and July 1, 2005, respectively. The Notes are general unsecured obligations, senior in right of payment to Coeur's other indebtedness. The offering was made through an underwriting led by Deutsche Bank Securities. Offering of the Notes was made only by means of a prospectus under Coeur's existing shelf registration statement, including the accompanying prospectus supplement relating to the Notes.

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Issuances of Common Stock

During 2005, the Company completed a public offering of 9.9 million shares of common stock at a public offering price of \$3.70 per share. The Company realized total net proceeds for the offering of \$35.9 million after payment of the underwriters' discount.

During 2004, the Company completed a public offering of 26.6 million shares of common stock at a public offering price of \$4.50 per share, which included 1.6 million shares purchased by the underwriter at the offering price to cover over allotment. The Company realized total net proceeds for the offering, after payment of the underwriters' discount, of \$113.1 million.

On November 25, 2003, the Company issued 3.1 million shares of common stock in a registered offering, the proceeds of \$13.5 million were used to redeem the remaining \$4.6 million principal amount of the 9% Convertible Senior Subordinated Notes.

During the third quarter of 2003, the Company completed a public offering of 23.7 million shares of common stock at a public offering price of \$3.40 per share, which included 3.1 million shares purchased by the underwriters at the offering price to cover over allotments. The Company realized total net proceeds from the offering, after payment of the underwriters' discount, of approximately \$75.8 million.

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

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

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Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2005 and the effect such obligations are expected to have on our liquidity and cash flow in future periods.

Contractual Obligations	Payments Due by Period				
	Total	Less Than 1 Year	1- 3 Years	3-5 Years	More Than 5 Years
Convertible debt ⁽¹⁾	\$ 180,000	\$ --	\$ --	\$ --	\$ 180,000
Interest on convertible debt	40,500	2,250	4,500	4,500	29,250
Operating lease ⁽²⁾	1,515	1,351	163	1	--
Capital lease ⁽³⁾	2,105	1,189	916	--	--
Kensington Trust ⁽⁴⁾	1,119	255	790	74	--
Hyak Mining Lease	9,930	231	462	3,462	5,775
TDA Grant ⁽⁵⁾	546	546	--	--	--
Reclamation and mine closure ⁽⁶⁾	49,173	1,144	4,339	9,395	34,295
Pension and health benefits ⁽⁷⁾	5,042	240	594	815	3,393
Other long-term liabilities ⁽⁸⁾	5,069	9	2,358	887	1,815
Total	\$ 294,999	\$ 7,215	\$ 14,122	\$ 19,134	\$ 254,528

- (1) The \$180.0 million principal amount of 1 ¼% Debentures due 2024 outstanding at December 31, 2005 are convertible into shares of common stock at the option of the holder on January 15, 2011, 2014 and 2019 unless previously redeemed at a conversion rate of approximately 131.5789 shares of Coeur common stock per \$1,000 principal amount of Notes, representing a conversion price of \$7.60 per share, subject to adjustment in certain events.

The Company is required to make semi-annual interest payments. The Debentures are redeemable at the option of the Company before January 18, 2011, if the closing price of the Company's common stock over a specified number of trading days has exceeded 150% of the conversion price, and anytime thereafter. The Debentures have no other funding requirements until maturity on January 15, 2024.

- (2) The Company has entered into various operating lease agreements which expire over a period of five years.
- (3) The Company has entered into various capital lease agreements for commitments principally over the next year.
- (4) Purchase obligation for the Kensington property in Alaska.
- (5) The Company obtained a U.S. government grant to promote development in Bolivia. The amount received is to be reimbursed once a construction decision and financing are obtained.
- (6) Reclamation and mine closure amounts represent the Company's estimate of the discounted cash flows of its legal obligation to reclaim and remediate mining properties. This amount will increase over the passage of time for accretion of the obligation and will decrease as reclamation and remediation work is completed. Amounts shown on table are undiscounted.
- (7) Pension and health benefit amounts were determined by the actuary and are estimated based on the census information for the employee or retiree for each respective plan.
- (8) The other long-term liabilities include amounts for severance, workers' compensation and other miscellaneous accruals.

Risk Factors; Forward-Looking Statements

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

reference is made to the information set forth above in Item 1 under the caption Important Factors Relating to Forward-Looking Statements.

Environmental Compliance Expenditures

For the years ended December 31, 2005, 2004, and 2003, the Company expended \$5.1 million, \$4.4 million and \$4.5 million, respectively, in connection with routine environmental compliance activities at its operating properties. Such activities include monitoring, bonding, earth moving, water treatment and re-vegetation activities.

The Company estimates that environmental compliance expenditures during 2006 will be approximately \$3.7 million to obtain permit modifications and other regulatory authorizations. Future environmental expenditures will be determined by governmental regulations and the overall scope of the Company's operating and development activities. The Company places a very high priority on its compliance with environmental regulations.

Off-Balance Sheet Arrangements

The Company has no existing off-balance sheet arrangements as defined under accounting principles generally accepted in the United States.

Recent Accounting Pronouncements

In November 2004, FASB issued SFAS No. 151, Inventory Costs, which amends the guidance in ARB No. 43, Chapter 4, Inventory Pricing, to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). This Statement now requires that these items be recognized as current-period expenses regardless of whether they meet the criterion of so abnormal as previously stated in ARB No. 43, Chapter 5, Intangible Assets. In addition, this Statement requires that the allocation of fixed production overheads to costs of conversion be based on the normal capacity of the production facility. SFAS No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company has performed a review of the provisions of the Statement and has determined that its current accounting practice is to recognize idle facilities as a current-period expense and, therefore, the adoption does not have a material impact on its financial statements.

In December 2004, the FASB issued SFAS No. 123(R), Share-Based Payments, which revised SFAS No. 123, Accounting for Stock-Based Compensation and superseded Accounting Principles Board (APB) Opinion 25, Accounting for Stock Issued to Employees and its related implementation guidance. SFAS No. 123(R) requires measurement and recording in the financial statements of the costs of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, recognized over the period during which an employee is required to provide services in exchange for such award. The Company will adopt the provisions of SFAS No. 123(R) on January 1, 2006, using the modified prospective method. Accordingly, compensation expense will be recognized for all newly granted awards and awards modified, repurchased, or cancelled after January 1, 2006. Compensation cost for the unvested portion of awards that are outstanding, as of January 1, 2006, will be recognized ratably over the remaining vesting period. The compensation cost for the unvested portion of awards will be based on the fair value at date of grant, adjusted for forfeitures, as utilized in the SFAS No. 123 pro forma disclosure above. The actual effect on net income and earnings per share in future periods will vary depending upon the number and fair value of options granted in future years compared to prior years. It is believed that adoption will impact the Company's statement of operations by \$0.6 million in 2006 and will not impact the Company's cash flow.

In March 2005, the Financial Accounting Standards Board (FASB) ratified Emerging Issues Task Force (EITF) Issue No. 04-06, Accounting for Stripping Costs Incurred during Production in the Mining Industry. EITF Issue No. 04-06 addresses the accounting for stripping costs incurred during the production phase of a mine and refers to these costs as variable production costs that should be included as a component of inventory to be recognized in costs applicable to sales in the same period as the revenue from the sale of inventory. As a result, capitalization of post-production stripping costs is appropriate only to the extent product inventory exists at the end of a reporting period. The guidance in EITF Issue No. 04-06 is effective for the first reporting period in fiscal years beginning after December 15, 2005, with early adoption permitted. The guidance requires application through recognition of a cumulative effect adjustment to opening retained earnings in the period of adoption, with no charge to current earnings for prior periods. The most significant expected impacts of adoption are the elimination of the deferred stripping costs and the recognition of future post-production stripping costs as a component of inventory to be recognized in production costs applicable to sales in the same period as the revenue from the sale of inventory, or in the case of inventory on hand at the end of a period, from writedowns where the carrying value of inventory on hand exceeds the net realizable value. The Company will adopt this new accounting rule as of January 1, 2006 and will record a charge of approximately \$0.4 million to write off deferred stripping costs, as the cumulative effect of a change in accounting method. Adoption of the new guidance will have no impact on the Company's cash position.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(c) Exhibits

Exhibit	
31.1A	Certification of the CEO
31.2A	Certification of the CFO
32.1A	CEO Section 1350 Certification
32.2A	CFO Section 1350 Certification