COEUR D ALENE MINES CORP
Form 10-Q
August 08, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2008

OR

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

Commission file number 1-8641

COEUR D ALENE MINES CORPORATION

(Exact name of registrant as specified in its charter)

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

(208) 667-3511

(Registrant s telephone number, including area code)

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

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

Large accelerated filer |X|	**Accelerated filer |_|**
Non-accelerated filer |_|	**Smaller reporting company |_|**

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

Applicable only to corporate issuers: Indicate the number of shares outstanding of each of the Issuer s classes of common stock, as of the latest practicable date: Common stock, par value $1.00, of which 551,917,299 shares were issued and outstanding as of August 5, 2008.

COEUR D ALENE MINES CORPORATION

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

	June 30, 2008	December 31, 2007
ASSETS	(In thousands)	
CURRENT ASSETS		
Cash and cash equivalents	$ 97,842	$ 98,671
Short-term investments	88,665	53,039
Receivables	76,556	56,121
Ore on leach pad	19,219	25,924
Metal and other inventory	28,439	18,918
Deferred tax assets	2,745	3,573
Prepaid expenses and other	8,293	7,821

	June 30, 2008	December 31, 2007
	321,759	264,067
PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	415,563	322,733
Less accumulated depreciation	(80,074)	(69,937)
	335,489	252,796
MINING PROPERTIES		
Operational mining properties	217,921	143,324
Less accumulated depletion	(128,002)	(124,401)
	89,919	18,923
Mineral interests	1,758,226	1,731,715
Less accumulated depletion	(13,978)	(11,639)
	1,744,248	1,720,076
Non-producing and development properties	299,019	311,469
	2,133,186	2,050,468
OTHER ASSETS		
Ore on leach pad, non-current portion	15,520	24,995
Restricted assets	25,926	25,760
Receivables, non-current	22,021	18,708
Debt issuance costs, net	13,122	4,848
Deferred tax assets	775	1,109
Other	8,905	8,943
	86,269	84,363
TOTAL ASSETS	$ 2,876,703	$ 2,651,694

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

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

	June 30, 2008	December 31, 2007
	(In thousands, except share data)	
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 52,950	$ 49,642
Accrued liabilities and other	9,687	9,072

	June 30, 2008	December 31, 2007
Accrued income taxes	7,512	7,547
Accrued payroll and related benefits	7,469	9,342
Accrued interest payable	3,144	1,060
Credit facility, current portion of long-term debt and capital lease obligations	27,055	30,831
Current portion of reclamation and mine closure	4,909	4,183
	112,726	111,677
LONG-TERM LIABILITIES		
3 1/4% Convertible Senior Notes due March 2028	230,000	--
1 1/4% Convertible Senior Notes due January 2024	180,000	180,000
Reclamation and mine closure	29,970	30,629
Deferred income taxes	568,750	573,681
Obligations under capital leases	20,648	23,661
Other long-term liabilities	6,391	4,679
	1,035,759	812,650
COMMITMENTS AND CONTINGENCIES (See Notes F, I, J, K, L, M, N and O)		
SHAREHOLDERS EQUITY		
Common Stock, par value $1.00 per share; authorized 750,000,000 shares in 2008 and 2007, issued 551,923,705 shares in 2008 and 551,512,230 shares in 2007 (1,059,211 shares held in treasury)	551,924	551,512
Additional paid-in capital	1,609,160	1,607,737
Accumulated deficit	(419,987)	(419,331)
Shares held in treasury	(13,190)	(13,190)
Accumulated other comprehensive income	311	639
	1,728,218	1,727,367
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 2,876,703	$ 2,651,694

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
REVENUES	(In thousands except per share data)			
Sales of metal	$ 50,024	$ 51,664	$ 107,310	$ 102,524
COSTS AND EXPENSES				
Production costs applicable to sales	24,873	26,740	50,158	47,760
Depreciation and depletion	6,306	5,753	11,969	12,774

	Three Months Ended June 30,		Six Months Ended June 30,	
Administrative and general	7,032	5,710	15,557	11,884
Exploration	4,725	2,549	8,468	5,430
Pre-development	10,657	--	16,441	--
Litigation settlement	--	--	--	507
Total cost and expenses	53,593	40,752	102,593	78,355
OPERATING INCOME (LOSS)	(3,569)	10,912	4,717	24,169
OTHER INCOME AND EXPENSE				
Interest and other income	177	4,316	1,507	8,866
Interest expense, net of capitalized interest	(867)	(83)	(1,687)	(170)
Total other income and expense	(690)	4,233	(180)	8,696
Income (loss) from continuing operations before income taxes	(4,259)	15,145	4,537	32,865
Income tax provision	(1,118)	(3,227)	(5,193)	(6,928)
NET INCOME (LOSS)	(5,377)	11,918	(656)	25,937
Other comprehensive income (loss)	(1,040)	688	(328)	516
COMPREHENSIVE INCOME (LOSS)	$ (6,417)	$ 12,606	$ (984)	$ 26,453
BASIC AND DILUTED INCOME (LOSS) PER SHARE				
Basic	$ (0.01)	$ 0.04	$ 0.00	$ 0.09
Diluted	$ (0.01)	$ 0.04	$ 0.00	$ 0.09
Weighted average number of shares of common stock				
Basic	550,096	277,763	550,030	277,720
Diluted	550,096	302,240	550,030	302,205

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007

	Three Months Ended June 30,		Six Months Ended June 30,	
	(In thousands)			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	$ (5,377)	$ 11,918	$ (656)	$ 25,937
Add (deduct) non-cash items:				
Depreciation and depletion	6,306	5,753	11,969	12,774
Deferred taxes	(2,972)	901	(3,900)	1,274
Unrealized loss on embedded derivative, net	4,698	1,125	3,524	1,090
Share based compensation	297	1,044	1,888	1,606
Other	(830)	(252)	496	(231)
Changes in Operating Assets and Liabilities:				
Receivables and other assets	(12,178)	(1,780)	(26,659)	5,784
Prepaid and other current assets	257	(3,004)	440	(3,160)
Inventories	2,062	(404)	6,659	(5,446)
Accounts payable and accrued liabilities	5,162	(3,757)	(3,985)	(5,417)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(2,575)	11,544	(10,224)	34,211
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	(104,127)	(57,701)	(168,636)	(99,704)
Purchases of short-term investments	(153,943)	(17,267)	(245,622)	(50,578)
Proceeds from sales of short-term investments	157,911	22,101	209,709	82,261
Other	(89)	(41)	(38)	427
CASH USED IN INVESTING ACTIVITIES	(100,248)	(52,908)	(204,587)	(67,594)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of convertible notes	--	--	230,000	--
Repayment of credit facility, long-term debt and capital leases	(5,338)	(392)	(7,826)	(778)
Proceeds from short-term borrowings	--	--	694	--
Payment of debt issuance costs	(166)	--	(8,550)	--
Common stock repurchased	--	--	(372)	(277)
Other	(9)	--	36	(2)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(5,513)	(392)	213,982	(1,057)
DECREASE IN CASH AND CASH EQUIVALENTS	(108,336)	(41,756)	(829)	(34,440)
Cash and cash equivalents at beginning of period	206,178	277,988	98,671	270,672
Cash and cash equivalents at end of period	$ 97,842	$ 236,232	$ 97,842	$ 236,232

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

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited)
(dollars in thousands, except per share, per ounce amounts)

NOTE A BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three and six-month period ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. The balance sheet at December 31, 2007 has been derived from the audited financial statements at that date. For further information, refer to the consolidated financial statements and footnotes thereto included in the Coeur d Alene Mines Corporation (Coeur or the Company) Annual Report on Form 10-K for the year ending December 31, 2007.

NOTE B SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated financial statements include the wholly-owned subsidiaries of the Company, the most significant of which are Coeur Rochester, Inc., Coeur Alaska, Inc., CDE Cerro Bayo Ltd., Coeur Argentina, CDE Australia, Empressa Minera Manquiri S.A., Bolnisi Gold N.L. and Palmarejo Silver and Gold Corporation. The consolidated financial statements also include all entities in which voting control of more than 50% is held by the Company. The Company has no investments in entities in which it has greater than 50% ownership interest accounted for using the equity method. Intercompany balances and transactions have been eliminated in consolidation. Investments in corporate joint ventures where the Company has ownership of 50% or less and funds its proportionate share of expenses are accounted for under the equity method. The Company has no investments in entities in which it has a greater than 20% ownership interest accounted for using the cost method.

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

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

The effects of forward sales contracts are reflected in revenue at the date the related precious metals are delivered or the contracts expire. Third party smelting and refining costs of $3.2 million and $2.0 million and $5.7 million and $3.7 million during the three and six months ended June 30, 2008 and 2007, respectively, were recorded as a reduction of revenue.

At June 30, 2008, the Company had outstanding provisionally priced sales of $63.4 million, consisting of 2.7 million ounces of silver and 16,700 ounces of gold. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately $27,000; and for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately $16,700. At June 30, 2007, the Company had outstanding provisionally priced sales of $73.1 million, consisting of 3.8 million ounces of silver and 34,159 ounces of gold. For each one cent per ounce change in realized silver price, revenue would vary (plus or minus) approximately $38,300; and for each one dollar per ounce change in realized gold price, revenue would vary (plus or minus) approximately $34,200.

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

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

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

The Company reported ore on leach pad of $34.7 million as of June 30, 2008. Of this amount, $19.2 million was reported as a current asset and $15.5 million was reported as a non-current asset. The distinction between current and non-current is based upon the expected length of time necessary for the leaching process to remove the metals from the broken ore. The historical cost of the metal that is expected to be extracted within twelve months is classified as current and the historical cost of metals contained within the broken ore that will be extracted beyond twelve months is classified as non-current. Inventories of ore on leach pad are valued based on actual production costs incurred to produce and place ore on the leach pad, adjusted for effects on monthly production of costs of abnormal production levels, less costs allocated to minerals recovered through the leach process.

The estimate of both the ultimate recovery expected over time and the quantity of metal that may be extracted relative to the time the leach process occurs requires the use of estimates which are inherently inaccurate since they rely upon laboratory testwork. Testwork consists of 60 day leach columns from which the Company projects metal recoveries up to five years in the future. The quantities of metal contained in the ore are based upon actual weights and assay analysis. The rate at which the leach process extracts gold and silver from the crushed ore is based upon laboratory column tests and actual experience occurring over approximately twenty years of leach pad operations at the Rochester Mine. The assumptions used by the Company to measure metal content during each stage of the inventory conversion process includes estimated recovery rates based on laboratory testing and assaying. The Company periodically reviews its estimates compared to actual experience and revises its estimates when appropriate. In August 2007, the Company terminated mining and crushing operations at the Rochester mine as ore reserves were fully mined. Residual heap leach activities are expected to continue through 2011.

Metal and Other Inventory: Inventories include concentrate ore, dorè, ore in stockpiles and operating materials and supplies. The classification of inventory is determined by the stage at which the ore is in the production process. To the extent there is work in process inventories at the Endeavor and Broken Hill mines, such amounts will be carried as inventories. Inventories of ore in stock piles are sampled for gold and silver content and are valued based on the lower of actual costs incurred or estimated net realizable value based upon the period ending prices of gold and silver. Material that does not contain a minimum quantity of gold and silver to cover estimated processing expense to recover the contained gold and silver is not classified as inventory and is assigned no value. All inventories are stated at the lower of cost or market, with cost being determined using a weighted average cost method. Concentrate and dorè inventory includes product at the mine site and product held by refineries and are also valued at lower of cost or market value. Concentrate inventories associated with the Endeavor and Broken Hill mines are held by third parties. Metal inventory costs include direct labor, materials, depreciation, depletion and amortization as well as administrative overhead costs relating to mining activities.

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

Operational Mining Properties and Mine Development: Capitalization of mine development costs that meet the definition of an asset begins once all operating permits have been secured, mineralization is classified as proven and probable reserves and a final feasibility study has been completed. Mine development costs include engineering and metallurgical studies, drilling and other related costs to delineate an ore body, the removal of overburden to initially expose an ore body at open pit surface mines and the building of access ways, shafts, lateral access, drifts, ramps and other infrastructure at underground mines. Costs incurred during the start-up phase of a mine are expensed as incurred. Costs incurred before mineralization is classified as proven and probable reserves are expensed and classified as Exploration or Pre-development expense. All capitalized costs are amortized using the units of production method over the estimated life of the ore body based on recoverable ounces to be mined from proven and probable reserves. Interest expense allocable to the cost of developing mining properties and to construct new facilities is capitalized until assets are ready for their intended use. Gains or losses from sales or retirements of assets are included in other income or expense.

Drilling and related costs incurred at our operating mines are expensed as incurred as exploration expense, unless we can conclude with a high degree of confidence, prior to the commencement of a drilling program, that the drilling costs will result in the conversion of a mineral resource into proven and probable reserves. Our assessment is based on the following factors: results from previous drill programs; results from geological models; results from a mine scoping study confirming economic viability of the resource; and preliminary estimates of mine inventory, ore grade, cash flow and mine life. In addition, the Company must have all permitting and/or contractual requirements necessary to have the right to and/or control of the future benefit from the targeted ore body. The costs of a drilling program that meet these criteria are capitalized as mine development costs. All other drilling and related costs, including those beyond the boundaries of the development and production stage properties, are expensed as incurred.

Drilling and related costs of approximately $0.3 million and $1.1 million, respectively, for the three and six months ended June 30, 2008 and $0.8 million and $1.7 million, respectively, for the three and six months ended June 30, 2007, met the criteria for capitalization listed above at our properties that are in the development and production stages.

The cost of removing overburden and waste materials to access the ore body at an open pit mine prior to the production phase are referred to as pre-stripping costs. Pre-stripping costs are capitalized during the development of an open pit mine. Stripping costs incurred during the production phase of a mine are variable production costs that are included 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.

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

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

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) - (Continued)
(dollars in thousands, except per share, per ounce amounts)

Restricted Cash and Cash Equivalents: The Company, under the terms of its lease, self insurance, and bonding agreements with certain banks, lending institutions and regulatory agencies, is required to collateralize certain portions of the Company s obligations. The Company has collateralized these obligations by assigning certificates of deposit that have maturity dates ranging from three months to a year, to the respective institutions or agency. At June 30, 2008 and December 31, 2007, the Company held certificates of deposit and cash under these agreements of $25.9 million and $25.8 million, respectively, restricted for this purpose. The ultimate timing for the release of the collateralized amounts is dependent on the timing and closure of each mine. In order to release the collateral, the Company must seek approval from certain government agencies responsible for monitoring the mine closure status. Collateral could also be released to the extent the Company was able to secure alternative financial assurance satisfactory to the regulatory agencies. The Company believes there is a reasonable probability that the collateral will remain in place beyond a twelve-month period and has therefore classified these investments as long-term.

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

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

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

Coeur d Alene Mines Corporation and Subsidiaries
Notes to Consolidated Financial Statements (Unaudited) - (Continued)
(dollars in thousands, except per share, per ounce amounts)

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

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

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

(dollars in thousands, except per share, per ounce amounts)

The Company continues to estimate the fair value of each stock option award using the Black-Scholes option valuation model. In addition, the Company estimates the fair value of performance share grants using a Monte Carlo simulation valuation model. The Company estimates forfeitures of stock based awards on historical data and periodically adjusts the forfeiture rate. The adjustment of the forfeiture rate will result in a cumulative adjustment in the period the forfeiture estimate is changed.

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

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

During the second quarter of 2008, the Company provided liabilities for uncertain tax positions in accordance with the requirements of FASB Interpretation No. 48, or FIN 48, Accounting for Uncertainty in Income Taxes . FIN 48 requires that we evaluate positions taken or expected to be taken in our income tax filings under jurisdictions where we are required to file tax returns and provide liability for any positions that do not meet a more likely than not likelihood of being sustained if examined by tax authorities. At June 30, 2008, the Company recorded an accrual of $0.7 million to correct for immaterial errors related to uncertain tax positions, and we expect this liability to increase by approximately $0.1 million by December 31, 2008. The Company has substantially concluded all U.S. Federal Income tax matters for years through 1999. Federal Income tax returns for 2000 through 2007 are subject to examination. The Company recognizes potential incurred interest and penalties related to unrecognized tax benefits in income tax expense. The Company and its subsidiaries are subject to U.S. federal income tax as well as income tax of multiple state and foreign jurisdictions.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net income (loss)	$ (5,377)	$ 11,918	$ (656)	$ 25,937
Unrealized gain (loss) on marketable securities	(21)	66	(115)	161
Change in fair value of cash flow hedges, net of settlements	(1,019)	622	(213)	349
Other	--	--	--	6
	$ (6,417)	$ 12,606	$ (984)	$ 26,453

Net Income (Loss) Per Share: The Company follows SFAS No. 128, Earnings Per Share, which requires the presentation of basic and diluted earnings per share. Basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. The effect of potentially dilutive stock options and convertible Senior Notes outstanding in the three and six month periods ended June 30, 2008 and 2007 are as follows:

	Three Months Ended June 30, 2008			Six Months Ended June 30, 2008		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income (loss) available to common stockholders	$ (5,377)	550,096	$ (0.01)	$ (656)	550,030	$ --
Effect of Dilutive Securities						
Equity awards	--	--	--	--	--	--
1.25% Convertible Notes	--	--	--	--	--	--
Diluted EPS						
Net income (loss) available to common stockholders	$ (5,377)	550,096	$ (0.01)	$ (656)	550,030	$ --

	Three Months Ended June 30, 2008			Six Months Ended June 30, 2008		
(In thousands except for EPS)	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income available to common stockholders	$ 11,918	277,763	$ 0.04	$ 25,937	277,720	$ 0.09
Effect of Dilutive Securities						
Equity awards	--	793	--	--	801	--
1.25% Convertible Notes	74	23,684	--	148	23,684	--
Diluted EPS						
Net income available to common stockholders	$ 11,992	302,240	$ 0.04	$ 26,085	302,205	$ 0.09

Potentially dilutive shares (23,684,211 shares attributed to the 1.25% Convertible Senior Notes and 3,124,062 shares attributed to outstanding options and non-vested shares) have been excluded from the earnings per share calculation for the three and six months ended June 30, 2008 as their effect was anti-dilutive. The 3 ¼% Convertible Senior Notes were not included in the computation of diluted EPS because there is no excess conversion value over the principal amount of the notes.

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

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

Reclassifications: Certain reclassifications of prior year balances have been made to conform to the current year presentation. These reclassifications had no impact on the Company s consolidated financial position, results of operations or cash flows for the periods presented. On June 27, 2008 the Company reclassified approximately $71.8 million from non-producing and development properties to operational mining properties related to the commencement of operations at the San Bartolomé mine.

Recent Accounting Pronouncements and Developments:

Accounting for Convertible Debt Instruments

In May 2008, the FASB issued FSP No. APB 14-a Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (the FSP). The FSP applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under FASB Statement No. 133. Convertible debt instruments within the scope of the FSP are not addressed by the existing APB 14. The FSP would require that the liability and equity components of convertible debt instruments within the scope of the FSP shall be separately accounted for in a manner that reflects the entity s nonconvertible debt borrowing rate. This will require an allocation of the convertible debt proceeds between the liability component and the embedded conversion option (i.e., the equity component). The difference between the principal amount of the debt and the amount of the proceeds allocated to the liability component would be reported as a debt discount and subsequently amortized to earnings over the instrument s expected life using the effective interest method. FSP APB 14-1 is effective for the Company s fiscal year beginning January 1, 2009 and will be applied retrospectively to all periods presented. The Company estimates that approximately $140.1 million of debt discount will be recorded and the effective interest rate on the Company s 3 1/4% Convertible Senior Notes will increase by approximately 7.6 percentage points to 10.8% for the amortization of the debt discount.

NOTE C- RECENTLY ADOPTED ACCOUNTING STANDARDS

On January 1, 2008, the Company adopted SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis (fair value option) with changes in fair value reported in earnings. The Company already records marketable securities at fair value in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, and derivative instruments and hedging activities at fair value in accordance with SFAS 133, Accounting for Derivative Instruments and Hedging Activities, as amended (SFAS 133). The adoption of SFAS 159 had no impact on the financial statements as management did not elect the fair value option for any other financial instruments or certain other assets and liabilities.

On January 1, 2008, the Company adopted SFAS No. 157, Fair Value Measurements as it relates to financial assets and financial liabilities. In February 2008, the FASB staff issued Staff Position No. 157-2 Effective Date of FASB Statement No. 157" (FSP FAS 157-2). FSP FAS 157-2 delayed the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The provisions of FSP FAS 157-2 are effective for the Company s fiscal year beginning January 1, 2009. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard is now the single source in GAAP for the definition of fair value, except for the fair value of leased property as defined in SFAS 13. SFAS 157 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under SFAS 157 are described below:

Level 1

(dollars in thousands, except per share, per ounce amounts)

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs that are both significant to the fair value measurement and unobservable.

The following table sets forth the Company s financial assets and liabilities measured at fair value by level within the fair value hierarchy. As required by SFAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair Value at June 30, 2008			
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Cash equivalents	$ 40,929	$ 40,929	$ --	$ --
Marketable equity securities	701	701	--	--
Marketable debt securities	86,847	86,847	--	--
Asset-backed commercial paper	5,289	--	--	5,289
Derivative instruments, net	(1,351)	--	(1,351)	--
	$ 132,415	$ 128,477	$ (1,351)	$ 5,289
Liabilities:				
1.25% debentures	$ 151,650	$ 151,650	$ --	$ --
3.25% debentures	187,450	187,450	--	--
	$ 339,100	$ 339,100	$ --	$ --

The Company s cash equivalents are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. The cash equivalents that are valued based on quoted market prices in active markets are primarily comprised of commercial paper and U.S. Treasury securities.

The Company s marketable debt and equity securities are valued using quoted market prices in active markets and as such are classified within Level 1 of the fair value hierarchy. The fair value of the marketable equity securities is calculated as the quoted market price of the marketable equity security multiplied by the quantity of shares held by the Company.

The asset backed commercial paper falls within Level 3 of the fair value hierarchy because there are no observable market quotes. For these instruments, management uses significant other observable inputs adjusted for various factors such as liquidity or management s best estimate of fair value.

The Company s derivative instruments are valued using quoted market prices and other significant observable inputs. Such financial instruments consist of foreign currency contracts and commodities. Such instruments are typically classified within Level 2 of the fair value hierarchy.

The Company s outstanding debentures are classified within level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets.

NOTE D- INVESTMENTS AND OTHER MARKETABLE SECURITIES

The Company classifies its investment securities as available-for-sale securities. Pursuant to SFAS 115, Accounting for Certain Investments in Debt and Equity Securities , such securities are measured at fair market value in the financial statements with unrealized gains or losses recorded in other comprehensive income. At the time securities are sold or otherwise disposed of, gains or losses are included in net income. The following is a summary of available-for-sale securities (In thousands):

	Available-For-Sale Securities			
	Cost	Gross Unrealized Losses	Gross Unrealized Gains	Estimated Fair Value
As of June 30, 2008				
U.S. Corporate	$ 35,175	$ (9)	$ 2	$ 35,168
U.S. Government	53,497	--	--	53,497
Total current available for sale securities	88,672	(9)	2	88,665
ABCP	5,286	--	3	5,289
Equity securities	99	(1)	603	701
Total available for sale securities	$ 94,057	$ (10)	$ 608	$ 94,655
As of December 31, 2007				
U.S. Corporate	$ 2,000	$ --	$ --	$ 2,000
U.S. Government	51,031	--	8	51,039
Total current available for sale securities	53,031	--	8	53,039
ABCP	5,286	--	--	5,286
Equity securities	99	--	702	801
	$ 58,416	$ --	$ 710	$ 59,126

Gross realized gains and losses are based on the carrying value (cost, net of discount or premium) of short-term investments sold or adjusted for other than temporary decline in market value. Short-term investments mature at various dates. There were no realized gains or losses in the 2008 or 2007 periods.

Asset-Backed Commercial Paper (ABCP)

The Company acquired certain asset-backed securities in connection with the Bolnisi and Palmarejo acquisition. Palmarejo has investments in non-bank sponsored ABCP, of which $6.3 million is invested in Apsley Trust Class E and $0.5 million in Aurora Trust Class A.

Since a portion of the assets supporting the commercial paper was invested in U.S. sub-prime residual mortgage-backed securities, the Company determined the fair value of the investments based on the best available market data for such investments at the date of acquisition.

The Company recorded these investments at the date of the Palmarejo acquisition, as a non-current asset, at their estimated fair value of $5.3 million. No impairments beyond the value initially recorded were deemed necessary at June 30, 2008. The fair value reported may change materially in subsequent periods.

NOTE E METAL AND OTHER INVENTORIES

Inventories consist of the following:

	June 30, 2008	December 31, 2007
	(in thousands)	
Concentrate and dore inventory	$ 15,449	$ 11,221
Supplies	12,990	7,697
Metal and other inventories	$ 28,439	$ 18,918

NOTE F STOCK-BASED COMPENSATION PLANS

The Company has an Annual Incentive Plan, a Long-Term Incentive Plan (the 2003 Long-Term Incentive Plan) and the 2005 Non-Employee Directors Equity Incentive Plan (2005 Non-Employee Directors Plan). Total employee compensation expense charged to operations and capital projects under these Plans was $1.1 million and $3.8 million and $1.7 million and $3.1 million for the three and six months ended June 30, 2008 and 2007, respectively.

Annual Incentive Plan

Under the Annual Incentive Plan, the Board of Directors may annually approve cash-based awards to the executive officers and key management employees based on certain Company and employee performance measures. Cash payments for the six months ended June 30, 2008 and 2007, amounted to $2.6 million and $2.2 million, respectively, and relate to accruals for the years 2007 and 2006, respectively.

1989 Long-Term Incentive Plan

Under the 1989 Long-Term Incentive Plan, as amended by shareholders in 1995, the Company may grant non-qualified and incentive stock options that are exercisable at prices equal to the fair market value of the shares on the date of grant and vest cumulatively at an annual rate of one third during the three-year period following the date of grant. In addition to stock options, the Company s 1989 Long-Term Incentive Plan provides for grants of stock appreciation rights (SARs), restricted stock, restricted stock units, performance shares, performance units, cash based awards, and stock based awards.

The number of shares authorized to be issued under this plan was 2.9 million shares. There were 0.6 million shares reserved for issuance under this plan at June 30, 2008 for stock options previously awarded. No further awards will be made under this plan.

2003 Long-Term Incentive Plan

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

The number of shares authorized for grant under this plan was 6.8 million shares. There were 5.4 million shares reserved for issuance under this plan at June 30, 2008. Of the 5.4 million shares, 3.6 million shares can be issued for future grants. There were 1.3 million options and 0.5 million performance shares outstanding under this plan at June 30, 2008.

(dollars in thousands, except per share, per ounce amounts)

Non-Employee Directors Plan

On June 3, 2005, the Company s shareholders approved the 2005 Non-Employee Directors Equity Incentive Plan and authorized 500,000 shares of common stock for issuance under the plan. During the six months ended June 30, 2008 and June 30, 2007, 55,782 and 59,476 shares were issued in lieu of $0.3 million and $0.3 million, respectively, of Directors fees. At June 30, 2008, 0.3 million shares were reserved for issuance under this plan.

Under the previous Directors plan, options were granted only in lieu of annual directors fees. At June 30, 2008, 0.4 million shares are reserved for issuance under this plan for stock options previously awarded. No further grants of options will be made under this plan.

As of June 30, 2008 and 2007, options to purchase 2,355,816 shares and 2,467,561 shares of common stock, respectively, were outstanding under the Long-Term and the Directors Plans described above. The options are exercisable at prices ranging from $0.74 to $7.09 per share.

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

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

Performance share grants are valued using a Monte Carlo simulation valuation model on the date of grant. Compensation costs ultimately recognized are equal to the grant date fair value. Vesting is contingent on meeting certain market conditions based on relative total shareholder return. The performance shares vest at the end of the three-year service period if the market conditions are met and the employee remains an employee of the Company. The existence of a market condition requires recognition of compensation cost over the requisite period regardless of whether the market condition is ever satisfied.

The compensation expense recognized in the Company s consolidated financial statements for the three and six months ended June 30, 2008 and 2007 for awards of equity instruments was $0.2 million and $1.9 million and $1.1 million and $1.7 million, respectively. As of June 30, 2008, there was $2.2 million of total unrecognized compensation cost (net of estimated forfeitures) related to unvested stock options, restricted stock grants and performance share grants which is expected to be recognized over a weighted-average vesting period of 2.3 years.

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

	Six Months Ended June 30,	
	2008	2007
Weighted average fair value of options granted	$2.55	$2.35
Expected volatility	56.2%	58.9%
Expected life	6 years	6 years
Risk-free interest rate	3.0%	4.5%
Expected dividend yield	--	--

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

The following table summarizes stock option activity during the six months ended June 30, 2008:

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	Shares	Weighted Average Exercise Price
Stock options outstanding at December 31, 2007	2,281,595	$ 3.42
Granted	418,486	4.62
Exercised	(9,053)	3.92
Canceled/expired	(335,212)	4.95
Stock options outstanding at June 30, 2008	2,355,816	$ 3.42

Options to purchase 1,766,895 shares were exercisable at June 30, 2008 at a weighted average exercise price of $3.06.

As of June 30, 2008, the total future compensation cost related to non-vested options not yet recognized in the statement of income was $0.4 million and the weighted average period over which these awards are expected to be recognized was 2.3 years.

The following table summarizes restricted stock activity during the six months ended June 30, 2008:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2007	603,195	$ 4.20
Granted	493,366	4.40
Vested	(265,705)	4.22
Forfeited	(119,548)	4.41
Outstanding at June 30, 2008	711,308	$ 4.29

As of June 30, 2008, there was $1.1 million of total unrecognized compensation cost related to restricted awards to be recognized over a weighted-average period of 2.4 years.

The following table summarizes performance shares activity during the six months ended June 30, 2008:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2007	420,543	$ 4.45
Granted	214,847	6.27
Forfeited	(141,520)	5.02
Outstanding at June 30, 2008	493,870	$ 5.08

As of June 30, 2008, there was $0.7 million of total unrecognized compensation cost related to performance shares to be recognized over a weighted average period of 2.1 years.

NOTE G- INCOME TAXES

The Company computes income taxes in accordance with SFAS No. 109, Accounting for Income Taxes. SFAS No. 109 requires an asset and liability approach which results in the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of those assets and liabilities, as well as net operating loss and tax credit carryforwards, using enacted tax rates in effect in the years in which the differences are expected to reverse. The Company has U.S. net operating loss carryforwards which expire in 2011 through 2025. Net operating losses in foreign countries generally have an indefinite carryforward period, however, Mexico has a 10 year carryforward period and carryforwards expire from 2016 through 2018.

(dollars in thousands, except per share, per ounce amounts)

The following table summarizes the components of the Company s income tax provision for the three and six months ended June 30, 2008 and 2007:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Current:				
United States - Alternative minimum tax	$ (988)	$ (76)	$ (988)	$ (309)
United States - Foreign withholding	(227)	(283)	(404)	(666)
Argentina	(846)	(1,308)	(2,939)	(2,906)
Australia	(1,563)	(659)	(4,291)	(1,773)
Mexico	(17)	--	(22)	--
Canada	(20)	--	(20)	--
Bolivia	(669)	--	(669)	--
Deferred:				
United States	1,073	--	1,547	--
Argentina	62	(349)	371	(174)
Australia	(375)	(461)	135	(361)
Bolivia	(388)	--	(388)	--
Chile	(211)	(91)	(1,348)	(739)
Mexico	3,051	--	3,823	--
Income tax provision	$ (1,118)	$ (3,227)	$ (5,193)	$ (6,928)

The income tax provision for the six months ended June 30, 2008 and 2007 varies from the statutory rate primarily because of differences in tax rates for the Company s foreign operations and changes in valuation allowances for net deferred tax assets.

NOTE H- SEGMENT REPORTING

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

The operating segments are managed separately because each segment represents a distinct use of Company resources which contribute to Company cash flows in its respective geographic area. The Company s reportable operating segments include the Rochester, Cerro Bayo, Martha, San Bartolomé, Kensington, Palmarejo, Endeavor and Broken Hill mining properties. All operating segments are engaged in the discovery and/or mining of gold and silver and generate the majority of their revenues from the sale of these precious metal concentrates and/or refined precious metals. The Cerro Bayo and Martha mines sell precious metal concentrates, typically under long-term contracts, to smelters located in Japan (Dowa Mining Ltd.), Mexico (Met-Mex Penoles) and Germany (Nordeutsche). Refined gold and silver produced by the Rochester mine is principally sold on a spot basis to precious metals trading banks such as Standard Bank and Mitsui. Concentrates produced at the Endeavor and Broken Hill mines are sold to Nystar (formerly Zinifex), an Australia smelter. The Company s exploration programs are reported as other. The other segment also includes the corporate headquarters, elimination of intersegment transactions and other items necessary to reconcile to the consolidated amounts. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies above. The Company evaluates performance and allocates resources based on profit or loss.

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Financial information relating to the Company s segments is as follows:

Segment Reporting

	Rochester Mine	Cerro Bayo Mine	Martha Mine	Endeavor Mine	Broken Hill Mine	San Bartolome Mine	Kensington Project	Palmarejo Project	Other	Total
Three Months Ended June 30, 2008										
Total net sales of metals	$ 16,045	$ 13,968	$ 10,271	$ 3,443	$ 6,297	$ --	$ --	$ --	$ --	$ 50,024
Productions costs applicable to sales	11,003	8,009	4,897	197	826	(59)	--	--	--	24,873
Depreciation and depletion	583	2,214	1,344	552	677	59	--	733	144	6,306
Exploration expense	41	629	1,250	--	--	148	11	1,680	966	4,725
Other operating expenses	--	879	76	--	--	--	1,159	9,612	5,963	17,689
Interest and other income	--	(1,716)	110	--	--	(1)	15	484	1,285	177
Interest expense	--	--	69	--	--	--	--	1,054	(256)	867
Income tax (benefit) expense	--	211	784	--	--	1,057	--	(3,051)	2,117	1,118
Profit (loss)	$ 4,418	$ 310	$ 1,961	$ 2,694	$ 4,794	$ (1,206)	$ (1,155)	$ (9,544)	$ (7,649)	$ (5,377)
Segment assets (A)	$ 48,044	$ 56,524	$ 42,214	$ 43,023	$ 28,427	$ 248,601	$ 319,906	$ 1,819,768	$ 10,194	$ 2,616,701
Capital expenditures	$ 151	$ 2,896	$ 1,852	$ 26,511	$ --	$ 30,999	$ 9,782	$ 31,279	$ 657	$ 104,127

	Rochester Mine	Cerro Bayo Mine	Martha Mine	Endeavor Mine	Broken Hill Mine	San Bartolome Mine	Kensington Project	Other	Total
Three Months Ended June 30, 2007									
Total net sales of metals	$ 24,835	$ 9,987	$ 10,053	$ 1,495	$ 5,294	$ --	$ --	$ --	$ 51,664
Productions costs applicable to sales	13,093	25,651	4,200	132	879	--	(1)	(17,214)	26,740
Depreciation and depletion	2,764	1,411	401	122	934	--	--	121	5,753
Exploration expense	--	721	824	--	--	--	53	951	2,549
Other operating expenses	--	3	16	--	--	--	--	5,691	5,710
Interest and other income	73	282	(45)	--	--	--	(2)	4,008	4,316
Interest expense	--	8	--	--	--	--	--	75	83
Income tax expense	--	91	1,665	--	--	--	(10)	1,481	3,227
Profit (loss)	$ 9,051	$ (17,616)	$ 2,902	$ 1,241	$ 3,481	$ --	$ (44)	$ 12,903	$ 11,918
Segment assets (A)	$ 85,035	$ 49,464	$ 13,250	$ 16,341	$ 28,425	$ 98,353	$ 266,582	$ 13,298	$ 570,748
Capital expenditures	$ 92	$ 3,815	$ 3,001	$ 94	$ 212	$ 16,406	$ 33,713	$ 368	$ 57,701

	Rochester Mine	Cerro Bayo Mine	Martha Mine	Endeavor Mine	Broken Hill Mine	San Bartolome Mine	Kensington Project	Palmarejo Project	Other	Total

	Rochester Mine	Cerro Bayo Mine	Martha Mine	Endeavor Mine	Broken Hill Mine	San Bartolome Mine	Kensington Project	Palmarejo Project	Other	Total
Six Months Ended June 30, 2008										
Total net sales of metals	$ 36,030	$ 30,925	$ 19,018	$ 8,634	$ --	$ --	$ --	$ --	$ --	$ 107,310
Productions costs applicable to sales	23,793	16,065	8,253	595	1,511	(59)	--	--	--	50,158
Depreciation and depletion	1,173	5,032	2,253	979	1,361	59	--	839	273	11,969
Exploration expense	84	1,492	2,249	--	--	173	33	2,682	1,755	8,468
Other operating expenses	--	883	85	--	--	--	1,309	15,397	14,324	31,998
Interest and other income	5	(394)	(62)	--	--	(1)	37	(78)	2,000	1,507
Interest expense	--	--	69	--	--	--	--	1,054	564	1,687
Income tax (benefit) expense										