

COEUR D ALENE MINES CORP

Form 10-K

February 29, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 1-8641

COEUR D ALENE MINES CORPORATION

(Exact name of registrant as specified in its charter)

Idaho

82-0109423

(State or other jurisdiction of
incorporation or organization)

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

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

83816

(Address of principal Executive Offices)

(Zip Code)

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

Securities Registered pursuant to Section 12(b) of the Act:

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, par value \$1.00 per share

New York Stock Exchange/Toronto Stock
Exchange/Australian Stock Exchange

1 1/4% Convertible Senior Notes due January 15, 2024

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Edgar Filing: COEUR D ALENE MINES CORP - Form 10-K

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company
(Do not check if a smaller reporting company)

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter.

\$994,560,367

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of February 27, 2008.

550,825,760 shares of Common Stock, Par Value \$1.00

DOCUMENTS INCORPORATED BY REFERENCE

The information called for by Part III of the Form 10-K is incorporated by reference from the registrant's definitive proxy statement which will be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this report.

TABLE OF CONTENTS

PART I

Item 1. Business

Item 1A. Risk Factors

Item 1B. Unresolved Staff Comments

Item 2. Properties

Item 3. Legal Proceedings

Item 4. Submission of Matters to a Vote of Security Holders

Item 4A. Executive Officers of the Registrant

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Item 6. Selected Financial Data

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Item 8. Financial Statements and Supplementary Data

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Item 9A. Controls and Procedures

Item 9B. Other Information

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Item 13. Certain Relationships and Related Transactions, and Director Independence

Item 14. Principal Accounting Fees and Services

PART IV

Item 15. Exhibits, Financial Statement Schedules

SIGNATURES

PART I

Item 1. Business

INTRODUCTION

Coeur d'Alene Mines Corporation is a large primary silver producer located in North America and is engaged, through its subsidiaries, in the operation and/or ownership, development and exploration of silver and gold mining properties and companies located primarily within the United States (Nevada and Alaska), South America (Chile, Argentina and Bolivia), Australia (New South Wales), Mexico (Chihuahua) and Africa (Tanzania). Coeur d'Alene Mines Corporation and its subsidiaries are hereinafter referred to collectively as Coeur or the Company.

OVERVIEW OF MINING PROPERTIES AND INTERESTS

The Company's most significant operating and development-stage mining properties and interests are:

The **Rochester mine** is a silver and gold surface mining operation located in northwestern Nevada that has been 100% owned and operated by the Company since 1986. During 1999, the Company acquired the mineral rights to the **Nevada Packard** property, which is located one and one-half miles south of the Rochester mine, and commenced mining there in the first quarter of 2003. The mining of ore at the mine was completed during 2007; however, silver and gold production is expected to continue through 2011 as a result of heap leach activities. The Company has announced it may consider the sale of this property during 2008.

Coeur owns 100% of the **Cerro Bayo mine** in southern Chile, which comprises a high grade gold and silver underground mine and processing facilities. The Cerro Bayo deposit was discovered during 2000. Initial mining operations commenced in late 2001 and processing started in April 2002. The Company carries on an active exploration program on its 176 square mile property package in southern Chile.

Coeur owns 100% of the capital stock of Coeur Argentina S.R.L., which owns and operates the underground high-grade silver **Martha mine** located in Santa Cruz, Argentina, approximately 270 miles southeast of the Cerro Bayo mine. Mining operations commenced at the Martha mine in June 2002. In 2007 the Company built a stand-alone mill to process ore from the Martha mine which previously was transported to Cerro Bayo for processing. The Company carries on an active exploration program at its Martha mine and on its other land in Santa Cruz which totals over 560 square miles.

The Company acquired, in May 2005, all of the silver production and reserves, up to 20.0 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 up to \$43.8 million. The Endeavor mine is an underground zinc/lead/silver mine located in New South Wales, Australia which has been in production since 1983.

The Company acquired, in September 2005, 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 \$36.9 million. The Broken Hill Mine is located in New South Wales, Australia and is an underground zinc/lead/silver mine.

Coeur owns 100% of Empresa Minera Manquiri S.A. (**Manquiri**), a Bolivian company that controls the mining rights for the **San Bartolomé project**, which is an open pit silver mine in Bolivia where an updated feasibility study was completed in 2004 and construction activities have commenced. The Company expects construction to be completed and commercial production to commence from the San Bartolomé project in the first quarter of 2008.

The Company owns 100% of the **Kensington property**, located north of Juneau, Alaska, which is a development-stage gold property. An updated feasibility study was completed for the property during 2004 and construction activities commenced in 2005. A lawsuit was filed in 2005 in Federal Court challenging a certain permit necessary for construction of the tailings facility. During 2007, the Company continued all surface facility construction activities not impacted by the legal challenge. The Company believes production could commence in 2009, subject to successful and timely resolution of the pending litigation more fully described under Part I, Item 3 (**Legal Proceedings**) below or upon modification to permitting to allow for an alternate tailings facility.

On December 21, 2007, the company acquired all of the outstanding stock of Bolnisi Gold NL (**Bolnisi**), an Australian company listed on the Australian Stock Exchange, and Palmarejo Silver and Gold Corporation (**Palmarejo**), a Canadian company listed on the TSX Venture Exchange. The principal asset of Bolnisi was its 72.8% ownership of the common shares of Palmarejo. Palmarejo is engaged in the exploration and development of silver and gold properties located in the state of Chihuahua in northern Mexico. The principal silver and gold properties are collectively referred to as the **Palmarejo project** . The Palmarejo project is currently under development and is expected to commence commercial production in the first half of 2009. Through the acquisition, the Company also controls other exploration-stage properties in northern Mexico

Coeur also has interests in other properties which are subject to silver or gold exploration activities upon which no minable ore reserves have yet been delineated.

EXPLORATION STAGE MINING PROPERTIES

The Company, either directly or through wholly-owned subsidiaries, owns, leases and has interests in certain exploration-stage mining properties located in the United States, Chile, Argentina, Bolivia, Mexico and Tanzania. During 2008, the Company expects to invest approximately \$27.7 million in exploration and reserve development compared to \$15.0 million spent on similar activities in 2007.

BUSINESS STRATEGY

The Company's business strategy is to capitalize on the ore reserve/mineralized material bases located at its operating mines and the expertise of its management team to become the world's leading primary silver production company. The principal elements of the Company's business strategy are to: (i) increase the Company's silver production and reserves; (ii) decrease cash costs and increase production at the Company's existing silver mining operations; (iii) transform development-stage properties into producing mines; (iv) acquire operating mines, mineral interests, exploration and/or development properties with a goal of reducing the Company's overall cash and total costs per ounce of silver produced, providing immediate positive cash flow return and expanding its silver production base and reserves; and (v) continue to explore for new silver and gold discoveries and evaluate new opportunities to expand its production through acquisitions and exploration.

SOURCES OF REVENUE

The Rochester mine, Cerro Bayo mine and Martha mine, each operated by the Company, and the Endeavor and Broken Hill mines operated by others, constituted the Company's principal sources of mining revenues in 2007. The following table sets forth information regarding the percentage contribution to the Company's total revenues (i.e., revenues from the sale of concentrates and doré) by the sources of those revenues during the past five years:

Mine/Company	Coeur	Percentage of Total Revenues ⁽²⁾				
	Percentage Ownership at December 31, 2007	2007	2006	2005	2004	2003
Rochester Mine	100%	47%	47%	45%	59%	48%
Cerro Bayo Mine	100	22	23	38	32	43
Martha Mine	100	18	16	13	9	9
Endeavor Mine ⁽¹⁾	100	4	3	1		
Broken Hill Mine ⁽¹⁾	100	9	11	3		
		100%	100%	100%	100%	100%

(1) Ownership interest reflects the Company's ownership interest in the property's silver production. Other constituent metals are owned by another non-affiliated entity.

(2) On June 1, 2006, the Company completed its sale of Coeur Silver Valley (Galena). The Company's interest in the Galena mine was 100% prior to the sale. Revenues from the Galena mine

are reflected in
Discontinued
Operations.

DEFINITIONS

The following sets forth definitions of certain important mining terms used in this report.

Ag is the abbreviation for silver.

Au is the abbreviation for gold.

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

Cash Costs per Ounce are calculated by dividing the cash costs computed for each of the Company's mining properties for a specific period by the amount of gold ounces or silver ounces produced by that property during that same period. Management uses cash costs per ounce produced as a key indicator of the profitability of each of its mining properties. Gold and silver are sold and priced in the world financial markets on a U.S. dollar per ounce basis. By calculating the cash costs from each of the Company's mines on the same unit basis, management can easily determine the gross margin that each ounce of gold and silver produced is generating. While this represents a key indicator of the performance of the Company's mining properties you are cautioned not to place undue reliance on this single measurement. To fully evaluate a mine's performance, management also monitors U.S. Generally Accepted Accounting Principles (GAAP) based profit/(loss), depreciation and amortization expenses and capital expenditures for each mine as presented in Note R Segment Information in the Notes to the Company's Consolidated Financial Statements. Total cash costs per ounce is a non-GAAP measurement and investors are cautioned not to place undue reliance on it and are urged to read all GAAP accounting disclosures presented in the consolidated financial statements and accompanying footnotes.

Concentrate is a product containing the valuable metal and from which most of the waste material in the ore has been eliminated.

Cut-off Grade is the lowest grade of mineral resource considered economic; used in the calculation of reserves in a given deposit.

Cyanidation is a method of extracting gold or silver by dissolving it in a weak solution of sodium or potassium cyanide.

Dilution is an estimate of the amount of waste or low-grade mineralized rock which will be mined with the ore as part of normal mining practices in extracting an ore body.

Doré is unrefined gold and silver bullion bars which contain gold, silver and minor amounts of impurities which will be further refined to almost pure metal.

Gold is a metallic element with minimum fineness of 999 parts per 1000 parts pure gold.

Heap Leaching Process is a process of extracting gold and silver by placing broken ore on an impermeable pad and applying a diluted cyanide solution that dissolves a portion of the contained gold and silver, which are then recovered in metallurgical processes.

Mineralized Material is gold and silver bearing material that has been physically delineated by one or more of a number of methods, including drilling, underground work, surface trenching and other types of sampling. This material has been found to contain a sufficient amount of mineralization of an average grade of metal or metals to have economic potential that warrants further exploration evaluation. While this material is not currently or may never be classified as ore reserves, it is reported as mineralized material only if the potential exists for reclassification into the reserves category. This material cannot be classified in the reserves category until final technical, economic and legal factors have been determined. Under the United States Securities and Exchange Commission's standards, a mineral deposit does not qualify as a reserve unless it can be economically and legally extracted at the time of reserve determination and it constitutes a proven or probable reserve (as defined below).

Non-cash Costs are costs that are typically accounted for ratably over the life of an operation and include depreciation, depletion and amortization of capital assets, accruals for the costs of final reclamation and long-term monitoring and care that are usually incurred at the end of mine life, and the amortization of the cost of property acquisitions.

Ore Reserve is the part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

Probable Reserve is a part of a mineralized deposit which can be extracted or produced economically and legally at the time of the reserve determination. The quantity and grade and/or quality of a probable reserve is computed from information similar to that used for a proven reserve, but the sites for inspection, sampling and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation. Mining dilution, where appropriate, has been factored into the estimation of probable reserves.

Proven Reserve is a portion of a mineral deposit which can be extracted or produced economically and legally at the time of the reserve determination. The quantity of a proven reserve is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and the sites for inspections, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of a proven reserve is well-established. Mining dilution, where appropriate, has been factored into the estimation of proven reserves.

