

COEUR D ALENE MINES CORP
Form 10-K/A
June 27, 2006

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C.

FORM 10-K/A No. 2

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

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

COEUR D ALENE MINES CORPORATION

(Exact name of Registrant as specified in its charter)

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

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

(Address of principal executive offices) (zip code)

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

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

Part I. Item 2. Properties
Part IV. Item 15(c). Exhibits - Certifications of CEO and CFO

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

COEUR D ALENE MINES CORPORATION

Date: June 26, 2006

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

COEUR D ALENE MINES CORPORATION

AMENDMENT NO. 2 TO ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2005

INTRODUCTION

The purpose of this Form 10-K/A No. 2 to the Annual Report on Form 10-K for the fiscal year ended December 31, 2005, of Coeur d Alene Mines Corporation (the Company) is to (i) revise certain disclosures relating to the Company's mining properties and related ore reserves in Item 2 (Properties). No changes have been made in the previously reported consolidated financial statements or to the related footnotes. The revisions in this amendment are being made in response to a letter of comments, dated June 20, 2006, received by the Company from the Securities and Exchange Commission.

INTRODUCTION

PART I

Item 2. Properties.

SILVER AND GOLD MINING PROPERTIES

North America

Rochester Mine

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

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

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

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

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

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

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

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

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

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

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

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

Year-end Mineralized Material

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

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Operating Data

	2005	2004	2003
Production			
Tons ore mined (000's)	9,023	10,751	6,626
Tons crushed/leached (000's)	9,327	8,976	7,324
Ore grade silver (oz./ton)	0.91	0.74	0.94
Ore grade gold (oz./ton)	0.010	0.009	0.005
Silver produced (oz.)	5,720,489	5,669,074	5,585,385
Gold produced (oz.)	70,298	69,456	52,363
Cost per Ounce of Silver			
Cash costs ⁽²⁾	\$ 4.82	\$ 3.93	\$ 4.67
Non-cash costs	1.84	1.73	0.91

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Operating Data

Total production costs	\$	6.66	\$	5.66	\$	5.58
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- (1) Metal prices used in calculating proven and probable reserves were \$6.50 per ounce of silver and \$410 per ounce of gold in 2005.
- (2) Cash costs per ounce of silver or gold represent a non-U.S. GAAP measurement that management uses to monitor and evaluate the performance of its mining operations. See Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations; Total Production and Reserves for reconciliation of this non-GAAP measure to GAAP production costs.
- (3) The ore reserves are open pit minable reserves and include no additional factors for mining dilution or recovery.
- (4) Metallurgical recovery factors of 92% and 55% should be applied to the gold and silver reserve ounces, respectively.
- (5) Reserve estimates were prepared by the Company's technical staff.
- (6) Ore reserves are defined by a drill grid of at least 65 feet by 140 feet for proven (Measured) and at least 100 feet by 200 feet for probable (indicated) and may include open pit mine production sampling information, especially for proven. In practice, reserve blocks are defined by the number of proximal composites and three-dimensional geologic controls. For proven (measured) reserves the number of composites must be at least 4 at Rochester and 20 at Nevada Packard with a maximum search distance of 75 feet. For probable (indicated), the number of composites must be at least 4 at Rochester and 5 at Nevada Packard with a maximum search distance of 150 feet for Rochester and 120 feet at Nevada Packard. Mineralized material is similarly classified.

Coeur Silver Valley

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

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

Galena Mine

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

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

The mine utilizes conventional and mechanized cut and fill mining methods with sand backfill to extract ore from the high grade silver-copper vein deposits that constitute the majority of the ore reserves. Silver and copper are recovered by a flotation mill that produces a

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silver rich concentrate which is sold to third-party smelters in Canada. Silver recovery through the mill averaged 97% in 2005 and 97% in 2004.

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

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

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

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

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

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Year-end Proven and Probable Ore Reserves - Galena Mine

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

Year-end Mineralized Material ⁽²⁾

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

Operating Data

	2005	2004	2003
Production			
Tons ore milled	128,502	169,413	164,732
Ore grade silver (oz./ton)	16.53	21.43	23.61
Recovery (%)	97	97	96
Silver produced (oz.)	2,060,338	3,521,813	3,735,663
Cost per Ounce of Silver			
Cash costs ⁽³⁾	\$ 8.37	\$ 5.46	\$ 4.66
Non-cash costs	0.97	0.56	0.37
	\$ 9.34	\$ 6.02	\$ 5.03
Total production costs			

⁽¹⁾ The Galena Mine reserve estimate is based on a minimum mining width of 4 to 4.5 feet diluted to 5.0 feet minimum width for most silver-copper and silver-lead veins. Metal prices used in calculating proven and probable reserves were \$6.50/ounce of silver, \$410/ounce of gold, \$1.30/pound of copper, and \$0.34/pound of lead in 2005.

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- (2) Mineralized material includes both the Galena and Coeur mines.
- (3) Cash costs per ounce of silver or gold represent a non-U.S.-GAAP measurement that management uses to monitor and evaluate the performance of its mining operations. See Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations; Total Production and Reserves for reconciliation of this non-GAAP measure to GAAP production costs.
- (4) The ore reserves are underground minable reserves and include factors for mining dilution ranging from 10% to 50% and no additional factors for mining recovery.
- (5) Metallurgical recovery factors of 96.9% should be applied to the silver reserve ounces.
- (6) Reserve estimates were prepared by the Company's technical staff.
- (7) Proven (measured) and probable (indicated) reserves are defined by a drill spacing ranging 50 to 75 feet and will include underground mine sampling information on tighter spacings. In practice, reserve blocks are also defined by three-dimensional geologic controls to define search distances. For proven (measured) a block must have underground samples on at least 2 sides of the block or samples generally less than 50 feet from the block center. For probable (indicated) a block must have underground sampling at least on 1 side of the block or samples not more than 75 feet from the block center. Mineralized material is similarly classified.

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Coeur Mine

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

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

Caladay Property

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

South America

Chile - Cerro Bayo Mine

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

The Company acquired the property in 1990 from Freeport Chilean Exploration Company. No mining or processing was conducted by the prior owner. Initial mining and processing commenced by the Company in 1995 at the Fachinal area in the western portion of the holdings. Mining and processing temporarily ceased in 2000 then recommenced in 2002 at the Cerro Bayo area on the east. The entire holdings and

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infrastructure are now referred to as Cerro Bayo district. Construction of two ramps to intersect the high-grade Lucero Vein in the Cerro Bayo zone on the east side of its holdings, commenced in November 2001. Additional mineralized high-grade gold and silver vein systems were discovered since then from surface and underground exploration.

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

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

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

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

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

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

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

Year-end Mineralized Material

	2005	2004	2003
Tons (000 s)	4,113	3,829	3,475
Ounces of silver per ton	6.19	4.29	4.83
Ounces of gold per ton	0.10	0.13	0.10

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

- (1) Metal prices used to calculate proven and probable reserves were \$6.50/ounce of Ag and \$410/ounce of Au.
- (2) Cash costs per ounce of silver or gold represent a non-U.S.-GAAP measurement that management uses to monitor and evaluate the performance of its mining operations. See Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations; Total Production and Reserves for reconciliation of this non-GAAP measure to GAAP production costs.
- (3) The ore reserves are minable reserves within underground and lesser open pit mine designs and include factors for mining dilution and recovery.
- (4) Underground mine reserves include dilution of 10% to 25% at zero grade. Open pit mine reserves include dilution of 25% at zero grade. Mining recovery averages 92% for both underground and open pit reserves.
- (5) Metallurgical recovery factors of 91.2% and 89% should be applied to the in-place silver and gold reserves ounces, respectively.
- (6) Reserve estimates were prepared by the Company's technical staff.
- (7) Proven (measured) and probable (indicated) reserves are defined by a drill spacing of no more than 35 meters and may include underground production sampling information, especially for proven. In practice, reserve blocks are defined by the number of proximal composites and three-dimensional geologic controls. For proven (measured) reserves the number of composites must be at least 1 with a maximum search distance of generally 15 meters. For probable (indicated), the number of composites must be at least 2 with a maximum search distance of generally 35 meters. Mineralized material is similarly classified.

Argentina Martha Mine

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

The mineral rights for the Martha property are fully-owned by Coeur Argentina S.R.L., encompassing a continuous block of 129,925 acres of exploration claims, 77,837 acres of discovery claims, and 351 acres of exploitation claims. The concessions cover the reserves of the property as well as the necessary rights to permit mining. The property and equipment are maintained in good working condition through a regular preventive maintenance program and periodic improvements as required. Mining is conducted with underground methods. Power is provided by company-owned diesel generators.

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

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

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

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

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

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

Year-end Proven and Probable Ore Reserves - Martha Mine

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

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Year-end Mineralized Material

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

Operating Data

Operating Data

	2005	2004	2003
	(1,3,4,5,6,7)		
Production			
Tons ore milled	35,293	30,276	20,420
Ore grade gold (oz./ton)	0.079	0.084	0.097
Ore grade silver (oz./ton)	62.53	59.94	82.66
Recovery gold (%)	92.9	91.6	89.7
Recovery silver (%)	94.9	94.2	91.8
Gold produced (oz.)	2,590	2,318	1,785
Silver produced (oz.)	2,093,464	1,709,069	1,549,425
Cash costs ⁽²⁾	\$ 4.60	\$ 4.08	\$ 1.96
Non-cash costs	0.41	0.97	0.86
Total production costs	\$ 5.01	\$ 5.05	\$ 2.82

- (1) Metal prices used in calculating proven and probable reserves were \$6.50/ounce of Ag and \$410/ounce of Au.
- (2) Cash costs per ounce of silver or gold represent a non-U.S.-GAAP measurement that management uses to monitor and evaluate the performance of its mining operations. See Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations; Total Production and Reserves for reconciliation of this non-GAAP measure to GAAP production costs.
- (3) The ore reserves are underground minable reserves and include 10 to 25% factors for dilution at zero grade and an average mining recovery of 90%.
- (4) Metallurgical recovery factors of 91.8% and 88.8% should be applied to the silver and gold reserve ounces, respectively.
- (5) Reserve estimates were prepared by the Company's technical staff.
- (6) Proven (measured) and probable (indicated) reserves are defined by a drill spacing of no more than 25 meters and may include underground production sampling information, especially for proven. In practice, reserve blocks are defined by the number of proximal composites and three-dimensional geologic controls. For proven (measured) reserves the number of composites must be at least 2 with a maximum search distance of generally 18 meters. For probable (indicated), the number of composites must be at least 2 with a maximum search distance of generally 25 meters. Mineralized material is similarly classified.

Australia Endeavor Mine

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

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

On May 23, 2005, the Company acquired all of the silver production and reserves, up to a maximum 17.7 million payable ounces, contained at the Endeavor Mine in Australia, which is owned and operated by Cobar Operations Pty. Limited (Cobar), a wholly-owned subsidiary of CBH Resources Ltd. (CBH) for \$38.4 million. While the Company is entitled to all of the silver production and reserves up to a maximum of 17.7 million payable ounces, the current ore reserve contains approximately 9.6 million ounces of payable ounces based on current metallurgical recovery and current smelter contract items. Expansion of the ore reserve will be required to achieve the maximum payable ounces

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of silver production as set forth in the contract. The Endeavor Mine is located 720 km northwest of Sydney in New South Wales and has been in production since 1983. Under the terms of the agreement, CDE Australia, a wholly-owned subsidiary of Coeur, paid Cobar \$15.4 million of cash at the closing. In addition, CDE Australia will pay Cobar approximately \$23.0 million upon the receipt of a report confirming that the reserves at the Endeavor mine are equal to or greater than the reported ore reserves for 2004. Payment is expected to be made in 2006. In addition to these upfront payments, Coeur pays Cobar an operating cost contribution of \$1.00 for each ounce of payable silver plus a further increment when the silver price exceeds \$5.23 per ounce. This further increment begins on the second anniversary of this agreement and is 50% of the amount by which the silver price exceeds \$5.23 per ounce. A cost contribution of \$0.25 per ounce is also payable by Coeur in respect of new ounces of proven and probable silver reserves as they are discovered.

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

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

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

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

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

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

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

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Mineralized Material

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

Operating Data (Coeur's Share) ⁽³⁾

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

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	Operating Data (Coeur s Share) ⁽³⁾
Non-cash costs	1.30
	<hr/>
Total production costs	\$ 3.35

- (1) Ore reserves are reported as of June 30, 2005, which is the end of the most recent fiscal year of the operator, CBH. Metal price used was \$7.06/ounce of Ag.
- (2) Cash costs per ounce of silver or gold represent a non-U.S.-GAAP measurement that management uses to monitor and evaluate the performance of its mining operations. See Item 7: Management s Discussion and Analysis of Financial Condition and Results of Operations; Total Production and Reserves for reconciliation of this non-GAAP measure to GAAP production costs.
- (3) The Endeavor property was purchased on May 23, 2005. Operating data is presented commencing on May 23, 2005 to December 31, 2005.
- (4) The ore reserves are minable reserves and include an 11% average factor for mining dilution and mining recovery factors ranging from 40% to 100%.
- (5) Metallurgical recovery factor of 54.5% should be applied to the silver reserve ounces.
- (6) Reserve estimates were prepared by Donald Earnest, an independent consultant and reviewed by the Company s technical staff.
- (7) Classification of reserves is based on spacing from drill hole composites to reserve block centers. For proven (measured) reserves the maximum distance is 25 meters and for probable (indicated) reserves it is greater than 25 meters and less than 40 meters. Mineralized material is similarly classified.

Australia Broken Hill Mine

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

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

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On September 8, 2005, the Company acquired all of the silver production and reserves, up to 17.2 million payable ounces, contained at the Broken Hill mine in Australia, which is owned and operated by Perilya Broken Hill Ltd. (PBH) for \$36.0 million. While the Company is entitled to all of the silver production and reserves up to a maximum of 17.2 million payable ounces, the current ore reserve contains approximately 10.3 million ounces of payable ounces based on current metallurgical recovery and current smelter contract items. Expansion of the ore reserve will be required to achieve the maximum payable ounces of silver production as set forth in the contract. The Broken Hill Mine is located in New South Wales, Australia and is a zinc/lead/silver ore body. Pursuant to the agreement, the transaction includes up to a maximum of approximately 24.5 million contained ounces (or 17.2 million payable ounces) of silver to be mined by PBH at Broken Hill on the Company s behalf. In addition CDE Australia will pay PBH an operating cost contribution of approximately \$2.00 for each ounce of payable silver. Under the terms of the agreement, PBH may earn up to US\$6.0 million of additional consideration by meeting certain silver production thresholds over the next eight years.

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

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

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

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

Proven and Probable Ore Reserves - Broken Hill Mine

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

Mineralized Material

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

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Operating Data (Coeur s share) ⁽³⁾

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

- (1) Ore reserves are effective as of March 31, 2005. Metal price used was \$6.50/ounce of Ag.
- (2) Cash costs per ounce of silver or gold represent a non-U.S.-GAAP measurement that management uses to monitor and evaluate the performance of its mining operations. See Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations; Total Production and Reserves for reconciliation of this non-GAAP measure to GAAP production costs.
- (3) The Broken Hill property was purchased on September 8, 2005. Operating data is presented commencing on September 8, 2005 to December 31, 2005.
- (4) The ore reserves are underground minable reserves and include for factors for mining dilution and recovery. Dilution ranges from 0% to 20% additional tonnage while recovery ranges from 80% to 100% of the diluted tonnage and averages 85%.
- (5) Metallurgical recovery factor of 78% should be applied to the silver reserve ounces.
- (6) Reserve estimates were prepared by Donald Earnest, an independent consultant and the Company's technical staff.

- (7) The proven (measured) and probable (indicated) reserves are a combination of zinc, lead and silver mineralization remnant from historic mining and new parts or extensions of the mine. Proven (measured) and probable (indicated) reserves must be accessible as defined by the site specific conditions of the mine. Furthermore, reserves are defined by definition drilling on a grid of 40 meters horizontally by 20 meters vertically and over 70% of the proven (measured) reserves are drilled on a 20 meter by 10 meter grid.

SILVER AND GOLD DEVELOPMENT PROPERTIES

Bolivia San Bartolome Silver Project

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

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

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

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

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

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

The San Bartolome project involves risks that are inherent in any mining venture, as well as particular risks associated with the location of the project. The estimate of mineralized material indicated by the geologic studies performed to date are preliminary in nature and may differ materially after further metallurgical testing is completed. Also, managing mining projects in the altiplano area of Bolivia, where Cerro Rico is located, presents logistical challenges. The political and cultural differences of Bolivia may also present challenges.

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

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

Year-end Probable Ore Reserves - San Bartolome Project

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

Year-end Mineralized Material - San Bartolome Project

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

- (1) Metal prices used in calculating proven and probable reserves were \$6.00 per ounce of silver.
- (2) The ore reserves are open pit minable reserves and include an average 10% factor for mining dilution and 97% for mining recovery.
- (3) An average metallurgical recovery factor of 76.4% should be applied to the silver reserve ounces.
- (4) Reserve estimates were prepared Fluor Canada, an independent consultant group, as part of the project's Feasibility Study and reviewed by the Company's technical staff.
- (5) Proven (measured) and probable (indicated) reserves are defined by surface sampling – drill holes or vertical shafts – with an average spacing of no more than 70 meters. In practice, reserve blocks are defined by the number of proximal composites and three-dimensional geologic controls. For probable (indicated), the number of composites must be at least 8 with a maximum search distance of less than 275 meters. San Bartolome has only probable reserves. Mineralized material is similarly classified.

Alaska Kensington Gold Project

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

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

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

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

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

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

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In the second quarter of 2004, we completed an updated feasibility study based on an alternative operating scenario which would eliminate the need for a man camp, simplify operating logistics and focus mining on higher-grade areas of the deposit (thereby reducing significantly the size of the mill facilities). This plan significantly reduced capital and operating costs while preserving the ability to expand production as market conditions warrant. In the second quarter of 2005, the Company received its final construction permits and updated the construction and operating cost estimates set forth in the feasibility study. Due to a general increase in commodity prices impacting the industry in general, the Company retained an independent engineering firm to review its capital cost estimate during the fourth quarter of 2005. As a result of increased earthwork requirements of \$11.3 million, increased storm water management programs of \$2.3 million, the costs associated with the challenges to the project's permits of \$14.9 million, the general increase in labor and commodity prices of \$35.7 million and design development changes of \$1.9 million, the Company currently estimates the total cost of construction to be approximately \$190 million as compared with the previous cost estimate of \$124 million. Construction commenced during the third quarter of 2005 and is expected to take approximately 18 months. The Company believes that commercial production could commence in as early as late 2007, subject to successful resolution of the permitting and litigation issues described above.

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

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

Year-end Proven and Probable Ore Reserves - Kensington Property

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

Year-end Mineralized Material

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

- (1) A gold price of \$375 per ounce was used to determine ore reserves.
- (2) The ore reserves are underground minable reserves and include factors for mining dilution and recovery. An allowance of 2% additional tonnage at 0.03 ounce per ton is included for internal dilution. A factor for external dilution, averaging 10.2% at 0.056 ounces per ton, is also included. An average 98% factor for mining recovery is included.
- (3) Metallurgical recovery factors of 95.3% should be applied to the gold reserve ounces.
- (4) Reserve estimates were prepared by Snowden Mining Industry Consultants, an independent consultant group, as part of the project's 2004 Feasibility Study and reviewed by the Company's technical staff.
- (5) The Kensington gold development project contains only probable (indicated) reserves. The reserves are defined with over 340,000 feet of core drilling, largely from underground drilling fans, and 27,000 feet of underground workings. In practice, reserve blocks are defined by the number of proximal composites and three-dimensional geologic controls. Probable (indicated) reserve blocks must at least 2 drill holes spaced not more than 60 feet from the block center. Mineralized material is similarly classified.

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

EXPLORATION ACTIVITY

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

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

Cerro Bayo Mine, Chile

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

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

Martha Mine, Argentina

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

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

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

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

Tanzania, Africa

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

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

SILVER AND GOLD PRICES

The Company's operating results are substantially dependent upon the world market prices of silver and gold. The Company has no control over silver and gold prices, which can fluctuate widely. The volatility of such prices is illustrated by the following table, which sets forth the high and low prices of silver (as reported by Handy and Harman) and gold (London Final) per ounce during the periods indicated:

	Year Ended December 31,					
	2005		2004		2003	
	High	Low	High	Low	High	Low
Silver	\$9.11	\$6.38	\$8.24	\$5.57	\$5.97	\$4.39
Gold	\$536.50	\$411.10	\$454.20	\$375.00	\$416.25	\$319.90

MARKETING

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

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

GOVERNMENT REGULATION**General**

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

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

regulations, the more stringent implementation thereof through judicial review or administrative action or the adoption of new laws could have a materially adverse effect upon the Company.

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

Federal Environmental Laws

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

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Proposed Mining Legislation

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

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

Foreign Government Regulations

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

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

The Company does not directly hold any interest in mining properties in Australia. However, under the respective Silver Sale Agreements with CBH Resources Limited and Perilya Broken Hill Limited, the Company has purchased the silver resources in the ground of these mining

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

Maintenance of Claims

United States

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

Chile

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

Argentina

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

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

Bolivia

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

Australia

At mining properties in Australia operated by CBH Resources Limited and Perilya Broken Hill Limited, operations are conducted on designated Mining Leases issued by the relevant State Government mining department. Mining Leases are issued for a specific term and include a range of environmental and other conditions including the payment of production royalties, annual lease fees and the use of cash or a bank guarantee as security for reclamation liabilities. The amounts required to be paid to secure reclamation liabilities are determined on a case by case basis. In addition, both CBH Resources Limited and Perilya Broken Hill Limited hold a range of exploration titles permits which are also issued by the respective State government mining departments for specified terms and require payment of annual fees and completion of designated expenditure programs on the leases to maintain title. In Australia, minerals in the ground are owned by the state until severed from the ground through mining operations.

EMPLOYEES

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

United States Corporate Staff & Office	38
Silver Valley - Galena Mine ⁽¹⁾	181
Rochester Mine	226
Kensington Property	38
Chilean Corporate Staff & Office	48
Cerro Bayo Mine ⁽¹⁾	509
Mina Martha/Argentina ⁽¹⁾	128
San Bartolome	38
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Total	1,206
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- ⁽¹⁾ The Company maintains a labor agreement with the United Steelworkers of America at its Coeur Silver Valley mine. The agreement is effective from March 26, 2003 to March 1, 2006, which was further extended to September 1, 2006. The Company also maintains a labor agreement with Sindicato De Trabajadores De Compania Minera Cerro Bayo LTA at its Cerro Bayo Chile mine. The agreement is effective from December 22, 2005 to December 21, 2007. As of December 31, 2005, the Company had approximately 25% of its labor force covered by collective bargaining. In Argentina, the Company's production workforce is not currently represented by a union; however, negotiations started in February 2006 with the Asociacion Obrera Minera Argentina with the intent of reaching a labor agreement by the end of March 2006. Management believes it has a satisfactory relationship with its Union workforce.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(c) Exhibits

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

