HECLA MINING CO/DE/
Form 10-K
February 18, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 10-K

Annual report pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934 For the fiscal year ended December 31, 2014

Commission file No. 1-8491

HECLA MINING COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**77–0664171**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6500 N. Mineral Drive, Suite 200 Coeur d'Alene, Idaho	**83815-9408**
(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:

Title of each class	**Name of each exchange on which registered**
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.

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

Large Accelerated Filer   Accelerated Filer

Non-Accelerated Filer Smaller reporting company

(Do not check if a smaller reporting company)

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

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The aggregate market value of the registrant's voting Common Stock held by non-affiliates was $1,194,535,883 as of June 30, 2014. There were 348,689,981 shares of the registrant's Common Stock outstanding as of June 30, 2014, and 369,403,662 shares outstanding as of February 16, 2015.

Documents incorporated by reference herein:

To the extent herein specifically referenced in Part III, the information contained in the Proxy Statement for the 2015 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 2014 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. 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,” “plan,” “estima 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, 1B 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). 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 bullion bars (doré) containing gold and silver, which are further refined before sale to precious metals traders. We are organized and managed in three segments that encompass our operating units: the Greens Creek, Lucky Friday, and Casa Berardi 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 and Vancouver, British Columbia.

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.
- Continue optimizing and improving operations at our Greens Creek, Lucky Friday, and Casa Berardi units.
- Expanding our proven and probable reserves and production capacity at our operating properties.
- Conducting our business with fiscal stewardship to preserve our financial position in varying metals price environments.
- Continuing to advance our San Sebastian project in Mexico through additional drilling and a preliminary economic study with the goal of reaching a development decision in 2015.
- Maintaining and investing in exploration and pre-development projects in the vicinities of five mining districts 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 north-western Quebec, Canada; and the Creede district of Southwestern Colorado.
- Continuing to seek opportunities to acquire and invest in mining properties and companies. Examples include our acquisition of Aurizon Mines Ltd. ("Aurizon") and minority investments in certain exploration stage companies in 2012 and 2013.

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

	Year Ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Net income (loss)	$17,824	$(25,130)	$14,954	$151,164	$48,983

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:

	2014	**2013**	**2012**	**2011**	**2010**
Silver (per oz.):					
Average	$19.08	$23.83	$31.15	$35.11	$20.16
High	$22.05	$32.23	$37.23	$48.70	$30.70
Low	$15.28	$18.61	$26.67	$26.16	$15.14
Gold (per oz.):					
Average	$1,266	$1,411	$1,669	$1,569	$1,225
High	$1,385	$1,694	$1,792	$1,895	$1,421
Low	$1,142	$1,192	$1,540	$1,319	$1,058
Lead (per lb.):					
Average	$0.95	$0.97	$0.94	$1.09	$0.97
High	$1.03	$1.11	$1.06	$1.33	$1.18
Low	$0.82	$0.88	$0.79	$0.81	$0.71
Zinc (per lb.):					
Average	$0.98	$0.87	$0.88	$0.99	$0.98
High	$1.10	$0.99	$0.99	$1.15	$1.20
Low	$0.88	$0.81	$0.80	$0.79	$0.72

See *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations* for a summary of average market and realized prices for each of the three years ended December 31, 2014, 2013 and 2012. 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 various factors that can impact prices of the metals we produce. Our average realized prices for silver, gold, and lead were lower in 2014 compared to 2013, while the average realized prices for zinc increased. Average realized prices for silver, gold, and zinc decreased in 2013 compared to 2012, while lead prices increased. We believe that 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 lead and zinc contained in our concentrate shipments between the time of sale and final settlement. In addition, in July 2013, we initiated 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 $304.4 million in 2014, $235.3 million in 2013, $134.1 million in 2012, $165.6 million in 2011 and $164.0 million in 2010. During 2012 and 2013, costs of sales and other direct production costs were impacted by the temporary suspension of production at the Lucky Friday mine during most of 2012 and by the acquisition of the Casa Berardi mine during 2013. See *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations* for more information.

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- $25.3 million in suspension-related costs at our Lucky Friday unit in 2012, including $6.3 million in depreciation, depletion, and amortization. We recognized suspension-related income of $1.4 million in 2013 due to the receipt of business interruption insurance proceeds related to the suspension period. Limited production recommenced at the Lucky Friday unit in the first quarter of 2013, and the mine resumed full production in September 2013. See *The Lucky Friday Segment* section for more information on the temporary suspension of production.

- Exploration and pre-development expenditures totaling $19.7 million, $37.7 million, $49.7 million, $31.4 million and $21.6 million for the years ended December 31, 2014, 2013, 2012, 2011 and 2010, respectively.

- Provision for closed operations and environmental matters of $10.1 million, $5.4 million, $4.7 million, $9.7 million and $201.1 million for the years ended December 31, 2014, 2013, 2012, 2011, and 2010, respectively. The $201.1 provision in 2010 included $193.2 million accrued for environmental obligations in Idaho's Coeur d'Alene Basin as a result of an agreement with the United States, the Coeur d'Alene Indian Tribe, and the State of Idaho on financial terms of settlement of the Coeur d'Alene Basin environmental litigation and related claims that was completed during 2014.

- Net gain on base metal forward contracts of $9.1 million in 2014, a net gain of $18.0 million in 2013, a net loss of $10.5 million in 2012, a net gain of $38.0 million in 2011, and a net loss of $20.8 million in 2010. These gains and losses 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 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 2014 and 2013, respectively, we recorded interest expense related to the Senior Notes, including amortization of issuance costs, of $24.6 million and $19.1 million, net of $11.8 million and $6.5 million in capitalized interest. See *Note 15* of *Notes to Consolidated Financial Statements* for more information on the acquisition.

- 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, 2014, 2013 and 2012, 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.

Products and Segments

Our segments are differentiated by geographic region. We produce zinc, lead and bulk concentrates at our Greens Creek unit and lead and zinc concentrates at our Lucky Friday unit, each of which we sell to custom smelters and brokers on contract. We also produce unrefined gold and silver bullion bars (doré) at Greens Creek and Casa Berardi, which are shipped directly to customers or further refined before sale of the metals to precious metals traders. The concentrates produced at our Greens Creek and Lucky Friday units contain payable silver, zinc and lead, and the concentrates produced at Greens Creek also contain payable gold. Payable metals are those included in our products that can be recovered and sold by smelters, brokers and refiners. Our segments as of December 31, 2014 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. Production at the Lucky Friday unit reached historical levels in September 2013 following a period of temporary care and maintenance and no production in 2012 (see *Item 2. Property Description, Operating Properties, The Lucky Friday Unit*). Production was at full historical rates during 2014.

- The Casa Berardi unit located in the Abitibi region of north-western 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 Mines Ltd. *(*"Aurizon", see *Note 15* of *Notes to Consolidated Financial Statements).* 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.

The contributions to our consolidated sales by our operating units in 2014 were 49.0% from Greens Creek, 33.1% from Casa Berardi, and 17.9% from Lucky Friday.

The table below summarizes our production for the years ended December 31, 2014, 2013 and 2012. Zinc and lead production quantities are presented in short tons (“tons”).

	Year		
	2014	**2013**	**2012**
Silver (ounces)	11,090,506	8,919,728	6,394,235
Gold (ounces)	186,997	119,989	55,496
Lead (tons)	40,255	30,374	21,074
Zinc (tons)	67,969	61,406	64,249

Licenses, Permits and Concessions

We are required to obtain various licenses and permits to operate our mines and conduct exploration and reclamation activities. The suspension in production at the Lucky Friday unit during 2012 was pursuant to an order from the Federal Mine Safety and Health Administration. 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.* The operations and exploration activities at our Casa Berardi unit are subject to claims renewal and minimum work commitment requirements under the Quebec Mining Act. In addition, we conduct our exploration activities in Mexico pursuant to concessions granted by the Mexican government, 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*.

Physical Assets

Our business is capital intensive and requires ongoing capital investment for the replacement, modernization or expansion of equipment and facilities and to develop new ore reserves. At December 31, 2014, the book value of our property, plant, equipment and mineral interests, net of accumulated depreciation, was approximately $1.8 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*.

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Employees

As of December 31, 2014, we employed 1,354 people, and we believe relations with our employees are generally good.

Many of the employees at our Lucky Friday unit are represented by a union. The current collective bargaining agreement with workers at our Lucky Friday unit expires on April 30, 2016. As a result of the requirement to remove built-up cementitious material from the Silver Shaft, underground access was limited and production temporarily suspended at the Lucky Friday, forcing Hecla Limited to lay off 121 employees in January 2012 (approximately 25 of those employees accepted temporary positions at other Hecla operations). With the resumption of production in early 2013, employment at the Lucky Friday returned to roughly its level prior to the suspension of production. See *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - The Lucky Friday Segment* .

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. 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 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. 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.

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 11, 2014, and indicated that the CEO was not aware of any violations of the Listing Standards.

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;

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- 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 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 16, 2015, the closing prices for silver, gold, lead and zinc were $17.27 per ounce, $1,229 per ounce, $0.83 per pound and $0.98 per pound, respectively.

The acquisition of Aurizon increased our exposure to gold price volatility.

The financial results of our Casa Berardi unit, obtained through the acquisition of Aurizon in June 2013, are highly sensitive to changes in the price of gold, and the acquisition of Aurizon increased the sensitivity of our results to such changes. Gold prices fluctuate and are affected by numerous factors, including expectations with respect to the rate of inflation, exchange rates, interest rates, global and regional political and economic crises and governmental policies with respect to gold holdings by central banks. The demand for and supply of gold affects gold prices but not necessarily in the same manner as demand and supply affect the prices of other commodities. The supply of gold consists of a combination of mine production and existing stocks of bullion and fabricated gold held by governments, public and private financial institutions, industrial organizations and private individuals. The demand for gold consists primarily of jewelry and investment demand. We do not use forward sale contracts, or other derivative products, to protect the price level of future gold sales at the Casa Berardi unit, and as a result, those sales are exposed to commodity price risk.

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 that 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 analysis of the carrying values of our assets, as the evaluation approach 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. Because the average estimated undiscounted cash flows exceeded the carrying values of our long-lived assets, we did not record impairments as of December 31, 2014. 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.

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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 a net loss for the year ended December 31, 2014. 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; 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.

Commodity risk management activities could prevent us from realizing possible revenues 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 possible revenues in the event that the market price of a metal exceeds the price stated in a forward sale contract. 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.

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 to manage the exposure to changes in the prices of lead and zinc contained in our forecasted future concentrate shipments. See *Note 10* of *Notes to Consolidated Financial Statements* for more information on these base metals 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 metals prices;
- environmental, reclamation and closure obligations;
- asset impairments;
- valuation of business combinations;

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- 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 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," "Our environmental obligations may exceed the provisions we have made," and* "*We are currently involved in ongoing legal disputes that may materially adversely affect us."*

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. We currently have no deferred tax valuation allowances, with the exception of certain amounts related to foreign net operating loss carryforwards, and our current and non-current deferred tax asset balances as of December 31, 2014 were $12.0 million and $98.9 million, respectively. See *Note 5* of *Notes to Consolidated Financial Statements* for further discussion of our deferred tax assets.

Global financial events 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 continuation or re-emergence of the financial crisis or recession, or disruption of key sectors of the economy such as oil and gas, may

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.

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

We maintain defined benefit pension plans for U.S. employees, which provide for defined benefit payments after retirement for most U.S. employees. Canadian employees participate in Canada's public retirement system, 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. A sustained period of low returns or losses on investments 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.

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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 current debt obligations.

As of December 31, 2014, we had total indebtedness of approximately $521.6 million. Our level of debt and our debt service obligations could:

- make it more difficult for us to satisfy our current debt obligations;
- 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 lower leverage;
- increase our cost of borrowing; and
- limit our ability to borrow additional funds.

Our subsidiaries may be able to incur substantial additional indebtedness in the future. Although the indenture governing our outstanding debt securities 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. We have $100 million in available capacity to be drawn from our revolving credit facility.

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.

The terms of our debt impose restrictions on our operations.

The indenture governing our outstanding debt securities 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 will, among other things:

- make it more difficult for us to satisfy our obligations with respect to our outstanding debt securities 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;

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- place us at a disadvantage compared to other, less leveraged competitors; and
- increase our cost of borrowing additional funds.

In addition, utilization of our revolving credit facility would require 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 outstanding debt securities. 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 outstanding debt securities.

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. We cannot assure you that our business will generate sufficient cash flow from operations or that borrowings will be available to us to pay the principal, premium, if any, and interest on our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our debt on or before maturity. We may be unable to refinance any of our debt on commercially reasonable terms or at all.

In addition, we conduct substantially all of our operations through our subsidiaries, certain of which will not be 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 on 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 outstanding debt securities 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 outstanding debt securities 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.

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

Borrowings under our revolving credit facility would be 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.

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

The 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 are effectively subordinated to our and our 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.

Our current credit facility allows us to draw up to $100 million on a revolving basis, all of which would be secured debt.

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 do not guarantee 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 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 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, 2014, our non-guarantor subsidiaries represented 33% of our sales of metals and 32% of our other operating expenses. As of December 31, 2014, our non-guarantor subsidiaries represented 36% of our total assets and 22% of our total liabilities, including trade payables, deferred tax liabilities and royalty obligations but excluding intercompany liabilities.

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.

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We may be unable to repurchase Senior Notes and any outstanding loans under our revolving credit facility could be accelerated 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 governing the Senior Notes, 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 any outstanding 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 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.

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.

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.

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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 were found to be fraudulent conveyances. The United States Court of Appeals for the Eleventh Circuit recently 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.

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 void the payment obligations under the Senior Notes or such guarantee, could subordinate the Senior Notes or such guarantee to presently existing and future indebtedness of ours or of the related subsidiary guarantor or could 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. 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, the bankruptcy court may 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 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. 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.

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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 as a result of 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. Both of the Lucky Friday and Casa Berardi mines have a history of ground instability and related incidents. All of our mines are subject to risks relating to ground instability, including, but not limited to, crown pillar collapse or stope failure. 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.

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 and ground falls;
- 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;
- 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.

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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;
- 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. We have received some payment for business interruption insurance claims related to the temporary suspension of operations at the Lucky Friday mine and continue to seek further reimbursement (see the risk factor above titled "*Mining accidents or other adverse events at an operation could decrease our anticipated production")*. 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.

Our 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 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;

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- capital and operating costs of a development project;
- environmental considerations and permitting;
- 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.

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, and 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;

- reduced metal recovery; and

- changes in 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;

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- reductions in reserves;
- write-downs of asset values; and
- mine closure.

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 and decrease the value of our stock.

One of the risks we face is that mines are depleting assets. Thus, 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.

The #4 Shaft project, an internal shaft at the Lucky Friday mine, is expected, upon its completion, to provide deeper access in order to increase the mine's production and operational life. The #4 Shaft project, as currently designed, is expected to involve development down to the 8800 foot level and capital expenditures of approximately $215 million, which includes approximately $165 million that has been spent on the project as of December 31, 2014. We believe that our current capital resources will allow us to complete the project by its estimated completion target of 2016. However, there are a number of factors that could affect completion of the project as currently designed, including: (i) a significant decline in metals prices, (ii) a reduction in available cash or credit, whether arising from decreased cash flow or other uses of available cash, (iii) increased regulatory compliance, or (iv) a significant increase in operating or capital costs. One or more of these factors could potentially require us to suspend the project, defer or eliminate some of the planned development, or access additional capital through debt financing, the sale of securities, or other external sources. This additional financing could be costly or unavailable.

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. See *Note 15* of *Notes to Consolidated Financial Statements*.

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

We sell our metallic concentrates to custom smelters and brokers. Our doré bars are sent to refiners for further processing before being sold to metal traders. If we are unable to sell concentrates to our 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.

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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. For example, on June 1, 2013, we acquired all of the outstanding common stock of Aurizon Mines Ltd., giving us 100% ownership of the Casa Berardi mine and other mineral interests. Although we are pursuing opportunities that we feel are in the best interest of our stockholders, these pursuits are costly and often unproductive. Inherent risks in acquisitions we may undertake in the future could adversely affect our current business and financial condition and our growth.

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, and any acquisition we may undertake is subject to inherent risks. In addition to the risk associated with limited mine lives, we may not realize the value of the companies or properties that are acquired due to a possible decline in metals prices, failure to obtain permits, labor problems, changes in regulatory environment, failure to achieve anticipated synergies, an inability to obtain financing, and other factors previously described. Acquisitions of other mining companies or properties may also expose us to new geographic, political, operating, and geological risks. In addition, we face strong competition for companies and properties from other mining companies, some of which have greater financial resources than we do, and we may be unable to acquire attractive companies and mining properties on terms that we consider acceptable.

Our business depends on finding skilled miners and maintaining good relations with our employees.

We are dependent upon the ability and experience of our executive officers, managers, employees and other personnel, and there can be no assurance that we will be able to retain such employees. We compete with other companies both in and outside the mining industry in recruiting and retaining qualified employees 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. The loss of these persons or our inability to attract and retain additional highly skilled employees could have an adverse effect on our business and future operations. The Lucky Friday mine is our only operation subject to a collective bargaining agreement, which expires on April 30, 2016.

In March 2012, Hecla Limited received notice of a complaint filed against it by the United Steel Workers, Local 5114, with the U.S. Mine Safety Health Review Commission for compensation for bargaining unit workers at the Lucky Friday mine who were idled as a result of the temporary suspension of production at the mine (see the *Other Contingencies* section of *Note 7* of *Notes to Consolidated Financial Statements* for more information).

Competition from other mining companies may harm our business.

We compete with other mining companies to attract and retain key executives, skilled labor, and other employees. We also compete with other mining companies 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. We also compete with other mining companies for rights to mine properties. We may be unable to continue to obtain the services of skilled personnel and contractors or specialized equipment or supplies, or to acquire additional rights to mine properties.

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

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

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Our foreign activities are subject to additional inherent risks.

On June 1, 2013, we completed the acquisition of Aurizon, giving us 100% ownership of the producing Casa Berardi mine, along with interests in various other properties, in Quebec, Canada. See *Note 15* of *Notes to Consolidated Financial Statements* for more information. In addition, we currently conduct exploration and pre-development activities in Mexico and continue to own assets, including real estate and mineral interests there. We anticipate that we will continue to conduct operations in Canada, Mexico, and possibly other international locations in the future. Because we conduct operations internationally, we are subject to political 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;
- exchange controls and export restrictions;
- expropriation or nationalization of assets with inadequate compensation;
- currency fluctuations, particularly in the exchange rate between the Canadian dollar and U.S. dollar;
- 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;
- 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;
- civil disturbances, war and terrorist actions; and
- seizures of assets.

Consequently, our exploration, development and production activities outside of the United States may be substantially affected by factors beyond our control, any of which could materially adversely affect our financial condition or results of operations. Fluctuations in exchange rates may impact our earnings, the value of assets held abroad and our operating and capital costs in foreign jurisdictions.

We may be unable to successfully integrate the operations of the properties we acquire, including the Aurizon properties.

Integration of the operations of the properties we acquire with our existing business will be 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 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 our 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 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 of the anticipated benefits from any future acquisitions, 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, inaccurate reserve estimates 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 acquisitions 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 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.

The acquisition of Aurizon exposes us to additional political risks.

Our properties obtained through the acquisition of Aurizon are located in areas of Quebec, Canada which 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 now have mineral projects in Quebec that 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 and 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.

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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 have adverse financial effects or cause 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. For example, we estimate that our Greens Creek tailings impoundment area has sufficient capacity to meet our needs through the end of 2016. In order to increase the tailings capacity at the mine, certain permits are required. 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 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 could provide a basis to revoke existing permits or to deny the issuance of additional permits. 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 the 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.

We face substantial governmental regulation and environmental risk.

Our business is subject to extensive U.S. and foreign, federal, state and local laws and regulations governing development, production, labor standards, health and safety, the environment and other matters. For example, our operating mines in the United States frequently receive citations under the Mine Safety and Health Act, as administered by MSHA. Further, we have been and are currently involved in lawsuits or disputes 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 disputes in the future. See the risk factor below titled "*Our environmental obligations may exceed the provisions we have made*."

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Exposure to these liabilities arises not only from our existing operations, but also from operations that have been closed, sold to third parties, or properties in which we had a leasehold, joint venture, or other interest. With a history dating back to 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, the federal government or private parties could seek to hold Hecla Limited or Hecla Mining Company liable for the actions of certain subsidiaries under "alter ego" or similar theories which seek to disregard the separateness of corporate entities within our consolidated corporate group.

We are required to reclaim properties and specific requirements vary among jurisdictions. In some cases, we may be required to provide financial assurances as security for reclamation costs, which may exceed our estimates for such costs. Our historical operations and the historical operations of entities and properties we have acquired have occasionally been alleged to have generated environmental contamination. We could also be held liable for worker exposure to hazardous substances. There can be no assurance that we will at all times be in compliance with all environmental, health and safety regulations or that steps to achieve compliance would not materially adversely affect our business.

In addition to existing regulatory requirements, legislation and regulations may be adopted or permit limits reduced at any time that 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, whether or not at our mines or related to metals mining, may increase the likelihood of additional regulation or changes in law. In addition, enforcement or regulatory tools and methods available to governmental regulators such as the U.S. Environmental Protection Agency, which have not been or have seldomly been used against us, could be used against us. Federal or state environmental or mine safety regulatory agencies may order certain of our mines to be temporarily or permanently closed, which may have a material adverse effect on our cash flows, results of operations, or financial condition.

Legislative and regulatory measures to address climate change and green house 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, if we are unable to regularly access hydroelectric power. Climate change legislation may also affect our smelter customers who burn fossil fuels, resulting in 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.

From time to time, the U.S. Congress considers proposed amendments to the General Mining Law of 1872, as amended (the “General 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 General 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.

The Clean Water Act requires permits for operations that discharge into waters of the United States. Such permitting has been a frequent subject of litigation by environmental advocacy groups, which has resulted, and may in the future result, in declines in such permits or extensive delays in receiving them. This may result in delays in, or in some instances preclude, the commencement or continuation of development or production operations. Adverse outcomes in lawsuits challenging permits or failure to comply with applicable regulations could result in the suspension, denial, or revocation of required permits, 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*.

Our environmental obligations may exceed the provisions we have made.

We are subject to significant environmental obligations. At December 31, 2014, we had accrued $57.3 million as a provision for environmental obligations. For information on our potential environmental liabilities, see *Note 4* and *Note 7* of *Notes to Consolidated Financial Statements*.

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

Certain of the products we ship to our customers are subject to regulatory requirements regarding packaging, handling and shipping 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 packaging, handling and shipping 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, we could be forced to find alternative shipping arrangements, assuming such alternatives would be available. Any such changes to our current shipping arrangements 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 would 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, the validity of which 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 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.

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

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- 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 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 outstanding debt securities 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 potential dividend amounts under the first component of the policy at various silver prices.

From the fourth quarter of 2011 through and including the fourth quarter of 2014, 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 outstanding 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 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.

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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.

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;

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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.

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 be 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 16, 2015, was $3.42.

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.

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 various of our subsidiaries control collectively of 100% of the Greens Creek mine.

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 639 unpatented lode mining claims, 58 patented lode claims and one patented mill site. 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.

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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/tennanite.

Pursuant to a 1996 land exchange agreement, the joint venture transferred private property equal to a value of $1.0 million to the U.S. Forest Service 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 is adjusted annually according to the Gross Domestic Product (GDP) Implicit Price Deflator until the year 2016, and at December 31, 2014, was at approximately $157 per ton when applying the latest GDP Implicit Price Deflator.

Greens Creek is an underground mine accessed by a ramp from surface which produces approximately 2,100 to 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. Doré and 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. In 2014, ore was processed at an average rate of approximately 2,236 tons per day and total mill recovery was approximately 72% silver, 87% zinc, 77% lead and 63% gold. The doré is further refined by precious metal refiners and sold to banks, and the three concentrate products are sold to a number of major smelters and brokers 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.

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Underground exploration activities at the Greens Creek unit during 2014 focused on continued expansion of the Deep 200 South mineralized zone along trend of the already-existing mineralization to the south, at the NWW, and Gallagher Fault Block zones. Definition drilling of the Deep 200 South, NWW, and West Wall zones resulted in additions to reserves. The 2014 surface exploration program focused on the Killer Creek area and consisted of 23,214 feet of core drilling in 5 holes. Drilling has confirmed and expanded on a broad, locally high-grade copper, silver and zinc system associated with stockwork veining intersected in the 2013 exploration program. At depth, a number of holes intersected densely pyritic laminated argillite that thickened with depth and were anomalous in silver and zinc. This may imply the existence of another mine horizon which could host another ore deposit at Killer Creek and elsewhere on the property. Objectives for the 2015 season are to further evaluate the south Killer Creek and High Sore areas, both of which are less than one mile from the current Greens Creek mine. All exploration efforts in 2015 are expected to be concentrated on near mine targets with the goal of increasing known mineralization at the Greens Creek mine.

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 415 employees at the Greens Creek unit at December 31, 2014.

As of December 31, 2014, we have recorded a $39.2 million asset retirement obligation for reclamation and closure costs. We maintained a $68.9 million reclamation and long-term water treatment bond for Greens Creek as of December 31, 2014. The net book value of the Greens Creek unit property and its associated plant, equipment and mineral interests was approximately $651 million as of December 31, 2014.

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Based on current ore reserve estimates, the currently known remaining mine life at Greens Creek is 9 years. Information with respect to production, average Cash Cost, After By-product Credits, Per Silver Ounce and proven and probable ore reserves is set forth in the following table.

	Years Ended December 31,		
Production	2014	2013	2012
Ore milled (tons)	816,213	805,322	789,569
Silver (ounces)	7,826,341	7,448,347	6,394,235
Gold (ounces)	58,753	57,457	55,496
Zinc (tons)	59,810	57,614	64,249
Lead (tons)	20,151	20,114	21,074
Average Cost, After By-product Credits, Per Silver Ounce Produced[1]			
Cash Cost, After By-product Credits, Per Silver Ounce	$2.89	$4.42	$2.70
Proven Ore Reserves[2,3,4,5,6,7]			
Total tons	4,700	14,100	12,000
Silver (ounces per ton)	15.7	12.9	12.0
Gold (ounces per ton)	0.10	0.13	0.09
Zinc (percent)	9.2	8.1	8.9
Lead (percent)	3.7	3.0	3.4
Contained silver (ounces)	74,200	181,700	112,500
Contained gold (ounces)	500	1,800	1,100
Contained zinc (tons)	440	1,150	930
Contained lead (tons)	180	430	330
Probable Ore Reserves[2,3,4,5,6,7]			
Total tons	7,691,000	7,782,800	7,845,600
Silver (ounces per ton)	12.2	11.9	12.0
Gold (ounces per ton)	0.10	0.09	0.09
Zinc (percent)	8.3	8.7	9.0
Lead (percent)	3.1	3.3	3.4
Contained silver (ounces)	93,946,900	92,338,300	94,481,200
Contained gold (ounces)	738,200	710,900	718,400
Contained zinc (tons)	639,490	676,800	702,300
Contained lead (tons)	240,670	255,700	267,410
Total Proven and Probable Ore Reserves[2,3,4,5,6,7]			
Total tons	7,695,700	7,796,900	7,857,600
Silver (ounces per ton)	12.2	11.9	12.0
Gold (ounces per ton)	0.10	0.09	0.09
Zinc (percent)	8.3	8.7	9.0
Lead (percent)	3.1	3.3	3.4
Contained silver (ounces)	94,021,100	92,520,000	94,593,700

Contained gold (ounces)	738,700	712,700	719,500
Contained zinc (tons)	639,930	677,950	703,230
Contained lead (tons)	240,850	256,130	267,740

(1) Includes by-product credits from gold, lead and zinc production. Cash Cost, After By-product Credits, Per Silver Ounce represents a measurement that is not in accordance with GAAP that management uses to monitor and evaluate the performance of our mining operations. We believe Cash Cost, After By-product Credits, Per Silver Ounce provides an indicator 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 mining operating properties. A reconciliation of this non-GAAP measure to cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, can be found in *Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations,* under *Reconciliation of Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) to Costs of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (GAAP).*

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(2) Estimates of proven and probable ore reserves for the Greens Creek unit as of December 2014, 2013 and 2012 are calculated and reviewed in-house and are derived from successive generations of reserve and feasibility analyses for different areas of the mine, using a separate assessment of metals prices for each year. The average prices used for the Greens Creek unit were:

	December 31,		
	2014	2013	2012
Silver (per ounce)	$17.25	$20.00	$26.50
Gold (per ounce)	$1,225	$1,300	$1,400
Lead (per pound)	$0.95	$0.90	$0.85
Zinc (per pound)	$0.90	$0.80	$0.85

(3) Ore reserves represent in-place material, diluted and adjusted for expected mining recovery. Mill recoveries of ore reserve grades differ with ore grades, and the 2014 reserve model assumes average total mill recoveries of 72% for silver, 63% for gold, 76% for zinc and 69% for lead.

(4) The changes in reserves in 2014 versus 2013 are due to the addition of data from new drill holes, partially offset by continued depletion of the deposit through production and lower metals price assumptions. The changes in reserves in 2013 versus 2012 were due to continued depletion of the deposit through production and lower metals price assumptions, partially offset by the addition of data from new drill holes and development work.

(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 2014 represents stockpiled ore. Cutoff grade assumptions vary by orebody 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 was $190 per ton NSR.

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

(7) An independent review by Amec Foster Wheeler E&C, Inc. occurred in 2012. The review included the 2012 model containing a portion of the 200 South zone that is included in reserves.

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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. 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. 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 demonstrated to contain higher silver grades, represents approximately 67% of our current proven and probable ore reserve tonnages, while the remaining 33% of our reserves are contained in various intermediate veins having lower silver grades than 30-vein. 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.

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. Current processing capacity of the Lucky Friday facility is approximately 1,000 tons per day. As discussed further below, production at Lucky Friday was temporarily suspended during 2012 and then ramped up during 2013 to historical levels. Lucky Friday reached full production in late September 2013, averaging 837 tons milled per day. In 2014, production increased to 847 tons per day, and total mill recovery was approximately 95% silver, 94% lead, and 78% zinc. All lead and zinc concentrate production during 2014 was shipped to Teck Cominco Limited's smelter in Trail, British Columbia, Canada.

Underground exploration activities have been suspended at the Lucky Friday unit since 2013, with a plan to resume exploration once deeper drill stations become available with the advance of the #4 Shaft (discussed below). Definition drilling from the 6500 level #4 shaft drill platform completed 22 holes, for a total footage of 27,157 feet, during 2014. This drilling was all within the central portion of the vein system and in-fill drilled for upgrades in the quality of the mineralized material and other resources between the 6600 and 7900 levels.

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Based on current estimates of reserves, mineralized material, and other resources, the currently expected mine life at the Lucky Friday is approximately 28 years. Information with respect to the Lucky Friday unit's production, average Cash Cost, 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.

	Years Ended December 31,		
Production	**2014**	**2013**	**2012**
Ore milled (tons)	309,070	174,331	—
Silver (ounces)	3,239,151	1,459,000	—
Lead (tons)	20,104	10,260	—
Zinc (tons)	8,159	3,793	—
Average Cost per Ounce of Silver Produced[1]			
Cash Cost, After By-product Credits, Per Silver Ounce	$9.44	$19.21	$—
Proven Ore Reserves[2,3,4,5,6]			
Total tons	3,839,600	3,707,800	2,206,600
Silver (ounces per ton)	13.7	12.1	12.1
Lead (percent)	8.3	7.3	7.4
Zinc (percent)	2.6	2.3	2.7
Contained silver (ounces)	52,556,000	44,891,500	26,778,900
Contained lead (tons)	318,610	270,150	163,350
Contained zinc (tons)	98,230	86,360	58,560
Probable Ore Reserves[2,3,4,5,6]			
Total tons	2,043,200	2,698,000	1,931,700
Silver (ounces per ton)	12.9	12.0	14.8
Lead (percent)	7.4	7.2	8.7
Zinc (percent)	2.2	2.6	3.2
Contained silver (ounces)	26,346,100	32,351,800	28,676,000
Contained lead (tons)	151,590	193,110	167,390
Contained zinc (tons)	44,910	69,180	62,300
Total Proven and Probable Ore Reserves[2,3,4,5,6]			
Total tons	5,882,800	6,405,800	4,138,300
Silver (ounces per ton)	13.4	12.1	13.4
Lead (percent)	8.0	7.2	8.0
Zinc (percent)	2.4	2.4	2.9
Contained silver (ounces)	78,902,100	77,243,300	55,454,900
Contained lead (tons)	470,200	463,260	330,740
Contained zinc (tons)	143,140	155,540	120,860

(1) Includes by-product credits from lead and zinc production. Cash Cost, After By-product Credits, Per Silver Ounce represents a measurement that is not in accordance with GAAP that management uses to monitor and evaluate the

performance of our mining operations. We believe Cash Costs, After By-product Credits, Per Silver Ounce provides an indicator 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 mining operating properties. A reconciliation of this non-GAAP measure to cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, can be found in *Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations,* under *Reconciliation of Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) to Costs of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (GAAP).*

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(2) 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 the Lucky Friday, the cutoff grade is expressed in terms of net smelter return ("NSR"), rather than metal grade. The cutoff grade at the Lucky Friday ranges from $129 per ton NSR to $149 per ton NSR. Our estimates of proven and probable reserves are based on the following metals prices:

	December 31,		
	2014	**2013**	**2012**
Silver (per ounce)	$17.25	$20.00	$26.50
Lead (per pound)	$0.95	$0.90	$0.85
Zinc (per pound)	$0.90	$0.80	$0.85

(3) 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. Total mill recoveries are expected to be 95% for silver, 95% for lead and 90% for zinc.

(4) The change in reserves in 2014 from 2013 was because of lower silver prices and depletion of the deposit through production, partially offset by inclusion of definition drilling information from 2014. The changes in reserves in 2013 versus 2012 were due to inclusion of definition drilling information from 2013 and the advance of mine design and planning at the lower and upper limits of the mine, partially offset by depletion of the deposit through production and lower metals price assumptions.

(5) 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, Senior Resource Geologist at Hecla Limited and Dean McDonald, Senior Vice President of Exploration.

(6) An independent audit by Roscoe Postle Associates Inc. was completed in 2013 for the 2012 reserve model at the Lucky Friday mine.

At the end of 2011, MSHA began a special impact inspection which resulted in an order to remove built-up cementitious material from the Silver Shaft, the primary access way from surface. In response, we submitted a plan to MSHA and received approval to remove the built-up cementitious material, and that work commenced in the first quarter of 2012. Once the shaft cleanup was complete down to the 4900 level, work on a haulage way bypassing the area at 5900 level impacted by a rock burst commenced. Work on the Silver Shaft and the haulage way was completed in the first quarter of 2013. Underground access was temporarily limited as this work was being performed, and production was suspended from late 2011 until early 2013 as a result. Limited production commenced in the first quarter of 2013 and the mine has been at full production since September 2013.

During 2008, we initiated engineering, procurement and development activities relating to construction of #4 Shaft, which, upon completion, would provide access from the 4900 level down to the 8800 level. The project was temporarily placed on hold in the fourth quarter of 2008 due to then prevailing metals prices. However, detailed engineering, long lead time procurement, and other early-stage activities for the internal shaft project resumed in 2009. #4 Shaft sinking activities were temporarily suspended until the rehabilitation work in the Silver Shaft, discussed above, was completed in early 2013. Activities relating to the #4 Shaft project as of December 31, 2014 have included engineering, detailed shaft design, excavation of the hoist room and off shaft development access to shaft facilities, installation of the hoist and head works, placement and receipt of orders for major equipment purchases, advancement of a geotechnical drill hole, 2,828 feet of vertical excavation, and other construction activities. Upon completion, #4 Shaft should allow us to mine mineralized material below our current workings and provide deeper platforms for exploration. Construction of #4 Shaft is expected to be completed in 2016, and capital expenditures for the project are anticipated to total approximately $215 million, including approximately $165 million spent on the project through December 31, 2014. However, there are a number of factors that could affect completion of the project, including a significant decline in metals prices, a reduction in available cash or credit, increased regulatory burden, or a significant increase in operating or capital costs. An increase in the capital cost could potentially require us to suspend or change the scope of the project or access additional capital though debt financing, the sale of securities, or other external sources. This additional financing could be costly or unavailable.

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During 2014, Lucky Friday began implementing 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 Pond 4 borrow site and achieved final stabilization of the site prior to onset of winter conditions. Lastly, Lucky Friday has developed a design for closure of tailings pond 3 which will be submitted to Idaho Department of Water Resources for review in early 2015 with subsequent construction planned. At December 31, 2014, an asset retirement obligation of approximately $1.1 million had been recorded for reclamation and closure costs.

The net book value of the Lucky Friday unit property and its associated plant, equipment and mineral interests was approximately $349.8 million as of December 31, 2014. The age of the facilities at Lucky Friday ranges from the 1950s to 2014.

At December 31, 2014, there were 307 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 239 hourly employees. The current labor agreement expires on April 30, 2016. As a result of the requirement to remove built-up cementitious material from the Silver Shaft, which limited underground access and temporarily suspended production, Hecla Limited laid off 121 employees in January 2012, with approximately 25 of those employees accepting temporary positions at other Hecla operations. Lucky Friday completed the recall/rehire of the laid off employees in January 2013.

Avista Corporation supplies electrical power to the Lucky Friday unit.

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 Western Quebec, Canada. The mining site is reached via a 38 kilometers all season gravel road which connects with the provincial and national paved roads grid. The property is limited to the west by the Quebec/Ontario border and covers parts of Casa Berardi, Dieppe, Raymond, D'Estrees, and Puiseaux townships. The project area extends east-west for more than 37 kilometers and reaches 3.5 kilometers in width. The Casa Berardi mine gold deposits are located along a 5 kilometer east-west mineralized corridor.

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 metres 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.

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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 Principale 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 north-western boundary of the Abitibi greenstone belt.

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.

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 Conquérants 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 mine), and a number of forestry roads provide access to the rest of the project area, from east and west.

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 $749.7 million as of December 31, 2014. As of December 31, 2014, we have recorded a $6.2 million asset retirement obligation for reclamation and closure costs. We maintained a letter of credit as financial guarantee for future reclamation and closure work.

Hecla’s wholly owned subsidiary, Hecla Quebec Inc., owns a 100% interest in the mineral titles and mining leases that comprise the Casa Berardi mine. The Casa Berardi mine is composed of 296 contiguous designated claims, covering a total area of approximately 36,660 acres, and two mining leases, BM 768 and BM 833, covering areas of 981 acres and 208 acres, respectively. The total property area is 37,849 acres. We believe the claims and mining leases that comprise the Casa Berardi mine are in good standing. Mining lease 768 expires in 2018 and mining lease 833 expires in 2015; however, each lease is subject to renewal for three 10-year terms, which we expect to occur following an administrative procedure with the Quebec government in accordance with the Quebec Mining Act. In 2007, Lake Shore Gold Corp. (“Lake Shore”) was granted an option to earn a 50% joint venture interest in most of the property, excluding the two mining leases (which represent all of the mine’s current production), by incurring exploration expenditures. To date, Lake Shore has not elected to earn in to the joint venture. The part of the property impacted by this agreement, which is all exploration property and not production, includes 227 claims adjacent to the east and west of the Casa Berardi mine, and covers an area of 11,630 hectares.

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, 2014, the claims and leases comprising part of the Casa Berardi mine have excess work credits of CAD$11.9 million.

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The project consists of 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 galleries connecting both shafts provide access and underground services to ore zones. The surface infrastructures include a 3,100 tons per day (over 1,100,000 tons per year) cyanidation processing mill, 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:

Prior to Aurizon's ownership, the Casa Berardi underground mine operated from 1988 to 1997, producing approximately 3.5 million tonnes of ore at an average gold grade of 7.1 grams/tonne from two sites, the West Mine and the East Mine. Aurizon's operations from 2006 to 2012 produced approximately 4.1 million tonnes of ore at an average gold grade of 7.8 grams/tonne. 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.

Casa Berardi is an underground trackless mine accessed by declines and a shaft, which produces approximately 2,260 tons of ore per day. The mining methods are longhole transversal stoping in 10 metres or more mineralization width, and longitudinal retreat stoping in narrower ore bodies. The mineralized zones put in reserves are of varying thickness, ranging from a few tens of meters to 3 metres, 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. The deepened shaft is expected to lower operating costs in future years as the mining horizon deepens and should also eventually provide a platform for deeper exploration.

The gold recovery process is based on the 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. In 2014, total mill recovery of gold was approximately 90%.

Current reserves at the Casa Berardi mine comprise eight 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, 118-123 Zones, Principale Zones (open pit and underground) and the East Mine 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 (55º to 85º) 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 45º).

A transverse blasthole open stoping mining method was selected for the Casa Berardi mine to provide the desired production rate. 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.

A very small part of the mineral reserves is planned for longitudinal sequencing, limited to the fringes of the small zones. 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.

The transverse mining method is used in areas with wide mineralization (10 meters wide or more) and good access from nearby development. The blasthole longitudinal mining method will be used in areas with narrow mineralization, or long distances from development infrastructure.

The East Mine Crown Pillar ("East Mine") open pit, as currently designed, would be a smaller scale operation using conventional open pit mining methods. The East Mine open pit is expected to run for approximately 3 years of production. The average amount of material to be moved every six month period is anticipated to be approximately 150,000 to 200,000 tons of ore, with variable quantities of waste.

The Principale Zone open pit, as currently designed, would be mined using conventional open pit mining methods. The Principale Zone open pit is expected to run for slightly over 3 full years of production. The average amount of material being moved every six month period is expected to approximate 550,000 to 610,000 tons of ore, with variable quantities of waste.

The mine and mill complex were designed to process over 1,100,000 tons of ore per year at a rate of 3,100 tons per day. Difficult ground conditions and bottlenecks in stope preparation have limited underground production to levels below the designed capacity. In 2014, the mill processed approximately 827,580 tons, for an average of 2,267 tons per day. The current life of mine plan is based on an average milling rate of 2,500 tons per day until 2017. From 2017 on, the mill capacity is expected to increase to 3,400 tons per day for the remaining mine life. The increase in capacity is expected to allow for milling of mine ore from open pits.

Based on current ore reserve estimates, the known life of mine plan totals 12.5 million tons of ore grading 0.13 ounces of gold per ton, with production for approximately 10 years. The projected open pit production is anticipated to be used to support a planned expansion of processing operations to approximately 3,400 tons per day. Such throughput is planned to occur from 2017 to 2024.

At Casa Berardi in-stope drilling refines orebody shapes and gold grade distributions within the orebodies for mine planning. Underground definition drilling involves evaluating the down dip or down plunge projections of our existing ore zones, and exploration drilling evaluates similar trends but beyond currently defined mineralization. Exploration drilling also evaluates previously untested targets identified along major structural trends such as the Casa Berardi Fault and a number of structures or zones that may be mineralized. During 2014, a total of five drills operated underground to refine current resources and stope designs in the 113, 117, 118, 123, and 124 Zones. Surface and underground exploration drilling targeted the up and down plunge mineralization extensions of the 124 and 140 Zones.

The proposed 2015 underground in-stope and definition drill programs are expected to appraise the Southwest and Lower Inter vein systems and high grade ore shoots of the 113, 123 and 124 Zones. Underground exploration drilling is expected to evaluate extensions of the 113, 118, 123 (Golden Pond), 124 and 157 (East Mine) Zones. Surface exploration drilling is expected to concentrate on the deeper, down plunge extensions of the 123, 124 and 157 Zones located close to the East Mine underground infrastructure.

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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 542 employees at the Casa Berardi unit at December 31, 2014.

Information with respect to the Casa Berardi unit's production, average Cash Cost, After By-product Credits, Per Gold Ounce and proven and probable ore reserves for 2014 and 2013 is set forth in the table below.

	Year Ended December 31,	**Seven Months Ended December 31,**
Production	**2014**	**2013**
Ore milled (tons)	827,580	387,608
Gold (ounces)	128,244	62,532
Silver (ounces)	25,014	12,381
Average Cost, After By-products, Per Gold Ounce Produced[1]		
Cash Cost, After By-product Credits, Per Gold Ounce	$826.35	$950.79
Proven Ore Reserves[2,3,4,5]		
Total tons	1,605,700	1,106,300
Gold (ounces per ton)	0.15	0.17
Contained gold (ounces)	237,000	185,100
Probable Ore Reserves[2,3,4,5]		
Total tons	7,806,200	7,932,800
Gold (ounces per ton)	0.14	0.15
Contained gold (ounces)	1,100,100	1,208,500
Total Proven and Probable Ore Reserves[2,3,4,5]		
Total tons	9,411,900	9,039,100
Gold (ounces per ton)	0.14	0.15
Contained gold (ounces)	1,337,100	1,393,600

(1) Includes by-product credits from silver production. Cash Cost, After By-product Credits, Per Gold Ounce represents a measurement that is not in accordance with GAAP that management uses to monitor and evaluate the

performance of our mining operations. We believe Cash Cost, After By-product Credits, Per Gold Ounce provides an indicator 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 mining operating properties. A reconciliation of this non-GAAP measure to cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, can be found in *Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations,* under *Reconciliation of Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) to Cost of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (GAAP).*

(2) 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 Casa Berardi, the cutoff grade is expressed in terms of net smelter return ("NSR"), rather than metal grade. The cutoff grade at Casa Berardi is assumed to be 0.116 ounces per ton for underground reserves and between 0.009 and 0.023 ounces per ton for open pit reserves. Our estimates of proven and probable reserves are based on prices of $1,225 and $1,300 per gold ounce for 2014 and 2013, respectively.

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(3) 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. Total mill recoveries for gold are expected to be approximately 90%.

(4) The change in reserves in 2014 compared to 2013 is a result of depletion of the deposit through production and a lower gold price assumption, offset by inclusion of definition drilling information from 2014.

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

(6) An independent review of the 2013 Casa Berardi reserve model was performed by Roscoe Postle Associates Inc.

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 Annual 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 16, 2015, there were 5,365 stockholders of record of our common stock. Our common stock quarterly high

and low sale prices for the past two years were as follows:

	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
2014 – High	$ 2.91	$ 3.52	$ 3.48	$ 3.76
– Low	$ 2.00	$ 2.47	$ 2.71	$ 2.98
2013 – High	$ 3.47	$ 3.98	$ 4.10	$ 6.15
– Low	$ 2.63	$ 2.72	$ 2.65	$ 3.91

Quarterly dividends were paid on our Series B Preferred Stock for 2012, 2013 and 2014, 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 common stock dividends declared by our Board of Directors:

Declaration date	(A) Silver-price-linked component per share	(B) Minimum annual component per share	(C) Special dividend per share	(A+B+C) Total dividend per share	Total dividend amount (in millions)	Month of payment
November 8, 2011	$ 0.02	$ —	$ —	$ 0.02	$ 5.6	December 2011
February 17, 2012	$ 0.01	$ 0.0025	$ —	$ 0.0125	$ 3.6	March 2012
May 8, 2012	$ 0.02	$ 0.0025	$ —	$ 0.0225	$ 6.4	June 2012
August 7, 2012	$ —	$ 0.0025	$ —	$ 0.0025	$ 0.7	September 2012
November 2, 2012	$ 0.02	$ 0.0025	$ —	$ 0.0225	$ 6.4	December 2012
February 25, 2013	$ —	$ 0.0025	$ 0.01	$ 0.0125	$ 3.6	March 2013
May 10, 2013	$ —	$ 0.0025	$ —	$ 0.0025	$ 0.7	June 2013
August 8, 2013	$ —	$ 0.0025	$ —	$ 0.0025	$ 0.9	August 2013
November 5, 2013	$ —	$ 0.0025	$ —	$ 0.0025	$ 0.9	December 2013
February 21, 2014	$ —	$ 0.0025	$ —	$ 0.0025	$ 0.9	March 2014
May 5, 2014	$ —	$ 0.0025	$ —	$ 0.0025	$ 0.9	June 2014
July 31, 2014	$ —	$ 0.0025	$ —	$ 0.0025	$ 0.9	September 2014
November 5, 2014	$ —	$ 0.0025	$ —	$ 0.0025	$ 0.9	December 2014
February 17, 2015	$ —	$ 0.0025	$ —	$ 0.0025	$ 0.9	March 2015

Because the average realized silver price for each quarter of 2013 and 2014 and the second and fourth quarters of 2012 was below the minimum threshold of $30 according to the policy, no silver-price-linked component was declared or paid. However, on February 25, 2013, our Board of Directors declared a special common stock dividend of $0.01 per share, in addition to the minimum dividend of $0.0025 per share, for an aggregate dividend of $3.6 million. 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.

The following table provides information as of December 31, 2014 regarding our compensation plans under which equity securities are authorized for issuance:

	Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Security Holders:			
2010 Stock Incentive Plan	—	N/A	15,414,727
1995 Stock Incentive Plan	259,342	5.47	—
Stock Plan for Non-employee Directors	—	N/A	555,167
Key Employee Deferred Compensation Plan	—	N/A	676,992
Total	259,342	5.47	16,646,886

See *Note 8* and *Note 9* of *Notes to Consolidated Financial Statements* for information regarding the above plans.

On June 1, 2013, we issued 56,997,790 unregistered shares of common stock to the former holders of common stock of Aurizon Mines Ltd. ("Aurizon") to partially fund the acquisition of Aurizon (see *Note 15* of *Notes to Consolidated Financial Statements).* The shares were not registered under the Securities Act of 1933 pursuant to an exemption from registration under Section 3(a)(10) of such act. We did not issue any unregistered equity securities in 2014 or 2012.

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The following performance graph compares the performance of our common stock during the period beginning December 31, 2009 and ending December 31, 2014 to the S&P 500, the S&P 500 Gold Index, a peer group for the year ending December 31, 2014 ("New Peer Group"), and a peer group for the year ending December 31, 2013. The New Peer Group consists of the following companies: Alamos Gold Inc., Allied Nevada Gold Corp., AuRico Gold Inc., Centerra Gold, Inc., Coeur Mining, Inc., Detour Gold Corporation, Endeavour Silver Corp., First Majestic Silver Corp., IAMGOLD Corporation, New Gold Inc., Pan American Silver Corp., Royal Gold, Inc., Silver Standard Resources Inc., Stillwater Mining Company, Tahoe Resources Inc., and Thompson Creek Metals Company Inc. The Old Peer Group consists of the following companies: Alamos Gold Inc., Allied Nevada Gold Corp., AuRico Gold Inc., Centerra Gold, Inc., Coeur Mining, Inc., Eldorado Gold Corp., Endeavour Silver Corp., First Majestic Silver Corp., Golden Star Resources Ltd., IAMGOLD Corporation, New Gold Inc., Osisko Mining Corp., Pan American Silver Corp., Silver Standard Resources Inc., and Stillwater Mining Company. The change in our 2014 peer group compared to the 2013 peer group was to add Detour Gold Corporation, Royal Gold, Inc., Tahoe Resources Inc., and Thompson Creek Metals Company Inc., and to remove Eldorado Gold Corp., Golden Star Resources Ltd., and Osiska Mining Corp., so that that group includes companies that we have determined to be within an acceptable revenue range. The graph assumes a $100 investment in our common stock and in each of the indexes and peer groups since the beginning of the period, and a reinvestment of dividends paid on such investments on a quarterly basis throughout the period.

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Date	Hecla Mining	S&P 500	S&P 500 Gold Index	2013 Old Peer Group	2014 New Peer Group
December 2009	$100.00	$100.00	$100.00	$100.00	$100.00
December 2010	$182.20	$115.06	$130.97	$143.25	$150.28
December 2011	$84.89	$117.49	$130.07	$113.87	$130.32
December 2012	$95.76	$136.30	$103.52	$108.18	$123.41
December 2013	$50.86	$180.44	$53.30	$58.41	$60.47
December 2014	$46.22	$205.14	$44.16	$51.28	$55.57

The stock performance information above is “furnished” and shall not be deemed to be “soliciting material” or subject to Rule 14A of the Exchange Act, shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, and shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this report and irrespective of any general incorporation by reference language in any such filing, except to the extent that it specifically incorporates the information by reference.

On May 8, 2012, we announced that our Board of Directors approved a stock repurchase program. Under the program, we are authorized to repurchase up to 20 million shares of our outstanding common stock from time to time in open market or privately negotiated transactions. See *Note 9* of *Notes to Consolidated Financial Statements* for more information. We made no purchases of our outstanding common stock during the quarter ended December 31, 2014.

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Item 6. Selected Financial Data

The following table (in thousands, except per share amounts, common shares issued, stockholders of record, and employees) sets forth selected historical consolidated financial data as of and for each of the years ended December 31, 2010 through 2014, and is derived from our audited financial statements. The data set forth below should be read in conjunction with, and is qualified in its entirety by, our Consolidated Financial Statements and the Notes thereto.

	2014	2013 (8)	2012 (8)	2011	2010
Sales of products	$500,781	$382,589	$321,143	$477,634	$418,813
Net income (loss)	$17,824	$(25,130)	$14,954	$151,164	$48,983
Preferred stock dividends [1,2]	$(552)	$(552)	$(552)	$(552)	$(13,633)
Income (loss) applicable to common stockholders	$17,272	$(25,682)	$14,402	$150,612	$35,350
Basic income (loss) per common share	$0.05	$(0.08)	$0.05	$0.54	$0.14
Diluted income (loss) per common share	$0.05	$(0.08)	$0.05	$0.51	$0.13
EBITDA [3]	$151,532	$69,130	$76,373	$283,365	$(12,103)
Total assets	$2,262,064	$2,232,119	$1,378,290	$1,396,090	$1,382,493
Accrued reclamation & closure costs [4]	$57,250	$105,191	$113,215	$153,811	$318,797
Non-current portion of debt and capital leases[5]	$512,129	$505,058	$11,935	$6,265	$3,792
Cash dividends paid per common share[6]	$0.01	$0.02	$0.06	$0.02	$—
Common shares issued and outstanding	367,376,863	342,663,381	285,209,848	285,289,924	258,485,666
Stockholders of record	5,571	6,435	6,630	6,943	7,388
Employees[7]	1,354	1,312	735	735	686

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(1) We declared and paid all quarterly dividends on our Series B preferred shares for 2010, 2011, 2012, 2013 and 2014 totaling $0.6 million for each of those years.

(2) We declared and paid all quarterly dividends on our 6.5% Mandatory Convertible Preferred Stock totaling $13.1 million for 2010. Dividends declared for the first and second quarters of 2010 were paid in shares of our common stock and dividends for the third and fourth quarters of 2010 were paid in cash. The cash dividend declared for the fourth quarter of 2010, which was paid in January 2011, represented the last dividend paid on the 6.5% Mandatory Convertible Preferred Stock, which automatically converted to shares of our common stock on January

1, 2011.

(3) Earnings before interest, taxes, depreciation, and amortization ("EBITDA") is a measurement that is not in accordance with GAAP. EBITDA is used by management, and we believe is useful to investors, for evaluating our operational performance. A reconciliation of this non-GAAP measure to net income (loss), the most comparable GAAP measure, can be found in *Item 7. — Management's Discussion and Analysis of Financial Condition and Results of Operations,* under *Reconciliation of Earnings Before Interest, Taxes, Depreciation, and Amortization (non-GAAP) to Net Income (Loss) (GAAP).*

(4) In the fourth quarter of 2010, we recorded an accrual of $193.2 million to reflect our liability for environmental obligations in Idaho's Coeur d'Alene Basin pursuant to negotiations with the plaintiffs in the Coeur d'Alene Basin environmental litigation and the State of Idaho on the financial terms of settlement of the litigation and related claims. The settlement was finalized in September 2011 and the financial obligations were completed in 2014.

(5) On April 12, 2013, we completed an offering of $500 million in aggregate principal amount of our Senior Notes due May 1, 2021 in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended. In 2014, an additional $6.5 million aggregate principal amount of the Notes were issued to our pension plan. More information can be found in *Note 6* of *Notes to Consolidated Financial Statements.*

(6) See *Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities* for a summary of the common stock dividends declared by our Board of Directors for the years presented.

(7) The increase in the number of employees in 2013 was due largely to the acquisition of Aurizon Mines Ltd. in June 2013. See *Note 15* of *Notes to Consolidated Financial Statements* for more information.

(8) As a result of an order from MSHA to remove built-up cementitious material from the Silver Shaft, production was temporarily suspended at the Lucky Friday unit during all of 2012. Limited production resumed in early 2013 and has been at historical levels since September 2013. See *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, The Lucky Friday Segment* for more information.

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

Overview

Established in 1891 in northern Idaho’s Silver Valley, we believe we are the oldest still-operating precious metals mining company in the United States and the largest silver producer in the U.S. Our corporate offices are in Coeur d’Alene, Idaho and Vancouver, British Columbia. Our production profile includes:

- silver, gold, lead, and zinc contained in concentrates shipped to various smelters or sold to brokers; and
- doré containing gold and silver, which is further refined before sale of the metals to precious metal traders.

Our operating properties comprise our three business segments for financial reporting purposes: the Greens Creek operating unit on Admiralty Island in Alaska, the Lucky Friday operating unit in Idaho, and the Casa Berardi operating unit in Quebec, Canada. Since our operating mines are located in the U.S. and Canada, we believe they have low political risk, and less economic risk than mines located in other parts of the world. Our exploration interests are located in the United States, Canada, and Mexico, jurisdictions with low or relatively moderate political and economic risk, and are located in historically successful mining districts.

Our operating and strategic framework is based on expanding our production and locating and developing new resource potential. In 2014, we

- Reported record sales of products of $500.8 million, which was a 31% increase from 2013.
- Achieved higher silver and gold production by 24% and 56%, respectively, compared to 2013. The higher silver production is due to realizing a full year of production at historical rates at Lucky Friday, and improved throughput and ore grades at Greens Creek. The increase in gold production is primarily the result of 2014 being our first full year of ownership of the Casa Berardi mine, which was obtained through the acquisition of Aurizon Mines Ltd. ("Aurizon") in June 2013.
- Generated $83.1 million in net cash flows from operating activities, representing a 212% increase compared to 2013. The improvement was in spite of lower precious metals prices and the payment during 2014 of certain of our

accrued reclamation and closure costs as discussed below.

- Reduced our liability for accrued reclamation and closure costs by $47.9 million, primarily as a result of making the final payments totaling $55.4 million, consisting primarily of proceeds from the exercise of our outstanding warrants, pursuant to the terms of settlement of the Coeur d'Alene Basin litigation.

- Committed a significant level of capital expenditures (including lease additions, capitalized interest, and other non-cash items) of approximately $151.1 million, including $52.2 million at Lucky Friday, $48.6 million at Casa Berardi, and $31.5 million at Greens Creek.

- Maintained a consistent level of overall proven and probable reserves at December 31, 2014, with silver reserves increasing by 2% and gold reserves decreasing by 1% compared to 2013 even with using lower price assumptions in 2014. The silver reserves as of December 31, 2014 represents the highest level in our history. The higher overall silver reserves is due to increases at both Lucky Friday and Greens Creek. The decrease in overall gold reserves is primarily the result of a slight decrease at Casa Berardi. See *Item 2. Property Descriptions* for additional information on proven and probable reserves at each of our operating units.

- Performed a significant level of exploration and pre-development activities during the year, drilling targets at our land packages in Alaska, Idaho, Quebec, and Mexico. We further advanced our pre-development project at the San Sebastian property in Mexico.

- Continued a scaling down of discretionary capital, exploration, and pre-development expenditures initiated in 2013 to address the recent reduction in metals prices.

- Achieved the above milestones while maintaining a cash balance of $209.7 million as of December 31, 2014.

Silver and gold prices declined to annual averages of $19.08 and $1,266, respectively, for 2014, from average prices of $23.83 for silver and $1,410 for gold for 2013 and $31.15 for silver and $1,669 for gold in 2012. Average prices of lead in 2014 remained within 2% of their levels in 2013 and 2012, while the average prices of zinc in 2014 increased to $0.98 from $0.87 in 2013 and $0.88 in 2012. Lead and zinc represent important by-products at our Greens Creek and Lucky Friday segments. The decrease in precious metals prices negatively impacted our operating results in spite of increased production of silver, gold, lead, and zinc in 2014 compared to 2013.

The factors driving metals prices are beyond our control and are difficult to predict. As noted above, prices have been highly volatile in the last three years and could be so in the future. Average prices in 2014 compared to those in 2013 and 2012 are illustrated in the *Results of Operations* section below. Moreover, the metal grades of ore mined are impacted by geology and mine planning efficiencies and operations, potentially creating constraints on metals produced. Ore transportation and smelting schedules also impact the timing of sales and final settlement.

See the *Results of Operations* section below for a discussion of the factors impacting income applicable to common stockholders for the three years ended December 31, 2014, 2013 and 2012.

Key Issues

We intend to achieve our long-term strategy of increasing production and expanding our proven and probable reserves through development and exploration, as well as by future acquisitions. Our strategic plan requires that we manage several challenges and risks inherent in conducting mining, development, exploration and metal sales at multiple locations.

One such risk involves metals prices, over which we have no control except through derivative contracts. As discussed in the *Critical Accounting Estimates* section below, metals prices are influenced by a number of factors beyond our control. Average market prices of silver, gold, and lead in 2014 were lower than their levels in 2013, while zinc prices were higher, as illustrated by the table in *Results of Operations* below. While we believe current global economic and industrial trends could result in growing demand, prices have been volatile and there can be no assurance that current prices will continue.

On June 1, 2013, we completed the acquisition of all of the issued and outstanding common shares of Aurizon for total consideration of CAD$740.8 million (US$714.5 million). See *Note 15* of *Notes to Consolidated Financial Statements* for more information. The acquisition gave us 100% ownership of the producing Casa Berardi gold mine, along with interests in various gold exploration properties in the Abitibi region of north-western Quebec, Canada. As further discussed in *Item 7A. Quantitative and Qualitative Disclosures About Market Risk*, the acquisition has increased our exposure to risks associated with exchange fluctuations between the U.S. dollar and Canadian dollar. The acquisition was partially funded by $490 million in net proceeds from our issuance of Senior Notes in April 2013 (see *Note 6* of *Notes to Consolidated Financial Statements*). As discussed in the *Financial Liquidity and Capital Resources* section below, we believe that we will be able to meet the obligations associated with the acquisition of Aurizon and the related debt; however, a number of factors could impact our ability to meet the debt obligations and fund our other projects.

We make our strategic plans in the context of significant uncertainty about future operational capacity, which may impact new opportunities that require many years and substantial expenditures from discovery to production. We approach this challenge by investing in exploration and capital in districts with known mineralization. However, in an effort to address the recent decline in precious metals prices, we reduced our exploration and pre-development spending in 2014 and 2013 compared to the respective prior year, after significantly increasing our exploration and pre-development activity in 2012 compared to 2011.

As further discussed in the *Lucky Friday Segment* section below, we are in the process of constructing an internal shaft at the Lucky Friday mine ("#4 Shaft"), which, we believe, will significantly increase production and extend the life of the mine. The #4 Shaft project will involve significant additional capital costs during the periods leading up to its expected completion date in 2016. Although we believe that our current capital resources will allow us to complete the #4 Shaft project, there are a number of factors that could affect its completion.

Volatility in global financial markets poses a significant challenge to our ability to access credit and equity markets, should we need to do so, and to predict sales prices for our products. We utilize forward contracts to manage exposure to declines in the prices of silver, gold, zinc and lead contained in our concentrates that have been shipped but have not yet settled, and zinc and lead contained in our forecasted future concentrate shipments. In addition, we have in place a four-year $100 million revolving credit agreement under which there were no borrowings during 2014 or as of the filing date of this report.

We strive to achieve excellent mine safety and health performance. We seek to implement this goal by: training employees in safe work practices; establishing, following and improving safety standards; investigating accidents, incidents and losses to avoid recurrence; involving employees in the establishment of safety standards; and participating in the National Mining Association's *CORESafety* program. We attempt to implement reasonable best practices with respect to mine safety and emergency preparedness. See the *Lucky Friday Segment* section below for information on accidents and other events that impacted operations at our Lucky Friday unit. We work with MSHA to address issues outlined in the investigations of these incidents and continue to evaluate our safety practices.

Another challenge is the risk associated with environmental matters and ongoing reclamation activities. As described in *Risk Factors* and *Note 7* of *Notes to Consolidated Financial Statements,* it is possible that our estimate of these liabilities (and our ability to estimate liabilities in general) may change in the future, affecting our strategic plans. We are involved in various environmental legal matters with no assurance that the estimate of our environmental liabilities, liquidity needs, or strategic plans will not be significantly impacted as a result of these matters or new matters that may arise. We strive to ensure that our activities are conducted in compliance with applicable laws and regulations and attempt to resolve environmental litigation on as favorable terms as possible.

Reserve estimation is a major risk inherent in mining. Our reserve estimates, which drive our mining and investment plans and many of our costs, may change based on economic factors and actual production experience. Until ore is mined and processed, the volumes and grades of our reserves must be considered as estimates. Our reserves are depleted as we mine. Reserves can also change as a result of changes in economic and operating assumptions.

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As a result of industry-wide fatal accidents in recent years, primarily at underground coal mines, there has been an increase in mine regulation. In addition, under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the SEC was directed to issue rules regarding the disclosure of mine safety data. Our ability to achieve and maintain compliance with MSHA regulations will be challenging and may increase our operating costs. See *Item 1A. Risk Factors - We face substantial governmental regulation and environmental risk.*

Results of Operations

Sales of products by metal for the years ended December 31, 2014, 2013 and 2012 were as follows:

	Year Ended December 31,		
(in thousands)	**2014**	**2013**	**2012**
Silver	$175,361	$170,634	$174,379
Gold	224,138	137,603	72,757
Lead	64,190	50,761	30,074
Zinc	96,154	74,683	91,998
Less: Smelter and refining charges	(59,062)	(51,092)	(48,065)
Sales of products	$500,781	$382,589	$321,143

For the year ended December 31, 2014, we reported income applicable to common stockholders of $17.3 million compared to a loss of $25.7 million in 2013 and income of $14.4 million in 2012. The following factors led to the results for the year ended December 31, 2014 compared to 2013 and 2012:

- Decreased average silver and gold prices in 2014 compared to 2013 and 2012, with average lead prices remaining substantially consistent and zinc prices higher in 2014 compared to the previous two years. These price variances are illustrated in the table below.

	Average price for the year ended December 31,		
	2014	**2013**	**2012**
Silver —London PM Fix ($/ounce)	$19.08	$23.83	$31.15
Realized price per ounce	18.46	21.28	32.11
Gold —London PM Fix ($/ounce)	1,266	1,411	1,669
Realized price per ounce	1,262	1,317	1,687

Lead — LME Final Cash Buyer ($/pound)	0.95	0.97	0.94
Realized price per pound	0.98	1.00	0.96
Zinc — LME Final Cash Buyer ($/pound)	0.98	0.87	0.88
Realized price per pound	0.99	0.88	0.90

Average realized prices differ from average market prices primarily because concentrate sales are generally recorded as revenues at the time of shipment at forward prices for the estimated month of settlement, which differ from average market prices. Due to the time elapsed between shipment of concentrates and final settlement with customers, we must estimate the prices at which sales of our metals will be settled. Previously recorded sales are adjusted to estimated settlement metal prices each period through final settlement. For 2014, we recorded net negative price adjustments to provisional settlements of $2.3 million compared to net negative price adjustments to provisional settlements of $17.0 million in 2013 and net negative price adjustments of $3.8 million in 2012. The price adjustments related to zinc and lead contained in our concentrate shipments were largely offset by gains and losses on forward contracts for those metals for each year. For 2014 and 2013, the price adjustments related to silver and gold contained in our concentrate and doré sales were partially offset by gains and losses on forward contracts for those metals, as we began utilization of forward contracts for those metals in July 2013 (see *Note 10* of *Notes to Consolidated Financial Statements* for more information). The gains and losses on these contracts are included in revenues and impact the realized prices for silver, gold, lead and zinc. Realized prices are calculated by dividing gross revenues for each metal (which include the price adjustments and gains and losses on the forward contracts discussed above) by the payable quantities of each metal included in concentrate and doré shipped during the period.

- Increased gross profit at our Lucky Friday unit of $21.9 million in 2014 compared to a gross loss of $4.9 million in 2013 and gross profit of $0.2 million in 2012. In addition, at our Casa Berardi unit acquired in June 2013, we reported gross profit of $17.8 million in 2014 versus gross profit of $1.3 million in 2013. However, we reported decreased gross profit at our Greens Creek unit of $45.5 million in 2014 compared to $69.7 million in 2013 and $143.3 million in 2012. See the *Greens Creek Segment, Lucky Friday Segment, and Casa Berardi Segment* sections below for further discussion of operating results.

- Costs related to the acquisition of Aurizon of $26.4 million in 2013.

- Interest expense, net of amounts capitalized, of $26.8 million in 2014 compared to $21.7 million in 2013 and $2.4 million in 2012. The increase since 2012 is due to the issuance of Senior Notes in April 2013, with the net proceeds used to partially fund the acquisition of Aurizon, and additional issuances in 2014 to satisfy the funding requirements for one of our defined benefit pension plans (see *Notes 6* and *16* of *Notes to Consolidated Financial Statements*).

- Increased general and administrative costs, which increased to $31.5 million in 2014 from $28.9 million in 2013 and $21.3 million in 2012 due to increased incentive compensation and staffing.

- The temporary halt in production and suspension-related costs of $25.3 million incurred at our Lucky Friday unit in 2012 related to maintenance of surface facilities and mine workings and refurbishing the mill in preparation for the return to production. See *The Lucky Friday Segment* section for more information on the temporary suspension of production during 2012.

- Net mark-to-market gains on base metal forward contracts of $9.1 million in 2014 and $18.0 million in 2013, and net losses of $10.5 million in 2012. These gains and losses are related to financially-settled forward contracts on

forecasted zinc and lead production as part of a risk management program. The gains in 2014 and 2013 resulted from decreases in zinc and lead prices during those periods, with the losses in 2012 due to increasing prices for those metals. We do not include silver and gold in this program.

Exploration and pre-development expense decreased to $19.7 million in 2014 from $37.7 million in 2013, which represented a decrease from $49.7 million in 2012. Despite spending less in 2014, our activity in 2014 included a continuation of extensive exploration work at our Greens Creek unit, on our land package near Durango, Mexico, in North Idaho's Coeur d'Alene Mining District near our Lucky Friday unit, and at the Casa Berardi mine and other projects on our land package in Quebec, Canada. "Pre-development expense" is defined as costs incurred in the exploration stage that may ultimately benefit production, such as underground ramp development, which are expensed due to the lack of proven and probable reserves. We advanced pre-development work at the San Sebastian property in Mexico during 2014. During 2012 and 2013, we also advanced pre-development projects at the Equity and Bulldog mines in the Creede district and at the Star mine in the Coeur d'Alene district which has given us access to historic workings and underground drill platforms.

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- Reclassifications of $2.4 million, $3.0 million, and $1.2 million in unrealized losses on certain marketable securities from other comprehensive income to current earnings in 2014, 2013 and 2012, respectively. The losses were recognized in current earnings in each period because the securities were deemed to be other than temporarily impaired.

- Provision for closed operations and environmental matters increased to $10.1 million in 2014 from $5.4 million in 2013 and $4.7 million in 2012. The higher provision in 2014 was primarily the result of a $5.6 million increase to the liability for the Johnny M site in New Mexico in the fourth quarter of 2014 (See *Note 7* of *Notes to Consolidated Financial Statements* for more information).

- Net foreign exchange gain of $11.5 million in 2014 compared to a gain of $3.0 million in 2013 and a loss of $0.1 million in 2012. The acquisition of Aurizon in 2013 resulted in increased exposure to exchange fluctuations between the U.S. dollar and Canadian dollar, and the U.S. dollar strengthened relative to the Canadian dollar during 2014.

- Income tax benefit of $5.2 million in 2014 compared to an income tax benefit of $9.8 million in 2013 and an income tax provision of $8.9 million in 2012. The benefit in 2014, in spite of reporting income before income taxes of $12.6 million for the year, is the result of book-versus-tax differences for certain items in Canada and the U.S. The benefit in 2013 is the result of reduced profits in that year. See *Corporate Matters* and *Note 5* of *Notes to Consolidated Financial Statements* for more information.

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Greens Creek Segment

Dollars are in thousands (except per ounce and per ton amounts)	**Years Ended December 31,**		
	2014	**2013**	**2012**
Sales	$245,175	263,263	320,895
Cost of sales and other direct production costs	(136,177)	(138,261)	(134,105)
Depreciation, depletion and amortization	(63,505)	(55,265)	(43,522)
Gross Profit	$45,493	$69,737	$143,268
Tons of ore milled	816,213	805,322	789,569
Production:			
Silver (ounces)	7,826,341	7,448,347	6,394,235
Gold (ounces)	58,753	57,457	55,496
Zinc (tons)	59,810	57,614	64,249
Lead (tons)	20,151	20,114	21,074
Payable metal quantities sold:			
Silver (ounces)	6,434,739	6,675,459	5,430,252
Gold (ounces)	46,297	46,648	43,133
Zinc (tons)	42,744	39,806	50,895
Lead (tons)	15,526	17,056	15,733
Ore grades:			
Silver ounces per ton	13.24	13.04	11.13
Gold ounces per ton	0.12	0.12	0.12
Zinc percent	8.38	8.47	9.35
Lead percent	3.22	3.33	3.49
Mining cost per ton	$69.45	$68.43	$64.05
Milling cost per ton	$30.56	$33.92	$29.35
Cash Cost, After By-product Credits, Per Silver Ounce (1)	$2.89	$4.42	$2.70

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(1) A reconciliation of this non-GAAP measure to cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, can be found in *Reconciliation of Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) to Cost of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (GAAP).*

The $24.2 million and $97.8 million decreases in gross profit for 2014 compared to 2013 and 2012, respectively, were primarily the result of lower average prices for silver and gold, partially offset by higher zinc prices. Gross profit for 2014 compared to 2013 was also affected by the timing of sales, as less silver was sold in 2014 even though more silver was produced. Average prices for silver and gold for 2014 were lower than in 2013 by 20% and 10%, respectively, and lower than in 2012 by 39% and 24%, respectively. Average lead prices in 2014 were also lower compared to 2013, but were slightly higher compared to 2012.

Gross profit was also impacted by negative price adjustments to revenues of $1.3 million in 2014 and $16.5 million in 2013, and positive adjustments of $3.5 million in 2012. Price adjustments to revenues result from changes in metals prices between transfer of title of concentrates to buyers and final settlements during the period, and are partially offset by gains and losses on forward contracts related to concentrates that have been shipped.

Depreciation, depletion and amortization expense was 15% and 46% more in 2014 compared to 2013 and 2012, respectively, due to increased assets in service and the effect on units-of-production depreciation of weaker silver prices relative to base metal prices.

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The Greens Creek operation is partially powered by diesel generators, and production costs have historically been affected by fluctuations in fuel prices and hydroelectric power availability. Installed infrastructure allows hydroelectric power to be supplied to Greens Creek by Alaska Electric Light and Power (AEL&P) via a submarine cable from North Douglas Island, near Juneau, to Admiralty Island, where Greens Creek is located. This has reduced production costs at Greens Creek to the extent power has been available. In 2012, the mine began receiving an increased portion of its power needs from AEL&P. In 2013, due to lower precipitation levels and increased local demand, less hydroelectric power was available. However, during 2014, Greens Creek received 97.3% of its electricity from hydroelectric power from AEL&P due to higher precipitation levels in southeastern Alaska. When weather conditions are not favorable to maintain lake water levels, the mine relies on diesel generated power. Fuel costs were approximately $5.5 million (5% of total production costs) at Greens Creek in 2014 compared to $13.3 million (11% of production costs) in 2013 and $6.8 million (6% of production costs) in 2012. The cost of hydroelectric power was $7.2 million (6% of production costs) in 2014, $4.7 million (4% of production costs) in 2013, and $6.8 million (6% of production costs) in 2012.

Mining costs per ton increased in 2014 by 1% and 8% compared to 2013 and 2012, respectively. The higher mining costs were due primarily to higher cost of labor. Milling costs per ton decreased in 2014 by 10% and increased by 4% compared to 2013 and 2012, respectively. Milling costs were down in 2014 compared to 2013 because we generated less power on-site in 2014 due to an increased availability of less expensive hydroelectric power, resulting in lower diesel costs, as discussed above. The increase in milling costs in 2014 compared to 2012 is due to an increase in labor costs as a result of higher costs of medical and other benefits and higher salary costs.

The chart below illustrates the factors contributing to the variances in Cash Cost, After By-product Credits, Per Silver Ounce for 2014 compared to 2013 and 2012:

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The following table summarizes the components of Cash Cost, After By-product Credits, per Silver Ounce:

	Years Ended December 31,		
	2014	2013	2012
Cash Cost, Before By-product Credits, per Silver Ounce	$25.46	$27.32	$32.55
By-product credits	(22.57)	(22.90)	(29.85)
Cash Cost, After By-product Credits, per Silver Ounce	$2.89	$4.42	$2.70

The decrease in Cash Costs, After By-Product Credits, per Silver Ounce for 2014 compared to 2013 was the result of lower milling and treatment costs and the higher silver production. Cash Costs, After By-product Credits, per Silver Ounce were higher in 2014 compared to 2012 due to by-product credits per silver ounce that were lower by $7.28.

Mining costs decreased in 2014 compared to 2013 and 2012 on a per-ounce basis, despite increasing on a per-ton basis as discussed above, due primarily to higher silver production resulting from improved silver grades. Milling costs decreased in 2014 compared to 2013 due to increased availability of less expensive hydroelectric power. Milling costs decreased in 2014 compared to 2012 on a per-ounce basis, despite increasing on a per ton basis as discussed above, due to the impact of higher silver production.

Other costs for 2014 were lower compared to 2013 due to the effect of higher silver production, offset by higher mine license tax and higher labor costs. Other costs for 2014 compared to 2012 were lower due to the effect of higher silver production and lower mine license tax.

Treatment costs were lower in 2014 compared to 2013 as a result of reduced average lead and silver prices and higher silver production, partially offset by higher zinc prices. Treatment costs were lower in 2014 compared to 2012 as a result of reduced zinc and lead concentrate production and lower silver prices, partially offset by higher zinc and lead prices. For the calculation of Cash Costs, After By-Product Credits, per Silver Ounce, treatment costs include the value of silver not payable to us as part of the smelting process, and are therefore impacted by silver prices. Treatment costs also include a price adjustment component that fluctuates with changes in base metal prices.

By-product credits per ounce were lower in 2014 compared to 2013 and 2012 due to lower gold prices and higher silver production due to increased silver ore grades. The decrease in by-product credits in 2014 versus 2012 was also due to reduced zinc and lead production as a result of lower ore grades for those metals.

The difference between what we report as "production" and "payable metal quantities sold" is attributable to the difference between the quantities of metals contained in the concentrate we produce versus the portion of those metals actually payable by our customers according to the terms of the contracts. Differences can also arise from inventory changes incidental to shipping schedules. The differences in payable quantities sold for 2014 compared to 2013 and 2012 is due mainly to the timing of concentrate shipments.

While revenue from zinc, lead and gold by-products is significant, we believe that identification of silver as the primary product of the Greens Creek unit is appropriate because:

- silver has historically accounted for a higher proportion of revenue than any other metal and is expected to do so in the future;

- we have historically presented Greens Creek as a producer primarily of silver, based on the original analysis that justified putting the project into production, and believe that consistency in disclosure is important to our investors regardless of the relationships of metals prices and production from year to year;

- metallurgical treatment maximizes silver recovery;
- the deposit is a massive sulfide deposit containing an unusually high proportion of silver; and
- in most of its working areas, Greens Creek utilizes selective mining methods in which silver is the metal targeted for highest recovery.

Likewise, we believe the identification of gold, lead and zinc as by-product credits is appropriate because of their lower economic value compared to silver and due to the fact that silver is the primary product we intend to produce. In addition, we do not receive sufficient revenue from any single by-product metal to warrant classification of such as a co-product.

We periodically review our revenues to ensure that reporting of primary products and by-products is appropriate. Because we consider zinc, lead and gold to be by-products of our silver production, the values of these metals offset operating costs within our calculations of Cash Cost, After By-product Credits, per Silver Ounce.

In the fourth quarter of 2012, we updated our asset retirement obligation ("ARO") at Greens Creek to reflect a preliminary revised reclamation and closure plan having estimated undiscounted costs of approximately $73.9 million, an increase from the $53.4 million in the previous plan. In late 2013, a Record of Decision was completed for proposed expansion of tailings capacity. In addition, in early 2014 we were engaged in negotiations with the U.S. Forest Service and state agencies on their proposed revisions to our previously-submitted reclamation and closure plan. In 2014, we updated our ARO at Greens Creek to reflect a revised reclamation and closure plan having estimated undiscounted costs of approximately $96.7 million, an increase from the $73.9 million in the previous plan, which was primarily the result of a new requirement to include perpetual water treatment in the closure plan. This resulted in an increase to the ARO asset and liability of $2.2 million after discounting the estimated costs to present value. As part of the revised closure plan, we increased our reclamation bonding from $30 million to approximately $68.9 million in 2014.

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The Lucky Friday Segment

Dollars are in thousands (except per ounce and per ton amounts)	**Years Ended December 31,**		
	2014	**2013**	**2012**
Sales	$89,757	$44,204	$248
Cost of sales and other direct production costs	(58,423)	(41,230)	—
Depreciation, depletion and amortization	(9,431)	(7,833)	—
Gross profit (loss)	$21,903	$(4,859)	$248
Tons of ore milled	309,070	174,331	—
Production:			
Silver (ounces)	3,239,151	1,459,000	—
Lead (tons)	20,104	10,260	—
Zinc (tons)	8,159	3,793	—
Payable metal quantities sold:			
Silver (ounces)	3,039,697	1,328,340	—
Lead (tons)	17,105	8,377	—
Zinc (tons)	5,904	2,702	—
Ore grades:			
Silver ounces per ton	11.00	8.99	—
Lead percent	6.87	6.19	—
Zinc percent	2.93	2.69	—
Mining cost per ton	$87.90	$100.49	$—
Milling cost per ton	$21.56	$29.74	$—
Cash Cost, After By-product Credits, Per Silver Ounce [1]	$9.44	$19.21	$—

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(1) A reconciliation of this non-GAAP measure to cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, can be found below in *Reconciliation of Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) to Cost of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (GAAP).*

The increase in gross profits for 2014 compared to 2013 resulted primarily from increased production and higher ore grades following the ramp up of production in 2013, as discussed below, partially offset by lower silver prices. The Lucky Friday segment reported no significant sales, cost of sales and direct production costs, depreciation, depletion, and amortization, or mine production for 2012 due to the suspension of production there for the year, as discussed below.

At the end of 2011, MSHA began a special impact inspection which resulted in an order to remove built-up cementitious material from the Silver Shaft. The Silver Shaft is an approximately one-mile deep, 18-foot diameter,

concrete-lined shaft from surface. It is the primary access to the underground workings. In response to the MSHA order, we submitted a plan to MSHA and received approval to remove the built-up cementitious material, and that work commenced in the first quarter of 2012.

Production was suspended during all of 2012 as the Silver Shaft rehabilitation work was performed. During the suspension of production, the smelter contracts related to treatment of concentrates were suspended based on *force majeure*. The shaft restoration project and other related work was completed in early 2013, and limited production at the Lucky Friday recommenced in February 2013. During late September 2013, the mine reached its historical full throughput rate of approximately 900 tons per day, and daily throughput for the full year of 2014 averaged 847 tons. Once the Silver Shaft rehabilitation work was completed down to the 4900 foot level, we commenced construction of a haulage way bypass around an area impacted by a rock burst, and completed the bypass in early 2013. Completion of work on the Silver Shaft to the 4900 foot level also enabled planning and other preliminary work to resume on the #4 Shaft project (discussed below), and we resumed sinking of the #4 Shaft in early 2013 upon completion of the Silver Shaft work. Production and #4 Shaft advancement at Lucky Friday maintained historical levels during 2014.

In 2013, we recognized $1.4 million in suspension-related income for business interruption insurance proceeds, and in 2012 we recognized suspension-related costs $25.3 million. This activity is included in a separate line item under *Other operating expenses* on the *Consolidated Statement of Operations and Comprehensive Income (Loss)*, and is excluded from the calculations of Cash Cost, After By-product Credits, per Silver Ounce and mining and milling costs per ton.

The $0.2 million in sales recognized in 2012 represents provisional price adjustments on prior-period concentrate shipments that were subject to changes in metals prices during the first quarter of 2012 until their final settlement.

The chart below illustrates the factors contributing to the variances in Cash Cost, After By-product Credits, Per Silver Ounce for 2014 and 2013:

The following table summarizes the components of Cash Cost, After By-product Credits, per Silver Ounce:

	Year ended December 31,		
	2014	**2013**	**2012**
Cash Cost, Before By-product Credits, per Silver Ounce	23.95	34.93	—
By-product credits per silver ounce	(14.51)	(15.72)	—
Cash Cost, After By-product Credits, per Silver Ounce	$9.44	$19.21	$ —

The decrease in Cash Cost, After By-product Credits, per Silver Ounce was the result of increased production in 2014, as we ramped up production during 2013 following the suspension period discussed above, and improved silver ore grades.

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Mining and milling costs, other cash costs, and treatment costs per ounce decreased in 2014 compared to 2013 due to higher production and silver ore grades.

Per ounce by-product credits were lower in 2014 compared to 2013 primarily due to higher silver ore grades, partially offset by higher zinc prices.

Similar to the Greens Creek segment, the difference between what we report as “production” and “payable metal quantities sold” is due essentially to the difference between the quantities of metals contained in the concentrates we produce versus the portion of those metals actually payable by our customers according to the terms of the contracts.

While value from lead and zinc is significant, we believe that identification of silver as the primary product of the Lucky Friday unit is appropriate because:

- silver has historically accounted for a higher proportion of revenue than any other metal and is expected to do so in the future;
- this mining district is long associated with silver production; and
- selective mining methods target silver production.

Likewise, we believe the identification of lead and zinc as by-product credits is appropriate because of their low economic value compared to silver and due to the fact that silver is the primary product we intend to produce. In addition, we do not receive sufficient revenue from any single by-product metal to warrant classification of such as a co-product.

We periodically review our revenues to ensure that reporting of primary products and by-products is appropriate. Because we consider zinc and lead to be by-products of our silver production, the values of these metals offset operating costs within our calculations of Cash Cost, After By-product Credits, per Silver Ounce.

The #4 Shaft project involves constructing an internal shaft and related infrastructure at the Lucky Friday mine. Upon completion, #4 Shaft is expected to provide deeper access, which in turn should extend the mine's operational life and expand silver production. We commenced engineering and construction activities on the #4 Shaft in 2008, and our

Board of Directors gave its final approval of the project in August 2011. Construction of the #4 Shaft as currently designed is expected to cost approximately $215 million, including approximately $165 million already spent as of December 31, 2014, with completion anticipated in 2016. As discussed above, the #4 Shaft sinking activities were temporarily suspended until rehabilitation work in the Silver Shaft was completed in early 2013. We believe that our current capital resources will allow us to complete the project. However, there are a number of factors that could affect completion of the project, including: (i) a significant decline in metals prices, (ii) a reduction in available cash or credit, whether arising from decreased cash flow or other uses of available cash, (iii) increased regulatory burden, (iv) a significant increase in operating or capital costs, or (v) a decision to access the shaft earlier.

Many of the employees at our Lucky Friday unit are represented by a union. The collective bargaining agreement with the union expires on April 30, 2016. As a result of the requirement to remove built-up cementitious material from the Silver Shaft, which limited underground access, Hecla Limited laid off 121 employees in January 2012, with approximately 25 of those employees accepting temporary positions at other Hecla operations. Employment at the Lucky Friday unit has returned to roughly its level in 2011.

In April 2013, the family of Larry Marek, an employee of Hecla Limited who was fatally injured in an April 2011 accident, filed a lawsuit against us and certain of our officers and employees seeking damages for, among other claims, wrongful death and infliction of emotional distress. Also, in December 2013, four employees of Hecla Limited who were injured in a December 2011 rock burst filed a lawsuit against us and certain of our employees seeking damages for, among other claims, intentional and willful injury and infliction of emotional distress. See the *Other Contingencies* section of *Note 7* of *Notes to Consolidated Financial Statements* for more information.

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The Casa Berardi Segment

On June 1, 2013, we completed the acquisition of all of the issued and outstanding common shares of Aurizon Mines Ltd. ("Aurizon") for total consideration of CDN$740.8 million (US$714.5 million). The acquisition gave us 100% ownership of the producing Casa Berardi mine, along with interests in various gold exploration properties in the Abitibi region of north-western Quebec, Canada. The results below reflect our ownership of assets previously held by Aurizon as of the June 1, 2013 acquisition date.

Dollars are in thousands (except per ounce and per ton amounts)	**Years Ended December 31,**	
	2014	**2013** [(1)]
Sales	$165,849	$75,122
Cost of sales and other direct production costs	(109,846)	(55,825)
Depreciation, depletion and amortization	(38,198)	(18,030)
Gross profit	$17,805	$1,267
Tons of ore milled	827,580	387,608
Production:		
Gold (ounces)	128,244	62,532
Silver (ounces)	25,014	12,381
Payable metal quantities sold:		
Gold (ounces)	131,287	57,840
Silver (ounces)	24,785	15,500
Ore grades:		
Gold ounces per ton	0.17	0.18
Silver ounces per ton	0.034	0.036
Mining cost per ton	$103.53	$127.56
Milling cost per ton	$20.75	$23.02
Cash Cost, After By-product Credits, per Gold Ounce [(2)]	$826	$951

(1) For the seven month period commencing on June 1, 2013, the date of the acquisition.

(2) A reconciliation of this non-GAAP measure to cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measure, can be found below in *Reconciliation of Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) to Cost of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (GAAP).*

Gross profit increased by $16.5 million for 2014 compared to 2013, primarily due to our ownership during only a part of 2013, partially offset by lower gold prices. Tons of ore milled increased by 114% compared to the prior year, not only due to our ownership for the full year in 2014, but also higher daily throughput, as increased development activity in 2014 compared to 2013 has allowed mining operations to remove and process greater quantities of ore.

Average mill throughput achieved during 2014 reached 2,267 tons per day compared to 1,811 tons per day in 2013. Gold production during 2014 totaled 128,244 ounces, a 105% increase compared to 62,532 ounces produced under our ownership in 2013.

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On a per unit basis, mining costs per ton of $103.53 for 2014 were 19% lower than 2013 mining costs per ton of $127.56. The decrease is primarily due to higher ore production and foreign exchange differences between the two periods, as the U.S. dollar was stronger relative to the Canadian dollar in 2014 than it was in 2013. This is partially offset by higher stope preparation costs in the first quarter of 2014 resulting from increased development in the production stopes.

Milling unit costs decreased by 10% in 2014 compared to 2013 mainly due to higher ore production and exchange rate differences.

Sales during 2014 totaled $165.8 million compared to $75.1 million in 2013. The increase in 2014, in spite of lower gold prices, is a result of our ownership during only a part of 2013 and improved throughput. Our average realized sale price per ounce of gold during 2014 was $1,263 compared to $1,293 for the period of our ownership of Casa Berardi during 2013. The average market price per ounce for the full years of 2014 and 2013, respectively, was $1,266 and $1,411.

In June of 2014, we successfully modified the type of financial guarantee for reclamation work required by the Quebec Mining Act from restricted cash deposits to a letter of credit. This allowed the release of formerly restricted cash totaling $7.5 million.

The West Mine shaft underwent a deepening project, which included construction of loading pockets and other related infrastructure. The deepened shaft reached functional completion during the third quarter of 2014 with the removal of the bulkhead dividing the operating shaft and the deepened section. This changeover required the shaft to be intermittently closed over a 22 day period which impacted production for the quarter. Other recent mine enhancements include a new paste backfill facility and a concrete plant, which we believe should improve operational efficiency. In addition, a new dry house facility was completed in March 2014 at the West Mine, which will provide greater flexibility and efficiency for the underground miners, as this facility is located much closer to the main mine access than the prior facility.

The chart below illustrates the factors contributing to Cash Cost, After By-product Credits, Per Gold Ounce for 2014 and 2013:

The following table summarizes the components of Cash Cost, After By-product Credits, per Gold Ounce:

	Year Ended December 31,	
	2014	**2013**
Cash Cost, Before By-product Credits, per Gold Ounce	$829.97	$954.98
By-product credits	(3.62)	(4.19)
Cash Cost, After By-product Credits, per Gold Ounce	$826.35	$950.79

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The decrease in Cash Cost, After By-product Credits, per Gold Ounce for 2014 compared to 2013 was primarily the result of higher gold production due to increased ore throughput.

Mining and milling cost per ounce decreased in 2014 compared to 2013 due to higher gold production and foreign exchange differences.

The difference between what we report as "production" and "payable metal quantities sold" is mainly attributable inventory changes incidental to the timing of sales of refined metals and shipping schedules.

We believe the identification of silver as a by-product credit is appropriate at Casa Berardi because of its lower economic value compared to gold and due to the fact that gold is the primary product we intend to produce there. In addition, we do not receive sufficient revenue from silver at Casa Berardi to warrant classification of such as a co-product. Because we consider silver to be a by-product of our gold production at Casa Berardi, the value of silver offsets operating costs within our calculations of Cash Cost, After By-product Credits, per Gold Ounce.

Corporate Matters

Employee Benefit Plans

Our defined benefit pension plans, while affording a significant benefit to our employees, also represent a significant liability. During 2014, the funded status of our plans changed from a liability of $32.1 million at the first of the year to a liability of $43.7 million at the end of the year. The increased liability was attributable to service costs, interest costs, and amortization of actuarial losses that, collectively, exceeded returns on plan assets and our contributions. We made contributions of $6.5 million aggregate principal amount of our Notes during 2014. In January 2015, we contributed approximately $4.9 million in shares of our common stock to our defined benefit plans, with no additional contributions anticipated in 2015. See *Note 6 of Notes to Consolidated Financial Statements* for more information. While the economic variables which will determine future cash requirements are uncertain, we expect contributions to increase in future years under current plan provisions, and we periodically examine the plans for affordability and competitiveness.

Effective July 1, 2013, we amended our pension plan. See *Note 8* of *Notes to Consolidated Financial Statements* for more information.

Income Taxes

We continue to have a net deferred tax asset in the U.S., and as a result of our acquisition of Aurizon, a net deferred tax liability in Canada. Our U.S. net deferred tax asset at December 31, 2014 totaled $111.0 million, or 5% of total assets, a decrease of $3.5 million from the $114.5 million net deferred tax asset at December 31, 2013. The largest component of the deferred tax asset is net operating loss carryforwards which are available to be applied against future taxable income. The next largest component is deferred exploration expense. Each reporting period we assess our deferred tax assets utilizing long-range forecasts to provide reasonable assurance that they will be realized through future earnings. At December 31, 2014, we retained a valuation allowance on U.S. deferred tax assets of $6.0 million, primarily for foreign tax credits. A $26.1 million valuation allowance remains on deferred tax assets in foreign jurisdictions.

Our net Canadian deferred tax liability at December 31, 2014 and 2013 was $153.4 million, a decrease of $12.5 million from the $165.9 million net deferred tax liability at December 31, 2013. The deferred tax liability is the result of the acquisition of Aurizon completed on June 1, 2013. See *Note 15* of *Notes to Consolidated Financial Statements* for more information. The deferred tax liability is primarily related to the excess of the fair market value of the assets acquired over the tax bases of those assets for Canadian tax reporting, with the majority of that value allocated to mineral resources and reserves.

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As discussed in *Note 5 of Notes to Consolidated Financial Statements*, our effective tax rate for 2014 was negative 42% compared to 28% for 2013. The change in effective tax rate for 2014 was primarily the result of the U.S. deduction for percentage depletion, non-deductible transaction costs, and the impact of taxation in foreign jurisdictions, the impacts of which were amplified by relatively low worldwide pre-tax book income. We are subject to income taxes in the United States and other foreign jurisdictions. The overall effective tax rate will continue to be dependent upon the geographic distribution of our earnings in different jurisdictions, the U.S. deduction for percentage depletion, and fluctuation in foreign currency exchange rates. As a result, the 2015 effective tax rate could vary significantly from that of 2014.

For the years 2014, 2013 and 2012, we had no unremitted foreign earnings. See *Note 5 of Notes to Consolidated Financial Statements* for more information.

Reconciliation of Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits (non-GAAP) to Cost of Sales and Other Direct Production Costs and Depreciation, Depletion and Amortization (GAAP)

The tables below present reconciliations between the non-GAAP measures of Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits to the GAAP measure of cost of sales and other direct production costs and depreciation, depletion and amortization for our operations at the Greens Creek, Lucky Friday, and Casa Berardi units for the years ended December 31, 2014, 2013 and 2012.

Cash Cost, After By-product Credits is an important operating statistic that we utilize to measure each mine's operating performance. It also allows us to benchmark the performance of each of our mines versus those of our competitors. As a primary silver mining company, we also use the statistic on an aggregate basis - aggregating the Greens Creek and Lucky Friday mines, but not Casa Berardi, which is a primary gold mine - to compare our performance with that of other primary silver mining companies. Similarly, the statistic is useful in identifying acquisition and investment opportunities as it provides a common tool for measuring the financial performance of other mines with varying geologic, metallurgical and operating characteristics.

Cash Cost, Before By-product Credits includes all direct and indirect operating cash costs related directly to the physical activities of producing metals, including mining, processing and other plant costs, third-party refining expense, on-site general and administrative costs, royalties and mining production taxes. By-product credits include revenues earned from all metals other than the primary metal produced at each unit. Cash Cost, After By-product Credits, per Ounce, provides management and investors an indication of operating cash flow, after consideration of the average price received from production. Management also uses this measurement for the comparative monitoring of performance of our mining operations period-to-period from a cash flow perspective. Cash Cost, After By-product

Credits, per Ounce is a measure developed by precious metals companies (including the Silver Institute) in an effort to provide a uniform standard for comparison purposes. There can be no assurance, however, that our reporting of this non-GAAP measure is the same as that reported by other mining companies.

The Casa Berardi section below reports Cash Cost, After By-product Credits, per Gold Ounce for the production of gold, its primary product, and by-product revenues earned from silver, which is a by-product at Casa Berardi. Only costs and ounces produced relating to units with the same primary product are combined to represent Cash Cost, After By-product Credits, per Ounce. Thus, the gold produced at our Casa Berardi unit is not included as a by-product credit when calculating Cash Cost, After By-product Credits, per Silver Ounce for the total of Greens Creek and Lucky Friday, our combined silver properties.

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As depicted in the Greens Creek Unit and the Lucky Friday Unit tables below, by-product credits comprise an essential element of our silver unit cost structure distinguishing our silver operations due to the polymetallic nature of their orebodies. By-product credits included in our presentation of Cash Cost, After By-product Credits, per Silver Ounce include:

In thousands (except per ounce amounts)	**Total, Greens Creek and Lucky Friday Units Year ended December 31,**		
	2014	**2013**	**2012**
By-product value, all silver properties:			
Zinc	$95,701	$77,616	$84,087
Gold	61,871	66,907	75,860
Lead	66,082	48,973	30,969
Total by-product credits	$223,654	$193,496	$190,916
By-product credits per silver ounce, all silver properties			
Zinc	$8.65	$8.71	$13.15
Gold	5.59	7.51	11.86
Lead	5.97	5.50	4.85
Total by-product credits	$20.21	$21.72	$29.86

By-product credits included in our presentation of Cash Cost, After By-product Credits, per Gold Ounce for our Casa Berardi Unit include:

In thousands (except per ounce amounts)	**Casa Berardi Unit (3) Year ended December 31,**	
	2014	**2013**
Silver by-product value	$464	$262
Silver by-product credits per gold ounce	$3.62	$4.19

Cost of sales and other direct production costs and depreciation, depletion and amortization is the most comparable financial measure calculated in accordance with GAAP to Cash Cost, After By-product Credits. The sum of the cost of sales and other direct production costs and depreciation, depletion and amortization for our operating units in the tables below is presented in our *Consolidated Statement of Operations and Comprehensive Income (Loss)*.

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In thousands (except per ounce amounts)	**Total, Greens Creek and Lucky Friday Units Year ended December 31,**		
	2014	**2013**	**2012**
Cash Cost, Before By-product Credits [1]	$276,842	$254,460	$208,178
By-product credits	(223,654)	(193,496)	(190,916)
Cash Cost, After By-product Credits	53,188	60,964	17,262
Divided by silver ounces produced	11,065	8,907	6,394
Cash Cost, Before By-product Credits, per Silver Ounce	25.02	28.56	32.55
By-product credits per silver ounce	(20.21)	(21.72)	(29.85)
Cash Cost, After By-product Credits, per Silver Ounce	$4.81	$6.84	$2.70
Reconciliation to GAAP:			
Cash Cost, After By-product Credits	$53,188	$60,964	$17,262
Depreciation, depletion and amortization	72,936	63,098	43,522
Treatment costs	(82,639)	(76,824)	(73,355)
By-product credits	223,654	193,496	190,916
Change in product inventory	(1,649)	(246)	(1,381)
Reclamation and other costs	2,046	2,100	663
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	$267,536	$242,588	$177,627

In thousands (except per ounce amounts)	**Greens Creek Unit Year ended December 31,**		
	2014	**2013**	**2012**
Cash Cost, Before by-Product Credits [1]	$199,247	$203,496	$208,178
By-product credits	(176,650)	(170,563)	(190,916)
Cash Cost, After By-product Credits	22,597	32,933	17,262
Divided by silver ounces produced	7,826	7,448	6,394
Cash Cost, Before By-product Credits, per Silver Ounce	25.46	27.32	32.55
By-product credits per silver ounce	(22.57)	(22.90)	(29.85)
Cash Cost, After By-product Credits, per Silver Ounce	$2.89	$4.42	$2.70
Reconciliation to GAAP:			
Cash Cost, After By-product Credits	$22,597	$32,933	$17,262
Depreciation, depletion and amortization	63,505	55,265	43,522
Treatment costs	(63,313)	(67,341)	(73,355)
By-product credits	176,650	170,563	190,916
Change in product inventory	(1,706)	159	(1,381)
Reclamation and other costs	1,949	1,947	663
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	$199,682	$193,526	$177,627

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In thousands (except per ounce amounts)	**Lucky Friday Unit (2) Year ended December 31,**		
	2014	**2013**	**2012**
Cash Cost, Before By-product Credits [1]	$77,595	$50,964	$ —
By-product credits	(47,004)	(22,933)	—
Cash Cost, After By-product Credits	30,591	28,031	—
Divided by silver ounces produced	3,239	1,459	—
Cash Cost, Before By-product Credits, per Silver Ounce	23.95	34.93	—
By-product credits per silver ounce	(14.51)	(15.72)	—
Cash Cost, After By-product Credits, per Silver Ounce	$9.44	$19.21	$ —
Reconciliation to GAAP:			
Cash Cost, After By-product Credits	$30,591	$28,031	$ —
Depreciation, depletion and amortization	9,431	7,833	—
Treatment costs	(19,326)	(9,482)	—
By-product credits	47,004	22,933	—
Change in product inventory	57	(405)	—
Reclamation and other costs	97	153	—
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	$67,854	$49,063	$ —

In thousands (except ounce and per ounce amounts)	**Casa Berardi Unit (3) Year ended December 31,**		
	2014	**2013**	**2012**
Cash Cost, Before By-product Credits [1]	$106,438	$59,717	$ —
By-product credits	(464)	(262)	—
Cash Cost, After by-product credits	105,974	59,455	—
Divided by gold ounces produced	128,244	62,532	—
Cash Cost, Before By-product Credits, per Gold Ounce	829.97	954.98	—
By-product credits per gold ounce	(3.62)	(4.19)	—
Cash Cost, After By-product Credits, per Gold Ounce	$826.35	$950.79	$ —
Reconciliation to GAAP:			
Cash Cost, After By-product Credits	$105,974	$59,455	$ —
Depreciation, depletion and amortization	38,198	18,030	—
Treatment costs	(564)	(268)	—
By-product credits	464	262	—
Change in product inventory	3,151	(3,766)	—
Reclamation and other costs	820	142	—
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	$148,043	$73,855	$ —

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In thousands	Total, All Locations Year ended December 31,		
	2014	**2013**	**2012**
Reconciliation to GAAP:			
Cash Cost, After By-product Credits	$159,162	$120,419	$17,262
Depreciation, depletion and amortization	111,134	81,128	43,522
Treatment costs	(83,203)	(77,092)	(73,355)
By-product credits	224,118	193,758	190,916
Change in product inventory	1,502	(4,012)	(1,381)
Suspension-related costs	—	—	—
Reclamation and other costs	2,867	2,242	663
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	$415,580	$316,443	$177,627

(1) Includes all direct and indirect operating costs related directly to the physical activities of producing metals, including mining, processing and other plant costs, third-party refining and marketing expense, on-site general and administrative costs, royalties and mining production taxes, after by-product revenues earned from all metals other than the primary metal produced at each unit.

(2) Various accidents and other events resulted in temporary suspensions of production at the Lucky Friday unit during 2011 and throughout 2012. See the *Lucky Friday Segment* section for further discussion. As a result, Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits, Per Silver Ounce are not presented for 2012. Care-and-maintenance, mine rehabilitation, investigation, and other costs incurred during the suspension periods not related to production have been excluded from Cash Cost, Before By-product Credits and the calculation of Cash Cost, After By-product Credits, Per Silver Ounce produced.

(3) On June 1, 2013, we completed the acquisition of Aurizon Mines Ltd., which gave us 100% ownership of the Casa Berardi mine in Quebec, Canada. The information presented reflects our ownership of Casa Berardi commencing as of that date. See *Note 15* of *Notes to Consolidated Financial Statements* for more information. The primary metal produced at Casa Berardi is gold, with a by-product credit for the value of silver production.

Reconciliation of Earnings Before Interest, Taxes, Depreciation, and Amortization (non-GAAP) to Net Income (Loss) (GAAP)

The non-GAAP measure of earnings before interest, taxes, depreciation, and amortization ("EBITDA") is calculated as net income (loss) before the following items: interest expense, income tax provision (benefit), and depreciation, depletion, and amortization expense. Management believes that, when presented in conjunction with comparable GAAP measures, EBITDA is useful to investors in evaluating our operating performance. The table below presents reconciliations between the non-GAAP measure EBITDA to the GAAP measure of net income (loss) for the years

ended December 31, 2014, 2013, 2012, 2011, and 2010 (in thousands).

	Year ended December 31,				
	2014	**2013**	**2012**	**2011**	**2010**
Net income (loss) (GAAP)	$17,824	$(25,130)	$14,954	$151,164	$48,983
Interest expense, net of amount capitalized[1]	26,775	21,689	2,427	2,875	2,211
Income tax provision (benefit)	(5,240)	(9,795)	8,879	81,978	(123,532)
Depreciation, depletion, and amortization	112,173	82,366	50,113	47,348	60,235
EBITDA	$151,532	$69,130	$76,373	$283,365	$(12,103)

(1) On April 12, 2013, we completed an offering of $500 million in aggregate principal amount of our Senior Notes due May 1, 2021 (the "Notes"), and issued additional Notes in 2014 to fund one of our defined benefit pension plans. See *Note 6* of *Notes to Consolidated Financial Statements* for more information. The Notes bear interest at a rate of 6.875% per year from the date of original issuance or from the most recent payment date to which interest has been paid or provided for. Interest on the Notes is payable on May 1 and November 1 of each year, commencing November 1, 2013.

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Financial Liquidity and Capital Resources

Our liquid assets include (in millions):

	December 31, 2014	December 31, 2013	December 31, 2012
Cash and cash equivalents held in U.S. dollars	$ 180.9	$ 166.5	$ 190.6
Cash and cash equivalents held in foreign currency	28.8	45.7	0.4
Total cash and cash equivalents	209.7	212.2	191.0
Marketable equity securities, non-current	4.9	7.0	9.6
Total cash, cash equivalents and investments	$ 214.6	$ 219.2	$ 200.6

Cash and cash equivalents increased in 2014, as discussed below. Cash held in foreign currencies represent balances in Canadian dollars and Mexican pesos, with the $16.9 million decrease in 2014 resulting primarily from a reduction in Canadian dollars held. The value of non-current marketable equity securities decreased by $2.1 million due to unrecognized losses on equity investments, partially offset by the purchase of investments for approximately $0.6 million.

As further discussed in *Note 15* of *Notes to Consolidated Financial Statements*, on June 1, 2013, we completed the acquisition of Aurizon Mines Ltd. for total consideration of US$714.5 million (CAD$740.8 million), comprised of cash paid by Hecla of US$496.2 million (CAD$514.5 million) and issuance of 56,997,790 shares of Hecla common stock valued at US$218.3 million (CAD$226.3). Aurizon's cash and cash equivalents balances at the close of the acquisition totaling approximately US$177.6 million were transferred to us as part of the acquisition.

On April 12, 2013, we completed an offering of Notes in the total principal amount of US$500 million, as discussed in *Note 6* of *Notes to Consolidated Financial Statements.* The net proceeds of $490 million from the offering of the Notes were used to partially fund the acquisition of Aurizon, as discussed above, and for general corporate purposes, including expenses related to the Aurizon acquisition. In addition, on April 14, 2014, we entered into an agreement with the Hecla Mining Company Retirement Plan Trust pursuant to which we contributed $6.5 million in aggregate principal amount of the Notes in order to satisfy the funding requirement for one of our defined benefit pension plans for 2014. The Notes are due May 1, 2021 and bear interest at a rate of 6.875% per year from the date of original issuance or from the most recent payment date to which interest has been paid or provided for. Interest on the Notes is payable on May 1 and November 1 of each year, commencing November 1, 2013.

In 2011, we settled Hecla Limited's Coeur d'Alene Basin environmental litigation and related claims pursuant to a Consent Decree entered by the Court on September 8, 2011. Payments of approximately $168 million, $25 million, and $15 million (and related interest) were made in October 2011, 2012, and 2013, respectively. In addition, a payment of approximately $14.1 million in proceeds from warrants exercised during the second quarter of 2014 was made in July 2014. Finally, a payment of approximately $41.3 million, consisting primarily of proceeds from the exercise of the remaining outstanding warrants, was made in August 2014, which satisfied Hecla Limited's remaining obligation under the Consent Decree.

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The #4 Shaft project, which is discussed further in the *Lucky Friday Segment* section above, is expected to involve capital expenditures of approximately $215 million through 2016, of which $165 million has been spent as of December 31, 2014 (leaving approximately $50 million remaining).

Pursuant to our common stock dividend policy described in *Note 9* of *Notes to Consolidated Financial Statements*, our Board of Directors declared and paid dividends on common stock totaling $3.5 million in 2014, $6.0 million in 2013, and $17.1 million in 2012. Our dividend policy has a silver-price-linked component which ties the amount of declared dividends on common stock to our realized silver price for the preceding quarter (subject to a minimum threshold). Another component of our common stock dividend policy anticipates paying an annual minimum dividend. The declaration and payment of dividends on common stock 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.

On March 3, 2014, the Board of Directors issued 1,345,072 shares of restricted stock to employees in payment of approximately $4.6 million in annual and long-term incentive compensation for the period ended December 31, 2013.

On May 8, 2012, we announced that our board of directors approved a stock repurchase program. Under the program, we are authorized to repurchase up to 20 million shares of our outstanding common stock from time to time in open market or privately negotiated transactions, depending on prevailing market conditions and other factors. The repurchase program may be modified, suspended or discontinued by us at any time. Whether or not we engage in repurchases from time to time may depend on a variety of factors, including not only price and cash resources, but customary black-out restrictions, whether we have any material inside information, limitations on share repurchases or cash usage that may be imposed by our credit agreement or in connection with issuances of securities, alternative uses for cash, applicable law, and other investment opportunities from time to time. As of December 31, 2014, 934,100 shares have been purchased at an average price of $3.99 per share, leaving approximately 19.1 million shares that may yet be purchased under the program. The closing price of our common stock at February 16, 2015, was $3.42 per share.

We may defer some capital investment and/or exploration and pre-development activities, engage in asset sales or secure additional capital if necessary to maintain liquidity. We also may pursue additional acquisition opportunities, which could require additional equity issuances or financing. There can be no assurances that such financing will be available to us.

As a result of our current cash balances, the performance of our current operations, current metals prices, and full availability of our $100 million revolving credit agreement, we believe our cash, cash equivalents, investments, projected cash from operations, and availability of financing (including equity issuances) if needed will be adequate to meet our obligations during the next 12 months. These obligations include, but are not limited to: debt service obligations related to the Notes, capital outlays for the #4 Shaft project and other capital expenditures, potential

repurchases of our common stock under the program described above, and payment of dividends on common stock, if declared by our board of directors. We currently estimate that a total of approximately $145 million will be spent on capital expenditures, primarily for equipment, infrastructure, and development at our mines, in 2015. We also estimate that exploration and pre-development expenditures will total approximately $18 million in 2015. However, capital, exploration, and pre-development expenditures may change based upon our financial position, metals prices, and other considerations. Our ability to fund the activities described above will depend on our operating performance, metals prices, our ability to estimate costs, sources of liquidity available to us, and other factors. A sustained downturn in metals prices or significant increase in operational or capital costs, other uses of cash, or other factors beyond our control could impact our plans.

	Year Ended December 31,		
	2014	**2013**	**2012**
Cash provided by operating activities (in millions)	**$83.1**	**$26.6**	**$69.0**

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Cash provided by operating activities increased by $56.5 million in 2014 compared to 2013 primarily due to higher income, as adjusted for non-cash items. As discussed in *Results of Operations* above, the higher income is primarily attributable to improved gross profit at the Lucky Friday and Casa Berardi units in 2014 and costs incurred in 2013 for the acquisition of Aurizon. Working capital and other operating asset and liability changes resulted in a net cash flow decrease of $51.1 million compared to a decrease in cash flows of $33.1 million in 2013. Significant variances in working capital changes between 2014 to 2013 included payments of approximately $55.4 million in the third quarter of 2014 to satisfy the remaining obligation under the Coeur d'Alene Basin environmental litigation settlement, primarily with proceeds from the exercise of warrants to purchase our common stock, as discussed above, and lower accounts payable balances due to reduced capital, exploration, and pre-development spending at the end of 2014. These variances were partially offset by lower cash requirements for accrued payroll and related benefits during 2014 due to the payment of incentive compensation and 401(k) employer contributions in shares of our common stock, higher incentive compensation accruals, and lower inventory and accounts receivable balances due to the timing of sales at Greens Creek and Casa Berardi. .

Cash provided by operating activities decreased by $42.4 million in 2013 compared to 2012 primarily due to lower income, as adjusted for non-cash items. As discussed in *Results of Operations* above, the lower income is primarily attributable to lower precious metals prices, costs related to the acquisition of Aurizon, and interest expense related to the Senior Notes issued in April 2013. Working capital and other operating asset and liability changes resulted in a net cash flow decrease of $33.1 million compared to a decrease in cash flows of $34.1 million in 2012. Significant variances in working capital changes when comparing 2013 to 2012 included lower accounts payable balances due to reduced capital, exploration, and pre-development spending at the end of 2013, decreases in accrued taxes due to lower pre-tax income, as discussed above, and higher inventories primarily due to the timing of shipments at Greens Creek, partially offset by small reductions of accrued reclamation and closure cost liabilities.

	Year Ended December 31,		
	2014	**2013**	**2012**
Cash used in investing activities (in millions)	**$118.4**	**$475.5**	**$118.0**

Capital expenditures were $122.5 million in 2014, excluding non-cash lease additions of $9.5 million, which was $28.2 million lower than capital additions in 2013 when excluding the cash outflow for the acquisition of Aurizon. The decrease was primarily the result of reduced mine development and equipment purchases at Greens Creek and lower development, equipment, and infrastructure costs at Casa Berardi. During 2014, restricted investments related to reclamation bonding at the Casa Berardi unit decreased by $4.3 million, with no change to our restricted cash balances during 2013. We purchased marketable securities having a cost basis of $0.6 million and $6.0 million during 2014 and 2013, respectively.

In 2013, we recognized a cash outflow for the acquisition of Aurizon, net of cash acquired, of $321.1 million, as discussed above. We also invested $150.7 million in capital expenditures in 2013, excluding $12.3 million in non-cash capital lease additions, compared to $113.1 million, excluding $13.1 million in capital leases, in 2012. The increase in

capital expenditures was primarily due to the addition of the Casa Berardi unit, where we incurred capital expenditures of approximately $40.0 million following its acquisition. In addition to purchasing investments for $6.0 million in 2013, we sold investments having a cost basis of $1.6 million for proceeds of $1.8 million. We acquired securities for approximately $5.8 million in 2012, and acquired the Monte Cristo property in Nevada for approximately $4.5 million in July 2012.

	Year Ended December 31,		
	2014	**2013**	**2012**
Cash provided by (used in) financing activities (in millions)	**$36.5**	**$474.9**	**$(26.5)**

We received $54.4 million in proceeds from the exercise of warrants during 2014, as discussed above. In 2013, we received proceeds from the issuance of the Senior Notes, net of initial purchaser discount, of $490.0 million, and incurred fees of $1.5 million related to the issuance of the notes. During 2014, 2013, and 2012, we paid cash dividends on our common stock totaling $3.5 million, $6.0 million, and $17.1 million, respectively. We also paid cash dividends of $0.6 million on our Series B preferred stock during each of those years. We made payments on our capital leases of $9.1 million, $7.0 million, and $5.9 million, in 2014, 2013, and 2012, respectively. We also purchased shares of our common stock for $3.7 million, $0.3 million, and $2.1 million in 2014, 2013, and 2012, respectively, with $1.5 million and $1.9 million of the amounts in 2014 and 2012, respectively, related to our stock repurchase program discussed above.

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Contractual Obligations and Contingent Liabilities and Commitments

The table below presents our fixed, non-cancelable contractual obligations and commitments primarily related to our outstanding purchase orders, certain capital expenditures, our credit facility, and lease arrangements as of December 31, 2014 (in thousands):

	Payments Due By Period				
	Less than 1 year	**1-3 years**	**3-5 years**	**After 5 years**	**Total**
Purchase obligations [1]	$6,812	$—	$—	$—	$6,812
Commitment fees [2]	500	1,000	442	—	1,942
Contractual obligations [3]	1,821	1,349	—	—	3,170
Capital lease commitments [4]	10,266	11,738	1,782	—	23,786
Operating lease commitments [5]	3,456	6,326	1,934	2,081	13,797
Defined benefit pension plans [6]	4,863	—	—	—	4,863
Supplemental executive retirement plan [6]	385	832	978	4,112	6,307
Senior Notes [7]	34,822	69,644	69,644	552,929	727,039
Total contractual cash obligations	$62,925	$90,889	$74,780	$559,122	$787,716

(1) Consist of open purchase orders of approximately $2.2 million at the Greens Creek unit, $3.6 million at the Lucky Friday unit and $1.1 million at the Casa Berardi unit. Included in these amounts are approximately $1.4 million, $2.4 million, and $0.7 million related to various capital projects at the Greens Creek, Lucky Friday and Casa Berardi units, respectively.

(2) We have a $100 million revolving credit agreement under which we are required to pay a standby fee of 0.5% per annum on undrawn amounts under the revolving credit agreement. This agreement was extended in 2014 until November 18, 2018. There was no amount drawn under the revolving credit agreement as of December 31, 2014, and the amounts above assume no amounts will be drawn during the agreement's term. For more information on our credit facility, see *Note 6* of *Notes to Consolidated Financial Statements*.

(3) As of December 31, 2014, we were committed to approximately $3.2 million in expenditures for various non-capital items at our operating units.

(4) Includes scheduled capital lease payments of $15.7 million, $4.4 million and $3.6 million (including interest), respectively, for equipment at our Greens Creek, Lucky Friday and Casa Berardi units. These leases have fixed payment terms and contain bargain purchase options at the end of the lease periods. See *Note 6* of *Notes to Consolidated Financial Statements* for more information.

(5) We enter into operating leases in the normal course of business. Substantially all lease agreements have fixed payment terms based on the passage of time. Some lease agreements provide us with the option to renew the lease or purchase the leased property. Our future operating lease obligations would change if we exercised these renewal options and if we entered into additional operating lease arrangements.

(6) We sponsor defined benefit pension plans covering substantially all U.S. employees and provide certain post-retirement benefits for qualifying retired employees, along with a supplemental executive retirement plan. These amounts represent our estimate of the future funding requirements for these plans. We believe we will have funding requirements related to our defined benefit plans beyond one year; however, such obligations are not fixed in nature and are difficult to estimate, as they involve significant assumptions. See *Note 8* of *Notes to Consolidated Financial Statements* for more information.

(7) On April 12, 2013, we completed an offering of $500 million in aggregate principal amount of our Senior Notes due May 1, 2021 (the "Notes"). See *Note 6* of *Notes to Consolidated Financial Statements* for more information. Additionally, during 2014 we issued $6.5 million of additional Notes to fund the 2014 funding requirement of one of our defined benefit pension plan. See *Note 8* of *Notes to Consolidated Financial Statements* for more information. The Notes bear interest at a rate of 6.875% per year from the date of original issuance or from the most recent payment date to which interest has been paid or provided for. Interest on the Notes is payable on May 1 and November 1 of each year, commencing November 1, 2013.

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We record liabilities for costs associated with mine closure, reclamation of land and other environmental matters. At December 31, 2014, our liabilities for these matters totaled $57.3 million. Future expenditures related to closure, reclamation and environmental expenditures at our other sites are difficult to estimate, although we anticipate we will incur expenditures relating to these obligations over the next 30 years. For additional information relating to our environmental obligations, see *Note 4* of *Notes to Consolidated Financial Statements*.

Off-Balance Sheet Arrangements

At December 31, 2014, we had no existing off-balance sheet arrangements, as defined under SEC regulations, that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Estimates

Our significant accounting policies are described in *Note 1* of *Notes to Consolidated Financial Statements.* As described in *Note 1*, we are required to make estimates and assumptions that affect the reported amounts and related disclosures of assets, liabilities, revenue, and expenses. Our estimates are based on our experience and our interpretation of economic, political, regulatory, and other factors that affect our business prospects. Actual results may differ significantly from our estimates.

We believe that our most critical accounting estimates are related to future metals prices; obligations for environmental, reclamation, and closure matters; mineral reserves; and accounting for business combinations, as they require us to make assumptions that were highly uncertain at the time the accounting estimates were made and changes in them are reasonably likely to occur from period to period. Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed the disclosures presented below. In addition, there are other items within our financial statements that require estimation, but are not deemed to be critical. However, changes in estimates used in these and other items could have a material impact on our financial statements.

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Future Metals Prices

Metals prices are key components in estimates that determine the valuation of some of our significant assets and liabilities, including properties, plants and equipment, deferred tax assets, and certain accounts receivable. Metals prices are also an important component in the estimation of reserves. As shown under *Item 1A. - Risk Factors*, metals prices have historically been volatile. Silver demand arises from investment demand, particularly in exchange-traded funds, industrial demand, and consumer demand. Gold demand arises primarily from investment and consumer demand. Investment demand for silver and gold is influenced by various factors, including: the value of the U.S. Dollar and other currencies, changing U.S. budget deficits, widening availability of exchange-traded funds, interest rate levels, the health of credit markets, and inflationary expectations. Uncertainty concerning a global economic recovery could result in continued investment demand for precious metals. Industrial demand for silver is closely linked to world Gross Domestic Product growth, and industrial fabrication levels, as it is difficult to substitute for silver in industrial fabrication. Consumer demand is driven significantly by demand for jewelry and similar retail products. We believe that industrial and economic trends, including urbanization and growth of the middle class in countries such as China and India, will result in continued consumer demand for silver and gold and industrial demand for silver. However, there can be no assurance whether these trends will continue or how they will impact prices of the metals we produce. In the past, we have recorded impairments to our asset carrying value because of low prices, and we can offer no assurance that prices will either remain at their current levels or increase.

Processes supporting valuation of our assets and liabilities that are most significantly affected by prices include analysis of asset carrying values, depreciation, reserves, and deferred income taxes. On at least an annual basis - and more frequently if circumstances warrant - we examine our depreciation rates, reserve estimates, and the valuation allowances on our deferred tax assets. We examine the carrying values of our assets as changes in facts and circumstances warrant. In our analysis of carrying values and deferred taxes, we apply several pricing views to our forecasting model, including current prices, analyst price estimates, forward-curve prices, and historical prices (see *Mineral Reserves*, below, regarding prices used for reserve estimates). Using applicable accounting guidance and our view of metals markets, we use the average of the various methods to determine whether the values of our assets are fairly stated, and to determine the level of valuation allowances, if any, on our deferred tax assets. In addition, estimates of future metals prices are used in the valuation of certain assets in the determination of the purchase price allocations for our acquisitions (see *Business Combinations* below).

Sales of all metals products sold directly to customers are recorded as revenues when title and risk of loss transfer to the customer (generally at the time of shipment) at estimated forward metals prices for the estimated month of settlement. Due to the time elapsed between the time of shipment to the customer and final settlement with the customer, we must estimate the prices at which sales of our metals will be settled. Previously recorded sales and trade accounts receivable are adjusted to estimated settlement metals prices until final settlement by the customer. Changes in metals prices between shipment and final settlement result in changes to revenues and accounts receivable previously recorded upon shipment. As a result, our trade accounts receivable balances are subject to changes in metals prices until final settlement occurs. For more information, see part *N. Revenue Recognition* of *Note 1* of *Notes to Consolidated Financial Statements*.

We utilize financially-settled forward contracts to manage our exposure to changes in prices for silver, gold, zinc and lead. See *Item 7A. Quantitative and Qualitative Disclosures About Market Risk - Commodity-Price Risk Management* below for more information on our contract programs. These contracts do not qualify for hedge accounting and are therefore marked-to-market through earnings each period. Changes in silver, gold, zinc and lead prices between the dates that the contracts are entered into and their settlements will result in changes to the fair value asset or liability associated with the contracts, with a corresponding gain or loss recognized in earnings.

Obligations for Environmental, Reclamation and Closure Matters

Accrued reclamation and closure costs can represent a significant and variable liability on our balance sheet. We have estimated our liabilities under appropriate accounting guidance, and on at least an annual basis - and more frequently if warranted - management reviews our liabilities with our Audit Committee. However, the ranges of liability could exceed the liabilities recognized. If substantial damages were awarded, claims were settled, or remediation costs incurred in excess of our accruals, our financial results or condition could be materially adversely affected.

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Mineral Reserves

Critical estimates are inherent in the process of determining our reserves. Our reserves are affected largely by our assessment of future metals prices, as well as by engineering and geological estimates of ore grade, accessibility and production cost. Metals prices are estimated at long-term averages, as described in *Item 2. — Property Descriptions*. Our assessment of reserves occurs at least annually, and periodically utilizes external audits.

Reserves are a key component in the valuation of our properties, plants and equipment. Reserve estimates are used in determining appropriate rates of units-of-production depreciation, with net book value of many assets depreciated over remaining estimated reserves. Reserves are also a key component in forecasts, with which we compare future cash flows to current asset values to ensure that carrying values are reported appropriately. Reserves also play a key role in the valuation of certain assets in the determination of the purchase price allocations for acquisitions (see *Business Combinations* below). Reserves are a culmination of many estimates and are not guarantees that we will recover the indicated quantities of metals or that we will do so at a profitable level.

Business Combinations

We are required to allocate the purchase price of acquired companies to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date. The valuation of assets acquired and liabilities assumed requires management to make significant estimates and assumptions, especially with respect to long-lived assets, including estimates of future metals prices and mineral reserves, as discussed above. In some cases, we use third-party appraisers to determine the fair values and lives of property and other identifiable assets. In addition, costs related to business combinations are included in earnings as incurred, and our financial results for periods in which business combinations are pursued could be adversely affected as a result.

New Accounting Pronouncements

In July 2013, the FASB issued ASU No. 2013-11, which requires entities to present unrecognized tax benefits as a decrease in a net operating loss, similar tax loss, or tax credit carryforward if certain criteria are met. The FASB's intent was to eliminate the diversity in practice of the presentation of unrecognized tax benefits but does not alter the way in which entities assess deferred tax assets for realizability. ASU No. 2013-11 is effective for annual and interim reporting periods beginning after December 15, 2013. Adoption of this guidance has not had a material impact on our consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09 Revenue Recognition, replacing guidance currently codified in Subtopic 605-10 Revenue Recognition-Overall with various SEC Staff Accounting Bulletins providing interpretive guidance. The guidance establishes a new five step principle-based framework in an effort to significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. ASU No. 2014-09 is effective for annual and interim reporting periods beginning after December 15, 2016. We are in the process of evaluating this guidance and our method of adoption.

Forward-Looking Statements

The foregoing discussion and analysis, as well as certain information contained elsewhere in this annual report on Form 10-K, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are intended to be covered by the safe harbor created thereby. See the discussion in *Special Note on Forward-Looking Statements* included prior to *Item 1*.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The following discussion about our risk-management activities includes forward-looking statements that involve risk and uncertainties, as well as summarizes the financial instruments held by us at December 31, 2014, which are sensitive to changes in commodity prices and foreign exchange rates and are not held for trading purposes. Actual results could differ materially from those projected in the forward-looking statements. In the normal course of business, we also face risks that are either non-financial or non-quantifiable (see *Item 1A. – Risk Factors*).

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Provisional Sales

Sales of all metals products sold directly to customers, including by-product metals, are recorded as revenues when title and risk of loss transfers to the customer (generally at the time of shipment) at forward prices for the estimated month of settlement. Due to the time elapsed between shipment to the customer and the final settlement with the customer we must estimate the prices at which sales of our metals will be settled. Previously recorded sales are adjusted to estimated settlement metals prices until final settlement by the customer. Changes in metals prices between shipment and final settlement will result in changes to revenues previously recorded upon shipment. Metals prices can and often do fluctuate widely and are affected by numerous factors beyond our control (see *Item 1A – Risk Factors – A substantial or extended decline in metals prices would have a material adverse effect on us*). At December 31, 2014, metals contained in concentrates and exposed to future price changes totaled approximately 1.7 million ounces of silver, 6,702 ounces of gold, 10,394 tons of zinc, and 4,542 tons of lead. If the price for each metal were to change by ten percent, the change in the total value of the concentrates sold would be approximately $6.3 million. However, as discussed in *Commodity-Price Risk Management* below, we utilize a program designed and intended to mitigate the risk of negative price adjustments with limited mark-to-market financially-settled forward contracts for our silver, gold, zinc and lead sales.

Commodity-Price Risk Management

At times, we may use commodity forward sales commitments, commodity swap contracts and commodity put and call option contracts to manage our exposure to fluctuation in the prices of certain metals which we produce. Contract positions are designed to ensure that we will receive a defined minimum price for certain quantities of our production, thereby partially offsetting our exposure to price fluctuations. These instruments do, however, expose us to (i) credit risk in the event of non-performance by counterparties for contracts in which the contract price exceeds the spot price of a commodity and (ii) price risk to the extent that the spot price exceeds the contract price for quantities of our production covered by contract positions.

We are currently using financially-settled forward contracts to manage the exposure to changes in prices of silver, gold, zinc and lead contained in our concentrate shipments between the time of shipment and final settlement. In addition, we use financially-settled forward contracts to manage the exposure to changes in prices of zinc and lead (but not silver and gold) contained in our forecasted future concentrate shipments. These contracts do not qualify for hedge accounting and are marked-to-market through earnings each period. At December 31, 2014, we recorded the following balances related to these contracts:

- a current asset of $5.3 million which is included in other current assets and is net of $1.9 million in contracts in a fair value current liability position; and
-

a non-current asset of $6.0 million which is included in other non-current assets and is net of $1.8 million in contracts in a fair value non-current liability position;

We recognized a $1.5 million net gain during 2014 on the contracts utilized to manage exposure to prices of metals in our concentrate shipments, which is included in sales of products. The net gain recognized on the contracts offsets losses related to price adjustments on our provisional concentrate sales due to changes to silver, gold, lead and zinc prices between the time of sale and final settlement.

We recognized a $9.1 million net gain during 2014 on the contracts utilized to manage exposure to prices for forecasted future concentrate shipments, which includes $3.6 million in gains realized on settled contracts. The net gain on these contracts is included as a separate line item under other income (expense), as they relate to forecasted future shipments, as opposed to sales that have already taken place but are subject to final pricing as discussed in the preceding paragraph. The net gain for 2014 is the result of decreasing zinc and lead prices during the fourth quarter. This program is designed to mitigate the impact of potential future declines in lead and zinc prices from the price levels established in the contracts (see average price information below).

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The following table summarizes the quantities of metals committed under forward sales contracts at December 31, 2014:

	Ounces/pounds under contract (in 000's)				Average price per ounce/pound			
	Silver (ounces)	Gold (ounces)	Zinc (pounds)	Lead (pounds)	Silver (ounces)	Gold (ounces)	Zinc (pounds)	Lead (pounds)
Contracts on provisional sales								
2015 settlements	1,607	6	19,456	8,378	$ 16.06	$ 1,195	$ 1.01	$ 0.87
Contracts on forecasted sales								
2015 settlements	—	—	46,738	29,652	N/A	N/A	$ 0.96	$ 1.07
2016 settlements	—	—	44,699	34,337	N/A	N/A	$ 0.99	$ 1.03
2017 settlements	—	—	1,984	—	N/A	N/A	$ 1.04	N/A

The contracts on forecasted sales above represent approximately 31% of the forecasted payable zinc production for 2015 through 2017 at an average price of $0.98 per pound and approximately 28% of the forecasted payable lead production for 2015 through 2017 at an average price of $1.05 per pound.

Foreign Currency

We operate or have mining interests in Canada and Mexico, which exposes us to risks associated with fluctuations in the exchange rates of the currencies involved, particularly between the U.S. dollar and Canadian dollar. On June 1, 2013, we completed the acquisition of Aurizon Mines Ltd., which gave us ownership of the Casa Berardi mine and various mineral interests in Quebec, Canada. We have determined that the functional currency for our Canadian operations is the U.S. dollar. As such, foreign exchange gains and losses associated with the re-measurement of monetary assets and liabilities from Canadian dollars to U.S. dollars are recorded to earnings each period. For 2014, we recognized a net foreign exchange gain of $11.5 million. Foreign currency exchange rates are influenced by a number of factors beyond our control. We currently do not utilize forward contracts or other contracts to manage our exposure to foreign currency fluctuations, but we may do so in the future. A one percent change in the exchange rate between the U.S. dollar and Canadian dollar from the rate at December 31, 2014 would have resulted in a change of approximately $1.5 million in our net foreign exchange gain.

Item 8. Financial Statements and Supplementary Data

Our Consolidated Financial Statements are included herein beginning on page F-1. Financial statement schedules are omitted as they are not applicable or the information required is included in the Consolidated Financial Statements.

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The following table sets forth supplementary financial data (in thousands, except per share amounts) for each quarter of the years ended December 31, 2014 and 2013, derived from our unaudited financial statements. The data set forth below should be read in conjunction with and is qualified in its entirety by reference to our Consolidated Financial Statements.

	Fourth Quarter	**Third Quarter**	**Second Quarter (2)**	**First Quarter**	**Total**
2014					
Sales of products	$121,985	$135,507	$117,502	$125,787	$500,781
Gross profit	$22,207	$22,023	$18,728	$22,243	$85,201
Net income (loss)	$16,905	$3,676	$(14,399)	$11,642	$17,824
Preferred stock dividends	$(138)	$(138)	$(138)	$(138)	$(552)
Income (loss) applicable to common stockholders	$16,767	$3,538	$(14,537)	$11,504	$17,272
Basic income per common share	$0.05	$0.01	$(0.04)	$0.03	$0.05
Diluted income per common share	$0.05	$0.01	$(0.04)	$0.03	$0.05
2013					
Sales of products	$114,180	$106,629	$85,330	$76,450	$382,589
Gross profit	$14,731	$20,686	$5,111	$25,618	$66,146
Net income (loss) (1)	$(2,908)	$(8,458)	$(24,858)	$11,094	$(25,130)
Preferred stock dividends	$(138)	$(138)	$(138)	$(138)	$(552)
Income (loss) applicable to common stockholders	$(3,046)	$(8,596)	$(24,996)	$10,956	$(25,682)
Basic income (loss) per common share	$(0.01)	$(0.03)	$(0.08)	$0.04	$(0.08)
Diluted income (loss) per common share	$(0.01)	$(0.03)	$(0.08)	$0.04	$(0.08)

1) We experienced a temporary suspension of production at our Lucky Friday unit in 2012 and a ramp up in production during much of 2013, which resulted in lower revenue in 2013 compared to 2014. For additional information, see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - The Lucky Friday Segment*.

2) On June 1, 2013, we acquired all the issued and outstanding shares of Aurizon Mines Ltd. for cash and stock consideration. The acquisition gives us 100% ownership of the producing Casa Berardi gold mine, along with interests in various gold exploration properties in the Abitibi region of north-western Quebec, Canada. This information reflects our ownership of the Casa Berardi mine and other interests commencing on June 1, 2013. See *Note 15 Acquisitions* of *Notes to Consolidated Financial Statements.*

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2014, in assuring them in a timely manner that material information required to be disclosed in this report has been properly recorded, processed, summarized and reported.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over our financial reporting, which is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

Because of its inherent limitations, any system of internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements due to the possibility that a control can be circumvented or overridden or that misstatements due to error or fraud may occur that are not detected. Also, because of changes in conditions, internal control effectiveness may vary over time.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2014, using criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and concluded that we have maintained effective internal control over financial reporting as of December 31, 2014, based on these criteria.

An evaluation was performed under the supervision and with the participation of management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures as required by Exchange Act Rules 13a-15(e) and 15(d)-15(e) as of the end of the reporting period covered by this report. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures, including controls and procedures designed to ensure that information required to be disclosed by us is accumulated and communicated to our management (including our CEO and CFO), were effective as of December 31, 2014, in assuring them in a timely manner that material information required to be disclosed in this report has been properly recorded, processed, summarized and reported.

Our internal control over financial reporting as of December 31, 2014 has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in the attestation report which is included herein.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting during the quarter ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial

reporting.

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Hecla Mining Company

Coeur d'Alene, Idaho

We have audited Hecla Mining Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Hecla Mining Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Hecla Mining Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Hecla Mining Company as of December 31, 2014 and 2013, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 and our report dated February 18, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Spokane, Washington

February 18, 2015

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Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

In accordance with our Certificate of Incorporation, our Board of Directors is divided into three classes. The terms of office of the directors in each class expire at different times. The directors are elected for three-year terms. The Effective Dates listed below for each director indicate their current term of office. All officers are elected for a term which ordinarily expires on the date of the meeting of the Board of Directors immediately following the Annual Meeting of Stockholders. The positions and ages listed below are as of the date of our next Annual Meeting of Stockholders in May 2015. There are no arrangements or understandings between any of the directors or officers and any other person(s) pursuant to which such directors or officers were elected.

	Age at May 20, 2015	**Position and Committee Assignments**	**Effective Dates**
Phillips S. Baker, Jr.	55	President and CEO, Director [1]	5/14 — 5/15 5/14 — 5/17
James A. Sabala	60	Senior Vice President and Chief Financial Officer	5/14 — 5/15
Lawrence P. Radford	54	Senior Vice President – Operations	5/14 — 5/15
Dr. Dean W.A. McDonald	58	Senior Vice President – Exploration	5/14 — 5/15
Don Poirier	56	Vice President – Corporate Development	5/14 — 5/15
David C. Sienko	46	Vice President and General Counsel	5/14 — 5/15
John H. Bowles	69	Director [1,2,5]	5/12 — 5/15
Ted Crumley	70	Director and Chairman of the Board [1,4]	5/13 — 5/16
George R. Nethercutt, Jr.	70	Director [3,4]	5/12 — 5/15
Terry V. Rogers	68	Director [2,4,5]	5/13 — 5/16
Charles B. Stanley	56	Director [2,3,5]	5/13 — 5/16
Dr. Anthony P. Taylor	73	Director [3,4,5]	5/14 — 5/17

(1) Member of Executive Committee

(2) Member of Audit Committee

(3) Member of Corporate Governance and Directors' Nominating Committee

(4) Member of Compensation Committee

(5) Member of Health, Safety, Environmental and Technical Committee

Phillips S. Baker, Jr., has been our Chief Executive Officer since May 2003 and a director since November 2001. Prior to that, Mr. Baker held a variety of other positions with us starting in May 2001. Prior to joining us, Mr. Baker served as Vice President and Chief Financial Officer of Battle Mountain Gold Company (a gold mining company) from March 1998 to January 2001. Mr. Baker served as a director of Questar Corporation (a U.S. natural gas-focused exploration and production, interstate pipeline and local distribution company) from February 2004 to June 2010, and has served as a director for QEP Resources, Inc. (a natural gas and oil exploration and production company) since May 2010.

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James A. Sabala was appointed Chief Financial Officer in May 2008 and Senior Vice President in March 2008. Prior to his employment with Hecla, Mr. Sabala was Executive Vice President - Chief Financial Officer of Coeur d'Alene Mines Corporation (a mining company) from 2003 to February 2008. Mr. Sabala also served as Vice President - Chief Financial Officer of Stillwater Mining Company (a mining company) from 1998 to 2002.

Lawrence P. Radford was appointed Senior Vice President - Operations in July 2013, and prior to that was Vice President - Operations from October 2011 to June 2013. Prior to joining Hecla, Mr. Radford was Vice President of South American Operations for Kinross Gold Corporation at its South America operations (gold mining operations) from April 2010 to September 2011. Mr. Radford held various other positions at Kinross from June 2007 to March 2010. He was General Manager for Barrick Gold Corporation at its Cowal operation (a gold mining operation) in West Wyalong, NSW, Australia from January 2006 to May 2007. Mr. Radford also held various positions with Barrick from 1990 to December 2005. Prior to that, he was Planning and Project Engineer for Nerco Delamar Company (a mining company) from 1988 to 1989 and Mining Engineer for Coeur d'Alene Mines Corporation from 1984 to 1988.

Dr. Dean W.A. McDonald was appointed Senior Vice President - Exploration in July 2013 and prior to that was Vice President - Exploration from August 2006 to June 2013. Dr. McDonald was also appointed Senior Vice President - Exploration of our Canadian subsidiary, Hecla Canada Ltd., in July 2013 and was Vice President - Exploration from January 2007 to June 2013. Prior to joining Hecla, Dr. McDonald was Vice President Exploration and Business Development for Committee Bay Resource Ltd. (a Canadian-based exploration and development company) from 2003 to August 2006 and Exploration Manager at Miramar Mining Company/Northern Orion Explorations (an exploration company) from 1996 to 2003. Dr. McDonald has also served as a Director for Canamex Resources Corp. (a mineral exploration company) since August 2013.

Don Poirier was appointed Vice President - Corporate Development in July 2007. Mr. Poirier has also been Vice President - Corporate Development of our Canadian subsidiary, Hecla Canada Ltd., since January 2007. Prior to joining Hecla, Mr. Poirier was a mining analyst with Blackmont Capital (capital market specialists) from September 2002 to June 2007. Mr. Poirier held other mining analyst positions from 1988 to 2002. Mr. Poirier has also served as a Director for Brixton Metals Corporation (an exploration and development company) since May 2013.

David C. Sienko was appointed Vice President and General Counsel in January 2010. Prior to his appointment, Mr. Sienko was a partner with the law firm K&L Gates LLP (formerly Bell, Boyd & Lloyd LLP) from 2004 to January 2010, where he specialized in securities, mergers and acquisitions, and corporate governance. Mr. Sienko was also an associate at Bell, Boyd & Lloyd, LLP, from 2000 to 2004 and at Locke Lord from 1998 to 2000, as well as an attorney with the Securities and Exchange Commission from 1995 to 1998.

John H. Bowles was elected by the stockholders to Hecla's Board of Directors in May 2006. Mr. Bowles was a partner in PricewaterhouseCoopers LLP (an accounting firm) from April 1976 until his retirement in June 2006. He concentrated his practice on public companies operating in the mining industry. Mr. Bowles was a Director of Mercator Minerals LTD. (a copper, molybdenum and silver producing company) from April 2011 to September 2014, a Director of HudBay Minerals Inc. (a zinc, copper, gold and silver mining company) from May 2006 to March 2009, as well as a Director of Boss Power Corp. (a mineral exploration company) from September 2007 to November 2013. He holds Fellowships in both the British Columbia Institute of Chartered Accountants and the Canadian Institute of Mining and Metallurgy. Mr. Bowles was also the Treasurer of Mining Suppliers Association of British Columbia (an association of providers of equipment, products and related services to the British Columbia mining industry) from May 1999 to May 2012. He has been Director Emeritus of Ducks Unlimited Canada (a national, private, non-profit wetland conservation organization) since March 1996. In 2006, Mr. Bowles was named Mining Person of the Year by the Mining Association of British Columbia.

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Ted Crumley has served as a director since 1995 and became Chairman of the Board in May 2006. Mr. Crumley served as the Executive Vice President and Chief Financial Officer of OfficeMax Incorporated (a distributor of office products) from January 2005 until his retirement in December 2005, and as Senior Vice President from November 2004 to January 2005. Prior to that, Mr. Crumley was Senior Vice President and Chief Financial Officer of Boise Cascade Corporation (a wood and paper company), from 1994 to 2004.

George R. Nethercutt, Jr., was appointed to Hecla's Board of Directors in February 2005. Mr. Nethercutt has served as a principal of Nethercutt Consulting LLC (a strategic planning and consulting firm) from January 2007 to January 2012. Prior to that, Mr. Nethercutt was a principal of Lundquist, Nethercutt & Griles, LLC (a strategic planning and consulting firm) from February 2005 to January 2007. Mr. Nethercutt has also been a board member for the Washington Policy Center (a public policy organization providing high quality analysis on issues relating to the free market and government regulation) since January 2005, and a member of the board of IP Street (a software company) from May 2011 to January 2015. In September 2010, Mr. Nethercutt was appointed Of Counsel with the law firm of Lee & Hayes PLLC. Mr. Nethercutt serves as a board member of ARCADIS Corporation (an international company providing consultancy, engineering and management services), the Board of Chancellors for the Juvenile Diabetes Research Foundation International (a charity and advocate of juvenile diabetes research worldwide), and served as U.S. Chairman of the Permanent Joint Board on Defense - U.S./Canada from April 2005 to December 2009. He is the founder and Chairman of the George Nethercutt Foundation (a charitable non-profit educational foundation) formed in February 2007. From 1995 to 2005, Mr. Nethercutt served in the U.S. House of Representatives, including House Appropriations subcommittees on Interior, Agriculture and Defense and the Science Committee's subcommittee on Energy. He has been a member of the Washington State Bar Association since 1972.

Charles B. Stanley was elected to Hecla’s Board of Directors in May 2007. Mr. Stanley has been the Chief Executive Officer, President and Director of QEP Resources, Inc. (a natural gas and oil exploration and production company) since May 2010, and Chairman of QEP's board of directors since May 2012. He also served as Chairman, Chief Executive Officer, President and Director of QEP Midstream Partners, LP (a master limited partnership that owns, operates, acquires and develops midstream energy assets) from May 2013 to December 2014. He served as Chief Operating Officer of Questar Corporation (a U.S. natural gas-focused exploration and production, interstate pipeline and local distribution company) from March 2008 to June 2010, and also as its Executive Vice President and Director from February 2002 to June 2010.

Terry V. Rogers was elected to Hecla’s Board of Directors in May 2007. Mr. Rogers was the Senior Vice President and Chief Operating Officer of Cameco Corporation (a uranium producer) from February 2003 until his retirement in June 2007. Mr. Rogers also served as President of Kumtor Operating Company (a gold producing company and a division of Cameco Corporation) from 1999 to 2003. He has also served as a Director for Centerra Gold Inc. (a gold mining company) since February 2003.

Dr. Anthony P. Taylor has served as a director since May 2002. Dr. Taylor has been the President, CEO and Director of Selex Resources Ltd. (a private Ontario Corporation engaged in mineral exploration) since January 2012. He

previously served as Executive Chairman and Director of Crown Gold Corporation (a public Canadian minerals exploration company) from August 2010 to August 2012, and President, CEO and Director of Gold Summit Corporation (a public Canadian minerals exploration company) from October 2003 to August 2010. He has served as President and Director of Caughlin Preschool Corporation (a private Nevada corporation that operates a preschool) since October 2001.

Information with respect to our directors is set forth under the caption “Proposal 1 - Election of Directors” in our proxy statement to be filed pursuant to Regulation 14A for the annual meeting scheduled to be held on May 20, 2015 (the Proxy Statement), which information is incorporated herein by reference.

Reference is made to the information set forth in the first paragraph under the caption “Audit Committee Report - Membership and Role of the Audit Committee,” and under the caption “Corporate Governance” in the Proxy Statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

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Reference is made to the information set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

Reference is made to the information set forth under the caption “Available Information” in *Item 1* for information about the Company’s Code of Business Conduct and Ethics, which information is incorporated herein by reference.

There have been no material changes to the procedures by which stockholders may recommend director nominees.

Item 11. Executive Compensation

Reference is made to the information set forth under the caption “Compensation of Non-Management Directors;” the caption “Compensation Discussion and Analysis;” the caption “Compensation Committee Interlocks and Insider Participation;” the caption “Compensation Committee Report,” the caption “Compensation Tables;” the first paragraph under the caption “Board of Directors and Committee Information;” and under the caption “Other Benefits” in the Proxy Statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

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

Reference is made to the information set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” and the caption “Equity Compensation Plan Information” in the Proxy Statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

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

Reference is made to the information set forth in the Proxy Statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Reference is made to the information set forth under the caption “Audit Fees – Audit and Non-Audit Fees” in the Proxy Statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference. Reference is made to the information set forth under the caption “Audit Fees – Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Auditor” in the Proxy Statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) Financial Statements

See Index to Financial Statements on Page F-1

(a) (2) Financial Statement Schedules

Not applicable

(a) (3) Exhibits

See Exhibit Index following the Financial Statements

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HECLA MINING COMPANY

By: /s/ Phillips S. Baker, Jr.
Phillips S. Baker, Jr., President,

Chief Executive Officer and Director

Date: February 18, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Phillips S. Baker, Jr. Phillips S. Baker, Jr. President, Chief Executive Officer and Director (principal executive officer)	2/18/2015 Date	/s/ Ted Crumley Ted Crumley Director	2/18/2015 Date
/s/ James A. Sabala James A. Sabala Senior Vice President and Chief Financial Officer (principal financial and accounting officer)	2/18/2015 Date	/s/ Charles B. Stanley Charles B. Stanley Director	2/18/2015 Date
/s/ John H. Bowles John H. Bowles Director	2/18/2015 Date	/s/ George R. Nethercutt, Jr. George R. Nethercutt, Jr. Director	2/18/2015 Date

/s/ Terry V. Rogers	2/18/2015	/s/ Anthony P. Taylor	2/18/2015
Terry V. Rogers		Anthony P. Taylor	
	Date		Date
Director		Director	

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Hecla Mining Company

Coeur d’Alene, Idaho

We have audited the accompanying consolidated balance sheets of Hecla Mining Company as of December 31, 2014 and 2013 and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hecla Mining Company at December 31, 2014 and 2013, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2014**,** in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Hecla Mining Company’s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 18, 2015 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Spokane, Washington

February 18, 2015

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Hecla Mining Company and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share and per share data)

	December 31,	
	2014	**2013**
ASSETS		
Current assets:		
Cash and cash equivalents	$209,665	$212,175
Accounts receivable:		
Trade	17,696	17,672
Taxes	10,392	16,204
Other, net	6,792	4,689
Inventories:		
Concentrates, doré, stockpiled ore, and metals in transit and in-process	25,999	27,740
Materials and supplies	21,474	21,097
Current deferred income taxes	12,029	35,734
Other current assets	12,312	8,324
Total current assets	316,359	343,635
Non-current investments	4,920	7,019
Non-current restricted cash and investments	883	5,217
Properties, plants, equipment and mineral interests, net	1,831,564	1,791,601
Non-current deferred income taxes	98,923	78,780
Other non-current assets	9,415	5,867
Total assets	$2,262,064	$2,232,119
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$41,869	$51,152
Accrued payroll and related benefits	27,956	18,769
Accrued taxes	4,241	7,881
Current portion of capital leases	9,491	8,471
Current portion of accrued reclamation and closure costs	1,631	58,425
Other current liabilities	5,797	6,781
Total current liabilities	90,985	151,479
Long-term capital leases	13,650	14,332
Accrued reclamation and closure costs	55,619	46,766
Long-term debt	498,479	490,726
Non-current deferred tax liability	153,300	164,861
Other non-current liabilities	53,057	37,536
Total liabilities	865,090	905,700
Commitments and contingencies (Notes 2, 3, 4, 6, 7, 8, and 10)		
STOCKHOLDERS’ EQUITY		

Preferred stock, 5,000,000 shares authorized:		
Series B preferred stock, $0.25 par value, 157,816 shares issued and outstanding, liquidation preference — $7,891	39	39
Common stock, $0.25 par value, authorized 500,000,000 shares; issued and outstanding 2014 — 367,376,863 shares and 2013 — 342,663,381 shares	92,382	85,896
Capital surplus	1,486,750	1,426,845
Accumulated deficit	(141,306)	(154,982)
Accumulated other comprehensive loss, net	(32,031)	(26,299)
Less treasury stock, at cost; 2014 — 2,151,482 and 2013 — 921,721 shares issued and held in treasury	(8,860)	(5,080)
Total stockholders' equity	1,396,974	1,326,419
Total liabilities and stockholders' equity	$2,262,064	$2,232,119

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

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Hecla Mining Company and Subsidiaries

Consolidated Statements of Operations and Comprehensive Income (Loss)

(Dollars and shares in thousands, except per share amounts)

	Year Ended December 31,		
	2014	**2013**	**2012**
Sales of products	$500,781	$382,589	$321,143
Cost of sales and other direct production costs	304,446	235,316	134,105
Depreciation, depletion and amortization	111,134	81,127	43,522
Total cost of sales	415,580	316,443	177,627
Gross profit	85,201	66,146	143,516
Other operating expenses:			
General and administrative	31,538	28,925	21,253
Exploration	17,698	23,502	31,822
Pre-development	1,969	14,148	17,916
Provision for closed operations and environmental matters	10,098	5,403	4,652
Other operating expense	2,295	1,641	4,423
(Gain) loss on disposition of property, plants, equipment and mineral interests	(25)	(75)	275
Lucky Friday suspension-related (income) costs	—	(1,401)	25,309
Aurizon acquisition costs	—	26,397	—
Total other operating expense	63,573	98,540	105,650
Income (loss) from operations	21,628	(32,394)	37,866
Other income (expense):			
Gain (loss) on derivative contracts	9,134	17,979	(10,457)
Net gain on sale of investments	—	197	—
Unrealized loss on investments	(3,224)	(2,639)	(1,171)
Net foreign exchange gain (loss)	11,535	2,959	(63)
Interest and other income	286	662	85
Interest expense	(26,775)	(21,689)	(2,427)
Total other income (expense):	(9,044)	(2,531)	(14,033)
Income (loss) before income taxes	12,584	(34,925)	23,833
Income tax benefit (provision)	5,240	9,795	(8,879)
Net income (loss)	17,824	(25,130)	14,954
Preferred stock dividends	(552)	(552)	(552)
Income (loss) applicable to common stockholders	$17,272	$(25,682)	$14,402
Comprehensive income (loss):			
Net income (loss)	$17,824	$(25,130)	$14,954
Unrealized gain (loss) and amortization of prior service on pension plans	(6,875)	2,230	(1,644)
Unrealized holding gains (losses) on investments	(1,282)	(7,249)	53
Reclassification of impairment of investments included in net income (loss)	2,425	2,638	1,171

Total change in accumulated other comprehensive income (loss), net	$(5,732)	$(2,381)	$(420)
Comprehensive income (loss)	$12,092	$(27,511)	$14,534
Basic income (loss) per common share after preferred dividends	$0.05	$(0.08)	$0.05
Diluted income (loss) per common share after preferred dividends	$0.05	$(0.08)	$0.05
Weighted average number of common shares outstanding – basic	353,442	318,679	285,375
Weighted average number of common shares outstanding – diluted	357,435	318,679	297,566

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

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Hecla Mining Company and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands)

	Year Ended December 31,		
	2014	2013	2012
Operating activities:			
Net income (loss)	$17,824	$(25,130)	$14,954
Non-cash elements included in net income (loss):			
Depreciation, depletion and amortization	112,173	82,366	50,113
Net gain on sale of investments	—	(197)	—
Unrealized loss on investments	3,224	2,639	1,171
(Gain) loss on disposition of properties, plants, equipment and mineral interests	(25)	(75)	275
Provision for reclamation and closure costs	10,215	1,788	1,106
Deferred income taxes	1,895	(5,893)	546
Stock compensation	4,965	4,461	3,101
Amortization of loan origination fees	2,183		