

HECLA MINING CO/DE/  
Form 10-K  
February 15, 2018

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

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**Form 10-K**

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**Annual report pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 For the fiscal year ended December 31, 2017**

**Commission file No. 1-8491**

**HECLA MINING COMPANY**

(Exact name of registrant as specified in its charter)

<b>Delaware</b>	<b>77-0664171</b>
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

<b>6500 N. Mineral Drive, Suite 200</b>	<b>83815-9408</b>
<b>Coeur d'Alene, Idaho</b>	
(Address of principal executive offices) (Zip Code)	

**208-769-4100**

(Registrant's telephone number, including area code)

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

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.25 per share	New York Stock Exchange
Series B Cumulative Convertible Preferred Stock, par value \$0.25 per share	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, and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  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.

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the registrant's voting Common Stock held by non-affiliates was \$2,015,394,433 as of June 30, 2017. There were 398,527,459 shares of the registrant's Common Stock outstanding as of June 30, 2017, and 399,397,443 shares outstanding as of February 12, 2018.

**Documents incorporated by reference herein:**

To the extent herein specifically referenced in Part III, the information contained in the Proxy Statement for the 2018 Annual Meeting of Shareholders of the registrant, which will be filed with the Commission pursuant to Regulation 14A within 120 days of the end of the registrant's 2017 fiscal year, is incorporated herein by reference. See Part III.

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***Special Note on Forward-Looking Statements***

Certain statements contained in this report (including information incorporated by reference) are “forward-looking statements” and are intended to be covered by the safe harbor provided for under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”). Our forward-looking statements include our current expectations and projections about future production, results, performance, prospects and opportunities, including reserves and other mineralization. We have tried to identify these forward-looking statements by using words such as “may,” “might,” “will,” “expect,” “anticipate,” “believe,” “could,” “intend,” “estimate” and similar expressions. These forward-looking statements are based on information currently available to us and are expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause our actual production, results, performance, prospects or opportunities, including reserves and mineralization, to differ materially from those expressed in, or implied by, these forward-looking statements.

These risks, uncertainties and other factors include, but are not limited to, those set forth under *Item 1A. Risk Factors* and *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*. Given these risks and uncertainties, readers are cautioned not to place undue reliance on our forward-looking statements. Projections and other forward-looking statements included in this report have been prepared based on assumptions, which we believe to be reasonable, but not in accordance with United States generally accepted accounting principles (“GAAP”) or any guidelines of the Securities and Exchange Commission (“SEC”). Actual results may vary, perhaps materially. You are strongly cautioned not to place undue reliance on such projections and other forward-looking statements. All subsequent written and oral forward-looking statements attributable to Hecla Mining Company or to persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. Except as required by federal securities laws, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**PART I**

**Item 1. Business**

For information regarding the organization of our business segments and our significant customers, see *Note 11 of Notes to Consolidated Financial Statements*.

Information set forth in Items 1A and 2 are incorporated by reference into this Item 1.



***Introduction***

Hecla Mining Company and our subsidiaries have provided precious and base metals to the U.S. and worldwide since 1891 (in this report, “we” or “our” or “us” refers to Hecla Mining Company and our affiliates and subsidiaries, unless the context requires otherwise). We discover, acquire, develop, and produce silver, gold, lead and zinc. In doing so, we intend to manage our business activities in a safe, environmentally responsible and cost-effective manner.

We produce lead, zinc and bulk concentrates, which we sell to custom smelters and brokers, and unrefined precipitate and bullion bars (doré) containing gold and silver, which are further refined before sale to precious metals traders. We are organized and managed in four segments that encompass our operating units: the Greens Creek, Lucky Friday, Casa Berardi, and San Sebastian units.

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The map below shows the locations of our operating units and our exploration and pre-development projects, as well as our corporate offices located in Coeur d'Alene, Idaho, Vancouver, British Columbia and Val d'Or, Quebec.

Our current business strategy is to focus our financial and human resources in the following areas:

• Operating our properties safely, in an environmentally responsible manner, and cost-effectively.

• Continuing to optimize and improve operations at each of our units.

• Expanding our proven and probable reserves and production capacity at our units.

• Conducting our business with financial stewardship to preserve our financial position in varying metals price environments.

Advancing permitting of the Rock Creek and Montanore projects. We acquired Rock Creek as part of the acquisition of Revett Mining Company ("Revett") in June 2015, and we acquired Montanore through the acquisition of Mines Management, Inc. ("Mines Management") in September 2016.

Maintaining and investing in exploration and pre-development projects in the vicinities of six mining districts and projects we believe to be under-explored and under-invested: North Idaho's Silver Valley in the historic Coeur d'Alene Mining District; our Greens Creek unit on Alaska's Admiralty Island located near Juneau; the silver-producing district near Durango, Mexico; the Abitibi region of northwestern Quebec, Canada; the Rock Creek and Montanore projects in northwestern Montana; and the Creede district of Southwestern Colorado.

• Continuing to seek opportunities to acquire and invest in mining and exploration properties and companies.

Below is a summary of net (loss) income for each of the last five years (in thousands):

	<b>Year Ended December 31,</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net (loss) income	\$ (23,519)	\$ 69,547	\$ (86,968)	\$ 17,824	\$ (25,130)



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Our financial results over the last five years have been impacted by:

- Fluctuations in prices of the metals we produce. The average, high and low daily closing market prices for silver, gold, lead and zinc for each of the last five years are as follows:

	2017	2016	2015	2014	2013
Silver (per oz.):					
Average	\$17.05	\$17.10	\$15.70	\$19.08	\$23.79
High	\$18.56	\$20.71	\$18.23	\$22.05	\$32.23
Low	\$15.22	\$13.58	\$13.71	\$15.28	\$18.61
Gold (per oz.):					
Average	\$1,257	\$1,248	\$1,160	\$1,266	\$1,410
High	\$1,346	\$1,366	\$1,296	\$1,385	\$1,694
Low	\$1,151	\$1,077	\$1,049	\$1,142	\$1,192
Lead (per lb.):					
Average	\$1.05	\$0.85	\$0.81	\$0.95	\$0.97
High	\$1.17	\$1.12	\$0.97	\$1.03	\$1.11
Low	\$0.91	\$0.72	\$0.70	\$0.82	\$0.88
Zinc (per lb.):					
Average	\$1.31	\$0.95	\$0.88	\$0.98	\$0.87
High	\$1.53	\$1.32	\$1.09	\$1.10	\$0.99
Low	\$1.10	\$0.66	\$0.66	\$0.88	\$0.81

See *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations* for a summary of our average realized and market prices for each of the three years ended December 31, 2017, 2016 and 2015. Our results of operations are significantly impacted by fluctuations in the prices of silver, gold, lead and zinc, which are affected by numerous factors beyond our control. See *Item 1A. Risk Factors – Financial Risks – A substantial or extended decline in metals prices would have a material adverse effect on us* for information on a number of the factors that can impact prices of the metals we produce. Our average realized prices for silver, gold, zinc and lead were higher in 2017 compared to 2016, and were higher in 2016 compared to 2015. Market metal price trends are a significant factor in our operating and financial performance. We are unable to predict fluctuations in prices for metals and have limited control over the timing of our concentrate shipments which impacts our realized prices. However, we utilize financially-settled forward contracts for lead and zinc with the objective of managing the exposure to changes in prices of those metals contained in our concentrate shipments between the time of sale and final settlement. In addition, we utilize a similar program for silver and gold with the objective of managing exposure to changes in prices for those metals contained in our concentrate shipments. See *Note 10 of Notes to Consolidated Financial Statements* for more information on our base and precious metal forward contract programs.

• Cost of sales and other direct production costs of \$304.7 million in 2017, \$338.3 million in 2016, \$292.4 million in 2015, \$304.4 million in 2014 and \$235.3 million in 2013. Cost of sales and other direct production costs in 2017 and 2016 were impacted by commencement of sales at our San Sebastian unit in the first quarter of 2016. Cost of sales and other direct production costs in 2017 were impacted by suspension of full production at Lucky Friday as a result of a strike, as discussed further below. During 2013, cost of sales and other direct production costs were impacted by the ramp up of production at Lucky Friday during 2013, as discussed below. See *Item 7. Management's Discussion*

*and Analysis of Financial Condition and Results of Operations – Results of Operations* for more information.

\$17.1 million in suspension-related costs at our Lucky Friday unit in 2017, along with \$4.2 million in depreciation, depletion, and amortization, as a result of an ongoing strike by unionized employees starting in mid-March 2017 (see the *Employees* section below for more information). We recognized suspension-related income of \$1.4 million in 2013 due to the receipt of business interruption insurance proceeds related to the temporary suspension of production at Lucky Friday during most of 2012. Limited production recommenced at the Lucky Friday unit in the first quarter of 2013, and the mine resumed full production in September 2013.

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Exploration and pre-development expenditures totaling \$29.0 million, \$17.9 million, \$22.0 million, \$19.7 million and \$37.7 million for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, respectively.

Provision for closed operations and environmental matters of \$6.7 million, \$5.7 million, \$12.2 million, \$10.1 million and \$5.4 million for the years ended December 31, 2017, 2016, 2015, 2014, and 2013, respectively.

Net loss on base metal forward contracts of \$21.3 million in 2017, and net gains on base metal forward contracts of \$4.4 million in 2016, \$8.3 million in 2015, \$9.1 million in 2014, and \$18.0 million in 2013. These losses and gains are related to financially-settled forward contracts on forecasted zinc and lead production as part of a risk management program initiated in 2010. See *Note 10 of Notes to Consolidated Financial Statements* for more information on our derivatives contracts.

Our acquisition of Aurizon Mines Ltd. ("Aurizon") for \$714.5 million in June 2013, which was partially funded by the issuance of 6.875% Senior Notes due 2021 ("Senior Notes") in April 2013 for net proceeds of \$490.0 million. We recognized expenses relating to the Aurizon acquisition of \$26.4 million in 2013. In addition, in 2017, 2016, 2015, 2014 and 2013 we recorded interest expense related to the Senior Notes, including amortization of issuance costs, of \$35.3 million, \$20.1 million, \$22.7 million, \$24.6 million, and \$19.1 million, respectively, net of \$0.9 million, \$16.2 million, \$13.5 million, \$11.8 million and \$6.5 million, respectively, in capitalized interest primarily related to the #4 Shaft project at Lucky Friday which was completed in early 2017.

Our acquisition of Mines Management for \$52.1 million in September 2016. We recognized expenses related to the acquisition of \$2.7 million in 2016. See *Note 15 of Notes to Consolidated Financial Statements* for more information.

Our acquisition of Revett for \$20.1 million in June 2015. We recognized expenses related to the acquisition of \$2.2 million in 2015. See *Note 15 of Notes to Consolidated Financial Statements* for more information.

Foreign exchange losses in 2017 and 2016 of \$10.3 million and \$2.9 million, respectively, and gains in 2015, 2014 and 2013 of \$24.6 million, \$11.5 million and \$3.0 million, respectively, primarily due to increased exposure to exchange fluctuations between the U.S. dollar and Canadian dollar as a result of our acquisition of Aurizon.

Income tax provisions of \$19.9 million, \$27.4 million and \$56.3 million in 2017, 2016 and 2015, respectively, and income tax benefits of \$5.2 million and \$9.8 million in 2014 and 2013, respectively. The provision in 2017 included a write-down of U.S. deferred tax assets, mainly due to a change to tax laws under the Tax Cuts and Jobs Act enacted in December 2017, and taxes related to our operations in Mexico and Quebec, partially offset by a benefit from a change in income tax position recognized in the first quarter of 2017 related to the timing of deduction of #4 Shaft development costs at Lucky Friday. See *Note 5 of Notes to Consolidated Financial Statements* for more information.

An increase in the number of shares of our common stock outstanding, which impacts our income (loss) per common share.

A comprehensive discussion of our financial results for the years ended December 31, 2017, 2016 and 2015, individual operating unit performance, general corporate expenses and other significant items can be found in *Item 7. Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations*, as well as the *Consolidated Financial Statements and Notes* thereto.

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***Products and Segments***

Our segments are differentiated by geographic region. We produce zinc, lead and bulk flotation concentrates at our Greens Creek unit and lead and zinc flotation concentrates at our Lucky Friday unit, each of which we sell to custom smelters and brokers on contract. The flotation concentrates produced at our Greens Creek and Lucky Friday units contain payable silver, zinc and lead, and at Greens Creek they also contain payable gold. At Greens Creek, we also produce gravity concentrate containing silver, gold and lead. Unrefined bullion (doré) is produced from the gravity concentrate by a third-party processor and sold to a precious metal refiner. We also produce unrefined gold and silver bullion bars (doré) at Casa Berardi and San Sebastian, which are shipped to refiners before sale of the metals to precious metals traders. Payable metals are those included in our products which we are paid for by smelters, brokers and refiners. Our segments as of December 31, 2017 included:

The Greens Creek unit located on Admiralty Island, near Juneau, Alaska. Greens Creek is 100% owned and has been in production since 1989, with a temporary care and maintenance period from April 1993 through July 1996.

The Lucky Friday unit located in northern Idaho. Lucky Friday is 100% owned and has been a producing mine for us since 1958. As discussed below in the *Employees* section, unionized employees at Lucky Friday have been on strike since mid-March 2017, resulting in limited production during that time. Following a period of rehabilitation and no production at Lucky Friday in 2012, production returned to historical levels in September 2013.

The Casa Berardi unit located in the Abitibi region of northwestern Quebec, Canada. Casa Berardi is 100% owned and was acquired on June 1, 2013 with the purchase of all issued and outstanding common shares of Aurizon. Aurizon had operated and produced from the Casa Berardi mine since late 2006 and began various mine enhancements in an effort to improve operational efficiency, including a shaft deepening project completed in 2014 and a new paste fill facility completed in 2013. In addition to ongoing production from the underground mine, production from the East Mine Crown Pillar ("EMCP") surface mine commenced in July 2016. The addition of surface production and enhancements to the processing facility resulted in increased ore throughput and gold production in 2017.

The San Sebastian unit located in the state of Durango, Mexico. San Sebastian is 100% owned, and had previously produced for us from underground mines between 2001 and 2005. Recent near-surface exploration discoveries in the vicinity of the past producing area led to the decision in the third quarter of 2015 to develop shallow open pit mines there. Production commenced from the open pits in the fourth quarter of 2015. Continued exploration resulted in the decision to develop a new underground ramp and rehabilitate the historical underground access. The underground development commenced in the first quarter of 2017, and underground ore production began in January 2018.

The contributions to our consolidated sales by our operating units in 2017 were 48.2% from Greens Creek, 33.3% from Casa Berardi, 14.8% from San Sebastian, and 3.8% from Lucky Friday.



The table below summarizes our production for the years ended December 31, 2017, 2016 and 2015. Zinc and lead production quantities are presented in short tons (“tons”).

	<b>Year</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Silver (ounces)	12,484,844	17,177,317	11,591,603
Gold (ounces)	232,684	233,929	189,327
Lead (tons)	22,733	42,472	39,965
Zinc (tons)	55,107	68,516	70,073

### ***Licenses, Permits and Claims/Concessions***

We are required to obtain various licenses and permits to operate our mines and conduct exploration and reclamation activities. See *Item 1A. Risk Factors - Legal, Market and Regulatory Risks - We are required to obtain governmental permits and other approvals in order to conduct mining operations.* Further, each of our Rock Creek and Montanore projects can only be developed if we are successful in obtaining the necessary permits. See *Item 1A. Risk Factors - Legal, Market and Regulatory Risks - Legal challenges could prevent the Rock Creek or Montanore projects from ever being developed.* In addition, our operations and exploration activities at our Casa Berardi and San Sebastian units are conducted pursuant to claims or concessions granted by the host government, and otherwise are subject to claims renewal and minimum work commitment requirements, which are subject to certain political risks associated with foreign operations. See *Item 1A. Risk Factors - Operation, Development, Exploration and Acquisition Risks - Our foreign activities are subject to additional inherent risks.*

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### ***Physical Assets***

Our business is capital intensive and requires ongoing capital investment for the replacement, modernization and expansion of equipment and facilities and to develop new ore reserves. At December 31, 2017, the book value of our properties, plants, equipment and mineral interests, net of accumulated depreciation, was approximately \$2.0 billion. For more information see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*. We maintain insurance policies against property loss and business interruption. However, such insurance contains exclusions and limitations on coverage, and there can be no assurance that claims would be paid under such insurance policies in connection with a particular event. See *Item 1A. Risk Factors - Operation, Development, Exploration and Acquisition Risks - Our operations may be adversely affected by risks and hazards associated with the mining industry that may not be fully covered by insurance*.

### ***Employees***

As of December 31, 2017, we employed 1,431 people, including the unionized employees at Lucky Friday currently on strike, as discussed below. With the exception of the employees on strike, we believe relations with our employees are generally good.

Many of the employees at our Lucky Friday unit are represented by a union. The most recent collective bargaining agreement with the unionized employees at our Lucky Friday unit expired on April 30, 2016, and on February 19, 2017, those employees voted against our contract offer. On March 13, 2017, the unionized employees went on strike, and have been on strike since that time. In February 2018, we reached an agreement for binding third-party arbitration with the union, subject to ratification by the union membership. If the arbitration is approved by the union members in March 2018, three arbitrators will decide on one of the following to become effective for a period of three years: 1) the contract we submitted in December 2017 as our revised last, best and final offer or 2) the terms of the collective bargaining agreement that expired in April 2016, as modified by certain changes agreed to by the union and us. It is anticipated the arbitration would be completed in May 2018. If the arbitration is not approved by the union members, we will be back at the status quo. If the arbitration is not approved, it is possible an agreement will not be reached, in which case we cannot predict what might happen next, including what actions we or the union might take in response to failing to reach an agreement.

### ***Available Information***

Hecla Mining Company is a Delaware corporation. Our current holding company structure dates from the incorporation of Hecla Mining Company in 2006 and the renaming of our subsidiary (previously Hecla Mining Company) as Hecla Limited. Our principal executive offices are located at 6500 N. Mineral Drive, Suite 200, Coeur

d'Alene, Idaho 83815-9408. Our telephone number is (208) 769-4100. Our web site address is [www.hecla-mining.com](http://www.hecla-mining.com). We file our annual, quarterly and current reports and any amendments to these reports with the SEC, copies of which are available on our website or from the SEC free of charge ([www.sec.gov](http://www.sec.gov) or 800-SEC-0330 or the SEC's Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549). Charters of our audit, compensation, and corporate governance and directors nominating committees, as well as our Code of Ethics for the Chief Executive Officer and Senior Financial Officers and our Code of Business Conduct and Ethics for Directors, Officers and Employees, are also available on our website. In addition, any amendments to our Code of Ethics or waivers granted to our directors and executive officers will be posted on our website. Each of these documents may be periodically revised, so you are encouraged to visit our website for any updated disclosure in them. We will provide copies of these materials to stockholders upon request using the above-listed contact information, directed to the attention of Investor Relations, or via e-mail request sent to [hmc-info@hecla-mining.com](mailto:hmc-info@hecla-mining.com).

We have included the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) certifications regarding our public disclosure required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2 to this report. Additionally, we filed with the New York Stock Exchange ("NYSE") the CEO's certification regarding our compliance with the NYSE's Corporate Governance Listing Standards ("Listing Standards") pursuant to Section 303A.12(a) of the Listing Standards, which certification was dated June 5, 2017, and indicated that the CEO was not aware of any violations of the Listing Standards.

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**Item 1A. Risk Factors**

The following risks and uncertainties, together with the other information set forth in this report, should be carefully considered by those who invest in our securities. Any of the following risks could materially adversely affect our business, financial condition or operating results and could decrease the value of our common or preferred stock or other outstanding securities.

**Financial Risks**

*A substantial or extended decline in metals prices would have a material adverse effect on us.*

Our revenue is derived from the sale of concentrates and doré containing silver, gold, lead and zinc and, as a result, our earnings are directly related to the prices of these metals. Silver, gold, lead and zinc prices fluctuate widely and are affected by numerous factors, including:

- speculative activities;
- relative exchange rates of the U.S. dollar;
- global and regional demand and production;
- political instability;
- inflation, recession or increased or reduced economic activity; and
- other political, regulatory and economic conditions.

These factors are largely beyond our control and are difficult to predict. If the market prices for these metals fall below our production, exploration or development costs for a sustained period of time, we will experience losses and may have to discontinue exploration, development or operations, or incur asset write-downs at one or more of our properties. See *Item 1. Business – Introduction* for information on the average, high, and low daily closing prices for silver, gold, lead and zinc for the last five years. On February 12, 2018, the closing prices for silver, gold, lead and

zinc were \$16.43 per ounce, \$1,322 per ounce, \$1.14 per pound and \$1.56 per pound, respectively.

***We have had losses that could reoccur in the future.***

We have had volatility in our net income (loss) reported in the last five years, as shown in *Item 6. Selected Financial Data*, including net losses of \$23.5 million in 2017, \$87.0 million in 2015 and \$25.1 million in 2013. A comparison of operating results over the past three years can be found in *Results of Operations* in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Many of the factors affecting our operating results are beyond our control, including, but not limited to, the volatility of metals prices; smelter terms; rock and soil conditions; seismic events; availability of hydroelectric power; diesel fuel prices; interest rates; foreign exchange rates; global or regional political or economic policies; inflation; availability and cost of labor; economic developments and crises; governmental regulations; continuity of orebodies; ore grades; recoveries; performance of equipment; price speculation by certain investors; and purchases and sales by central banks and other holders and producers of gold and silver in response to these factors. We cannot foresee whether our operations will continue to generate sufficient revenue in order for us to generate net cash from operating activities. There can be no assurance that we will not experience net losses in the future.

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***An extended decline in metals prices, an increase in operating or capital costs, mine accidents or closures, increasing environmental obligations, or our inability to convert exploration potential to reserves may cause us to record write-downs, which could negatively impact our results of operations.***

When events or changes in circumstances indicate the carrying value of our long-lived assets may not be recoverable, we review the recoverability of the carrying value by estimating the future undiscounted cash flows expected to result from the use and eventual disposition of the asset. Impairment must be recognized when the carrying value of the asset exceeds these cash flows, and recognizing impairment write-downs could negatively impact our results of operations. Metal price estimates are a key component used in the evaluation of the carrying values of our assets, as the evaluation involves comparing carrying values to the average estimated undiscounted cash flows resulting from operating plans using various metals price scenarios. Our estimates of undiscounted cash flows for our long-lived assets also include an estimate of the market value of the exploration potential beyond the current operating plans. We determined there were no events or changes in circumstances indicating the carrying value of our long-lived assets may not be recoverable as of December 31, 2017. However, if the prices of silver, gold, zinc and lead decline for an extended period of time, if we fail to control production or capital costs, if regulatory issues increase costs or decrease production, or if we do not realize the mineable ore reserves or exploration potential at our mining properties, we may be required to recognize asset write-downs in the future. In addition, the perceived market value of the exploration potential of our properties is dependent upon prevailing metals prices as well as our ability to discover economic ore. A decline in metals prices for an extended period of time or our inability to convert exploration potential to reserves could significantly reduce our estimates of the value of the exploration potential at our properties and result in asset write-downs.

***Global financial events or developments impacting major industrial or developing countries may have an impact on our business and financial condition in ways that we currently cannot predict.***

The 2008 credit crisis and related turmoil in the global financial system and ensuing recession had an impact on our business and financial position, and similar events in the future could also impact us. The re-emergence of a financial crisis or recession or reduced economic activity in the United States, China, India and other industrialized or developing countries, or disruption of key sectors of the economy such as oil and gas, may have a significant effect on our results of operations or limit our ability to raise capital through credit and equity markets. The prices of the metals that we produce are affected by a number of factors, and it is unknown how these factors may be impacted by a global financial event or developments impacting major industrial or developing countries.

***Commodity and currency risk management activities could prevent us from realizing possible revenues or lower costs, or expose us to losses.***

We periodically enter into risk management activities, such as financially-settled forward sales contracts, to manage the prices received on the metals we produce. Such activities are utilized in an attempt to partially insulate our

operating results from changes in prices for those metals. However, such activities may prevent us from realizing revenues in the event that the market price of a metal exceeds the price stated in a forward sale contracts. In addition, we may experience losses if a counterparty fails to purchase under a contract when the contract price exceeds the spot price of a commodity.

More specifically, we utilize financially-settled forward contract programs to manage the exposure to changes in silver, gold, lead and zinc prices contained in our concentrate shipments between the time of sale and final settlement, and also utilize such programs to manage the exposure to changes in the prices of lead and zinc contained in our forecasted future concentrate shipments.

In 2016, we also initiated financially-settled forward contract programs to manage exposure to fluctuations in the exchange rates between the U.S. dollar ("USD") and the Canadian dollar ("CAD") and the Mexican peso ("MXN") and the impact on our future operating costs denominated in CAD and MXN. However, such activities may prevent us from realizing possible lower costs on a USD-basis in the event that the USD strengthens relative to the CAD or MXN compared to the exchange rates stated in the forward contracts.

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See Note 10 of Notes to Consolidated Financial Statements for more information on these forward contract programs.

***Our profitability could be affected by the prices of other commodities.***

Our profitability is sensitive to the costs of commodities such as fuel (in particular as used at Greens Creek to generate electricity when hydropower is unavailable), steel, and cement. While the recent prices for such commodities have been stable or in decline, prices have been historically volatile, and material increases in commodity costs could have a significant effect on our results of operations.

***Our accounting and other estimates may be imprecise.***

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts and related disclosure of assets, liabilities, revenue and expenses at the date of the consolidated financial statements and reporting periods. The more significant areas requiring the use of management assumptions and estimates relate to:

• mineral reserves, mineralized material, and other resources that are the basis for future income and cash flow estimates and units-of-production depreciation, depletion and amortization calculations;

• future ore grades, throughput and recoveries;

• future metals prices;

• future capital and operating costs;

• environmental, reclamation and closure obligations;

• permitting and other regulatory considerations;

• asset impairments;



- valuation of business combinations;
  
- future foreign exchange rates, inflation rates and applicable tax rates;
  
- reserves for contingencies and litigation; and
  
- deferred tax asset valuation allowance.

Future estimates and actual results may differ materially from these estimates as a result of using different assumptions or conditions. For additional information, see *Critical Accounting Estimates* in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*, *Note 1 of Notes to Consolidated Financial Statements*, and the risk factors set forth below: “*Our costs of development of new orebodies and other capital costs may be higher and provide less return than we estimated,*” “*Our ore reserve estimates may be imprecise,*” “*We are currently involved in ongoing legal disputes that may materially adversely affect us,*” and “*Our environmental obligations may exceed the provisions we have made.*”

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***Our ability to recognize the benefits of deferred tax assets is dependent on future cash flows and taxable income.***

We recognize the expected future tax benefit from deferred tax assets when the tax benefit is considered to be more likely than not of being realized. Otherwise, a valuation allowance is applied against deferred tax assets, reducing the value of such assets. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted income from operations and the application of existing tax laws in each jurisdiction. Metal price and production estimates are key components used in the determination of our ability to realize the expected future benefit of our deferred tax assets. To the extent that future taxable income differs significantly from estimates as a result of a decline in metals prices or other factors, our ability to realize the deferred tax assets could be impacted. Additionally, significant future issuances of common stock or common stock equivalents, or changes in the direct or indirect ownership of our common stock or common stock equivalents, could limit our ability to utilize our net operating loss carryforwards pursuant to Section 382 of the Internal Revenue Code. Future changes in tax law or changes in ownership structure could limit our ability to utilize our recorded tax assets. Due to the changes to tax laws under the Tax Cuts and Jobs Act enacted in December 2017, we determined it is more likely than not we will not realize our U.S. net deferred tax assets. Accordingly, we have applied a full valuation allowance on our U.S. net deferred tax assets as of December 31, 2017. We currently do not have valuation allowances for certain amounts related to foreign deferred tax assets, and our deferred tax assets as of December 31, 2017 were \$153.4 million, net of \$81.0 million in valuation allowances. See *Note 5 of Notes to Consolidated Financial Statements* for further discussion of our deferred tax assets.

***Returns for investments in pension plans and pension plan funding requirements are uncertain.***

We maintain defined benefit pension plans for most U.S. employees, which provide for defined benefit payments after retirement for most U.S. employees. Canadian and Mexican employees participate in public retirement systems for those countries, and are not eligible to participate in the defined benefit pension plans that we maintain for U.S. employees. The ability of the pension plans maintained for U.S. employees to provide the specified benefits depends on our funding of the plans and returns on investments made by the plans. Returns, if any, on investments are subject to fluctuations based on investment choices and market conditions. In addition, we have a supplemental executive retirement plan which is unfunded. A sustained period of low returns or losses on investments, or future benefit obligations that exceed our estimates, could require us to fund the pension plans to a greater extent than anticipated. See *Note 8 of Notes to Consolidated Financial Statements* for more information on our pension plans.

**Operation, Development, Exploration and Acquisition Risks**

***Mining accidents or other adverse events at an operation could decrease our anticipated production.***

Production may be reduced below our historical or estimated levels for many reasons, including, but not limited to, mining accidents; unfavorable ground or shaft conditions; work stoppages or slow-downs; lower than expected ore grades; unexpected regulatory actions; if the metallurgical characteristics of ore are less economic than anticipated; or because our equipment or facilities fail to operate properly or as expected. Our mines are subject to risks relating to ground instability, including, but not limited to, pit wall failure, crown pillar collapse, or stope failure. Both the Lucky Friday and Casa Berardi mines have a history of ground instability and related incidents. The occurrence of an event such as those described above could result in loss of life or temporary or permanent cessation of operations, any of which could have a material adverse effect on our financial condition and results of operations. Other closures or impacts on operations or production may occur at any of our mines at any time, whether related to accidents, changes in conditions, changes to regulatory policy, or as precautionary measures.

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*Our operations may be adversely affected by risks and hazards associated with the mining industry that may not be fully covered by insurance.*

Our business is capital intensive, requiring ongoing investment for the replacement, modernization or expansion of equipment and facilities. Our mining and milling operations are subject to risks of process upsets and equipment malfunctions. Equipment and supplies may from time to time be unavailable on a timely basis. Our business is subject to a number of other risks and hazards including:

• environmental hazards;

• unusual or unexpected geologic formations;

• rock bursts, ground falls, or pit wall failures;

• seismic activity;

• underground fires or floods;

• unanticipated hydrologic conditions, including flooding and periodic interruptions due to inclement or hazardous weather conditions;

• political and country risks;

• civil unrest or terrorism;

• industrial accidents;

• disruption, damage or failure of technology systems related to operation of equipment and other aspects of our mine operations;

• labor disputes or strikes; and

•

our operating mines have tailing ponds which could fail or leak as a result of seismic activity, unusual weather or for other reasons.

Such risks could result in:

- personal injury or fatalities;
- damage to or destruction of mineral properties or producing facilities;
- environmental damage and financial penalties;
- delays in exploration, development or mining;
- monetary losses;
- asset impairment charges;
- legal liability; and
- temporary or permanent closure of facilities.

We maintain insurance to protect against losses that may result from some of these risks, such as property loss and business interruption, in amounts we believe to be reasonably consistent with our historical experience, industry practice and circumstances surrounding each identified risk. Such insurance, however, contains exclusions and limitations on coverage, particularly with respect to environmental liability and political risk. There can be no assurance that claims would be paid under such insurance policies in connection with a particular event. Insurance specific to environmental risks is generally either unavailable or, we believe, too expensive for us, and we therefore do not maintain environmental insurance. Occurrence of events for which we are not insured may have an adverse effect on our business.

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*Our costs of development of new orebodies and other capital costs may be higher and provide less return than we estimated.*

Capitalized development projects may cost more and provide less return than we estimate. If we are unable to realize a return on these investments, we may incur a related asset write-down that could adversely affect our financial results or condition.

Our ability to sustain or increase our current level of metals production partly depends on our ability to develop new orebodies and/or expand existing mining operations. Before we can begin a development project, we must first determine whether it is economically feasible to do so. This determination is based on estimates of several factors, including:

• ore reserves;

• expected ore grades and recovery rates of metals from the ore;

• future metals prices;

• facility and equipment costs;

• availability of adequate staffing;

• availability of affordable sources of power and adequacy of water supply;

• exploration and drilling success;

• capital and operating costs of a development project;

• environmental and closure, permitting and other regulatory considerations and costs;

• adequate access to the site, including competing land uses (such as agriculture);

• applicable tax rates;

• foreign currency fluctuation and inflation rates; and

• availability of financing.

Many of these estimates are based on geological and other interpretive data, which may be imprecise. As a result, actual operating and capital costs and returns from a development project may differ substantially from our estimates, and, as such, it may not be economically feasible to continue with a development project.

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*Our ore reserve estimates may be imprecise.*

Our ore reserve figures and costs are primarily estimates and are not guarantees that we will recover the indicated quantities of these metals. You are strongly cautioned not to place undue reliance on estimates of reserves (or mineralized material or other resource estimates). Reserves are estimates made by our professional technical personnel of the amount of metals that they believe could be economically and legally extracted or produced at the time of the reserve determination. No assurance can be given that the estimated amount of metal or the indicated level of recovery of these metals will be realized. Reserve estimation is an interpretive process based upon available data and various assumptions. Our reserve estimates may change based on actual production experience. Further, reserves are valued based on estimates of costs and metals prices, which may not be consistent among our properties or across the industry. The economic value of ore reserves may be adversely affected by:

- declines in the market price of the various metals we mine;
- increased production or capital costs;
- reduction in the grade or tonnage of the deposit;
- increase in the dilution of the ore;
- future foreign currency rates, inflation rates and applicable tax rates;
- reduced metal recovery; and
- changes in environmental, permitting or other regulatory requirements.

Short-term operating factors relating to our ore reserves, such as the need to sequentially develop orebodies and the processing of new or different ore grades, may adversely affect our cash flow.

If the prices of metals that we produce decline substantially below the levels used to calculate reserves for an extended period, we could experience:

- delays in new project development;



- net losses;
- reduced cash flow;
- reductions in reserves;
- write-downs of asset values; and
- mine closure.

Additionally, the term “mineralized material” does not indicate proven and probable reserves as defined by the Securities and Exchange Commission (“SEC”) or our standards. Estimates of mineralized material are subject to further exploration and development, and are, therefore, subject to considerable uncertainty. Despite our history of converting mineralized material to reserves through additional drilling and study work, we cannot be certain that any part or parts of the mineralized material deposit will ever be confirmed or converted into reserves as defined by the SEC or that mineralized material can be economically or legally extracted.

***Efforts to expand the finite lives of our mines may not be successful or could result in significant demands on our liquidity, which could hinder our growth.***

One of the risks we face is that mines are depleting assets. Thus, in order to maintain or increase production we must continually replace depleted ore reserves by locating and developing additional ore. Our ability to expand or replace ore reserves primarily depends on the success of our exploration programs. Mineral exploration, particularly for silver and gold, is highly speculative and expensive. It involves many risks and is often non-productive. Even if we believe we have found a valuable mineral deposit, it may be several years before production from that deposit is possible. During that time, it may become no longer feasible to produce those minerals for economic, regulatory, political or other reasons. As a result of high costs and other uncertainties, we may not be able to expand or replace our existing ore reserves as they are depleted, which would adversely affect our business and financial position in the future.

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***Our ability to market our metals production may be affected by disruptions or closures of smelters and/or refining facilities.***

We sell our metallic concentrates to smelters and brokers. Our doré bars are sent to refiners for further processing before being sold to metal traders. If smelters or refiners are unavailable or unwilling to accept our products, or we are otherwise unable to sell our products to customers, our operations could be adversely affected. See *Note 11 of Notes to Consolidated Financial Statements* for more information on the distribution of our sales and our significant customers.

***Our business depends on availability of skilled miners and good relations with employees .***

We are dependent upon the ability and experience of our executive officers, managers, employees, contractors and their employees, and other personnel, and there can be no assurance that we will be able to retain such employees or contractors. We compete with other companies both in and outside the mining industry in recruiting and retaining qualified employees and contractors knowledgeable about the mining business. From time to time, we have encountered, and may in the future encounter, difficulty recruiting skilled mining personnel at acceptable wage and benefit levels in a competitive labor market, and may be required to utilize contractors, which can be more costly. Temporary or extended lay-offs due to mine closures may exacerbate such issues and result in vacancies or the need to hire less skilled or efficient employees or contractors. The loss of these persons or our inability to attract and retain additional highly skilled employees and contractors could have an adverse effect on our business and future operations.

We or our contractors may experience labor disputes, work stoppages or other disruptions in production that could adversely affect our business and results of operations. The Lucky Friday mine is our only operation where some of our employees are subject to a collective bargaining agreement, and the most recent agreement expired on April 30, 2016. On February 19, 2017, the unionized employees voted against our contract offer and on March 13, 2017 went on strike and have been on strike since that time. Production at Lucky Friday was suspended from the start of the strike until limited production by salaried personnel commenced in July 2017. Suspension costs during the strike totaled \$17.1 million in 2017, and are combined with non-cash depreciation expense of \$4.2 million in 2017 and reported in a separate line item on our consolidated statement of operations. In February 2018, we reached an agreement for binding third-party arbitration with the union, subject to ratification by the union membership. If the arbitration is approved by the union members in March 2018, three arbitrators will decide on one of the following to become effective for a period of three years: 1) the contract we submitted in December 2017 as our revised last, best and final offer or 2) the terms of the collective bargaining agreement that expired in April 2016, as modified by certain changes agreed to by the union and us. It is anticipated the arbitration would be completed in May 2018. If the arbitration is not approved by the union members, we will be back at the status quo. We cannot predict whether the union members will approve the arbitration, the outcome of the arbitration, or how long the strike will last or whether an agreement will be reached if the arbitration is not agreed to. As a result of the strike or other events related to labor at Lucky Friday, operations at Lucky Friday could continue to be disrupted, which could adversely affect our financial condition and results of operations. Additionally, if we enter into a new labor agreement with any union that

significantly increases our labor costs relative to our competitors, our ability to compete may be materially and adversely affected. Finally, it is possible operations at our other units, including San Sebastian in Mexico, could be subject to disruptions or union-organizing activity due to sympathy or coordinated action with the union or striking employees at the Lucky Friday unit.

***Our information technology systems may be vulnerable to disruption which could place our systems at risk from data loss, operational failure, or compromise of confidential information.***

We rely on various information technology systems, and on third party developers and contractors, in connection with operations, including production, equipment operation and financial support systems. While we regularly obtain and develop solutions to monitor the security of our systems, they remain vulnerable to disruption, damage or failure from a variety of sources, including errors by employees or contractors, computer viruses, cyber-attacks including phishing, ransomware, and similar malware, misappropriation of data by outside parties, and various other threats. Techniques used to obtain unauthorized access to or sabotage our systems are under continuous and rapid evolution, and we may be unable to detect efforts to disrupt our data and systems in advance. Breaches and unauthorized access carry the potential to cause losses of assets or production, operational delays, equipment failure that could cause other risks to be realized, inaccurate recordkeeping, or disclosure of confidential information, any of which could result in financial losses and regulatory or legal exposure, and could have a material adverse effect on our cash flows, financial condition or results of operations.

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*Our foreign activities are subject to additional inherent risks.*

We currently have foreign operations in Mexico and Canada, and we expect to continue to conduct operations there and possibly other international locations in the future. Because we conduct operations internationally, we are subject to political, social, legal and economic risks such as:

• the effects of local political, labor and economic developments and unrest;

• significant or abrupt changes in the applicable regulatory or legal climate;

• significant changes to regulations or laws or the interpretation or enforcement of them, including with respect to tax and profit sharing matters arising out of the use of outsourced labor and other services at our San Sebastian operation in Mexico;

• exchange controls and export restrictions;

• expropriation or nationalization of assets with inadequate compensation;

• unfavorable currency fluctuations, particularly in the exchange rate between the U.S. dollar and the Canadian dollar and Mexican Peso;

• repatriation restrictions;

• invalidation and unavailability of governmental orders, permits or agreements;

• property ownership disputes;

• renegotiation or nullification of existing concessions, licenses, permits and contracts;

• criminal activity, corruption, demands for improper payments, expropriation, and uncertain legal enforcement and physical security;

•

failure to maintain compliance with corruption and transparency statutes, including the U.S. Foreign Corrupt Practices Act;

•disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations;

•fuel or other commodity shortages;

•illegal mining;

•laws or policies of foreign countries and the United States affecting trade, investment and taxation;

•opposition to our presence, operations, properties or plans by governmental or non-governmental organizations or civic groups;

•civil disturbances, war and terrorist actions; and

•seizures of assets.

The occurrence of any one or combination of these events, many of which are beyond our control, could materially adversely affect our financial condition or results of operations.

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***Our operations and properties in Canada expose us to additional political risks.***

Our properties in Canada, particularly in Quebec, may be of particular interest or sensitivity to one or more interest groups, including aboriginal groups (which are generally referred to as "First Nations"). We have mineral projects in Quebec and British Columbia that are or may be in areas with a First Nations presence. It is our practice to work closely with and consult with First Nations in areas in which our projects are located or which could be impacted by our activities. However, there is no assurance that relationships with such groups will be positive. Accordingly, it is possible that our production, exploration or development activities on these properties could be interrupted or otherwise adversely affected in the future by political uncertainty, native land claims entitlements, expropriations of property, changes in applicable law, governmental policies and policies of relevant interest groups, including those of First Nations. Any changes in law or relations or shifts in political conditions may be beyond our control, or we may enter into agreements with First Nations, all of which may adversely affect our business and operations and if significant, may result in the impairment or loss of mineral concessions or other mineral rights, or may make it impossible to continue our mineral production, exploration or development activities in the applicable area, any of which could have an adverse effect on our financial conditions and results of operations.

***We may be subject to a number of unanticipated risks related to inadequate infrastructure.***

Mining, processing, development, exploration and other activities depend on adequate infrastructure. Reliable roads, bridges, ports, power sources, internet access and water supply are important to our operations, and their availability and condition affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, amount or complexity of required investment, or other interference in the maintenance or provision of such infrastructure, or government intervention, could adversely affect our mining operations.

***Competition from other mining companies may harm our business.***

We compete with other mining companies, some of which have greater financial resources than we do or other advantages, in various areas, which include:

- attracting and retaining key executives, skilled labor, and other employees;

- for the services of other skilled personnel and contractors and their specialized equipment, components and supplies, such as drill rigs, necessary for exploration and development;

for contractors that perform mining and other activities and milling facilities which we lease or toll mill through; and  
  
for rights to mine properties.

***We face inherent risks in acquisitions of other mining companies or properties that may adversely impact our growth strategy.***

We are actively seeking to expand our mineral reserves by acquiring other mining companies or properties. Although we are pursuing opportunities that we feel are in the best interest of our stockholders, these pursuits are costly and often unproductive.

There is a limited supply of desirable mineral properties available in the United States and foreign countries where we would consider conducting exploration and/or production activities. For those that exist, we face strong competition from other mining companies, many of which have greater financial resources than we do. Therefore, we may be unable to acquire attractive companies or mining properties on terms that we consider acceptable.

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Furthermore, there are inherent risks in any acquisition we may undertake which could adversely affect our current business and financial condition and our growth. For example, we may not realize the expected value of the companies or properties that are acquired due to declines in metals prices, lower than expected quality of orebodies, failure to obtain permits, labor problems, changes in regulatory environment, failure to achieve anticipated synergies, an inability to obtain financing, and other factors described in these risks factors. Acquisitions of other mining companies or properties may also expose us to new legal, geographic, political, operating, and geological risks.

***We may be unable to successfully integrate the operations of the properties we acquire.***

Integration of the businesses or the properties we acquire with our existing business is a complex, time-consuming and costly process. Failure to successfully integrate the acquired properties and operations in a timely manner may have a material adverse effect on our business, financial condition, results of operations and cash flows. The difficulties of combining the acquired operations to our existing business include, among other things:

- operating a larger organization;
- operating in multiple legal jurisdictions;
- coordinating geographically and linguistically disparate organizations, systems and facilities;
- adapting to additional political, regulatory, legal and social requirements;
- integrating corporate, technological and administrative functions; and
- diverting management's attention from other business concerns.

The process of integrating operations could cause an interruption of, or a slowdown in, the activities of our business. Members of our senior management may be required to devote considerable amounts of time to this integration process, which will decrease the time they will have to manage other parts of our business. If our senior management is not able to effectively manage the integration process, or if any business activities are interrupted as a result of the integration process, our business could suffer.

***We may not realize all of the anticipated benefits from our acquisitions.***



We may not realize all (or any) of the anticipated benefits from any acquisition, such as increased earnings, cost savings and revenue enhancements, for various reasons, including difficulties integrating operations and personnel, higher than expected acquisition and operating costs or other difficulties, unknown liabilities which may be significant, inaccurate reserve estimates, unrealized exploration potential, and fluctuations in market prices.

***The properties we may acquire may not produce as expected, and we may be unable to determine reserve potential, identify liabilities associated with the acquired properties or obtain protection from sellers against such liabilities.***

The properties we acquire in any acquisition may not produce as expected, may be in an unexpected condition and we may be subject to increased costs and liabilities, including environmental liabilities. Although we review properties prior to acquisition in a manner consistent with industry practices, such reviews are not capable of identifying all existing or potential adverse conditions. Generally, it is not feasible to review in depth every individual property involved in each acquisition. Even a detailed review of records and properties may not necessarily reveal existing or potential problems or permit a buyer to become sufficiently familiar with the properties to fully assess their condition, any deficiencies, and development potential.

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***Our joint development and operating arrangements may not be successful.***

We have entered into joint venture arrangements in order to share the risks and costs of developing and operating properties. In a typical joint venture arrangement, the partners own proportionate shares of the assets, are entitled to indemnification from each other and are only responsible for any future liabilities in proportion to their interest in the joint venture. If a party fails to perform its obligations under a joint venture agreement, we could incur liabilities and losses in excess of our pro-rata share of the joint venture. We make investments in exploration and development projects that may have to be written off in the event we do not proceed to a commercially viable mining operation.

**Legal, Regulatory and Market Risks**

***We are currently involved in ongoing legal disputes that may materially adversely affect us.***

There are several ongoing legal disputes in which we are involved, and additional actions may be filed against us. We may be subject to future claims, including those relating to environmental damage, safety conditions at our mines, and other matters. The outcomes of these pending and potential claims are uncertain. We may not resolve these claims favorably. Depending on the outcome, these actions could cause adverse financial effects or reputational harm to us. If any of these disputes result in a substantial monetary judgment against us, are settled on terms in excess of our current accruals, or otherwise impact our operations, our financial results or condition could be materially adversely affected. For a description of some of the lawsuits and other claims in which we are involved, see *Note 7 of Notes to Consolidated Financial Statements*.

***We are required to obtain governmental permits and other approvals in order to conduct mining operations.***

In the ordinary course of business, mining companies are required to seek governmental permits and other approvals for continuation or expansion of existing operations or for the commencement of new operations. Obtaining the necessary governmental permits is a complex, time-consuming and costly process. The duration and success of our efforts to obtain permits are contingent upon many variables not within our control. Obtaining environmental permits, including the approval of reclamation plans, may increase costs and cause delays or halt the continuation of mining operations depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. Interested parties including governmental agencies and non-governmental organizations or civic groups may seek to prevent issuance of permits and intervene in the process or pursue extensive appeal rights. Past or ongoing violations of laws or regulations involving obtaining or complying with permits could provide a basis to revoke existing permits, deny the issuance of additional permits, or commence a regulatory enforcement action, each of which could have a material adverse impact on our operations or financial condition. In addition, evolving reclamation or environmental concerns may threaten our ability to renew existing permits or obtain

new permits in connection with future development, expansions and operations. There can be no assurance that all necessary approvals and permits will be obtained and, if obtained, that the costs involved will not exceed those that we previously estimated. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that we would not proceed with a particular development or operation. We are often required to post surety bonds or cash collateral to secure our reclamation obligations and we may be unable to obtain the required surety bonds or may not have the resources to provide cash collateral, and the bonds or collateral may not fully cover the cost of reclamation and any such shortfall could have a material adverse impact on our financial condition.

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***We face substantial governmental regulation, including the Mine Safety and Health Act, various environmental laws and regulations and the 1872 Mining Law.***

Our business is subject to extensive U.S. and foreign federal, state and local laws and regulations governing environmental protection, natural resources, prospecting, development, production, post-closure reclamation, taxes, labor standards and occupational health and safety laws and regulations, including mine safety, toxic substances and other matters. The costs associated with compliance with such laws and regulations are substantial. Possible future laws and regulations, or more restrictive interpretations of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of operations and delays in the development of new properties.

U.S. surface and underground mines like the Lucky Friday and Greens Creek mines are continuously inspected by the U.S. Mine Safety and Health Administration ("MSHA"), which inspections often lead to notices of violation under the Mine Safety and Health Act. Any of our U.S. mines could be subject to a temporary or extended shutdown as a result of a violation alleged by MSHA.

In addition, we have been and are currently involved in lawsuits or regulatory actions in which we have been accused of causing environmental damage, violating environmental laws, or violating environmental permits, and we may be subject to similar lawsuits or actions in the future. Moreover, such environmental matters have involved both our current and historical operations as well as the historical operations of entities and properties we have acquired. See the risk factors below titled "*Our operations are subject to complex, evolving and increasingly stringent environmental laws and regulations,*" "*Compliance with environmental regulations, and litigation based on such regulations, involves significant costs and can threaten existing operations or constrain expansion opportunities,*" and "*Our environmental obligations may exceed the provisions we have made.*"

There can be no assurance that we will at all times be in compliance with applicable laws, regulations and permitting requirements. Failure to comply with applicable laws, regulations and permitting requirements may result in lawsuits or regulatory actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, which may require corrective measures including capital expenditures, installation of additional equipment or remedial actions. Any one or more of these liabilities could have a material adverse impact on our financial condition.

In addition to existing regulatory requirements, legislation and regulations may be adopted, regulatory procedures modified, or permit limits reduced at any time, any of which could result in additional exposure to liability, operating expense, capital expenditures or restrictions and delays in the mining, production or development of our properties. Mining accidents and fatalities or toxic waste releases, whether or not at our mines or related to metals mining, may increase the likelihood of additional regulation or changes in law or enhanced regulatory scrutiny. In addition, enforcement or regulatory tools and methods available to regulatory bodies such as MSHA or the U.S. Environmental

Protection Agency (“EPA”), which have not been or have infrequently been used against us or the mining industry, in the future could be used against us or the industry in general.

From time to time, the U.S. Congress considers proposed amendments to the 1872 Mining Law, which governs mining claims and related activities on federal lands. The extent of any future changes is not known and the potential impact on us as a result of U.S. Congressional action is difficult to predict. Changes to the 1872 Mining Law, if adopted, could adversely affect our ability to economically develop mineral reserves on federal lands. Although we are not currently mining on federal land, we do explore, and future mining could occur, on federal land.

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***Our operations are subject to complex, evolving and increasingly stringent environmental laws and regulations. Compliance with environmental regulations, and litigation based on such regulations, involves significant costs and can threaten existing operations or constrain expansion opportunities.***

Our operations, both in the United States and internationally, are subject to extensive environmental laws and regulations governing wastewater discharges; remediation, restoration and reclamation of environmental contamination; the generation, storage, treatment, transportation and disposal of hazardous substances; solid waste disposal; air emissions; protection of endangered and protected species and designation of critical habitats; mine closures and reclamation; and other related matters. In addition, we must obtain regulatory permits and approvals to start, continue and expand operations.

New or revised environmental regulatory requirements are frequently proposed, many of which result in substantially increased costs for our business. See the risk factor below, "*Mine closure and reclamation regulations impose substantial costs on our operations, and include requirements that we provide financial assurance supporting those obligations. These costs could significantly increase.*"

Our U.S. operations are subject to the Clean Water Act, which requires permits for certain discharges into waters of the United States. Such permitting has been a frequent subject of litigation and enforcement activity by environmental advocacy groups and the EPA, respectively, which has resulted in declines in such permits or extensive delays in receiving them, as well as the imposition of penalties for permit violations. In 2015, the regulatory definition of "waters of the United States" that are protected by the Clean Water Act was expanded by the EPA, thereby imposing significant additional restrictions on waterway discharges and land uses. In early, 2018, implementation of the relevant rule was suspended for two years. If these changes are ultimately implemented, they could increase litigation involving water discharge permits, which may result in delays in, or in some instances preclude, the commencement or continuation of development or production operations. Enforcement actions by the EPA could also result. Adverse outcomes in lawsuits challenging permits or failure to comply with applicable regulations or permits could result in the suspension, denial, or revocation of required permits, or the imposition of penalties, any of which could have a material adverse impact on our cash flows, results of operations, or financial condition. See *Note 7 of Notes to Consolidated Financial Statements*.

Some of the mining wastes from our U.S. mines currently are exempt to a limited extent from the extensive set of EPA regulations governing hazardous waste under the Resource Conservation and Recovery Act ("RCRA"). If the EPA were to repeal this exemption, and designate these mining wastes as hazardous under RCRA, we would be required to expend additional amounts on the handling of such wastes and to make significant expenditures to construct hazardous waste storage or disposal facilities. In addition, if any of these wastes or other substances we release or cause to be released into the environment cause or has caused contamination in or damage to the environment at a U.S. mining facility, that facility could be designated as a "Superfund" site under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"). Under CERCLA, any present owner or operator of a Superfund site or the owner or operator at the time of contamination may be held jointly and severally liable regardless of fault, and may be forced to undertake extensive remedial cleanup action or to pay for the cleanup efforts.

The owner or operator also may be liable to federal, state and tribal governmental entities for the cost of damages to natural resources, which could be substantial. Additional regulations or requirements also are imposed on our tailings and waste disposal areas in Alaska under the federal Clean Water Act.

Legislative and regulatory measures to address climate change and greenhouse gas emissions are in various phases of consideration. If adopted, such measures could increase our cost of environmental compliance and also delay or otherwise negatively affect efforts to obtain permits and other regulatory approvals with regard to existing and new facilities. Proposed measures could also result in increased cost of fuel and other consumables used at our operations, including the diesel generation of electricity at our Greens Creek operation, used when we are unable to access hydroelectric power. Climate change legislation may also affect our smelter customers who burn fossil fuels, resulting in fewer customers or increased costs to us, and may affect the market for the metals we produce with effects on prices that are not possible for us to predict.

Adoption of these or similar new environmental regulations or more stringent application of existing regulations may materially increase our costs, threaten certain operating activities and constrain our expansion opportunities.

In addition to evolving and expanding environmental regulations providing governmental authorities with the means to make claims against us, private parties have in the past and may in the future bring claims against us based upon damage to property and injury to persons resulting from the environmental, health and safety impacts of prior and current operations (including for exposure to or contamination by lead). Laws in the U.S. such as CERCLA and similar state laws may expose us to joint and several liability, or claims for contribution made by the government (state or federal) or private parties. Moreover, exposure to these liabilities arises not only from our existing but also from closed operations, operations sold to third parties, or operations in which we had a leasehold, joint venture, or other interest. Because liability under CERCLA is often alleged on a joint and several basis against any property owner or operator or arranger for the transport of hazardous waste, and because we have been in operation since 1891, our exposure to environmental claims may be greater because of the bankruptcy or dissolution of other mining companies which may have engaged in more significant activities at a mining site than we but which are no longer available for governmental agencies or other claimants to make claims against or obtain judgments from. Similarly, there is also the potential for claims against us based on agreements entered into by certain affiliates and predecessor companies relating to the transfer of businesses or properties, which contained indemnification provisions relating to environmental matters. In each of the types of cases described in this paragraph, the government (federal or state) or private parties could seek to hold Hecla Limited or Hecla Mining Company liable for the actions of their subsidiaries or predecessors.

The laws and regulations, changes in such laws and regulations, and lawsuits and enforcement actions described in this risk factor could lead to the imposition of substantial fines, remediation costs, penalties and other civil and criminal sanctions against us. Further, substantial costs and liabilities, including for restoring the environment after the closure of mines, are inherent in our operations. There is no assurance that any such law, regulation, enforcement or private claim, or reclamation activity would not have a material adverse effect on our financial condition, results of operations or cash flows.





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***Uncertainty due to ballot initiative or related legislation regarding salmon in Alaska.***

In 2017, a citizen's initiative entitled "An Act providing for protection of wild salmon and fish and wildlife habitat" was filed with the Alaska Division of Elections petitioning for a ballot initiative under Alaska's Constitution that would revise Alaska's fish habitat law. Lt. Gov. Byron Mallott rejected the proposed ballot initiative in September 2017 because he determined that it improperly appropriated a valuable public resource which the Alaska Constitution prohibits. A lawsuit challenging Lt. Gov. Mallott's decision was filed and a trial court overturned the Lt. Gov.'s decision and ordered the State to certify the petition and allow the citizens group to collect signatures in an effort to qualify the initiative for consideration by the public. The State of Alaska has appealed the trial judge's ruling to the Alaska Supreme Court which has established a briefing schedule that is anticipated to result in a ruling on whether the proposed initiative complies with the Constitution prior to the time by which the State would be required to print ballot booklets for the election at which the initiative would be considered (summer 2018). Also, under Alaska's Constitution if the state legislature adopts substantially similar legislation, the ballot initiative is rendered void.

The citizens group proposal closely resembles H.B. 199, legislation introduced during the 2017 Alaska legislative session by Rep. Louise Stutes (R-Kodiak), and would create a new multi-tiered system of permits for projects in fish habitat. Based on our review of the ballot initiative and H.B. 199, if either were adopted, "anadromous fish habitat" would be redefined to be "...a naturally occurring permanent or intermittent seasonal water body, and the bed beneath, including all sloughs, backwaters, portions of the floodplain covered by the mean annual flood, and adjacent riparian areas, that contribute, directly or indirectly, to the spawning, rearing, migration, or overwintering of anadromous fish." Major projects, including mining operations like Greens Creek, will require a Major Fish Habitat Permit in order to have adverse impacts on habitat. A Major Fish Habitat Permit, under the initiative or the statute, may not be granted if an activity will, amongst other things, "store or dispose of mining waste, including overburden, and tailings in a way that could result in the release or discharge of sulfuric acid, other acids, dissolved metals, toxic pollutants, or other compounds that will adversely affect, directly or indirectly, anadromous fish habitat, fish or wildlife species that depend on anadromous fish habitat."

At this time, we cannot determine with certainty whether the initiative or H.B.199 will be approved by the voters or enacted by the legislature in their current or a revised form; how the Alaska Supreme Court will rule on appeal; if legislation is enacted by the legislature whether it will be substantially similar to the ballot initiative; or how the initiative or H.B.199 would be applicable to Greens Creek in the future. However, tailings and waste rock at Greens Creek are currently placed in storage facilities that are located in what would be defined as "anadromous fish habitat" under the initiative, and otherwise could be impacted by H.B. 199's prohibition against any facility in defined habitat that "...necessitates water treatment, groundwater pumping, or other means of mechanical, chemical, or human intervention in perpetuity". Therefore, if either is passed, renewal of permits associated with these facilities would be difficult, if not impossible, and any future expansion of Greens Creek tailings and waste facilities could be disallowed.

***Legal challenges could prevent the Rock Creek or Montanore projects from ever being developed.***

The proposed development of our Rock Creek project has been challenged by several regional and national conservation groups at various times since the U.S. Forest Service ("USFS") issued its initial Record of Decision ("ROD") in 2003 approving Revett Mining Company's plan of operation (Revett is now our wholly-owned subsidiary, named Hecla Montana, Inc.). Some of these challenges have alleged violations of a variety of federal and state laws and regulations pertaining to Revett's permitting activities at Rock Creek, including the Endangered Species Act, the National Environmental Policy Act ("NEPA"), the General Mining Law of 1872 ("1872 Mining Law"), the Federal Land Policy Management Act, the Wilderness Act, the National Forest Management Act, the Clean Water Act, the Clean Air Act, the Forest Service Organic Act of 1897, and the Administrative Procedure Act. Although Revett successfully addressed most of these challenges, Revett was directed by the Montana Federal District Court in May 2010 to produce a Supplemental Environmental Impact Statement ("SEIS") to address NEPA procedural deficiencies that were identified by the court. We cannot predict how possible future challenges will be resolved. Possible new court challenges in the future to the final SEIS and ROD may delay the planned development at Rock Creek. If we are successful in completing the SEIS and defending any challenges to Rock Creek, we would still be required to comply with a number of requirements and conditions as development progresses, failing which could make us unable to continue with development activities.

A joint final Environmental Impact Statement on our Montanore project was issued in December 2015 by the USFS and Montana Department of Environmental Quality, and each agency issued a Record of Decision ("ROD") in February 2016 providing approval for development of the Montanore project. However, private conservation groups have taken and may in the future take actions to oppose or delay the Montanore project. On May 30, 2017, the Montana Federal District Court issued Opinions and Orders in three lawsuits challenging previously granted environmental approvals for the Montanore project. The Orders overturned the approvals for the project granted by the USFS and the United States Fish and Wildlife Service, and in each case remanded the ROD and associated planning documents for further review by the agencies consistent with its Opinions. In June 2017, the Court vacated the agencies' approvals for the project. As a result, additional work must be performed by the agencies to address the deficiencies in the ROD and associated planning documents identified by the Court, and new approvals must be granted, before the project may proceed beyond certain preliminary actions. In addition, there are two lawsuits pending which involve potential defects in title or limiting our access to the properties comprising the Montanore project. A development or outcome from one of these or any other lawsuit could limit our ability to access, develop or operate the Montanore project.

Rock Creek and Montanore are significant projects obtained in the acquisitions of Revett and Mines Management in 2015 and 2016, respectively. However, even if Rock Creek and Montanore are permitted, there is no assurance that they will be successfully developed or operated, including, among other reasons, because financing necessary to develop the projects may be unavailable.

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***Mine closure and reclamation regulations impose substantial costs on our operations, and include requirements that we provide financial assurance supporting those obligations. These costs could significantly increase.***

We are required by U.S. federal and state laws and regulations and by laws and regulations in the foreign jurisdictions we operate in to reclaim our mining properties. The specific requirements vary among jurisdictions. In some cases, we are required to provide financial assurances as security for reclamation costs, which may exceed our estimates for such costs. Conversely, our reclamation costs may exceed the financial assurances in place and those assurances may ultimately be unavailable to us.

The EPA and state agencies may also require financial assurance for investigation and remediation actions that are required under settlements of enforcement actions under CERCLA or equivalent state regulations. Currently there are no financial assurance requirements for active mining operations under CERCLA, but in January 2017, in response to a lawsuit filed previously by several environmental organizations, the EPA proposed rules for financial assurance regulations under CERCLA governing the hard rock mining industry, which includes us. In December 2017, the EPA issued a notice of their decision not to issue final regulations for the proposed rules. However, the EPA may propose similar rules in the future, and it is uncertain how any such requirements, if adopted, would affect the amount and form of our existing and future financial assurance obligations or the extent to which they will supplement or replace state requirements. However, based on the draft of the rules proposed in January 2017, any new requirements, if adopted, may be financially material and adverse to us.

***Our environmental obligations may exceed the provisions we have made.***

We are subject to significant environmental obligations. At December 31, 2017, we had accrued \$86.0 million as a provision for environmental obligations. There can be no assurance that we have accurately estimated these environmental obligations, and in the future our accrual could materially change. Our environmental obligations could have a material adverse impact on our cash flows, results of operations, or financial condition. For information on our potential environmental liabilities, see *Note 4* and *Note 7* of *Notes to Consolidated Financial Statements*.

***We face risks relating to transporting our products, as well as transporting employees and materials at Greens Creek.***

Certain of the products we ship to our customers are subject to regulatory requirements regarding shipping, packaging, and handling of products that may be considered dangerous to human health or the environment. Although we believe we are currently in compliance with all material regulations applicable to shipping, packaging, and handling our products, the chemical properties of our products or existing regulations could change and cause us to fall out of compliance, or force us to incur substantial additional expenditures to maintain compliance with applicable

regulations. Further, we do not ship our own products but instead rely on third party carriers to ship our products to our customers. To the extent that any of our carriers are unable or unwilling to ship our products in accordance with applicable regulations, including because of difficulty in obtaining, or increased cost of, insurance, or are involved in accidents during transit, we could be forced to find alternative shipping arrangements, assuming such alternatives would be available, and we could face liability as a result of any accident. Any such changes to our current shipping arrangements or accidents involving the shipment of our products could have a material adverse impact on our operations and financial results.

In addition, Greens Creek operates on an island and is substantially dependent on various forms of marine transportation for the transportation of employees and materials to the mine and for the export of its products from the mine. Any disruption to these forms of marine transportation could adversely impact mine operations, and possible effects could include suspension of operations.

***The titles to some of our properties may be defective or challenged.***

Unpatented mining claims constitute a significant portion of our undeveloped property holdings in the United States. For our operations in Canada and Mexico, we hold mining claims, mineral concession titles and mining leases that are obtained and held in accordance with the laws of the respective countries, which provide Hecla the right to exploit and explore the properties. The validity of the claims, concessions and leases could be uncertain and may be contested. Although we have conducted title reviews of our property holdings, title review does not necessarily preclude third parties (including governments) from challenging our title. In accordance with mining industry practice, we do not generally obtain title opinions until we decide to develop a property. Therefore, while we have attempted to acquire satisfactory title to our undeveloped properties, some titles may be defective.

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***The price of our stock has a history of volatility and could decline in the future.***

Shares of our common and outstanding preferred stock are listed on the New York Stock Exchange. The market price for our stock has been volatile, often based on:

• changes in metals prices, particularly silver and gold;

• our results of operations and financial condition as reflected in our public news releases or periodic filings with the SEC;

• fluctuating proven and probable reserves;

• factors unrelated to our financial performance or future prospects, such as global economic developments, market perceptions of the attractiveness of particular industries, or the reliability of metals markets;

• political and regulatory risk;

• the success of our exploration, pre-development, and capital programs;

• ability to meet production estimates;

• environmental, safety and legal risk;

• the extent and nature of analytical coverage concerning our business; and

• the trading volume and general market interest in our securities.

The market price of our stock at any given point in time may not accurately reflect our value, and may prevent stockholders from realizing a profit on, or recovering, their investment.

***Our Series B preferred stock has a liquidation preference of \$50 per share or \$7.9 million.***

If we were liquidated, holders of our preferred stock would be entitled to receive approximately \$7.9 million (plus any accrued and unpaid dividends) from any liquidation proceeds before holders of our common stock would be entitled to receive any proceeds, but after holders of all notes issued under the indenture governing our Senior Notes received any proceeds.

***We may not be able to pay common or preferred stock dividends in the future.***

Since January 2010, we have paid all regular quarterly dividends on our Series B preferred stock. The annual dividend payable on the Series B preferred stock is currently \$0.6 million. Prior to 2010, there were numerous occasions when we did not declare dividends on the Series B Preferred Stock, but instead deferred them. There can be no assurance that we will continue to pay preferred stock dividends in the future.

Our board of directors adopted a common stock dividend policy that has two components: (1) a dividend that links the amount of dividends on our common stock to our average quarterly realized silver price in the preceding quarter, and (2) a minimum annual dividend of \$0.01 per share of common stock, in each case payable quarterly, when declared. See *Note 9 of Notes to Consolidated Financial Statements* for more information on our common stock dividend policy.

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From the fourth quarter of 2011 through and including the fourth quarter of 2017, our board of directors has declared a common stock dividend under the policy described above (although in some cases only a minimum dividend was declared and none relating to the average realized price of silver due to the prices not meeting the policy threshold). The declaration and payment of common stock dividends, whether pursuant to the policy or in addition thereto, is at the sole discretion of our board of directors, and there can be no assurance that we will continue to declare and pay common stock dividends in the future. In addition, the indenture governing our Senior Notes limits our ability to pay dividends.

***Our existing stockholders are effectively subordinated to the holders of our Senior Notes.***

In the event of our liquidation or dissolution, stockholders' entitlement to share ratably in any distribution of our assets would be subordinated to the holders of our Senior Notes. Any rights that a stockholder may have in the event of bankruptcy, liquidation or a reorganization of us or any of our subsidiaries, and any consequent rights of stockholders to realize on the proceeds from the sale of any of our or our subsidiaries' assets, will be effectively subordinated to the claims of the holders of our Senior Notes.

***Additional issuances of equity securities by us would dilute the ownership of our existing stockholders and could reduce our earnings per share.***

We may issue securities in the future in connection with raising capital, acquisitions, strategic transactions or for other purposes. To the extent we issue any additional equity securities (or securities convertible into equity), the ownership of our existing stockholders would be diluted and our earnings per share could be reduced.

***The issuance of additional shares of our preferred or common stock in the future could adversely affect holders of common stock.***

The market price of our common stock may be influenced by any preferred or common stock we may issue. Our board of directors is authorized to issue additional classes or series of preferred stock without any action on the part of our stockholders. This includes the power to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights and preferences over common stock with respect to dividends or upon the liquidation, dissolution or winding up of the business and other terms. If we issue preferred stock in the future that has preference over our common stock with respect to the payment of dividends or upon liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of the common stock or the market price of the common stock could be adversely affected.

***If a large number of shares of our common stock are sold in the public market, the sales could reduce the trading price of our common stock and impede our ability to raise future capital.***

We cannot predict what effect, if any, future issuances by us of our common stock or other equity will have on the market price of our common stock. Any shares that we may issue may not have any resale restrictions, and therefore could be immediately sold by the holders. The market price of our common stock could decline if certain large holders of our common stock, or recipients of our common stock, sell all or a significant portion of their shares of common stock or are perceived by the market as intending to sell these shares other than in an orderly manner. In addition, these sales could also impair our ability to raise capital through the sale of additional common stock in the capital markets.



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*The provisions in our certificate of incorporation, our by-laws and Delaware law could delay or deter tender offers or takeover attempts.*

Certain provisions in our certificate of incorporation, our by-laws and Delaware law could make it more difficult for a third party to acquire control of us, even if that transaction could be beneficial to stockholders. These impediments include:

• the classification of our board of directors into three classes serving staggered three-year terms, which makes it more difficult to quickly replace board members;

- the ability of our board of directors to issue shares of preferred stock with rights as it deems appropriate without stockholder approval;

• a provision that special meetings of our board of directors may be called only by our chief executive officer or a majority of our board of directors;

• a provision that special meetings of stockholders may only be called pursuant to a resolution approved by a majority of our board of directors;

• a prohibition against action by written consent of our stockholders;

• a provision that our board members may only be removed for cause and by an affirmative vote of at least 80% of the outstanding voting stock;

• a provision that our stockholders comply with advance-notice provisions to bring director nominations or other matters before meetings of our stockholders;

• a prohibition against certain business combinations with an acquirer of 15% or more of our common stock for three years after such acquisition unless the stock acquisition or the business combination is approved by our board prior to the acquisition of the 15% interest, or after such acquisition our board and the holders of two-thirds of the other common stock approve the business combination; and

• a prohibition against our entering into certain business combinations with interested stockholders without the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of voting stock.

In addition, amendment of most of the provisions described above requires approval of at least 80% of the outstanding voting stock.

***If we cannot meet the New York Stock Exchange continued listing requirements, the NYSE may delist our common stock.***

Our common stock is currently listed on the NYSE. In the future, if we are not able to meet the continued listing requirements of the NYSE, which require, among other things, that the average closing price of our common stock be above \$1.00 over 30 consecutive trading days, our common stock may be delisted. Our closing stock price on February 12, 2018 was \$3.75.

If we are unable to satisfy the NYSE criteria for continued listing, our common stock would be subject to delisting. A delisting of our common stock could negatively impact us by, among other things, reducing the liquidity and market price of our common stock; reducing the number of investors willing to hold or acquire our common stock, which could negatively impact our ability to raise equity financing; decreasing the amount of news and analyst coverage of us; and limiting our ability to issue additional securities or obtain additional financing in the future. In addition, delisting from the NYSE might negatively impact our reputation and, as a consequence, our business.

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**Risks Relating to Our Debt**

*Our level of debt could impair our financial health and prevent us from fulfilling our obligations under our existing and future indebtedness.*

As of December 31, 2017, we had total indebtedness of approximately \$514.0 million. Our level of debt and our debt service obligations could:

- make it more difficult for us to satisfy our obligations with respect to the Senior Notes;
  - reduce the amount of funds available to finance our operations, capital expenditures and other activities;
- increase our vulnerability to economic downturns and industry conditions;
- limit our flexibility in responding to changing business and economic conditions, including increased competition and demand for new products and services;
- place us at a disadvantage when compared to our competitors that have less debt;
- increase our cost of borrowing; and
- limit our ability to borrow additional funds.

We and our subsidiaries may incur substantial additional indebtedness in the future. Although the indenture governing our Senior Notes contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In May 2016, we entered into our senior credit facility, which allows us to draw up to \$100 million on a revolving basis.

If new debt is added to our and our subsidiaries' existing debt levels, the risks associated with such debt that we currently face would increase. In addition, the indenture governing the Senior Notes does not prevent us from incurring additional indebtedness under that agreement.

***Our Senior Notes and the guarantees thereof are effectively subordinated to any of our and our guarantors' secured indebtedness to the extent of the value of the collateral securing that indebtedness.***

Our Senior Notes and the guarantees thereof are not secured by any of our assets or the assets of our subsidiaries. The indenture governing the Senior Notes permits us to incur secured debt up to specified limits. As a result, the Senior Notes and the guarantees thereof are effectively subordinated to our and our subsidiary guarantors' future secured indebtedness with respect to the collateral that secures such indebtedness, including any borrowings under our revolving credit facility. Upon a default in payment on, or the acceleration of, any of our secured indebtedness, or in the event of bankruptcy, insolvency, liquidation, dissolution, reorganization or other insolvency proceeding involving us or such guarantor, the proceeds from the sale of collateral securing any secured indebtedness will be available to pay obligations on the Senior Notes only after such secured indebtedness has been paid in full. As a result, the holders of the Senior Notes may receive less, ratably, than the holders of secured debt in the event of a bankruptcy, insolvency, liquidation, dissolution, reorganization or other insolvency proceeding involving us or such guarantor.

Any draw-downs on our \$100 million revolving credit facility would be secured debt.

***We may be unable to generate sufficient cash to service all of our indebtedness and meet our other ongoing liquidity needs and may be forced to take other actions to satisfy our obligations under our indebtedness, which may be unsuccessful.***

Our ability to make scheduled payments or to refinance our debt obligations and to fund our planned capital expenditures and other ongoing liquidity needs depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. There can be no assurance that our business will generate sufficient cash flow from operations or that borrowings will be available to us to (1) pay the principal, premium, if any, and interest on our indebtedness, including the Senior Notes which are due May 1, 2021, or (2) to fund our other liquidity needs. We may need to refinance all or a portion of our debt on or before maturity; however, we may be unable to do so on commercially reasonable terms or at all.

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In addition, we conduct substantially all of our operations through our subsidiaries, certain of which are not guarantors of our indebtedness. Accordingly, repayment of our indebtedness is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are guarantors of our indebtedness, our subsidiaries do not have any obligation to pay amounts due with respect to our indebtedness or to make funds available for that purpose. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the credit agreement governing our revolving credit facility and the indenture governing our Senior Notes limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture governing our Senior Notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations.

*The terms of our debt impose restrictions on our operations.*

The indenture governing our Senior Notes includes a number of significant restrictive covenants. These covenants could adversely affect us by limiting our ability to plan for or react to market conditions or to meet our capital needs. These covenants, among other things:

- make it more difficult for us to satisfy our obligations with respect to the Senior Notes and our other debt;

- limit our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements, or require us to make divestitures;

- require a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;

• increase our vulnerability to general adverse economic and industry conditions;

• limit our flexibility in planning for and reacting to changes in the industry in which we compete;

• place us at a disadvantage compared to other, less leveraged competitors; and

• increase our cost of borrowing additional funds.

In addition, our revolving credit facility requires us to comply with various covenants. A breach of any of these covenants could result in an event of default under the agreement governing our revolving credit facility that, if not cured or waived, could give the holders of the defaulted debt the right to terminate commitments to lend and cause all amounts outstanding with respect to the debt to be due and payable immediately. Acceleration of any of our debt could result in cross-defaults under our other debt instruments, including the indenture governing our Senior Notes, as well as certain forward sales contracts which may be outstanding from time to time. Our assets and cash flow may be insufficient to repay borrowings fully under all of our outstanding debt instruments if any of our debt instruments are accelerated upon an event of default, which could force us into bankruptcy or liquidation. In such an event, we may be unable to repay our debt obligations. In addition, in some instances, this would create an event of default under the indenture governing our Senior Notes.

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***Our Senior Notes are structurally subordinated to all liabilities of our non-guarantor subsidiaries.***

The Senior Notes are structurally subordinated to the indebtedness and other liabilities of our subsidiaries that are not guaranteeing the Senior Notes, which include all of our non-domestic subsidiaries and certain other subsidiaries. These non-guarantor subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due pursuant to the Senior Notes, or to make any funds available therefor, whether by dividends, loans, distributions or other payments. Any right that we or the guarantors have to receive any assets of any of the non-guarantor subsidiaries upon the liquidation or reorganization of those subsidiaries, and the consequent rights of holders of the Senior Notes to realize proceeds from the sale of any of those subsidiaries' assets, will be effectively subordinated to the claims of those subsidiaries' creditors, including trade creditors and holders of preferred equity interests of those subsidiaries. Accordingly, in the event of a bankruptcy, liquidation or reorganization of any of our non-guarantor subsidiaries, these non-guarantor subsidiaries will pay the holders of their debts, holders of preferred equity interests and their trade creditors before they will be able to distribute any of their assets to us or any guarantor. Unless they are guarantors of the Senior Notes or our other indebtedness, our subsidiaries do not have any obligation to pay amounts due on the Senior Notes or our other indebtedness or to make funds available for that purpose.

For the year ended December 31, 2017, our non-guarantor subsidiaries represented 48% of our sales of metals and 46% of our operating expenses. As of December 31, 2017, our non-guarantor subsidiaries represented 37% of our total assets and 20% of our total liabilities, including trade payables, deferred tax liabilities and royalty obligations but excluding intercompany liabilities.

***Our variable rate indebtedness subjects us to interest rate risk, which could cause our indebtedness service obligations to increase significantly.***

Borrowings under our credit facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, would correspondingly decrease. Assuming all revolving loans were fully drawn, each one percentage point change in interest rates would result in a \$1.0 million change in annual cash interest expense on our credit facility.

***Key terms of the Senior Notes will be suspended if the Senior Notes achieve investment grade ratings and no default or event of default has occurred and is continuing.***

Many of the covenants in the indenture governing the Senior Notes will be suspended if the Senior Notes are rated investment grade by Standard & Poor's and Moody's provided at such time no default or event of default has occurred and is continuing, including those covenants that restrict, among other things, our ability to pay dividends, incur debt and to enter into certain other transactions. There can be no assurance that the Senior Notes will ever be rated investment grade. However, suspension of these covenants would allow us to engage in certain transactions that would not be permitted while these covenants were in force, and the effects of any such transactions will be permitted to remain in place even if the Senior Notes are subsequently downgraded below investment grade.

***We may be unable to repurchase Senior Notes in the event of a change of control as required by the indenture.***

Upon the occurrence of certain kinds of change of control events specified in the indenture, holders of the Senior Notes will have the right to require us to repurchase all of the Senior Notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. Any change of control also would constitute a default under our revolving credit facility. Therefore, upon the occurrence of a change of control, the lenders under our revolving credit facility would have the right to accelerate their loans and, if so accelerated, we would be required to repay all of our outstanding obligations under such facility. We may not be able to pay the Senior Note holders the required price for their notes at that time because we may not have available funds to pay the repurchase price. In addition, the terms of other existing or future debt may prevent us from paying the Senior Note holders. There can be no assurance that we would be able to repay such other debt or obtain consents from the holders of such other debt to repurchase the Senior Notes. Any requirement to offer to purchase any outstanding Senior Notes may result in us having to refinance our outstanding indebtedness, which we may not be able to do. In addition, even if we were able to refinance our outstanding indebtedness, such financing may be on terms unfavorable to us.



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***Holders of the Senior Notes may not be able to determine when a change of control giving rise to their right to have the Senior Notes repurchased has occurred following a sale of “substantially all” of our assets.***

The definition of change of control in the indenture governing the Senior Notes includes a phrase relating to the sale of “all or substantially all” of our assets. There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, the ability of a holder of Senior Notes to require us to repurchase its notes as a result of a sale of less than all our assets to another person may be uncertain.

***Federal and state fraudulent transfer laws may permit a court to void the Senior Notes or any of the guarantees thereof, and if that occurs, holders of the Senior Notes may not receive any payments on the notes.***

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the Senior Notes and the incurrence of any guarantees of the Senior Notes. Under federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the Senior Notes or any guarantees thereof could be voided as a fraudulent transfer or conveyance if we or any existing or future subsidiary guarantors, as applicable, (a) issued the Senior Notes or incurred such guarantee with the intent of hindering, delaying or defrauding creditors or (b) received less than reasonably equivalent value or fair consideration in return for either issuing the Senior Notes or incurring the guarantee and, in the case of (b) only, one of the following is also true at the time thereof:

• we or the subsidiary guarantor, as applicable, were insolvent or rendered insolvent by reason of the issuance of the Senior Notes or the incurrence of the guarantee;

• the issuance of the Senior Notes or the incurrence of the guarantee left us or the subsidiary guarantor, as applicable, with an unreasonably small amount of capital or assets to carry on the business; or

• we or the subsidiary guarantor intended to, or believed that we or such subsidiary guarantor would, incur debts beyond our or such subsidiary guarantor’s ability to pay as they mature.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or a valid antecedent debt is satisfied. A court would likely find that any subsidiary guarantor did not receive reasonably equivalent value or fair consideration for its guarantee to the extent such subsidiary guarantor did not obtain a reasonably equivalent benefit from the issuance of the Senior Notes.

We cannot be certain as to the standards a court would use to determine whether or not we or any subsidiary guarantor was insolvent at the relevant time or, regardless of the standard that a court uses, whether the Senior Notes or any guarantees would be subordinated to our or any subsidiary guarantor's other debt. In general, however, a court would deem an entity insolvent if:

• the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets;

• the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

• it could not pay its debts as they became due.

The subsidiary guarantees contain a "savings clause" intended to limit the subsidiary guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its subsidiary guarantee to be a fraudulent transfer. This provision may not be effective to protect any subsidiary guarantees from being avoided under fraudulent transfer law. Furthermore, in *Official Committee of Unsecured Creditors of TOUSA, Inc. v Citicorp North America, Inc.*, the U.S. Bankruptcy Court in the Southern District of Florida held that a savings clause similar to the savings clause used in the indenture was unenforceable. As a result, the subsidiary guarantees in that case were found to be fraudulent conveyances. The United States Court of Appeals for the Eleventh Circuit affirmed the liability findings of the Bankruptcy Court without ruling directly on the enforceability of savings clauses generally. If the *TOUSA* decision were followed by other courts, the risk that the guarantees would be deemed fraudulent conveyances would be significantly increased.

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To the extent that any subsidiary guarantee is avoided, then, as to that subsidiary, the guaranty would not be enforceable.

If a court were to find that the issuance of the Senior Notes or the incurrence of any guarantee was a fraudulent transfer or conveyance, the court could (1) void the payment obligations under the Senior Notes or such guarantee, (2) subordinate the Senior Notes or such guarantee to presently existing and future indebtedness of ours or of the related subsidiary guarantor or (3) require the holders of the Senior Notes to repay any amounts received with respect to such guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, holders of the Senior Notes may not receive any repayment on the Senior Notes. Further, the avoidance of the Senior Notes could result in an event of default with respect to our and our subsidiaries' other debt that could result in acceleration of that debt.

Finally, as a court of equity, a bankruptcy court could subordinate the claims in respect of the Senior Notes to other claims against us under the principle of equitable subordination if the court determines that (1) the holders of the Senior Notes engaged in some type of inequitable conduct, (2) the inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the holders of the Senior Notes and (3) equitable subordination is not inconsistent with the provisions of the Bankruptcy Code.

*Our credit ratings may not reflect all risks associated with an investment in our Senior Notes.*

Credit rating agencies rate our debt securities on factors that include our results of operations, actions that we take, their view of the general outlook for our industry and their view of the general outlook for the economy. Actions taken by the rating agencies can include maintaining, upgrading, or downgrading the current rating or placing us on a watch list for possible future downgrading. At February 12, 2018, our Senior Notes were rated "B" with a stable outlook by Standard and Poor's and "B3" with a stable outlook by Moody's Investors Service. In February 2016, Standard and Poor's lowered their rating of our Senior Notes from a previous "B" rating to a "B-" rating, prior to restoring it to "B" in June 2017. In January 2016, Moody's indicated that they had placed us, along with other mining companies, on review for downgrade. Downgrading the credit rating of our debt securities or placing us on a watch list for possible future downgrading would likely increase our cost of financing, limit our access to the capital markets and have an adverse effect on the market price of our securities, including our Senior Notes. We cannot be assured that our credit ratings will not be downgraded in the future.

**Item 1B. Unresolved Staff Comments**

None.

## Item 2. Properties

### OPERATING PROPERTIES

#### *The Greens Creek Unit*

Various of our subsidiaries collectively own 100% of the Greens Creek mine, located on Admiralty Island near Juneau in southeast Alaska. Admiralty Island is accessed by boat, float plane, or helicopter. On the island, the mine site and various surface facilities are accessed by 13 miles of all-weather gravel roads. The Greens Creek mine has been in production since 1989, with a temporary care and maintenance period from April 1993 through July 1996. Since the start of production, Greens Creek has been owned and operated through various joint venture arrangements. For approximately 15 years prior to April 16, 2008, our wholly-owned subsidiary, Hecla Alaska LLC, owned an undivided 29.7% joint venture interest in the assets of Greens Creek. On April 16, 2008, we completed the acquisition of all of the equity of two Rio Tinto subsidiaries holding a 70.3% interest in the Greens Creek mine, and which previously operated the mine, for approximately \$758.5 million. The acquisition gave us through various of our subsidiaries control of 100% of the Greens Creek mine.

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The Greens Creek orebody contains silver, zinc, gold and lead, and lies within the Admiralty Island National Monument, an environmentally sensitive area. The Greens Creek property includes 440 unpatented lode mining claims, 58 unpatented millsite claims, 17 patented lode claims and one patented millsite. In addition, the Greens Creek site includes properties under lease from the U.S. Forest Service ("USFS") for a road right-of-way, mine portal and mill site access, camp site, mine waste area and tailings impoundment. The USFS leases have varying expiration terms. Greens Creek also has title to mineral rights on 7,301 acres of federal land acquired through a land exchange with the USFS. We are currently exploring, but not mining, on such federal land. The claims and leases above comprise a total area of approximately 24 square miles.

The project consists of the mine, an ore concentrating mill, a tailings impoundment area, a ship-loading facility, camp facilities, a ferry dock, and other related infrastructure. The map below illustrates the location and access to Greens Creek:

The Greens Creek deposit is a polymetallic, stratiform, massive sulfide deposit. The host rock consists of predominantly marine sedimentary, and mafic to ultramafic volcanic and plutonic rocks, which have been subjected to multiple periods of deformation. These deformational episodes have imposed intense tectonic fabrics on the rocks. Mineralization occurs most often along the contact between a structural hanging wall of quartz mica carbonate phyllites and a structural footwall of graphitic and calcareous argillite. Major sulfide minerals are pyrite, sphalerite, galena, and tetrahedrite/tennantite.

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Pursuant to a 1996 land exchange agreement, the joint venture owning Greens Creek transferred private property equal to a value of \$1.0 million to the USFS and received exploration and mining rights to approximately 7,500 acres of land with mining potential surrounding the existing mine. Any production from new ore discoveries on the exchanged lands will be subject to a federal royalty included in the land exchange agreement. The royalty is only due on any production from reserves that are not part of Greens Creek's extralateral rights. Thus far, there has been no production triggering payment of the royalty. The royalty is 3% if the average value of the ore during a year is greater than the benchmark, and 0.75% if the value is equal to or less than the benchmark. The benchmark of \$120 per ton was adjusted annually in July according to the Gross Domestic Product (GDP) Implicit Price Deflator until the year 2016. The benchmark was fixed after 2016 and was approximately \$161 per ton at December 31, 2017.

Greens Creek is an underground mine accessed by a ramp from surface which produces approximately 2,300 tons of ore per day. The primary mining methods are cut and fill and longhole stoping. The Greens Creek ore processing facility includes a SAG/ball mill grinding circuit to grind the run of mine ore to liberate the minerals and produce a slurry suitable for differential flotation of mineral concentrates. A gravity circuit recovers free gold that exists as electrum, a gold/silver alloy in the ore. Gravity concentrates are produced from this circuit prior to flotation. Three flotation concentrates are produced: a lead concentrate which contains most of the silver recovered; a zinc concentrate which is low in precious metals content; and a zinc-rich bulk concentrate that contains gold, silver, zinc, and lead and must be marketed to an imperial smelter. Doré is produced from the gravity concentrate by a third-party processor and further refined and sold to precious metal traders. The concentrate products are sold to a number of smelters and traders worldwide. See *Note 11 of Notes to Consolidated Financial Statements* for information on the significant customers for Greens Creek's products. Concentrates are shipped from the Hawk Inlet marine terminal about nine miles from the mill.

In 2017, ore was processed at an average rate of approximately 2,300 tons per day and total mill recovery was approximately 77% for silver, 86% for zinc, 79% for lead and 65% for gold. The processing facility was originally constructed in 1988, with the first production commencing in 1989. Various modifications and upgrades have been made since that time. Changes to the flotation circuit have included: installation of regrind mills in 1992; mill recommissioning in 1996; expansion of concentrate cleaning equipment in 2000 and 2001; addition of a swing cell option in 2004, allowing for a reduction in bulk concentrate production; addition of an on-stream analyzer in 2006; expansion of lead rougher equipment in 2007; retrofit of two column sparge systems in 2010 and 2011; replacement of the carbon flotation columns complete with sparger upgrades in 2012 and 2013; installation of a replacement on-stream analyzer with an additional multiplexer in 2013 and 2014; and replacement of the sulfuric acid system with a carbon dioxide system for pH control in 2015. Significant changes to the grinding circuit since original construction have included a new motor, two stage screening, and various internal lining modifications for the SAG mill, and replacement of the primary cyclones and the addition of a trommel magnet in the ball mill. In 2017, the swing cells were replaced with Woodgrove staged flotation reactor cells.

Electricity for the Greens Creek unit is provided through the purchase of surplus hydroelectric power from Alaska Electric Light and Power Company ("AEL&P"), to the extent it is available after the power needs of Juneau and the surrounding area are met. When weather conditions are not favorable to maintain lake water levels sufficient for all of the power needs at Greens Creek to be met by available hydroelectric power, the mine relies on power provided by on-site diesel generators.

The employees at Greens Creek are employees of Hecla Greens Creek Mining Company, our wholly-owned subsidiary, and are not represented by a bargaining agent. There were 423 employees at the Greens Creek unit at December 31, 2017.

Definition drilling in 2017 focused on defining mineralized material at the East, Northwest West, Southeast, West, Upper Plate and Deep 200 South zones. After applying economic analysis to these drilling results, we believe this mineralized material will likely be converted into reserves in the future, primarily in the East Ore and West zones. While ore tonnage in the reserve did not change significantly, silver-equivalent ounces in the reserve experienced a notable increase driven by high-grade definition and exploration drill results, the new net smelter return terms (improved by-product credits and payable portions for zinc and gold) as well as various design changes made to reduce dilution. Underground exploration activities at Greens Creek in 2017 continued to define new mineralization along trend of the East, Gallagher, 9A, Deep 200 South, Southwest Bench and Upper Plate zones.

Planned activities to potentially add reserves in 2018 include additional drilling of the East Ore, Upper Plate, Lower Southwest and Deep 200 South zones as well as a new exploration drift in the Upper Plate. Exploration targets in 2018 are expected to include Upper Plate, Deep Southwest, and West zones. Development is planned in 2019 for a major new exploration drift which we believe will enable definition of targets in the deepest areas of the 200 South Zone. Surface exploration drilling is expected to evaluate the projections to surface of the Upper Plate and 5250 zones and the deeper, western projections of the Southwest Bench and Gallagher zones.

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As of December 31, 2017, we have recorded a \$41.7 million asset retirement obligation for reclamation and closure costs. We maintained a \$72.8 million reclamation and long-term water treatment bond for Greens Creek as of December 31, 2017. The net book value of the Greens Creek unit property and its associated plant, equipment and mineral interests was approximately \$611.0 million as of December 31, 2017.

Based on current estimates of reserves and mineralized material, the currently expected remaining mine life at Greens Creek is 10 years. Information with respect to production, average Cash Cost, After By-product Credits, Per Silver Ounce, All-In Sustaining Costs ("AISC"), After By-product Credits, Per Silver Ounce, and proven and probable ore reserves is set forth in the following table.

	<b>Years Ended December 31,</b>		
	2017	2016	2015
<b><u>Production</u></b>			
Ore milled (tons)	839,589	815,639	814,398
Silver (ounces)	8,351,882	9,253,543	8,452,153
Gold (ounces)	50,854	53,912	60,566
Zinc (tons)	52,547	57,729	61,934
Lead (tons)	17,996	20,596	21,617
<b>Cost of sales and other direct production costs and depreciation, depletion and amortization</b>	<b>\$201,803</b>	<b>\$191,297</b>	<b>\$195,276</b>
<b>Cash Cost, After By-product Credits, Per Silver Ounce <sup>(1)</sup></b>	<b>\$0.71</b>	<b>\$3.84</b>	<b>\$3.91</b>
<b><u>AISC, After By-Product Credits, per Silver Ounce <sup>(1)</sup></u></b>	<b>\$5.76</b>	<b>\$9.42</b>	<b>\$10.08</b>
<b><u>Proven Ore Reserves<sup>(2,3,4,5,6,7)</sup></u></b>			
Total tons	7,200	9,100	10,100
Silver (ounces per ton)	12.2	15.5	20.8
Gold (ounces per ton)	0.09	0.09	0.12
Zinc (percent)	6.1	6.6	9
Lead (percent)	2.4	2.5	3.7
Contained silver (ounces)	88,600	140,400	209,900
Contained gold (ounces)	600	800	1,200
Contained zinc (tons)	440	600	910
Contained lead (tons)	170	230	370
<b><u>Probable Ore Reserves<sup>(2,3,4,5,6,7)</sup></u></b>			
Total tons	7,542,500	7,585,000	7,204,100
Silver (ounces per ton)	11.9	11.7	12.3
Gold (ounces per ton)	0.10	0.09	0.09
Zinc (percent)	8.1	7.6	8.1
Lead (percent)	3.0	2.9	3.0
Contained silver (ounces)	90,130,300	88,728,600	88,522,900
Contained gold (ounces)	724,800	672,100	675,500
Contained zinc (tons)	614,390	575,530	581,730
Contained lead (tons)	224,880	217,050	218,030



**Total Proven and Probable Ore Reserves**<sup>(2,3,4,5,6,7)</sup>

Total tons	7,549,700	7,594,100	7,214,200
Silver (ounces per ton)	11.9	11.7	12.3
Gold (ounces per ton)	0.10	0.09	0.09
Zinc (percent)	8.1	7.6	8.1
Lead (percent)	3.0	2.9	3.0
Contained silver (ounces)	90,218,900	88,869,000	88,732,800
Contained gold (ounces)	725,400	672,900	676,700
Contained zinc (tons)	614,830	576,130	582,640
Contained lead (tons)	225,050	217,280	218,400

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(1) Includes by-product credits from gold, lead and zinc production. Cash Cost, After By-product Credits, Per Silver Ounce and AISC, After By-product Credits, Per Silver Ounce represent measurements that are not in accordance with GAAP that management uses to monitor and evaluate the performance of our mining operations. We believe these measurements provide indicators of economic performance and efficiency at each location and on a consolidated basis, as well as providing a meaningful basis to compare our results to those of other mining companies and other operating mining properties. A reconciliation of cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, to these non-GAAP measures can be found in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, under Reconciliation of Costs of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (GAAP) to Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) and All-In Sustaining Cost, Before By-product Credits and All-In Sustaining Cost, After By-product Credits (non-GAAP).*

(2) The term “reserve” means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term “economically,” as used in the definition of reserve, means that profitable extraction or production has been established or analytically demonstrated to be viable and justifiable under reasonable investment and market assumptions. The term “legally,” as used in the definition of reserve, does not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for a reserve to exist, we must have a justifiable expectation, based on applicable laws and regulations, that issuance of permits or resolution of legal issues necessary for mining and processing at a particular deposit will be accomplished in the ordinary course and in a time frame consistent with our current mine plans.

(3) Proven and probable ore reserves are calculated and reviewed in-house and are subject to periodic audit by others, although audits are not performed on an annual basis. Cutoff grade assumptions vary by ore body and are developed based on reserve metals price assumptions, anticipated mill recoveries and smelter payables, and cash operating costs. Due to multiple ore metals, and complex combinations of ore types, metal ratios and metallurgical performances at Greens Creek, the cutoff grade is expressed in terms of net smelter return (“NSR”), rather than metal grade. The cutoff grade at Greens Creek is \$190 per ton NSR. Our estimates of proven and probable reserves are based on the following metals prices:

	<b>December 31,</b>		
	2017	2016	2015
Silver (per ounce)	\$ 14.50	\$ 14.50	\$ 14.50
Gold (per ounce)	\$ 1,200	\$ 1,200	\$ 1,100
Lead (per pound)	\$ 0.90	\$ 0.90	\$ 0.90
Zinc (per pound)	\$ 1.05	\$ 1.05	\$ 0.90

(4) Reserves are in-place materials that incorporate estimates of the amount of waste that must be mined along with the ore and expected mining recovery. The 2017 reserve model assumes average total mill recoveries of 77% for silver, 65% for gold, 86% for zinc and 79% for lead.

The changes in reserves in 2017 versus 2016 and 2016 versus 2015 were due to the addition of data from new drill holes, partially offset by continued depletion of the deposit through production.

(5) Probable reserves at the Greens Creek unit are based on average drill spacing of 50 to 100 feet. Proven reserves typically require that mining samples are partly the basis of the ore grade estimates used, while probable reserve grade estimates can be based entirely on drilling results. The proven reserves reported for Greens Creek for 2017 represent stockpiled ore.

(6) Greens Creek ore reserve estimates were prepared by Paul Jensen, Chief Geologist, Kerry Lear, Senior Resource Geologist (contractor), and Kyle Mehalek, Planning Engineer, at the Greens Creek unit and reviewed by Keith Blair, Chief Resource Geologist at Hecla Limited and Dean McDonald, Senior Vice President of Exploration.

(7) An independent review of the 2016 reserve model for Greens Creek was performed by Roscoe Postle Associates Inc. during 2017. An independent review of the modeling process at Greens Creek was performed by Amec Foster Wheeler E&C Services, Inc. during 2016.

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*The Lucky Friday Unit*

Since 1958, we have owned and operated the Lucky Friday mine, a deep underground silver, lead and zinc mine located in the Coeur d'Alene Mining District in northern Idaho. Lucky Friday is one-quarter mile east of Mullan, Idaho, and is adjacent to U.S. Interstate 90. The mine site and various surface facilities are accessed by paved roads from U.S. Interstate 90. The Lucky Friday mine is comprised of 710 acres of patented mining claims and fee lands and 535 acres of unpatented mining claims. We also own or control approximately 26 square miles of mineral interests, which include patented mining and millsite claims, fee lands, and unpatented mining claims, that are adjacent to the Lucky Friday mine property. Below is a map illustrating the location and access to the Lucky Friday unit:

There have been two ore-bearing structures mined at the Lucky Friday unit. The first, mined through 2001, was the Lucky Friday Vein, a fissure vein typical of many in the Coeur d'Alene Mining District. The ore body is located in the Revett Formation, which is known to provide excellent host rocks for a number of ore bodies in the Coeur d'Alene Mining District. The Lucky Friday Vein strikes northeasterly and dips steeply to the south with an average width of six to seven feet. Its principal ore minerals are galena and tetrahedrite with minor amounts of sphalerite and chalcopyrite. The ore occurs as a single continuous ore body in and along the Lucky Friday Vein. The major part of the ore body has extended from 1,200 feet to 6,020 feet below surface.

The second ore-bearing structure, known as the Lucky Friday Expansion Area, or Gold Hunter, has been mined since 1997 pursuant to an operating agreement with Silver Hunter Mining Company ("Silver Hunter"), our wholly owned subsidiary. During 1991, we discovered several mineralized structures containing some high-grade silver ores in an area known as the Gold Hunter property, approximately 5,000 feet northwest of the then existing Lucky Friday workings. This discovery led to the development of the Gold Hunter property on the 4900 level. At approximately 4,900 feet below surface, the Gold Hunter Veins are hosted in a 200-foot thick siliceous lens within the Wallace Formation that transitions to the St. Regis Formation below 5,900 feet. We are currently mining at approximately 5,900 feet below surface. The veins are sub-parallel, and are numbered consecutively from the hanging wall of the favorable horizon to the footwall. The strike of the vein system is west-northwest with a dip of 85 degrees to the south. The 30 Vein, which has been demonstrated to contain higher silver grades, represents approximately 66% of our current proven and probable ore reserve tonnages, while the remaining 34% of our reserves are contained in various intermediate veins having lower silver grades than 30 Vein. The width of 30 Vein ranges from approximately 0.5 feet to 15.4 feet, with an average width of approximately 7.4 feet. While the veins share many characteristics with the Lucky Friday Vein, the Gold Hunter area possesses some mineralogical and rock mechanics differences that make it more favorable to mine at this time. On November 6, 2008, we, through Silver Hunter, completed the acquisition of substantially all of the assets of Independence Lead Mines Company, which held an interest in the Gold Hunter property. The acquisition included all future interests or royalty obligations to Independence and the mining claims pertaining to the operating agreement with Hecla Limited that was assigned to Silver Hunter.

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The principal mining method at the Lucky Friday unit is ramp access, cut and fill. This method utilizes rubber-tired equipment to access the veins through ramps developed outside of the ore body. Once a cut is taken along the strike of the vein, it is backfilled with cemented tailings and the next cut is accessed, either above or below, from the ramp system.

In 2017, we began work with a third-party equipment manufacturer to develop a remote vein miner ("RVM"), a disc-cutting, continuous-mining machine. We believe RVMs could be used to eliminate the current drill-and-blast method and increase safety and productivity at Lucky Friday. We conducted engineering of the machine and ordered long-lead components for the first RVM in late 2017, and we expect to begin commissioning of the machine in 2019.

As discussed further below, the unionized employees at Lucky Friday have been on strike since mid-March 2017, resulting in limited production during that time. For the two months ended February 28, 2017, production averaged 812 tons milled per day, and total mill recovery was approximately 96% for silver, 95% for lead, and 93% for zinc. The mill has operated intermittently during the strike period. Ore at the Lucky Friday is processed using a conventional lead/zinc flotation flowsheet, with process control guided by a real-time, on-line analyzer. Run of mine ore is crushed in a conventional three stage crushing plant consisting of a primary jaw crusher, and a secondary crushing circuit, and tertiary cone crushing stage. Crushed ore is ground in a ball mill, and the ground slurry reports to the lead flotation circuit. The lead circuit tailings report to the zinc flotation circuit. Lead and zinc concentrates are thickened and filtered, and final concentrate products are shipped to smelters for final processing. The original flotation mill was constructed in 1960 and had a capacity of 750 tons per day. Various modifications and upgrades have been made since that time, including: installation of a 1,000 ton course ore bin and replacement of the ball mill in 1984 to increase processing capacity to 1,000 tons per day; replacement of the double-deck crushing screen with a triple-deck screen, installation of a tertiary cone crushing stage, lead concentrate flash flotation equipment, four ball mill cyclones, a mill feed sampler, and lead concentrate column cleaners and thickeners in 2005; addition of dust collection equipment in the crushing plant in 2006; installation of zinc concentrate flash flotation, conditioning, and column cleaner equipment, and an on-stream analyzer in 2007; construction of two new water treatment plants in 2008, with ongoing enhancements to those facilities since that time; addition of a discharge event pond in 2009; sand cyclone and reagent equipment in 2011; a disc filter added at Mine Tailing Impoundment Structure ("MTIS") 4 in 2016; and various other mill refurbishments. Current processing capacity of the Lucky Friday facility is approximately 1,000 tons per day. All lead and zinc concentrate sales during 2017 were shipped to Teck Resources Limited's smelter in Trail, British Columbia, Canada.

During 2008, we initiated engineering, procurement and development activities relating to construction of #4 Shaft, which was completed in January 2017. The #4 Shaft provides access from the 4900 level down to the 8300 level, with a total shaft depth of 8620 feet. Completion of #4 Shaft and associated development allows us to mine mineralized material below our current workings and provide deeper platforms for exploration.

During 2014, Lucky Friday continued implementation of an Environmental Management System and completed installation of remote stream gauging stations. These stations assist in performing daily monitoring activities in nearby receiving waters as required by our effluent discharge permit. Additionally, we have completed reclamation activities

on the 26 acre MTIS 4 borrow site and have achieved final stabilization of the disturbed area. In 2015, closure plans and costs were updated and developed for MTIS 3 and 4. The closure cost for MTIS 3 is based on the closure design and cost estimate developed by a third-party firm in conjunction with cost estimates prepared by Lucky Friday personnel to complete necessary associated work to facilitate the closure of the impoundment. The closure cost for MTIS 4 is based on the most recent closure cap design and was prepared for us by a consultant. At December 31, 2017, an asset retirement obligation of approximately \$9.9 million had been recorded for closure of MTIS 3 and 4, reclamation and closure of the mine and mill upon the end of the known mine life based on a revised plan developed in 2016, and ongoing monitoring and maintenance.

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The net book value of the Lucky Friday unit property and its associated plant, equipment and mineral interests was approximately \$429.2 million as of December 31, 2017. The age of the facilities at Lucky Friday ranges from the 1950s to 2017.

At December 31, 2017, there were 299 employees at Lucky Friday. The United Steel, Paper and Forestry, Rubber, Manufacturing, Energy, Allied Industrial, and Service Workers International Union is the bargaining agent for the Lucky Friday's 230 hourly employees. As further discussed in *Item 1A. Risk Factors*, the most recent labor agreement expired on April 30, 2016. On February 19, 2017, the unionized employees voted against our contract offer. On March 13, 2017, the unionized employees went on strike, and have been on strike since that time. Production at Lucky Friday was suspended from the start of the strike, until limited production by salaried personnel commenced in July 2017.

Avista Corporation supplies electrical power to the Lucky Friday unit.

Exploration and definition drilling was limited during 2017 due to the strike. Upon restart, definition drilling is expected to resume near the 6350-52 Ramp West, 6500 East Lateral, and 6500 Far East to test the 30 Vein and a portion of the 30 Vein offset by the Silver Fault. Drilling is also expected to refine the intermediate vein package at the 6500 level and upgrade 30 Vein resources on the eastern end of the deposit. These adjacent veins are roughly defined as intermediate veins which have become an increasingly significant component of the mine's production mix within the life of mine plan. Exploration may resume on the far-east end of the Lucky Friday Extension deposit. The goal of this exploration drilling is to define vein extensions for the 30 Vein and intermediate veins.

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Based on current estimates of reserves and mineralized material, the currently expected mine life at Lucky Friday is approximately 22 years. Information with respect to the Lucky Friday unit's production, average Cash Cost, After By-product Credits, Per Silver Ounce, AISC, After By-product Credits, Per Silver Ounce, and proven and probable ore reserves for the past three years is set forth in the table below.

	<b>Years Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b><u>Production</u></b>			
Ore milled (tons)	70,718	293,875	297,347
Silver (ounces)	838,658	3,596,010	3,028,134
Lead (tons)	4,737	21,876	18,348
Zinc (tons)	2,560	10,787	8,139
<b>Cost of sales and other direct production costs and depreciation, depletion and amortization</b>	<b>\$15,107</b>	<b>\$76,210</b>	<b>\$65,222</b>
<b>Cash Cost, After By-product Credits, Per Silver Ounce <sup>(1)</sup></b>	<b>\$5.81</b>	<b>\$8.89</b>	<b>\$11.23</b>
<b>AISC, After By-product Credits, Per Silver Ounce <sup>(1)</sup></b>	<b>\$12.48</b>	<b>\$20.66</b>	<b>\$31.08</b>
<b><u>Proven Ore Reserves<sup>(2,3,4,5,6,7)</sup></u></b>			
Total tons	4,245,800	3,307,900	3,509,800
Silver (ounces per ton)	15.4	17.5	16.5
Lead (percent)	9.6	10.4	9.8
Zinc (percent)	4.1	3.3	3.2
Contained silver (ounces)	65,448,400	57,924,800	57,960,800
Contained lead (tons)	407,520	345,360	344,610
Contained zinc (tons)	175,400	110,400	111,210
<b><u>Probable Ore Reserves<sup>(2,3,4,5,6,7)</sup></u></b>			
Total tons	1,386,600	1,541,600	1,557,100
Silver (ounces per ton)	11.4	12.9	13.3
Lead (percent)	7.6	7.9	8.0
Zinc (percent)	3.7	2.8	2.9
Contained silver (ounces)	15,815,300	19,912,100	20,720,500
Contained lead (tons)	104,720	121,640	124,950
Contained zinc (tons)	50,640	43,410	45,080
<b><u>Total Proven and Probable Ore Reserves<sup>(2,3,4,5,6,7)</sup></u></b>			
Total tons	5,632,400	4,849,500	5,066,900
Silver (ounces per ton)	14.4	16.1	15.5
Lead (percent)	9.1	9.6	9.3
Zinc (percent)	4.0	3.2	3.1
Contained silver (ounces)	81,263,700	77,836,900	78,681,300
Contained lead (tons)	512,240	467,000	469,560
Contained zinc (tons)	226,040	153,810	156,290

(1)



Includes by-product credits from lead and zinc production. Cash Cost, After By-product Credits, Per Silver Ounce and AISC, After By-product Credits, Per Silver Ounce, represent measurements that are not in accordance with GAAP that management uses to monitor and evaluate the performance of our mining operations. We believe these measurements provide indicators of economic performance and efficiency at each location and on a consolidated basis, as well as providing a meaningful basis to compare our results to those of other mining companies and other operating mining properties. A reconciliation of cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, to these non-GAAP measures can be found in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*, under *Reconciliation of Costs of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (GAAP) to Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) and All-In Sustaining Cost, Before By-product Credits and All-In Sustaining Cost, After By-product Credits (non-GAAP)*.

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The term “reserve” means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term “economically,” as used in the definition of reserve, means that profitable extraction or production has been established or analytically demonstrated to be viable and justifiable under reasonable investment and market assumptions. The term “legally,” as used in the definition of reserve, does not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for a reserve to exist, we must have a justifiable expectation, based on applicable laws and regulations, that issuance of permits or resolution of legal issues necessary for mining and processing at a particular deposit will be accomplished in the ordinary course and in a time frame consistent with our current mine plans.

Proven and probable ore reserves are calculated and reviewed in-house and are subject to periodic audit by others, although audits are not performed on an annual basis. Cutoff grade assumptions vary by ore body and are developed based on reserve metals price assumptions, anticipated mill recoveries and smelter payables, and cash operating costs. Due to multiple ore metals, and complex combinations of ore types, metal ratios and metallurgical performances at Lucky Friday, the cutoff grade is expressed in terms of net smelter return (“NSR”), rather than metal grade. The cutoff grade at Lucky Friday ranges from \$216 per ton NSR to \$231 per ton NSR. Our estimates of proven and probable reserves are based on the following metals prices:

	<b>December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Silver (per ounce)	\$14.50	\$14.50	\$14.50
Lead (per pound)	\$0.90	\$0.90	\$0.90
Zinc (per pound)	\$1.05	\$1.05	\$0.90

Reserves are in-place materials that incorporate estimates of the amount of waste that must be mined along with the ore and expected mining recovery. The 2017 reserve model assumes average total mill recoveries of 96% for silver, 94% for lead and 90% for zinc.

The change in reserves in 2017 from 2016 was because of inclusion of additional intermediate vein material, partially offset by depletion of the deposit through production. The change in reserves in 2016 versus 2015 was because of depletion of the deposit through production.

Lucky Friday ore reserve estimates were prepared by Terry DeVoe, Chief Geologist, and Joshua Pritts, Resource Geologist, at the Lucky Friday unit and reviewed by Keith Blair, Chief Resource Geologist at Hecla Limited and Dean McDonald, Senior Vice President of Exploration.

An independent review of the 2016 reserve model for Lucky Friday was performed by Roscoe Postle Associates Inc. during 2017.

***The Casa Berardi Unit***

In 2013, as a result of our acquisition of Aurizon Mines Ltd. ("Aurizon"), we acquired the Casa Berardi mine, located 95 kilometers north of La Sarre in the Abitibi Region of northwestern Quebec, Canada. The mining site is reached via a 38 kilometer all season gravel road which connects with the provincial and national paved roads grid. The property borders Ontario to the west and covers parts of Casa Berardi, Dieppe, Raymond, D'Estrees, and Puisseaux townships. The project area extends east-west for more than 37 kilometers and reaches 3.5 kilometers north-south. The Casa Berardi mine gold deposits are located along a 5 kilometer east-west mineralized corridor.

Aurizon acquired the claims, leases and infrastructure comprising the Casa Berardi mine project in 1998 from TVX Gold Inc. Aurizon engaged in exploration programs beginning in 1998, and production began in late 2006.

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The nearest commercial airport to the Casa Berardi mine is located at Rouyn-Noranda. La Sarre can be reached from Rouyn-Noranda via provincial roads 101 and 111. The 38 kilometer all-season gravel road to the mine site branches off from the paved Route des Conquéranrs road, which runs north from its intersection with road 393 north of La Sarre and passes through the village of Villebois. The branch is approximately 21 kilometers north of Villebois. A gravel road links the East Mine and the West Mine (which roughly represent the east-west boundaries of the mining lease), and a number of forestry roads provide access to the rest of the project area, from east and west.

Hecla Quebec Inc., Hecla's wholly owned subsidiary, owns a 100% interest in the mineral titles and mining leases comprising the current Casa Berardi mine. The Casa Berardi mine is composed of 69 contiguous claims, covering 3,148.3 hectares (7,779.6 acres) and two mining leases covering 481.4 hectares (1,189.7 acres). The total area of the Casa Berardi property is 3,629.75 hectares (8,969.3 acres). All the claims and leases are in good standing. We own an additional approximately 45 square miles of exploration property located adjacent to the current Casa Berardi mine and comprised of approximately 230 claims, most of which are subject to a 1% NSR royalty in favor of Lake Shore Gold Corp.

We also hold a non-exclusive lease BNE 25938 for a sand and gravel pit, tailings lease 70218, and an additional 12 acres of land contiguous to mining lease BM 768 for rock waste material storage.

Under the Quebec Mining Act, claims are required to be renewed every two years. Statutorily prescribed minimum work commitments apply to all claims and leases. As of December 31, 2017, the claims and leases comprising part of the Casa Berardi mine have excess work credits of CAD\$46.9 million.

The project consists of an underground mine and the East Mine Crown Pillar open pit mine. The underground mine has two shafts; the West Mine shaft reaching a vertical depth of 1096 meters, and the unused East Mine shaft located 4.3 kilometers to the east, and going down to a vertical depth of 379 meters. A system of declines and drifts connecting both shafts provide access and underground services to ore zones. The surface infrastructures include a cyanidation processing mill (carbon-in-leach), tailings impoundment areas, and other facilities and infrastructures. Power supply to the site is provided by a 55 kilometer, 120kV power line from the Hydro-Québec transformation station located in the town of Normétal. The map below illustrates the location and access to Casa Berardi:

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Prior to Aurizon's ownership, the Casa Berardi underground mine operated from 1988 to 1997, producing approximately 3.9 million tons of ore at an average gold grade of 0.2 ounces per ton from two sites, the West Mine and the East Mine. Aurizon's operations from 2006 to 2012 produced approximately 4.5 million tons of ore at an average gold grade of 0.3 ounces per ton. A total of 1,625,500 ounces of gold were recovered by the previous operators prior to 2013. The mineral deposits cover a distance of more than 5.0 kilometers.

The Casa Berardi mine is located in the northern part of the Abitibi sub-province, a subdivision of the Superior province, within the Canadian Shield. The Casa Berardi area belongs to the Harricana-Turgeon Belt, which is a part of the North Volcanic Zone. The regional geology is characterized by a mixed assemblage of mafic volcanics, flysch-type sedimentary iron formations, and graphitic mudrocks that are limited by a large granodioritic to granitic batholith. Structurally, the area is enclosed in the Casa Berardi Tectonic Zone, a 15 kilometers wide corridor that can be traced over 200 kilometers. A network of east-west to east-southeast and west-northwest ductile high strain zones mainly follows the lithological contacts.

Casa Berardi can be classified as an Archean sedimentary-hosted orogenic gold deposit. Mineralization is found in large low-sulphide quartz veins developed against the Casa Berardi fault, and in disseminated sulfides and stockworks lenses associated with strongly carbonate-sericite altered ductile deformation zones obliquely oriented to the Casa Berardi fault, and extending a few hundred meters on both sides of the fault following northwest and northeast orientations. Gold mineralization emplacement was coeval with the fault's evolution and shows a strong structural control and vertical extension, even if other factors such as the nature of some host rocks and lithological contacts seem to have favored gold deposition.

The Casa Berardi Fault is defined by a stratigraphic contact between a graphite-rich sediment sequence at the base of the Taïbi domain, a northern continuous intermediary fragmental volcanic unit, and a southern polymictic conglomerate unit. The mineralization system is composed of large, low-sulfide quartz veins and low-grade stockworks and carbonate-mica replacement zones forming in the West Mine and Principal area. On the north side of the Fault, a thick sequence of very homogeneous wacke belonging to the Taïbi Group is affected by an amphibolites metamorphic grade. One kilometer further north is the easterly elongated Recher batholith, which is part of the northwestern boundary of the Abitibi greenstone belt.

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Current reserves at the Casa Berardi mine comprise seven zones at the West Mine, spread over a moderate horizontal distance from each other and located at different mine elevations, plus open pit and underground areas at the East Mine. Zone 113, Lower Inter Zone, 118, 121,123, 134, 160, the Principal Zones (open pit and underground) and the East Mine (open pit and underground) comprise the bulk of the deposit tonnage. The zones are of varying thickness, ranging from over 50 meters to less than three meters, which is the minimum mining width. Most of the hanging walls are sub-vertical (55° to 85°) and exhibit similar wall characteristics with the exception of the Lower Inter Zone, which in a number of places has relatively shallow hanging wall configurations (less than 45°).

The underground mine at Casa Berardi is a trackless mine accessed by declines and a shaft, which produces approximately 2,300 tons of ore per day. The mining methods are longhole transversal stoping in 10 meters or more mineralization width with good access from nearby development, and longitudinal retreat stoping in narrower ore bodies or long distances from development infrastructure. Longitudinal methods have the advantage of lower waste development requirements; however, there is much less flexibility in sequencing and in access, should ground instabilities occur. Timely supply of both cemented and unconsolidated backfill plays a crucial role in controlling dilution and maintaining a short stoping cycle. We believe this mining method satisfies all of the geotechnical requirements and constraints and, as a non-entry mining method, has proven to be safe and reliable in similar operations. The mineralized zones put in reserves are of varying thickness, ranging from a few tenths of meters to 3 meters, which is the minimum mining width. Most of the hanging walls are sub-vertical (55° to 85°), with typically the graphitic Casa Berardi fault at the footwall.

In 2014, we completed a project initiated by Aurizon to deepen the West Mine Shaft and construct the associated shaft infrastructure, including loading pockets, shaft lining, services and steel.

In early 2016, we made the decision to move forward with construction of the East Mine Crown Pillar ("EMCP") open pit, which is situated between the East Mine and West Mine. Stripping and development of the EMCP pit is planned to take place over five stages. The first stage was completed in the first half of 2016, and processing of ore from the EMCP pit began in July 2016. Stripping and development has been ongoing, and the pit is currently in the third stage of development. The EMCP pit, as currently designed, is a smaller scale operation using conventional open pit mining methods, and is expected to run for approximately 5.5 years of production. The average amount of material to be moved every six months is anticipated to be approximately 190,000 to 360,000 tons of ore, with variable quantities of waste.

The 134 Zone open pit, as currently designed, would be mined using conventional open pit mining methods. The 134 Zone open pit is expected to commence production prior to depletion of the EMCP pit and to run for approximately 2 full years of production. The average amount of material to be moved every six months is expected to approximate 190,000 tons of ore, with variable quantities of waste.

The 160 Zone open pit, as currently designed, would be mined using conventional open pit mining methods. The 160 Zone open pit is expected to commence production after the EMCP and 134 Zone pits are depleted and to run for approximately 3 full years of production. The average amount of material to be moved every six months is expected to approximate 460,000 tons of ore, with variable quantities of waste.

The Principal Zone open pit, as currently designed, would be mined using conventional open pit mining methods. The Principale Zone open pit is expected to commence production after the 160 Zone pit is depleted and to run for approximately 3 full years of production. The average amount of material to be moved every six months is expected to approximate 570,000 tons of ore, with variable quantities of waste.

The gold recovery process is based on CIL (carbon-in-leach) technology where gold is dissolved in a cyanide solution, and precipitated on activated carbon grains put in suspension. The product is doré bars poured in the mill's refinery. Construction of the processing facility, consisting of a 3,600 ton crushing, ore processing, and tailings facility, was completed in 1988 by Inco Gold and Golden Knight Resources Inc., and ore processing began in September 1989, and during the next 9 years the mill processed 3.9 million tons at an average grade of 0.2 ounces per ton. Production at Casa Berardi was suspended in 1997 and the mill was put on care and maintenance until 2005, when major rehabilitation work was initiated by Aurizon. Beginning in the third quarter of 2005, upgrades including refurbishing of the crushing, grinding circuits, conveyors, and leach circuits, the addition of gravity circuits, and construction of an assay laboratory were performed, resulting in an increase of mill capacity. The mill facility was commissioned in November of 2006 and the processing rate ramped up to reach commercial production in May of 2007. In 2017, total mill recovery of gold was approximately 87%.

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The mine and mill complex are permitted to process 1,400,000 dry metric tonnes (approximately 1,543,000 tons) of ore per year at a rate of 4,227 tons per day. Difficult ground conditions and bottlenecks in stope preparation have limited underground production to levels below the designed capacity. In 2017, the mill processed approximately 805,047 tons, for an average of 3,551 tons per day. The current life of mine plan is based on an average milling rate near the permitted level, with the inclusion of material from the surface mines, for the remaining mine life.

Based on current estimates of reserves and mineralized material, the currently expected remaining mine life at Casa Berardi is approximately 9 years.

In-stope and definition underground drilling during 2017 concentrated within the 118, 121, 123, and 124 zones to refine orebody shapes and gold grade distributions for mine planning and reserves. Underground exploration drilling of the 118, 121 and 123 zones near the bottom of the mine and to the west (118 Zone) and east (123 Zone) of current resources identified mineralization beyond currently defined mineralized material. Surface definition and exploration drilling has defined the limits and provided detailed characterization of gold grades for a series of new open pits at the 134 and 160 zones and defined a western extension of the EMCP and 146/148 zones. Exploration drilling has identified west and northwest extensions to the proposed Principal Pit and commenced delineation of a possible open pit near the NW-SW Zone at the west end of the Mining Lease. Deep surface exploration drilling identified new high-grade mineralization at the Lower Inter.

The proposed underground in-stope and definition drilling programs for 2018 are expected to appraise the high-grade ore shoots of the 113, 118, 123 and 124 zones in the western part of the mine and high-grade, down-plunge extensions from surface of the 148 and 160 zones in the East Mine area. Surface exploration drilling is expected to evaluate shallow extensions of the NW-SW, 124, 134, 152 and 160 zones and deep targets such as the Lower Inter in the west part of the Mining Lease. Surface drilling to the west of the Mining Lease (Casa West) is expected to evaluate new targets along the Casa Berardi Deformation Zone and the Lac Germain target to the east-northeast of the current Mine Lease.

We expect the mine plan will continually be modified as new mineralization is discovered and upgraded to reserves.

The employees at Casa Berardi are employees of Hecla Quebec Inc., our wholly-owned subsidiary, and are not represented by a bargaining agent. There were 577 employees at the Casa Berardi unit at December 31, 2017. We also currently utilize third-party contractors, which use their employees and equipment, for some of the mining activities at Casa Berardi.

Hecla acquired Aurizon on June 1, 2013 for approximately CAD\$740.8 million (US\$714.5 million), and has operated the Casa Berardi mine since the acquisition. The net book value of the Casa Berardi unit property and its associated



plant, equipment and mineral interests was approximately \$759.7 million as of December 31, 2017. As of December 31, 2017, we have recorded a \$6.7 million asset retirement obligation for reclamation and closure costs. We maintain a surety bond as financial guarantee for future reclamation and closure work.

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Information with respect to the Casa Berardi unit's production, average Cash Cost, After By-product Credits, Per Gold Ounce, AISC, After By-product Credits, Per Gold Ounce, and proven and probable ore reserves for 2017, 2016 and 2015 is set forth in the table below.

	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b><u>Production</u></b>			
Ore milled (tons)	1,296,224	997,588	844,090
Gold (ounces)	156,653	145,975	127,891
Silver (ounces)	36,566	33,641	29,639
<b>Cost of sales and other direct production costs and depreciation, depletion and amortization</b>			
<b>Cash Cost, After By-product Credits, Per Gold Ounce <sup>(1)</sup></b>	\$819.60	\$763.98	\$771.54
<b>AISC, After By-product Credits, Per Gold Ounce <sup>(1)</sup></b>	\$1,173.82	\$1,244.30	\$1,183.96
<b><u>Proven Ore Reserves<sup>(2,3,4,5,6)</sup></u></b>			
Total tons	2,458,100	2,574,700	2,118,600
Gold (ounces per ton)	0.13	0.11	0.11
Contained gold (ounces)	312,200	272,200	234,300
<b><u>Probable Ore Reserves<sup>(2,3,4,5,6)</sup></u></b>			
Total tons	11,412,500	7,751,900	8,103,700
Gold (ounces per ton)	0.10	0.13	0.14
Contained gold (ounces)	1,181,200	1,037,100	1,097,500
<b><u>Total Proven and Probable Ore Reserves<sup>(2,3,4,5,6)</sup></u></b>			
Total tons	13,870,600	10,326,600	10,222,300
Gold (ounces per ton)	0.11	0.13	0.13
Contained gold (ounces)	1,493,400	1,309,300	1,331,800

Includes by-product credits from silver production. Cash Cost, After By-product Credits, Per Gold Ounce and AISC, After By-product Credits, Per Gold Ounce represent measurements that are not in accordance with GAAP that management uses to monitor and evaluate the performance of our mining operations. We believe these measurements provide indicators of economic performance and efficiency at each location and on a consolidated basis, as well as providing a meaningful basis to compare our results to those of other mining companies and other (1) operating mining properties. A reconciliation of cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, to these non-GAAP measures can be found in *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*, under *Reconciliation of Cost of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (GAAP) to Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) and All-In Sustaining Cost, Before By-product Credits and All-In Sustaining Cost, After By-product Credits (non-GAAP)*.

(2) The term "reserve" means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term "economically," as used in the definition of reserve, means that

profitable extraction or production has been established or analytically demonstrated to be viable and justifiable under reasonable investment and market assumptions. The term “legally,” as used in the definition of reserve, does not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for a reserve to exist, we must have a justifiable expectation, based on applicable laws and regulations, that issuance of permits or resolution of legal issues necessary for mining and processing at a particular deposit will be accomplished in the ordinary course and in a time frame consistent with our current mine plans.

Proven and probable ore reserves are calculated and reviewed in-house and are subject to periodic audit by others, although audits are not performed on an annual basis. Cutoff grade assumptions vary by ore body and are developed based on reserve metals price assumptions, anticipated mill recoveries and refiner payables, and cash (3) operating costs. The cutoff grade at Casa Berardi is assumed to be between 0.095 and 0.105 ounces per ton for underground reserves and between 0.015 and 0.023 ounces per ton for open pit reserves. Our estimates of proven and probable reserves are based on prices of \$1,200, \$1,200 and \$1,100 per gold ounce for 2017, 2016 and 2015, respectively.

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Reserves are in-place materials that incorporate estimates of the amount of waste that must be mined along with the (4) ore and expected mining recovery. The 2017 reserve model assumes average total mill recoveries for gold of approximately 87%.

The change in reserves in 2017 compared to 2016 was a result of inclusion of definition drilling information, offset (5) by depletion of the deposit through production. The change in reserves in in 2016 compared to 2015 was a result of depletion of the deposit through production, offset by inclusion of definition drilling information.

Casa Berardi ore reserve estimates were prepared by Sylvain Picard, Chief Geologist, and Real Parent, Senior (6) Resource Geologist, at the Casa Berardi unit. Casa Berardi resource estimates were reviewed by Keith Blair, Chief Resource Geologist at Hecla Limited and Dean McDonald, Senior Vice President of Exploration.

***The San Sebastian Unit***

The San Sebastian mine is located approximately 60 miles northeast of the city of Durango, Mexico, on concessions acquired in 1999. Access to San Sebastian is via Mexico highway 40, approximately 6 miles east of Guadalupe Victoria, and then approximately 15 miles of paved rural road through the towns of Ignacio Allende and Emiliano Zapata.

Our concession holdings cover approximately 160 square miles, including the Francine Vein, East Francine Vein, Middle Vein, North Vein, and the Andrea Vein and multiple outlying active exploration areas. Mineral concession titles are obtained and held under the laws of Mexico, and are valid for 50 years with the possibility of extending another 50 years. There are work assessment and tax requirements that are variable and increase with the time that the concession is held. The map below illustrates the location and access to San Sebastian:

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Mineralization at the project occurs as low and intermediate sulfidation epithermal veins within the Saladillo valley area. Economically, the most important veins at the project are the Francine, East Francine, Middle and North veins located at the north end of the Saladillo valley and the Andrea Vein located 4 miles to the south. The veins are hosted within a series of shales with interbedded fine-grained sandstones interpreted to belong to the Cretaceous Caracol Formation. Most of the veins strike to the west-northwest and vein dips vary from steep toward the west to shallow toward the east. True vein widths range from 5 to 30 feet, and the average true width of the veins in the district is 8 feet.

Mineralization occurs in an epithermal setting at various paleo-depths. High-grade gold and silver occur both in the very shallow environment in the upper 1,000 feet of the crust and in deep silver-gold-lead-zinc root zones of the system at depths between 2,000 and 3,500 feet below the paleo-water table. Hypogene minerals include sphalerite, galena, argentite, pyrite, chalcopyrite, native silver and gold in electrum. The veins are oxidized down to approximately 300 feet below surface and the oxidized portions of the veins contain limonite, hematite, silver halides and various copper carbonates. Matrix minerals include fine-grained to coarsely crystalline quartz bands and chlorite-quartz-adularia bands and late calcite fill. Mineralization within the vein structures is generally deposited in high-grade “shoots” bound both laterally and horizontally by sharp gradients in grade-thickness.

Hecla operated the San Sebastian underground mine from 2001 to 2005. The historical life-of-mine production from the Francine and Don Sergio veins over four years was 11.2 million ounces of silver and 155,937 ounces of gold. Access to both underground workings was through ramps from the surface connecting one or more levels. Ore was mined by the cut-and-fill stoping method and extracted from the stopes using rubber-tired equipment and hauled to the surface in trucks.

Recent exploration success on the Middle, North, and East Francine veins and completion of a Preliminary Economic Assessment lead to the decision in the third quarter of 2015 to develop shallow open pit mines on those veins, with development commencing in the fourth quarter of 2015. Ore production from the Middle and East Francine veins commenced late in the fourth quarter of 2015, and from the North Vein in the first quarter of 2016. Production from the current pits concluded in December 2017. An extension of the North Vein pit is planned, with surface ore production anticipated to resume in mid-2018. The pits were extended to a maximum of approximately 270 feet in depth. Near-surface material is excavated, with drill and blast techniques used for deeper material. Total production from the expanded North Vein pit is anticipated to range from 1,000 to 17,000 tons of ore per month over approximately 20 months, with variable quantities of waste, for total ore production of approximately 150,000 tons. Production was achieved through excavating and drilling and blasting the shallow-dipping, high-grade silver veins which carried significant gold credits. Third-party contractors are used for mining from the pits.

In January 2017, work commenced to build a new underground decline and rehabilitate historical underground workings at the San Sebastian mine, in order to mine deeper ore from the Middle Vein. Limited underground production began in January 2018 using third-party contractors, and is anticipated to total approximately 263,000 tons over 2 years. We expect to mine ore by the cut-and-fill stoping method and for the ore to be extracted from the stopes using rubber-tired equipment and hauled to the surface in trucks.

Run of mine ore is hauled in trucks by contractors to a processing facility near Velardeña, Durango, Mexico, which is located approximately 60 miles from the San Sebastian mine site. We previously owned the Velardeña mill, but now use it to process ore under a lease arrangement. Processing of ore from the open pits averaged approximately 395 tons per day in 2017, with recovery of approximately 95% for silver and 94% for gold. As of December 31, 2017, we have the ability to extend the lease through 2020. The mill is a conventional leach, counter-current decantation and Merrill Crowe precipitation circuit capable of processing up to approximately 550 tons per day, depending on ore hardness. The ore is crushed in a two-staged crushing plant consisting of a primary jaw, a secondary cone crusher and a double-deck vibrating screen. The grinding circuit includes a primary ball mill and cyclone classifiers. The ground ore is thickened followed by agitated leaching and four stages of counter-current decantation to wash solubilized silver and gold from the pulp. The solution bearing silver and gold is clarified, deaerated and zinc dust added to precipitate silver and gold that is recovered in plate and frame filters. The precious metal precipitate is smelted and refined into doré, and is then shipped to a third-party refiner. Since construction of the mill in 1994, two leach tanks were added in 2001, a filter press was added in 2002, and the Merrill Crowe system and Autojet Filters were expanded and modified in 2012. In addition, rehabilitation of various components of the mill was completed in 2015 prior to the start of processing of the ore from the open pits.

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At December 31, 2017, the net book value of the San Sebastian unit property and its associated plant and equipment was \$13.7 million. Infrastructure includes a water supply system, maintenance shop, warehouse, laboratory, leased mill and related improvements, and various offices. Equipment and facilities are in good condition. As of December 31, 2017, \$5.1 million has been accrued for reclamation and closure costs. All permits required for mining of the open pits and the underground mine and operation of the mill are in place.

There was a total of 53 employees at the San Sebastian unit as of December 31, 2017, with most of them employed by our subsidiary that provides certain specialized services to another subsidiary that owns the mine. These employees are not represented by a bargaining agent. We currently primarily use third-party contractors for mining and operation of the processing facility. The hourly employees of the lessor of the processing facility are represented by the Sindicato Nacional de Trabajadores Mineros, Metalúrgicos, Siderúrgicos y Similares de la República Mexicana (a Mexico national union) as bargaining agent.

Based on current estimates of reserves and mineralized material, the currently expected remaining mine life at San Sebastian is approximately 2 years.

Electric power is purchased from Comisiòn Federal de Electricidad (a Mexico federal electric company).

Drilling success from 2012 through 2017 on the near-surface East Francine, Middle and North veins at the San Sebastian property has led to open pit mine production on all three veins, and underground production on the Middle Vein. The Francine, Andrea, Middle and North veins now define over 6.0 miles of mineralized strike length and are open along strike and at depth. Drilling in 2017 identified a new high-grade, oxide ore shoot located approximately 1,000 feet east of the East Francine Vein pit. This zone is approximately 300 feet from surface and can be traced for about 1,500 feet along strike and 600 feet down dip. In combination with a nearby ore shoot in the eastern Middle Vein, we believe this area may represent an important new development for the mine.

There was also a discovery and follow-up infill drilling of a new polymetallic ore shoot along the western Middle Vein. This zone has dimensions of approximately 600 feet along strike and 800 feet downdip and, like the Hugh Zone resource area, contains recoverable quantities of copper, lead, and zinc, in addition to high-grade gold and silver. It is located about 300 feet west and 200 feet below the current Middle Vein underground mine development, and could expand the underground mineable reserves in this area. Recent drilling of the Francine vein has defined significant extensions to both the east and west of the current Hugh Zone resource.

Exploration core drilling in 2018 is expected to initially concentrate on extensions to the deeper, polymetallic mineralization along the Francine and Middle veins and define shallow high-grade mineralization along northwest extensions of the North, Middle, and Professor veins. Later in 2018, drilling is expected to also follow up on shallow

rotary air blast drilling of gold-silver anomalies and close-spaced DC resistivity ground geophysics in the area in which the mine (Middle and Francine) veins intersect with the southwest-trending Esperanza veins. Exploration drilling is also expected to occur in the La Roca historical mercury mining district, which is located six miles northeast of the San Sebastian mine area. La Roca displays all the geological characteristics of being at the top an exceptionally large, fully preserved epithermal vein system. Deep drilling at La Roca is expected to evaluate the potential of high-grade, precious metal-rich veins.



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Information with respect to the San Sebastian unit's production, average Cash Cost, After By-Product Credits, Per Silver Ounce, AISC, After By-product Credits, Per Silver Ounce, and proven and probable ore reserves is set forth in the table below.

<b><u>Production</u></b>	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Ore milled (tons)	144,197	143,267	6,602
Silver (ounces)	3,257,738	4,294,123	81,677
Gold (ounces)	25,177	34,042	870
<b>Cost of sales and other direct production costs and depreciation, depletion and amortization</b>	\$23,700	\$31,233	\$—
<b>Cash Cost, After By-product Credits, Per Silver Ounce <sup>(1)</sup></b>	\$ (3.36)	) \$ (3.35)	) \$ 6.71
<b>AISC, After By-product Credits, Per Silver Ounce <sup>(1)</sup></b>	\$ (0.26)	) \$ (1.99)	) \$ 11.99
<b><u>Proven Ore Reserves<sup>(2,3,4,5,6)</sup></u></b>			
Total tons	30,500	43,000	5,000
Silver (ounces per ton)	23.3	23.4	14.50
Gold (ounces per ton)	0.19	0.19	0.21
Contained silver (ounces)	711,700	1,007,800	72,300
Contained gold (ounces)	5,800	8,200	1,000
<b><u>Probable Ore Reserves<sup>(2,3,4,5,6)</sup></u></b>			
Total tons	367,500	283,300	284,100
Silver (ounces per ton)	13.1	16.2	28.0
Gold (ounces per ton)	0.10	0.10	0.22
Contained silver (ounces)	4,808,700	4,592,600	7,942,500
Contained gold (ounces)	37,000	28,500	63,000
<b><u>Total Proven and Probable Ore Reserves<sup>(2,3,4,5,6)</sup></u></b>			
Total tons	398,000	326,300	289,100
Silver (ounces per ton)	13.9	17.2	27.7
Gold (ounces per ton)	0.11	0.11	0.22
Contained silver (ounces)	5,520,400	5,600,400	8,014,800
Contained gold (ounces)	42,800	36,700	64,000

(1) Includes by-product credits from gold production. Cash Cost, After By-product Credits, Per Silver Ounce and AISC, After By-product Credits, Per Silver Ounce represent measurements that are not in accordance with GAAP that management uses to monitor and evaluate the performance of our mining operations. We believe these measurements provide indicators of economic performance and efficiency at each location and on a consolidated basis, as well as providing a meaningful basis to compare our results to those of other mining companies and other operating mining properties. A reconciliation of cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, to these non-GAAP measures can be found in *Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations*, under *Reconciliation of Cost of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization*

*(GAAP) to Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) and All-In Sustaining Cost, Before By-product Credits and All-In Sustaining Cost, After By-product Credits (non-GAAP).*

The term “reserve” means that part of a mineral deposit that can be economically and legally extracted or produced at the time of the reserve determination. The term “economically,” as used in the definition of reserve, means that profitable extraction or production has been established or analytically demonstrated to be viable and justifiable under reasonable investment and market assumptions. The term “legally,” as used in the definition of reserve, does (2) not imply that all permits needed for mining and processing have been obtained or that other legal issues have been completely resolved. However, for a reserve to exist, we must have a justifiable expectation, based on applicable laws and regulations, that issuance of permits or resolution of legal issues necessary for mining and processing at a particular deposit will be accomplished in the ordinary course and in a time frame consistent with our current mine plans.

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Proven and probable ore reserves are calculated and reviewed in-house and are subject to periodic audit by others, although audits are not performed on an annual basis. Cutoff grade assumptions vary by ore body and are developed based on reserve metals price assumptions, anticipated mill recoveries and refiner payables, and cash (3) operating costs. Due to multiple ore metals, and complex combinations of ore types, metal ratios and metallurgical performances at San Sebastian, the cutoff grade is expressed in terms of net smelter return, rather than metal grade. The cutoff grade at San Sebastian is assumed to be \$100 per ton NSR. The average prices used for the San Sebastian unit were:

	<b>December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
Silver (per ounce)	\$ 14.50	\$ 14.50	\$ 14.50
Gold (per ounce)	\$ 1,200	\$ 1,200	\$ 1,100

Reserves are in-place materials that incorporate estimates of the amount of waste that must be mined along with the (4) ore. Metal recoveries vary by mine zone and ore grade. The 2017 reserve model assumes average total mill recoveries of approximately 95% for silver and 94% for gold.

The decreases in silver reserves in 2017 compared to 2016 and 2016 compared to 2015, and the decrease in gold reserves in 2016 compared to 2015, were the result of depletion of the deposit through production, including higher (5) grade portions, partially offset by inclusion of definition drilling information. The increase in gold reserves in 2017 compared to 2016 was the result of inclusion of definition drilling information, partially offset by depletion of the deposit through production.

(6) San Sebastian ore reserve estimates were prepared by Keith Blair, Chief Resource Geologist at Hecla Limited, and reviewed by Dean McDonald, Senior Vice President of Exploration.

**Item 3. Legal Proceedings**

For a discussion of our legal proceedings, see *Note 7 of Notes to Consolidated Financial Statements*.

**Item 4. Mine Safety Disclosures**

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in exhibit 95 to this report.

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

Shares of our common stock are traded on the New York Stock Exchange, Inc. under the symbol "HL." As of February 12, 2018, there were 4,043 stockholders of record of our common stock. Our common stock quarterly high and low sale prices for the past two years were as follows:

	<b>Fourth</b>	<b>Third</b>	<b>Second</b>	<b>First</b>
	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>	<b>Quarter</b>
2017– High	\$ 5.42	\$ 5.58	\$ 6.17	\$ 6.78
– Low	\$ 3.43	\$ 4.66	\$ 4.95	\$ 6.17
2016– High	\$ 7.64	\$ 7.26	\$ 5.10	\$ 2.95
– Low	\$ 4.93	\$ 5.20	\$ 2.66	\$ 1.45

Quarterly dividends were paid on our Series B preferred stock for 2015, 2016 and 2017, and no dividends are in arrears.

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In September 2011 and February 2012, our board of directors adopted a common stock dividend policy that has two components: (1) a dividend that links the amount of dividends on our common stock to our average quarterly realized silver price in the preceding quarter, and (2) a minimum annual dividend of \$0.01 per share of common stock, in each case, payable quarterly, when declared. See *Note 9 of Notes to Consolidated Financial Statements* for more information on potential dividend amounts under the first component of the policy at various silver prices. The following table summarizes the quarterly common stock dividends declared by our board of directors for the years 2015, 2016 and 2017 and the first quarter of 2017:

<b>Declaration date</b>	<b>(A) Silver-price- linked component per share</b>	<b>(B) Minimum annual component per share</b>	<b>(A+B) Total dividend per share</b>	<b>Total dividend amount (in millions)</b>	<b>Month of payment</b>
February 17, 2015	\$—	\$0.0025	\$0.0025	\$0.9	March 2015
May 6, 2015	\$—	\$0.0025	\$0.0025	\$0.9	June 2015
August 6, 2015	\$—	\$0.0025	\$0.0025	\$0.9	September 2015
November 3, 2015	\$—	\$0.0025	\$0.0025	\$0.9	December 2015
February 20, 2016	\$—	\$0.0025	\$0.0025	\$0.9	March 2016
May 4, 2016	\$—	\$0.0025	\$0.0025	\$1.0	June 2016
August 3, 2016	\$—	\$0.0025	\$0.0025	\$1.0	September 2016
November 4, 2016	\$—	\$0.0025	\$0.0025	\$1.0	December 2016
February 21, 2017	\$—	\$0.0025	\$0.0025	\$1.0	March 2017
May 4, 2017	\$—	\$0.0025	\$0.0025	\$1.0	June 2017
August 3, 2017	\$—	\$0.0025	\$0.0025	\$1.0	September 2017
November 7, 2017	\$—	\$0.0025	\$0.0025	\$1.0	December 2017
February 14, 2018	\$—	\$0.0025	\$0.0025	\$1.0	March 2018

Because the average realized silver price for each quarter of 2015, 2016 and 2017 was below the minimum threshold of \$30 according to the policy, no silver-price-linked component was declared or paid. Prior to 2011, no dividends had been declared on our common stock since 1990. We cannot pay dividends on our common stock if we fail to pay dividends on our Series B preferred stock. The declaration and payment of common stock dividends, whether pursuant to the policy or in addition thereto, is at the sole discretion of our board of directors, and there can be no assurance that we will continue to declare and pay common stock dividends in the future.

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The following table provides information as of December 31, 2017 regarding our compensation plans under which equity securities are authorized for issuance:

	<b>Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted- Average Exercise Price of Outstanding Options</b>	<b>Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans</b>
Equity Compensation Plans Approved by Security Holders:			
2010 Stock Incentive Plan	—	N/A	6,866,026
Stock Plan for Non-Employee Directors	—	N/A	3,282,337
Key Employee Deferred Compensation Plan	—		