

COEUR D'ALENE MINES DEC QTR 08: SAN BARTOLOME PRODUCING AT DESIGN CAPACITY

	Dec Qtr	Sept Qtr	Change
Production (000' oz)	4,000	3,112	29%
Average Head Grade (g/t)	125	95	32%
Average Price (US\$/oz)	8.84	14.47	-39%
Total Cash Cost (US\$/oz)	5.60	7.65	-27%
Gross Margin (US\$/oz)	3.24	6.82	-52%
Gross Margin (%) per oz	58%	89%	-35%
Ongoing Capital Exp. (US\$/oz)	0.98	1.06	-8%
Total Cost (US\$/oz)	6.58	8.71	-25%
Net Cash Margin (US\$/oz)	2.27	5.76	-61%
Investment Activities			
Exploration/Evaluation (US\$/oz)	1.56	1.87	
Capital Exp. (Construction) (US\$/oz)	26.27	27.1	
Total Other Investment (US\$/oz)	27.8	29.0	
Cash Suplus (Deficit) (US\$/oz)	- 25.57	- 23.24	
Cash Balance (US\$m)	28.6	79.0	-64%
Interest Bearing Loans (US\$m)	462.1	437.0	6%
Hedging Liability (US\$m)	-	-	0%
Shares Outstanding (m)	567.8	547.5	-4%
Share Price (US\$) (End of Qtr)	0.88	1.53	-42%

Coeur D'Alene (NYSE:CDE; TSX: CDM; ASX: CXC) has turned in a solid operating quarter as production increased 29% to 4 Moz of silver and total cash costs declined 27% to US\$5.60/oz. The increase in production was largely attributable to San Bartolome reaching design capacity which saw production increase to 2.13 Moz of silver at a total cash cost (including royalties and taxes) of US\$8.81/oz (Sep Qtr: 706,000oz @ US\$15.66/oz). The key statistic for the quarter was the massive decline in the average silver price received, falling 39% to just US\$8.84/oz. This more than negated the cost savings and resulted in a decline in gross margin to US\$3.24/oz from US\$6.82 the previous quarter. Ongoing capital expenditure declined marginally to \$0.98/oz, helped by the improved production numbers from San Bartolome. All up, the net cash margin fell from US\$5.76/oz to US\$2.27/oz thanks largely to the decline in the silver price. This result could have been worse if it wasn't for the improvement in the Total Cash Cost by US\$2.05/oz.

Investment activities for the quarter were more or less in line with the previous quarter, with the construction costs of Palmarejo and San Bartolome continuing to be the big ticket items. Palmarejo is expected to begin gold production this month, and based on an initial 11 year mine plan, will have the capacity to produce an average 9 Moz of silver and 120,000 ounces of gold annually. During 2009, the forecast production is for 5.3 Moz of silver and 72,000 oz of gold. San Bartolome is now producing at design capacity and is expected to produce 9 Moz of silver a year at an average cash operating cost (before royalties and taxes) of US\$6.50/oz. These construction activities continued to be a major drain on the balance sheet for Coeur D'Alene with the cash balance declining steeply. More debt was drawn down and more shares were issued to fund the shortfall in working capital. The markets are presently not looking favorably at companies with heavily geared

balance sheets. This looks to have been reflected in the share price which fell 42% during the December quarter. At the time of writing, the share price has fallen another 30% to US\$0.61. With both Palmarejo and San Bartolome nearing completion, Coeur D'Alene should see some easing in their working capital requirements as 2009 progresses. The silver price has also bounced since the December quarter, improving margins. An update released recently highlighted that the cash balance has jumped to US\$100m and interest bearing debt had declined by US\$50m as at 31 January 2009. This was thanks largely to proceeds generated from the sale of a gold royalty to Franco Nevada for US\$80m (50% of the Palmarejo gold production at the lesser of spot price and US\$400/oz). The March Quarter update will be interesting.

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