COEUR D ALENE MINES CORP
Form 10-Q
August 07, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

þ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2012
OR
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission file number 001-08641

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

Idaho (State or other jurisdiction of incorporation or organization)	82-0109423 (I.R.S. Employer Identification No.)
PO Box I, 505 Front Ave. Coeur d'Alene, Idaho (Address of principal executive offices)	83816 (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 þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes þ 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	þ	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ
The Company has 150,000,000 shares of common stock, par value of $0.01, authorized of which 89,906,332 shares were issued and outstanding as of August 6, 2012.

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

		June 30, 2012	December 31, 2011
ASSETS	Notes	(In thousands, except share data)	
CURRENT ASSETS			
Cash and cash equivalents		$ 199,397	$ 175,012
Short term investments	5	907	20,254
Receivables	6	70,443	83,497
Ore on leach pad		30,562	27,252
Metal and other inventory	7	145,144	132,781
Deferred tax assets		2,090	1,869
Restricted assets		456	60
Prepaid expenses and other		22,184	24,218
		471,183	464,943
NON-CURRENT ASSETS			
Property, plant and equipment, net	8	693,026	687,676
Mining properties, net	9	1,945,763	2,001,027
Ore on leach pad, non-current portion		12,631	6,679
Restricted assets		29,134	28,911
Marketable securities	5	21,150	19,844
Receivables, non-current portion	6	45,352	40,314
Debt issuance costs, net		2,738	1,889
Deferred tax assets		132	263
Other		12,401	12,895
TOTAL ASSETS		$ 3,233,510	$ 3,264,441
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		$ 66,991	$ 78,590
Accrued liabilities and other		8,321	13,126
Accrued income taxes		23,929	47,803
Accrued payroll and related benefits		18,119	16,240
Accrued interest payable		1,437	559
Current portion of debt and capital leases	10	82,708	32,602
Current portion of royalty obligation	10,15	63,269	61,721
Current portion of reclamation and mine closure	11	4,812	1,387
Deferred tax liabilities		53	53
		269,639	252,081
NON-CURRENT LIABILITIES			
Long-term debt and capital leases	10	53,974	115,861
Non-current portion of royalty obligation	10,15	150,534	169,788
Reclamation and mine closure	11	30,531	32,371
Deferred tax liabilities		545,031	527,573
Other long-term liabilities		23,091	30,046
		803,161	875,639
COMMITMENTS AND CONTINGENCIES (Notes 10, 11, 12, 13, 14, 15, 16 and 19)			

SHAREHOLDERS’ EQUITY		
Common stock, par value $0.01 per share; authorized 150,000,000 shares, 89,901,675 issued at June 30, 2012 and 89,655,124 issued at December 31, 2011	899	897
Additional paid-in capital	2,587,923	2,585,632
Accumulated deficit	(417,885)	(444,833)
Accumulated other comprehensive loss	(10,227)	(4,975)
	2,160,710	2,136,721
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY	$ 3,233,510	$ 3,264,441

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

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
	(In thousands, except share data)			
Sales of metal	$254,406	$231,090	$458,970	$430,714
Production costs applicable to sales	(131,823)	(77,102)	(224,377)	(169,576)
Depreciation, depletion and amortization	(61,024)	(57,641)	(113,616)	(107,682)
Gross profit	61,559	96,347	120,977	153,456
COSTS AND EXPENSES				
Administrative and general	8,594	1,827	16,190	14,058
Exploration	6,305	4,077	12,872	6,839
Loss on impairment and other	4,813	—	4,813	—
Pre-development, care, maintenance and other	273	11,104	1,341	14,678
Total cost and expenses	19,985	17,008	35,216	35,575
OPERATING INCOME	41,574	79,339	85,761	117,881
OTHER INCOME AND EXPENSE				
Loss on debt extinguishments	—	(389)	—	(856)
Fair value adjustments, net	16,039	(12,432)	(7,074)	(17,700)
Interest income and other, net	(3,221)	2,763	1,786	4,664
Interest expense, net of capitalized interest	(7,557)	(9,268)	(14,227)	(18,573)
Total other income and expense, net	5,261	(19,326)	(19,515)	(32,465)
Income before income taxes	46,835	60,013	66,246	85,416
Income tax provision	(23,862)	(21,402)	(39,298)	(34,341)
NET INCOME	$22,973	$38,611	$26,948	$51,075
BASIC AND DILUTED INCOME PER SHARE				
Basic income per share:				
Net income	$0.26	$0.43	$0.30	$0.57
Diluted income per share:				
Net income	$0.26	$0.43	$0.30	$0.57
Weighted average number of shares of common stock				
Basic	89,631	89,310	89,611	89,299
Diluted	89,733	89,712	89,777	89,683

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

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
	(In thousands)			
Net income	$22,973	$38,611	$26,948	$51,075
OTHER COMPREHENSIVE LOSS:				
Unrealized loss on available for sale securities	(5,676)	(1,387)	(5,252)	(1,387)
Other comprehensive loss	(5,676)	(1,387)	(5,252)	(1,387)
COMPREHENSIVE INCOME	$17,297	$37,224	$21,696	$49,688

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

COEUR D'ALENE MINES CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Six Months Ended June 30, 2012
(Unaudited)

(In thousands)	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balances at December 31, 2011	89,655	$897	$ 2,585,632	$(444,833)	$ (4,975)	$2,136,721
Net income	—	—	—	26,948	—	26,948
Other comprehensive loss	—	—	—	—	(5,252)	(5,252)
Common stock issued/cancelled under long-term incentive plans and director fees and options, net	247	2	2,291	—		2,293
Balances at June 30, 2012	89,902	$899	$ 2,587,923	$(417,885)	$ (10,227)	$2,160,710

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

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

	Three months ended June 30, 2012	2011	Six months ended June 30, 2012	2011
	(In thousands)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	$22,973	$38,611	$26,948	$51,075
Add (deduct) non-cash items				
Depreciation, depletion and amortization	61,024	57,641	113,616	107,682
Accretion of discount on debt and other assets, net	808	494	1,605	944
Accretion of royalty obligation	5,492	5,770	10,072	11,037
Deferred income taxes	9,690	4,223	17,368	10,093
Loss on debt extinguishment	—	389	—	856
Fair value adjustments, net	(17,759)	13,933	4,018	20,593
Gain (loss) on foreign currency transactions	70	(848)	369	(737)
Share-based compensation	1,033	(3,351)	3,170	4,804
(Gain) loss on sale of assets	264	(1,223)	264	(1,224)
Loss on impairment	4,813	—	4,813	—
Other non-cash charges	(40)	200	(40)	831
Changes in operating assets and liabilities:				
Receivables and other current assets	10,319	(8,138)	7,365	(12,979)
Prepaid expenses and other	(2,857)	1,354	1,916	1,335
Inventories	3,097	(23,575)	(21,625)	(36,068)
Accounts payable and accrued liabilities	14,276	25,585	(39,655)	(11,392)
CASH PROVIDED BY OPERATING ACTIVITIES	113,203	111,065	130,204	146,850
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of short term investments and marketable securities	(6,831)	(11,881)	(7,866)	(13,110)
Proceeds from sales and maturities of short term investments	683	2,773	20,701	3,360
Capital expenditures	(32,238)	(25,764)	(63,885)	(41,681)
Other	995	325	1,180	273
CASH USED IN INVESTING ACTIVITIES	(37,391)	(34,547)	(49,870)	(51,158)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issuance of notes and bank borrowings	—	—	—	27,500
Payments on long-term debt, capital leases, and associated costs	(8,794)	(16,704)	(14,244)	(34,099)
Payments on gold production royalty	(19,287)	(17,441)	(40,660)	(32,059)
Payments on gold lease facility	—	—	—	(13,800)
Additions to restricted assets associated with the Kensington Term Facility	—	—	—	(1,325)
Other	(217)	30	(1,045)	(1,197)
CASH USED IN FINANCING ACTIVITIES	(28,298)	(34,115)	(55,949)	(54,980)

INCREASE IN CASH AND CASH EQUIVALENTS	47,514	42,403	24,385	40,712
Cash and cash equivalents at beginning of period	151,883	64,427	175,012	66,118
Cash and cash equivalents at end of period	$199,397	$106,830	$199,397	$106,830

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

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

NOTE 1 – BASIS OF PRESENTATION

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Effective January 1, 2012, the Company adopted ASU 2011-05 which includes guidance for presentation of comprehensive income and requires that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The updated guidance was effective for the Company's fiscal year beginning January 1, 2012. The Company chose to use the two-statement approach and the update had no effect on the Company's financial position, results of operations or cash flows.

In December, 2011, the FASB issued ASU 2011-11, "Balance Sheet (Topic 201): Disclosures about Offsetting Assets and Liabilities." This ASU adds certain additional disclosure requirements about financial instruments and derivative instruments that are subject to netting arrangements. ASU 2011-11 is effective for fiscal years, and interim periods within those years, beginning after January 1, 2013, with retrospective application required. We do not believe the adoption of this update will have a material impact on the disclosure requirements for our consolidated financial statements.

NOTE 3 – EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during each period. Diluted earnings per share reflect the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the three and six months ended June 30, 2012, 632,213 shares of common stock equivalents related to equity-based awards have not been included in the diluted per share calculation as the shares would be antidilutive. For the three and six months ended June 30, 2011, 1,056,901 and 1,419,282, respectively, shares of common stock equivalents related to convertible debt and equity based awards

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

have not been included in the diluted per share calculation as the shares would be antidilutive. The 3.25% Convertible Senior Notes were not included in the computation of diluted earning per share for the three and six months ended June 30, 2012 and 2011 because there is no excess value upon conversion over the principle amount of the Notes. The effect of potentially dilutive stock outstanding as of June 30, 2012, and 2011 are as follows (in thousands, except per share data):

	Three months ended June 30, 2012			Six months ended June 30, 2012		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income available to common stockholders	$22,973	89,631	$0.26	$26,948	89,611	$0.30
Effect of Dilutive Securities						
Equity awards	—	102		—	166	
Diluted EPS						
Net income available to common stockholders	$22,973	89,733	$0.26	$26,948	89,777	$0.30

	Three months ended June 30, 2011			Six months ended June 30, 2011		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Basic EPS						
Net income available to common stockholders	$38,611	89,310	$0.43	$51,075	89,299	$0.57
Effect of Dilutive Securities						
Equity awards	—	402		—	384	
Diluted EPS						
Net income available to common stockholders	$38,611	89,712	$0.43	$51,075	89,683	$0.57

NOTE 4 – FAIR VALUE MEASUREMENTS

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

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

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

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

	Fair Value at June 30, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Short term investments	907	907	—	—
Marketable equity securities	21,150	21,150	—	—
Silver ounces receivable from Mandalay	562	—	562	—
	$22,619	$22,057	$562	$—
Liabilities:				
Royalty obligation embedded derivative	$146,715	$—	$146,715	$—
Put and call options	13,193	—	13,193	—
Other derivative instruments, net	791	—	791	—
	$160,699	$—	$160,699	$—

	Fair Value at December 31, 2011			
	Total	Level 1	Level 2	Level 3
Assets:				
Short term investments	20,254	20,254	—	—
Marketable securities	19,844	19,844	—	—
Put and call options	3,040	—	3,040	—
Silver ounces receivable from Mandalay	814	—	814	—
	$43,952	$40,098	$3,854	$—
Liabilities:				
Royalty obligation embedded derivative	$159,400	$—	$159,400	$—
Put and call options	20,892	—	20,892	—
Other derivative instruments, net	4,012	—	4,012	—
	$184,304	$—	$184,304	$—

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

The Company's marketable equity securities are recorded at fair market value in the financial statements based on quoted market prices, which are accessible at the measurement date for identical assets. Such instruments are classified within Level 1 of the fair value hierarchy.

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

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

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

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

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

	Fair Value at June 30, 2012			
	Total	Level 1	Level 2	Level 3
Liabilities:				
3.25% Convertible Senior Notes	$46,833	$46,833	$—	$—
Palmarejo Gold Production Royalty Obligation	$100,054	$—	$100,054	$—

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

The fair value at June 30, 2012 and December 31, 2011 of the 3.25% Convertible Senior Notes outstanding were determined by market transactions. As such, the notes are classified as Level 1 in the fair value hierarchy.
The fair value of the Palmarejo Gold Production Royalty Obligation is valued using a pricing model which requires inputs that are derived from observable market data, including contractual terms, yield curves, and credit spreads. The model inputs can generally be verified and do not involve significant management judgment. As such, the obligation is classified within Level 2 of the fair value hierarchy.
The fair value of the Kensington Term Facility is valued at the outstanding principal amount plus accrued but unpaid interest which approximates book value. The interest rate is periodically adjusted per contractual terms to give effect to current rates that market participants would consider when pricing the obligation.
The fair value of the Company's cash equivalents, receivables, restricted assets, accounts payable, accrued liabilities, and capital leases approximate book value due to the nature of these assets and liabilities and are classified as Level 1 in the fair value hierarchy, except for capital leases which are classified as Level 2.
The fair value of the Company's non-current portion of the refundable value added tax is not practicable to estimate due to the uncertainty of the timing of the expected future cash flows to be received.

NOTE 5 – INVESTMENTS

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

	Investments in marketable securities			
	Cost	Gross Unrealized Losses	Gross Unrealized Gains	Estimated Fair Value
Marketable securities at June 30, 2012	$31,377	$(11,544)	$1,317	$21,150
Marketable securities at December 31, 2011	$24,819	$(4,975)	$—	$19,844

In the three months ended June 30, 2012 and 2011, the Company recognized an unrealized loss of $5.7 million and $1.4 million, respectively, in other comprehensive income (loss). In the six months ended June 30, 2012, and 2011, the Company recognized an unrealized loss of $5.3 million and $1.4 million, respectively, in other comprehensive income (loss). The Company performs a quarterly assessment on each of their marketable securities with unrealized losses to determine if the security is other than temporarily impaired. The Company has the intent and ability to hold these investments until they recover or increase in value. The Company’s management team uses industry knowledge and expertise and has determined that these unrealized losses are not other than temporary based on a review of the potential for each company in which it currently holds investments.

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

Gross realized gains and losses are based on cost, net of discount or premium of investments sold. There were no realized gains or losses in any of the periods presented.
In addition, the Company had $0.9 million and $20.3 million of short-term investments at June 30, 2012 and December 31, 2011, respectively. These investments are primarily in certificates of deposit with various banks and all have maturity dates of less that one year.
NOTE 6 – RECEIVABLES
Receivables consist of the following (in thousands):

	June 30, 2012	December 31, 2011
Receivables - current portion		
Accounts receivable - trade	$9,486	$14,366
Refundable income tax	11,964	11,480
Refundable value added tax	43,593	52,968
Accounts receivable - other	5,400	4,683
	$70,443	$83,497
Receivables - non-current portion		
Refundable value added tax	$45,352	$40,314

Trade receivables and other receivable balances are reported at outstanding principal amounts, net of an allowance for doubtful accounts. Management evaluates the collectability of receivable account balances to determine the allowance, if any. The Company estimated that an allowance of $0.3 million was needed against its value added tax receivable balances in Argentina at June 30, 2012. There were no allowances against receivable balances at December 31, 2011.
Taxes paid to foreign governments that are refundable to the Company are classified as “Refundable value added tax” at the face value of the amount of the tax refund due. Refunds expected to be received in the next twelve months are classified as “current” and amounts that are expected to be received after twelve months are classified as “non-current”.
NOTE 7 – METAL AND OTHER INVENTORY
Metal and other inventory consist of the following (in thousands):

	June 30, 2012	December 31, 2011
Concentrate and doré inventory	$76,549	$ 73,590
Supplies	68,595	59,191
Metal and other inventory	$145,144	$ 132,781

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment consist of the following (in thousands):

	June 30, 2012	December 31, 2011
Land	$1,415	$1,432
Buildings and improvements	559,732	520,137
Machinery and equipment	270,659	246,584
Capitalized leases for machinery, equipment and buildings	76,195	76,244
	908,001	844,397
Accumulated depreciation and amortization	(272,590)	(235,528)
	635,411	608,869
Construction in progress	57,615	78,807
	$693,026	$687,676

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

NOTE 9 – MINING PROPERTIES
Mining properties consist of the following (in thousands):

June 30, 2012	Palmarejo	San Bartolomé	Kensington	Rochester	Martha	Endeavor	Other	Total
Mining properties	$147,873	$69,671	$328,786	$113,429	$11,416	$—	$—	$671,175
Accumulated depletion	(68,750)	(16,716)	(33,878)	(99,131)	(11,416)	—	—	(229,891)
	79,123	52,955	294,908	14,298	—	—	—	441,284
Mineral interests	1,658,389	26,642	—	—	—	44,033	—	1,729,064
Accumulated depletion	(204,781)	(6,676)	—	—	—	(13,270)	—	(224,727)
	1,453,608	19,966	—	—	—	30,763	—	1,504,337
Non-producing and development properties	—	—	—	—	—	—	142	142
Total mining properties	$1,532,731	$72,921	$294,908	$14,298	$—	$30,763	$142	$1,945,763
December 31, 2011	Palmarejo	San Bartolomé	Kensington	Rochester	Martha	Endeavor	Other	Total
Mining properties	$134,296	$68,684	$321,456	$112,826	$12,643	$—	$—	$649,905
Accumulated depletion	(53,060)	(14,989)	(27,160)	(97,834)	(10,373)	—	—	(203,416)
	81,236	53,695	294,296	14,992	2,270	—	—	446,489
Mineral interests	1,658,389	26,642	—	—	—	44,033	—	1,729,064
Accumulated depletion	(158,627)	(6,007)	—	—	—	(10,034)	—	(174,668)
	1,499,762	20,635	—	—	—	33,999	—	1,554,396
Non-producing and development properties	—	—	—	—	—	—	142	142
Total mining properties	$1,580,998	$74,330	$294,296	$14,992	$2,270	$33,999	$142	$2,001,027

Operational Mining Properties

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

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

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

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

Martha Mine: The Martha mine is an underground silver mine located in Argentina. Coeur acquired a 100% interest in the Martha mine in April 2002. Due to high operating costs and a short remaining expected mine life, the Company evaluated strategic and operational alternatives for the Martha mine and recorded an impairment charge of $4.8 million in the second quarter of 2012.

Mineral Interests

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

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CDE Australia began realizing reductions in revenues in the fourth quarter of 2008 as a result of a silver price sharing provision that was part of the purchase agreement. CDE Australia has received approximately 4.0 million payable ounces to-date and the current ore reserve contains approximately 3.5 million payable ounces based on current metallurgical recovery and current smelter contract terms.

Non-Producing and Development Properties

Joaquin Project – Argentina: The Joaquin project is located in the Santa Cruz province of southern Argentina. The Company commenced exploration of this large property, consisting of over 28,450 hectares (70,300 acres) north of the Company's Martha silver mine, in November 2007. Since that time the Company has defined silver and gold mineralization in two deposits at Joaquin, La Negra and La Morocha, collectively referred to as the "Joaquin Project," and has recently commenced work on detailed drilling and other technical, economic and environmental programs which it expects will lead to completion of pre-feasibility and feasibility studies. The Company has not capitalized any expenditures associated with the Joaquin Project as of June 30, 2012.

NOTE 10 – DEBT AND CAPITAL LEASE OBLIGATIONS

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

	June 30, 2012		December 31, 2011	
	Current	Non-Current	Current	Non-Current
3.25% Convertible Senior Notes due March 2028	$46,786	$—	$—	$45,545
Kensington Term Facility	24,248	47,726	15,398	60,425
Capital lease obligations	11,674	6,248	17,119	9,891
Other	—	—	85	—
	$82,708	$53,974	$32,602	$115,861

3.25% Convertible Senior Notes

As of June 30, 2012, the outstanding balance of the 3.25% Convertible Senior Notes due 2028 was $48.7 million, or $46.8 million net of debt discount. The notes are classified as current liabilities as of June 30, 2012 as a result of the holders' option to require the Company to repurchase the notes on March 15, 2013.

The fair value of the notes outstanding, as determined by market transactions at June 30, 2012 and December 31, 2011 was $46.8 million and $49.2 million, respectively. The carrying value of the equity component at June 30, 2012 and December 31, 2011 was $10.9 million.

For the three months ended June 30, 2012 and 2011 interest expense recognized was $0.4 million and $0.4 million, respectively. For the six months ended June 30, 2012 and 2011 interest expense recognized was $0.8 million, and $0.8 million, respectively. For the three months ended June 30, 2012 and 2011 accretion of the debt discount was $0.6 million and $0.6, respectively. For the six months ended June 30, 2012 and 2011 accretion of the debt discount was $1.2 million and $1.1 million, respectively. The debt discount remaining at June 30, 2012 was $1.9 million, which will be amortized through March 15, 2013. The effective interest rate on the notes was 8.9%.

Kensington Term Facility

As of June 30, 2012, the outstanding balance of the Kensington Term Facility was $72.0 million.

As a condition to the Kensington term facility with Credit Suisse, the Company agreed to enter into a gold hedging program which protects a minimum of 243,750 ounces of gold production over the life of the term facility against the risk associated with fluctuations in the market price of gold. This program consists of a series of zero cost collars which consist of a floor price and a ceiling price of gold. Call options protecting 111,000 ounces of gold were outstanding at June 30, 2012. The weighted average strike price of the call options was $1,971.94. Put options protecting 156,000 ounces of gold were outstanding at June 30, 2012. The weighted average strike price of the put options was $958.16.

The Amended Credit Facility contains affirmative and negative covenants that the Company believes are usual and customary, including financial covenants that Coeur Alaska's debt to equity ratio shall not exceed 40%, the ratio of projected cash flow to debt service shall be at least 125%, the tangible net worth of the Borrower is not less than $325 million and the tangible net worth of the Guarantor is no less than $1.0 billion. Project covenants include covenants as to performance of sales contracts, maintenance and management. As of June 30, 2012, the Company was not in compliance with the debt service ratio covenant. The bank has waived that requirement of the agreement for the year ending December 31, 2012.

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Capital Lease Obligations

As of June 30, 2012 and December 31, 2011, the Company had outstanding balances on capital leases of $17.9 million and $27.0 million, respectively.

Palmarejo Gold Production Royalty Obligation

The Company recognized accretion expense on the Palmarejo gold production royalty obligation for the three and six months ended June 30, 2012 and 2011of $5.6 million and $5.8 million and $10.7 million and $11.0 million, respectively. As of June 30, 2012 and December 31, 2011, the remaining minimum obligation under the royalty agreement was $67.1 million and $72.1 million, respectively.

Interest Expense

The Company expenses interest incurred on its various debt instruments as a cost of operating its properties. For the three and six months ended June 30, 2012 and 2011, the Company expensed interest of $7.6 million and $9.3 million, and $14.2 million and $18.6 million, respectively.

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
	(in thousands)		(in thousands)	
3.25% Convertible Senior Notes due March 2028	$395	$395	$791	$791
1.25% Convertible Senior Notes paid in 2011	—	—	—	1
Senior Term Notes paid in 2011	—	427	—	914
Kensington Term Facility	906	1,162	1,880	2,267
Capital lease obligations	265	472	608	938
Other debt obligations	162	145	230	613
Gold Lease Facility terminated in 2011	—	—	—	107
Accretion of Franco Nevada royalty obligation	5,559	5,770	10,663	11,037
Amortization of debt issuance costs	251	559	508	1,183
Accretion of debt discount	629	576	1,241	1,137
Capitalized interest	(610)	(238)	(1,694)	(415)
Total interest expense, net of capitalized interest	$7,557	$9,268	$14,227	$18,573

Capitalized Interest

The Company capitalizes interest incurred on its various debt instruments as a cost of properties under development. For the three and six months ended June 30, 2012 and 2011, the Company capitalized interest of $0.6 million and $0.2 million, and $1.7 million and $0.4 million respectively.

NOTE 11 – RECLAMATION AND MINE CLOSURE

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

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
Asset retirement obligation - Beginning	$33,434	$27,908	$32,714	$27,302
Accretion	742	654	1,466	1,290
Addition and changes in estimates	335	—	335	—
Settlements	(1)	(5)	(5)	(35)
Asset retirement obligation - June 30	$34,510	$28,557	$34,510	$28,557

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

NOTE 12 – INCOME TAXES

For the three and six months ended June 30, 2012, the Company reported an income tax provision of approximately $23.9 million and $39.3 million, respectively, compared to an income tax provision of $21.4 million and $34.3 million for the three and six months ended June 30, 2011, respectively.

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

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	2012	2011
United States	$(388)	$(2,202)	$(3,525)	$(958)
Argentina	(38)	(15)	(239)	83
Australia	(495)	(700)	(1,206)	(1,118)
Mexico	(12,052)	(6,376)	(15,750)	(10,202)
Bolivia	(10,889)	(12,109)	(18,578)	(22,146)
Income tax provision from continuing operations	$(23,862)	$(21,402)	$(39,298)	$(34,341)

The income tax provision for the three and six months ended June 30, 2012 and 2011 varies from the statutory rate primarily because of differences in tax rates for the Company's foreign operations and changes in valuation allowances for net deferred tax assets, permanent differences and foreign exchange rate differences. The Company has U.S. net operating loss carryforwards which expire in 2017 through 2031. Net operating losses in foreign countries have an indefinite carryforward period, except in Mexico where net operating loss carryforwards are limited to ten years.

NOTE 13 – SHARE-BASED COMPENSATION PLANS

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

The compensation expense (benefit) recognized in the Company's consolidated financial statements for the three and six months ended June 30, 2012 and 2011 for share based compensation awards was $1.0 million and $(3.4) million, and $2.7 million and $4.8 million, respectively. The stock appreciation rights (SARs), restricted stock units (RSUs) and performance units outstanding under the plan are liability-based awards and are required to be re-measured at the end of each reporting period with corresponding adjustments to previously recognized and future stock-based compensation expense. As of June 30, 2012, there was $7.8 million of total unrecognized compensation cost (net of estimated forfeitures) related to unvested stock options, SARs, restricted stock, RSUs, performance shares and performance units which is expected to be recognized over a weighted-average remaining vesting period of 1.8 years.

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The following table summarizes the new grants issued during the six months ended June 30, 2012:

Grant date	Restricted stock	Grant date fair value of restricted stock	Stock options	Grant date fair value of stock options	Performance shares	Grant date fair value of performance shares
January 31, 2012	165,169	$27.66	120,720	$17.67	77,137	$41.53
March 1, 2012	4,844	$28.72	—	$—	—	$—
April 2, 2012	2,009	$24.32	—	$—	—	$—
May 1, 2012	3,185	$21.65	—	$—	—	$—
May 7, 2012	7,511	$19.01	11,803	$12.10	7,211	$28.54
June 1, 2012	1,361	$18.35	—	$—	—	$—

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

Award Type	Number of Units	Weighted Average Exercise Price
Options	27,720	$ 9.58
Stock Appreciation Rights	26,610	$ 12.56

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

	June 30, 2012		
	SARs	Performance units	Restricted stock units
Weighted average fair value	$12.19	$18.40	$17.56

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

Options Exercisable	Weighted Average Exercise Price	SARs Exercisable	Weighted Average Exercise Price
216,921	$33.51	53,900	$13.66

NOTE 14 – DEFINED CONTRIBUTION AND 401(k) PLANS

Defined Contribution Plan

The Company provides a noncontributory defined contribution retirement plan for all eligible U.S. employees. Total contributions, which are based on a percentage of the salary of eligible employees, were $0.5 million and $0.4 million, and $1.0 million and $0.8 million for the three and six months ended June 30, 2012 and 2011, respectively.

401(k) Plan

The Company maintains a retirement savings plan (which qualifies under Section 401(k) of the U.S. Internal Revenue Code) covering all eligible U.S. employees. Under the plan, employees may elect to contribute up to 100% of their cash compensation, subject to ERISA limitations. The Company adopted a Safe Harbor Tiered Match and is required to make matching contributions equal to 100% of the employee’s contribution up to 3% of the employee’s compensation plus matching contributions equal to 50% of the employee’s contribution up to an additional 2% of the employee’s compensation. Total plan expenses recognized in the Company’s consolidated financial statements for the three and six months ended June 30, 2012 and 2011 were $0.5 million and $0.3 million, and $1.1 million and $0.6 million, respectively.

NOTE 15 – DERIVATIVE FINANCIAL INSTRUMENTS

Palmarejo Gold Production Royalty

On January 21, 2009, the Company entered into a gold production royalty transaction with Franco-Nevada Corporation. The royalty covers 50% of the life of mine production from the Palmarejo mine and adjacent properties. The royalty transaction included a minimum obligation of 4,167 ounces per month that ends when payments have been made on a total of 400,000 ounces of gold. As of June 30, 2012, a total of 224,710 ounces of gold remain outstanding under the minimum royalty obligation.

The price volatility associated with the minimum royalty obligation is considered an embedded derivative financial instrument under U.S. GAAP. As such, the Company is required to recognize the change in fair value of the remaining minimum obligation due to the changing gold prices. Unrealized gains are recognized in periods when the gold price has decreased from the previous

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period and unrealized losses are recognized in periods when the gold price increases. The fair value of the embedded derivative is reflected net of the Company's current credit adjusted risk free rate, which was 5.3% and 5.7% at June 30, 2012 and December 31, 2011, respectively. The fair value of the embedded derivative at June 30, 2012 and December 31, 2011, based on forward gold prices averaging approximately $1,630 and $1,610 per ounce, respectively, was a liability of $146.7 million and $159.4 million, respectively. During the three and six months ended June 30, 2012 and 2011, mark-to-market adjustments for this embedded derivative amounted to a gain of $25.1 million and a loss of $4.0 million, and a gain of $12.7 million and a loss of $2.9 million respectively.

Payments on the royalty obligation occur monthly resulting in a decrease to the carrying amount of the minimum obligation and the derivative liability and the recognition of realized gains or losses as a result of changing prices for gold. Each monthly payment is an amount equal or greater of the minimum of 4,167 ounces of gold or 50% of the actual gold production per month multiplied by the excess of the monthly average market price of gold above $400 per ounce (which $400 floor is subject to a 1% annual inflation compounding adjustment beginning on January 21, 2013). For the three and six months ended June 30, 2012 and 2011, realized losses on settlement of the liabilities were $11.0 million, and $9.7 million and $24.2 million and $17.2 million, respectively. The mark-to-market adjustments and realized losses are included in fair value adjustments, net in the consolidated statement of operations.

Forward Foreign Exchange Contracts

The Company periodically enters into forward foreign currency contracts to reduce the foreign exchange risk associated with forecasted Mexican peso (“MXP”) operating costs at its Palmarejo mine. At June 30, 2012, the Company had MXP foreign exchange contracts of $26.1 million in U.S. dollars. These contracts require the Company to exchange U.S. dollars for MXP at a weighted average exchange rate of 13.37 MXP to each U.S. dollar and the Company had a liability with a fair value of $0.4 million at June 30, 2012. At December 31, 2011, the Company had MXP foreign exchange contracts of $25.5 million in U.S. dollars. These contracts required the Company to exchange U.S. dollars for MXP at a weighted average exchange rate of 12.40 MXP to each U.S. dollar and the Company had a liability with a fair value of $3.2 million at December 31, 2011. The Company recorded mark-to-market gains on these contracts of $0.1 million and $2.8 million for the three and six months ended June 30, 2012, respectively. The Company recorded mark-to-market gains (losses) of $(0.7) million and $0.3 million for the three and six months ended June 30, 2011, respectively. These mark-to-market adjustments are reflected in fair value adjustments, net. The Company recorded realized losses of $1.2 million and $1.9 million in production costs applicable to sales during the three and six months ended June 30, 2012 , respectively. The Company recorded realized gains of $0.9 million and $1.1 million in production costs applicable to sales during the three and six months ended June 30, 2011, respectively.

Concentrate Sales Contracts

The Company enters into concentrate sales contracts with third-party smelters. The contracts, in general, provide for a provisional payment based upon provisional assays and quoted metal prices. The provisionally priced sales contain an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of concentrates at the forward price at the time of sale. The embedded derivative, which is the final settlement price based on a future price, does not qualify for hedge accounting. These embedded derivatives are recorded as derivative assets (in Prepaid expenses and other) or derivative liabilities (in Accrued liabilities and other) on the balance sheet and are adjusted to fair value through earnings each period until the date of final settlement. At June 30, 2012, the Company had outstanding provisionally priced sales of $20.2 million, consisting of 0.4 million ounces of silver and 5,698 ounces of gold, which had a fair value of $19.9 million including the embedded derivative. At December 31, 2011, the Company had outstanding provisionally priced sales of $22.5 million consisting of 0.2 million ounces of silver and 9,701 ounces of gold, which had a fair value of approximately $21.7 million including the embedded derivative.

Commodity Derivatives

As of June 30, 2012, in connection with the Kensington term facility, the Company had outstanding call options requiring it to deliver 111,000 ounces of gold at a weighted average strike price of $1,971.94 per ounce if the market price of gold exceeds the strike price. At June 30, 2012, the Company had outstanding put options allowing it to sell

156,000 ounces of gold at a weighted average strike price of $958.16 per ounce if the market price of gold were to fall below the strike price. The contracts will expire over the next four years. At December 31, 2011, the Company had written outstanding call options requiring it to deliver 136,000 ounces of gold at a weighted average strike price of $1,919.83 per ounce if the market price of gold exceeds the strike price. At December 31, 2011, the Company had outstanding put options allowing it to sell 190,000 ounces of gold at a weighted average strike price of $951.93 per ounce if the market price of gold were to fall below the strike price. As of June 30, 2012 and December 31, 2011, the fair market value of these contracts was a net liability of $13.2 million and $17.9 million, respectively. During the six months ended June 30, 2012 no gold call options expired. During the six months ended June 30, 2012, 34,000 ounces of gold put options expired at a weighted average strike price of $923.34 per ounce, resulting in a realized loss of $1.4 million. During the six months ended June 30, 2011, 23,750 ounces of gold call options at a weighted average strike price of $1,737.68 expired.

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During the three months ended June 30, 2012, 25,000 units of gold call options were settled resulting in a realized loss of $1.6 million. During the three and six months ended June 30, 2012 and 2011, the Company recorded unrealized gains of $4.5 million and $2.4 million, and $4.7 million and $1.7 million, respectively, related to the outstanding options which was included in fair value adjustments, net.
In connection with the sale of the Cerro Bayo mine to Mandalay Resources Corporation, the Company received the right to 125,000 ounces of silver to be delivered in six equal quarterly installments commencing in the third quarter of 2011. The Company recognized mark to market losses of $0.3 million and $0.3 million associated with this silver in the three and six months ended June 30, 2012, respectively. The Company recognized mark to market gains (losses) of $(0.4) million and $0.5 million associated with this silver in the three and six months ended June 30, 2011, respectively. The silver ounces receivable from Mandalay Resources Corporation had a fair value of $1.7 million at June 30, 2012, and a fair value of $2.3 million at December 31, 2011.
As of June 30, 2012, the Company had the following derivative instruments that settle in each of the years indicated in the table (in thousands except average rates, ounces and per share data):

	2012	2013	2014	Thereafter
Palmarejo gold production royalty	$15,514			