

HECLA MINING CO/DE/
Form 10-K
February 23, 2016
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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, 2015

Commission file No. 1-8491

HECLA MINING COMPANY

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	77-0664171 (I.R.S. Employer Identification No.)
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6500 N. Mineral Drive, Suite 200 Coeur d'Alene, Idaho (Address of principal executive offices)	83815-9408 (Zip Code)
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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.

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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 \$985,405,173 as of June 30, 2015. There were 376,732,868 shares of the registrant's Common Stock outstanding as of June 30, 2015, and 378,561,934 shares outstanding as of February 19, 2016.

Documents incorporated by reference herein:

To the extent herein specifically referenced in Part III, the information contained in the Proxy Statement for the 2016 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 2015 fiscal year, is incorporated herein by reference. See Part III.

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Special Note on Forward-Looking Statements

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

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

PART I

Item 1. Business

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

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

Introduction

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

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

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

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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, Casa Berardi, and San Sebastian units.
- Expanding our proven and probable reserves and production capacity at our operating properties.
- Conducting our business with financial stewardship to preserve our financial position in varying metals price environments.
- Continuing to advance our San Sebastian project in Mexico, where we commenced production in the fourth quarter of 2015.

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

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

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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,				
	2015	2014	2013	2012	2011
Net (loss) income	\$(86,968)	\$17,824	\$(25,130)	\$14,954	\$151,164

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:

	2015	2014	2013	2012	2011
Silver (per oz.):					
Average	\$15.70	\$19.08	\$23.83	\$31.15	\$35.11
High	\$18.23	\$22.05	\$32.23	\$37.23	\$48.70
Low	\$13.71	\$15.28	\$18.61	\$26.67	\$26.16
Gold (per oz.):					
Average	\$1,160	\$1,266	\$1,411	\$1,669	\$1,569
High	\$1,296	\$1,385	\$1,694	\$1,792	\$1,895
Low	\$1,049	\$1,142	\$1,192	\$1,540	\$1,319
Lead (per lb.):					
Average	\$0.81	\$0.95	\$0.97	\$0.94	\$1.09
High	\$0.97	\$1.03	\$1.11	\$1.06	\$1.33
Low	\$0.70	\$0.82	\$0.88	\$0.79	\$0.81
Zinc (per lb.):					
Average	\$0.88	\$0.98	\$0.87	\$0.88	\$0.99
High	\$1.09	\$1.10	\$0.99	\$0.99	\$1.15
Low	\$0.66	\$0.88	\$0.81	\$0.80	\$0.79

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, 2015, 2014 and 2013. 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, zinc and lead were lower in 2015 compared to 2014. Average realized prices for silver, gold, and lead decreased in 2014 compared to 2013, while zinc prices increased. 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 \$293.6 million in 2015, \$304.4 million in 2014, \$235.3 million in 2013, \$134.1 million in 2012 and \$165.6 million in 2011. 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 \$22.0 million, \$19.7 million, \$37.7 million, \$49.7 million and \$31.4 million for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, respectively.

Provision for closed operations and environmental matters of \$12.2 million, \$10.1 million, \$5.4 million, \$4.7 million and \$9.7 million for the years ended December 31, 2015, 2014, 2013, 2012, and 2011, respectively.

Net gains on base metal forward contracts of \$8.3 million in 2015, \$9.1 million in 2014, and \$18.0 million in 2013, a net loss of \$10.5 million in 2012, and a net gain of \$38.0 million in 2011. 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 Mines Ltd. ("Aurizon") for \$714.5 million in June 2013, which was partially funded by the issuance of 6.875% Senior Notes due 2021 ("Senior Notes") in April 2013 for net proceeds of \$490.0 million. We recognized expenses relating to the Aurizon acquisition of \$26.4 million in 2013. In addition, in 2015, 2014 and 2013, respectively, we recorded interest expense related to the Senior Notes, including amortization of issuance costs, of \$22.7 million, \$24.6 million and \$19.1 million, net of \$13.5 million, \$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.

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

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

Income tax provisions of \$56.3 million, \$8.9 million and \$82.0 million in 2015, 2012 and 2011, respectively, and income tax benefits of \$5.2 million and \$9.8 million in 2014 and 2013, respectively. The provision in 2015 was primarily the result of an increase in the valuation allowance for our U.S. deferred tax assets, partially offset by a decrease in the valuation allowance for Mexican deferred tax assets. See *Note 5 of Notes to Consolidated Financial Statements* for more information.

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

A comprehensive discussion of our financial results for the years ended December 31, 2015, 2014 and 2013, individual operating unit performance, general corporate expenses and other significant items can be found in *Item 7. Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations*, as well as the

Consolidated Financial Statements and Notes thereto.

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Products and Segments

Our segments are differentiated by geographic region. We produce zinc, lead and bulk flotation concentrates at our Greens Creek unit and lead and zinc flotation concentrates at our Lucky Friday unit, each of which we sell to custom smelters and brokers on contract. The flotation concentrates produced at our Greens Creek and Lucky Friday units contain payable silver, zinc and lead, and at Greens Creek they also contain payable gold. At Greens Creek, we also produce gravity concentrate containing silver, gold and lead. Unrefined bullion (doré) is produced from the gravity concentrate by a third party processor and sold to a precious metal refiner. We also produce unrefined gold and silver bullion bars (doré) at Casa Berardi and San Sebastian, which are shipped directly to customers for further refining before sale of the metals to precious metals traders. Payable metals are those included in our products which we are paid for by smelters, brokers and refiners. Our segments as of December 31, 2015 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 returned to historical levels in September 2013 following a period of temporary care and maintenance and no production in 2012 (see *The Lucky Friday Segment*).

- 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 (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 San Sebastian unit located in the state of Durango, Mexico. We previously produced at San Sebastian from underground mines between 2001 and 2005. Recent near-surface exploration discoveries in the vicinity of the past producing area led to the decision in the third quarter of 2015 to develop shallow open pit mines there. Production commenced from the open pits in the fourth quarter of 2015.

The contributions to our consolidated sales by our operating units in 2015 were 51.4% from Greens Creek, 33.7% from Casa Berardi, and 14.9% from Lucky Friday. While commercial production commenced San Sebastian in the fourth quarter of 2015, no sales were made as of December 31, 2015.

The table below summarizes our production for the years ended December 31, 2015, 2014 and 2013. Zinc and lead production quantities are presented in short tons (“tons”).

	Year		
	2015	2014	2013
Silver (ounces)	11,591,603	11,090,506	8,919,728
Gold (ounces)	189,327	186,997	119,989
Lead (tons)	39,965	40,255	30,374
Zinc (tons)	70,073	67,969	61,406

Licenses, Permits and Claims/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.* In addition, our operations and exploration activities at our Casa Berardi and San Sebastian units are conducted pursuant to claims or concessions granted by the host government, and otherwise are subject to claims renewal and minimum work commitment requirements, which are subject to certain political risks associated with foreign operations. See *Item 1A. Risk Factors - Operation, Development, Exploration and Acquisition Risks - Our foreign activities are subject to additional inherent risks.*

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Physical Assets

Our business is capital intensive and requires ongoing capital investment for the replacement, modernization or expansion of equipment and facilities and to develop new ore reserves. At December 31, 2015, the book value of our property, plant, equipment and mineral interests, net of accumulated depreciation, was approximately \$1.9 billion. For more information see *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations*. We maintain insurance policies against property loss and business interruption. However, such insurance contains exclusions and limitations on coverage, and there can be no assurance that claims would be paid under such insurance policies in connection with a particular event. See *Item 1A. Risk Factors - Operation, Development, Exploration and Acquisition Risks - Our operations may be adversely affected by risks and hazards associated with the mining industry that may not be fully covered by insurance.*

Employees

As of December 31, 2015, we employed 1,404 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. 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 1, 2015, 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.

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Financial Risks

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

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

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

These factors are largely beyond our control and are difficult to predict. If the market prices for these metals fall below our production 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 19, 2016, the closing prices for silver, gold, lead and zinc were \$15.37 per ounce, \$1,227 per ounce, \$0.79 per pound and \$0.79 per pound, respectively.

We have had losses that could reoccur in the future.

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

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

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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, 2015, we had total debt of approximately \$520.5 million and our total cash and cash equivalents was \$155.2 million. We had a net loss of \$87.0 million in 2015, which included \$25.4 million incurred for debt service obligations, net of amounts capitalized, which was primarily for interest on our Senior Notes. 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 debt in the future. Although the indenture governing our outstanding Senior Notes contains restrictions on the incurrence of additional debt, these restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of additional debt that could be incurred in compliance with these restrictions could be substantial. In addition, we have \$100 million in available capacity to be drawn from our revolving credit facility, which is separate and apart from our Senior Notes indenture and also contains limitations on our ability to incur additional debt.

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. See the risk factors below under the heading “*Risks Related to Our Debt.*”

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 evaluation of the carrying values of our assets, as the evaluation involves comparing carrying values to the average estimated undiscounted cash flows resulting from operating plans using various metals price scenarios. Our estimates of undiscounted cash flows for our long-lived assets also include an estimate of the market value of the exploration potential beyond the current operating plans. 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, 2015. 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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Global financial events or developments impacting major industrial or developing countries may have an impact on our business and financial condition in ways that we currently cannot predict.

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

Commodity 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 in the past utilized such programs 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 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;
- future foreign exchange rates;
- reserves for contingencies and litigation; and

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•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 do not have deferred tax valuation allowances for certain amounts related to U.S. and foreign net operating loss carryforwards, and our current and non-current deferred tax asset balances as of December 31, 2015 were \$18.0 million and \$36.6 million, respectively. During 2015, the valuation allowance on our deferred tax assets increased by \$83.7 million. See *Note 5 of Notes to Consolidated Financial Statements* for further discussion of our deferred tax assets.

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

We maintain defined benefit pension plans for 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.

Risks Relating to Our Debt

The terms of our debt impose restrictions on our operations.

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

- make it more difficult for us to satisfy our obligations with respect to our Senior Notes and our other debt;
- limit our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements, or require us to make divestitures;

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- require a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes,
- thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for and reacting to changes in the industry in which we compete;
- place us at a disadvantage compared to other, less leveraged competitors; and
- increase our cost of borrowing additional funds.

In addition, 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 Senior Notes. Our assets and cash flow may be insufficient to repay borrowings fully under all of our outstanding debt instruments if any of our debt instruments are accelerated upon an event of default, which could force us into bankruptcy or liquidation. In such an event, we may be unable to repay our debt obligations. In addition, in some instances, this would create an event of default under the indenture governing our Senior Notes.

We may be unable to generate sufficient cash to service all of our debt and meet our other ongoing liquidity needs and may be forced to take other actions to satisfy our obligations under our debt, 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 debt 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 debt. Accordingly, repayment of our debt 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 debt, our subsidiaries do not have any obligation to pay amounts due on our debt 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 debt. Each subsidiary is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the

credit agreement governing our revolving credit facility and the indenture governing our Senior Notes limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our debt.

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 debt. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture governing our Senior Notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding debt on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional debt. 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 debt subjects us to interest rate risk, which could cause our debt 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 debt would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our debt, 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 debt to the extent of the value of the collateral securing that debt.

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 debt with respect to the collateral that secures such debt, including any borrowings under our revolving credit facility. Upon a default in payment on, or the acceleration of, any of our secured debt, 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 debt will be available to pay obligations on the Senior Notes only after such secured debt 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 debt 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 debt, our subsidiaries do not have any obligation to pay amounts due on the Senior Notes or our other debt or to make funds available for that purpose.

For the year ended December 31, 2015, our non-guarantor subsidiaries represented 34% of our sales of metals and 26% of our other operating expenses. As of December 31, 2015, our non-guarantor subsidiaries represented 36% of our total assets and 21% of our total liabilities, including trade payables, deferred tax liabilities and royalty obligations but excluding intercompany liabilities.

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

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

We may be unable to repurchase Senior Notes 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 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 debt, which we may not be able to do. In addition, even if we were able to refinance our outstanding debt, 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;

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- the issuance of the Senior Notes or the incurrence of the guarantee left us or the subsidiary guarantor, as applicable, with an unreasonably small amount of capital or assets to carry on the business; or
- we or the subsidiary guarantor intended to, or believed that we or such subsidiary guarantor would, incur debts beyond our or such subsidiary guarantor's ability to pay as they mature.

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

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

- the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they became due.

The subsidiary guarantees contain a "savings clause" intended to limit the subsidiary guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under its subsidiary guarantee to be a fraudulent transfer. This provision may not be effective to protect any subsidiary guarantees from being avoided under fraudulent transfer law. Furthermore, in *Official Committee of Unsecured Creditors of TOUSA, Inc. v Citicorp North America, Inc.*, the U.S. Bankruptcy Court in the Southern District of Florida held that a savings clause similar to the savings clause used in the indenture was unenforceable. As a result, the subsidiary guarantees 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 debt 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.

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

Credit rating agencies rate our debt securities on factors that include our results of operations, actions that we take, their view of the general outlook for our industry and their view of the general outlook for the economy. Actions taken by the rating agencies can include maintaining, upgrading, or downgrading the current rating or placing us on a watch list for possible future downgrading. At February 19, 2016, our Senior Notes were rated "B-" with a stable outlook by Standard and Poor's, and were rated "B3" by Moody's Investors Service. In February 2016, Standard and Poor's lowered their rating of our Senior Notes from a previous "B" rating. In January 2016, Moody's indicated that they have placed us, along with other mining companies, on review for downgrade. Downgrading the credit rating of our debt securities or placing us on a watch list for possible future downgrading would likely increase our cost of financing, limit our access to the capital markets and have an adverse effect on the market price of our securities, including our Senior Notes. We cannot be assured that our credit ratings will not be downgraded in the future.

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 underground mines are subject to risks relating to ground instability, including, but not limited to, pit wall failure, 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, ground falls, or pit wall failures;
- seismic activity;
- underground fires or floods;
- unanticipated hydrologic conditions, including flooding and periodic interruptions due to inclement or hazardous weather conditions;
- political and country risks;

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- 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.

Such risks could result in:

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

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

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;

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- facility and equipment costs;
- availability of adequate staffing;
- availability of affordable sources of power and adequacy of water supply;
- exploration and drilling success;
- capital and operating costs of a development project;
- environmental 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.

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

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

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 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 8600 foot level and capital expenditures of approximately \$225 million, which includes approximately \$205 million that has been spent on the project as of December 31, 2015. We believe that our current capital resources will allow us to complete the project by its estimated completion target of late 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*.

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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 smelters or refiners are unavailable or unwilling to accept our products, or we are otherwise unable to sell our products 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.

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.

We may experience labor disputes, work stoppages or other disruptions in production that could adversely affect our business and results of operations. The Lucky Friday mine is our only operation where some of our employees are subject to a collective bargaining agreement, which expires on April 30, 2016. Although we intend to negotiate a new agreement on a timely basis, there can be no assurance that we will do so or that the terms of any new agreement will be favorable to us. If we do not successfully negotiate a new collective bargaining agreement with our union workers, we may incur prolonged strikes and other work stoppages at our mining operations, which could adversely affect our financial condition and results of operations. Additionally, if we enter into a new labor agreement with any union that significantly increases our labor costs relative to our competitors, our ability to compete may be materially and adversely affected.

Our foreign activities are subject to additional inherent risks.

We currently have operations in Mexico and Canada, and we expect to continue to conduct operations there and possibly other international locations in the future. Because we conduct operations internationally, we are subject to

political, legal and economic risks such as:

- the effects of local political, labor and economic developments and unrest;
- significant or abrupt changes in the applicable regulatory or legal climate;
- exchange controls and export restrictions;
- expropriation or nationalization of assets with inadequate compensation;
- unfavorable currency fluctuations, particularly in the exchange rate between the U.S. dollar and the Canadian dollar and Mexican Peso;
- repatriation restrictions;
- invalidation and unavailability of governmental orders, permits or agreements;
- property ownership disputes;

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- renegotiation or nullification of existing concessions, licenses, permits and contracts;
- criminal activity, corruption, demands for improper payments, expropriation, and uncertain legal enforcement and physical security;
- failure to maintain compliance with corruption and transparency statutes, including the U.S. Foreign Corrupt Practices Act;
- disadvantages of competing against companies from countries that are not subject to U.S. laws and regulations;
- fuel or other commodity shortages;
- illegal mining;
- laws or policies of foreign countries and the United States affecting trade, investment and taxation;
- opposition to our presence, operations, properties or plans by non-governmental organizations or civic groups;
- civil disturbances, war and terrorist actions; and
- seizures of assets.

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

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.

Competition from other mining companies may harm our business.

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

- attracting and retaining key executives, skilled labor, and other employees;
- for the services of other skilled personnel and contractors and their specialized equipment, components and supplies, such as drill rigs, necessary for exploration and development; and
- for rights to mine properties.

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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. Although we are pursuing opportunities that we feel are in the best interest of our stockholders, these pursuits are costly and often unproductive.

Furthermore, 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 we face strong competition for companies and properties from other mining companies, some of which have greater financial resources than we do. Therefore we may be unable to acquire attractive companies and mining properties on terms that we consider acceptable.

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

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

Integration of the businesses or the properties we acquire with our existing business 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 which may be significant, inaccurate reserve estimates and fluctuations in market prices.

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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.

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

Our presence in Quebec, Canada, and more specifically our properties there, may be of particular interest or sensitivity to one or more interest groups, including aboriginal groups (which are generally referred to as "First Nations"). We have mineral projects in Quebec 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.

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. Obtaining the necessary governmental permits is a complex, time-consuming and costly process. The duration and success of our efforts to obtain permits are contingent upon many variables not within our control. Obtaining environmental permits, including the approval of reclamation plans, may increase costs and cause delays or halt the continuation of mining operations depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. Interested parties including governmental agencies and non-governmental organizations or civic groups may seek to prevent issuance of permits and intervene in the process or pursue extensive appeal rights. Past or ongoing violations of laws or regulations involving obtaining or complying with permits could provide a basis to revoke existing permits, deny the issuance of additional permits, or a regulatory enforcement action, each of which could have a material adverse impact on our operations or financial condition. In addition, evolving reclamation or environmental concerns may threaten our ability to renew existing permits or obtain new permits in connection with future development, expansions and operations. There can be no assurance that all necessary approvals and permits will be obtained and, if obtained, that the costs involved will not exceed those that we previously estimated. It is possible that the costs and delays associated with the compliance with such standards and regulations could become such that we would not proceed with 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, and the bonds or collateral may not fully cover the cost of reclamation and any such shortfall could have a material adverse impact on our financial condition.

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Legal challenges could prevent the Rock Creek project from ever being developed.

The proposed development of our Rock Creek project has been challenged by several regional and national conservation groups at various times since the U.S. Forest Service issued its initial Record of Decision in 2003 approving Revett Mining Company's plan of operation. Some of these challenges have alleged violations of a variety of federal and state laws and regulations pertaining to Revett's permitting activities at Rock Creek, including the Endangered Species Act, the National Environmental Policy Act, the 1872 Mining Law, the Federal Land Policy Management Act, the Wilderness Act, the National Forest Management Act, the Clean Water Act, the Clean Air Act, the Forest Service Organic Act of 1897, and the Administrative Procedural Act. Although Revett successfully addressed most of these challenges, Revett was directed by the Montana Federal District Court in May 2010 to produce a Supplemental Environmental Impact Statement ("SEIS") to address National Environmental Policy Act procedural deficiencies that were identified by the court. We cannot predict how possible future challenges will be resolved. Rock Creek is the significant asset obtained in the acquisition of Revett. Possible new court challenges in the future to the final SEIS and Record of Decision may delay the planned development at Rock Creek. If we are successful in completing the SEIS and defending any challenges, we would still be required to comply with a number of requirements and conditions as development progresses, failing which could make us unable to continue with development activities. Even if Rock Creek is permitted, there is no assurance that it will be successfully developed or operated, including, among other reasons, because financing necessary to develop the project may be unavailable.

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 the Mine Safety and Health Administration ("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.*"

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. Any one or more of these liabilities could have a material adverse impact on our financial condition.

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. Conversely, our reclamation costs may exceed the financial assurances in place and those assurances may ultimately be unavailable to us. 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.

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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 regulatory bodies such as the U.S. Environmental Protection Agency, which have not been or have seldomly been used against us, could be used against us or in general. 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, used when we are unable to access hydroelectric power. Climate change legislation may also affect our smelter customers who burn fossil fuels, resulting in fewer customers or increased costs to us, and may affect the market for the metals we produce with effects on prices that are not possible for us to predict.

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.

We are subject to the Clean Water Act, which requires permits for certain discharges into waters of the United States. Such permitting has been a frequent subject of litigation 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, 2015, we had accrued \$95.5 million as a provision for environmental obligations. There can be no assurance that we have accurately estimated these environmental obligations, and in the future our accrual could materially change. Our environmental obligations could have a material adverse impact on our cash flows, results of operations, or financial condition. For information on our potential environmental liabilities, see *Note 4* and *Note 7* of *Notes to Consolidated Financial Statements*.

We face risks relating transporting our products, 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 or accidents involving the shipment of our products could have a material adverse impact on our operations and financial results.

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

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

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

- changes in metals prices, particularly silver and gold;
- our results of operations and financial condition as reflected in our public news releases or periodic filings with the SEC;
- fluctuating proven and probable reserves;
- factors unrelated to our financial performance or future prospects, such as global economic developments, market perceptions of the attractiveness of particular industries, or the reliability of metals markets;
- political and regulatory risk;
- the success of our exploration, pre-development, and capital programs;
- ability to meet production estimates;

- environmental, safety and legal risk;
- the extent and nature of analytical coverage concerning our business; and
- the trading volume and general market interest in our securities.

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

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

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

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

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

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

From the fourth quarter of 2011 through and including the fourth quarter of 2015, our board of directors has declared a common stock dividend under the policy described above (although in some cases only a minimum dividend was declared and none relating to the average realized price of silver due to the prices not meeting the policy threshold). The declaration and payment of common stock dividends, whether pursuant to the policy or in addition thereto, is at the sole discretion of our board of directors, and there can be no assurance that we will continue to declare and pay common stock dividends in the future. In addition, the indenture governing our Senior Notes limits our ability to pay dividends.

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

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

to realize on the proceeds from the sale of any of our or our subsidiaries' assets, will be effectively subordinated to the claims of the holders of our Senior Notes.

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

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

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

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

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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;
- 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 19, 2016 was 2.36.

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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 440 unpatented lode mining claims, 58 unpatented millsite claims, 17 patented lode claims and one patented millsite. In addition, the Greens Creek site includes properties under lease from the U.S. Forest Service ("USFS") for a road right-of-way, mine portal and mill site access, camp site, mine waste area and tailings impoundment. The USFS leases have varying expiration

terms. Greens Creek also has title to mineral rights on 7,301 acres of federal land acquired through a land exchange with the USFS. We are currently exploring, but not mining, on such federal land.

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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/tennantite.

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 in July according to the Gross Domestic Product (GDP) Implicit Price Deflator until the year 2016, and at December 31, 2015, was at approximately \$159 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. Gravity concentrates are produced from this circuit prior to flotation. Three flotation concentrates are produced: a lead concentrate which contains most of the silver recovered; a zinc concentrate which is low in precious metals content; and a zinc-rich bulk concentrate that contains gold, silver, zinc, and lead and must be marketed to an imperial smelter. Doré is produced from the gravity concentrate by a third party processor and further refined and sold to precious metal traders and other concentrate products are sold to a number of smelters 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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In 2015, ore was processed at an average rate of approximately 2,231 tons per day and total mill recovery was approximately 77% silver, 87% zinc, 80% lead and 67% gold. The processing facility was originally constructed in 1988, with the first production commencing in 1989. Various modifications and upgrades have been made since that time. Changes to the flotation circuit have included: installation of regrind mills in 1992; mill recommissioning in 1996; expansion of concentrate cleaning equipment in 2000 and 2001; addition of a swing cell option in 2004, allowing for a reduction in bulk concentrate production; addition of an on-stream analyzer in 2006; expansion of lead rougher equipment in 2007; retrofit of 2 column sparge systems in 2010 and 2011; replacement of the carbon flotation columns complete with sparger upgrades in 2012 and 2013; installation of a replacement on-stream analyzer with an additional multiplexer in 2013 and 2014; and replacement of the sulfuric acid system with a carbon dioxide system for pH control in 2015. Significant changes to the grinding circuit since original construction have included a new motor, two stage screening, and various internal lining modifications for the SAG mill, and replacement of the primary cyclones and the addition of a trommel magnet in the ball mill.

Underground exploration activities at the Greens Creek unit during 2015 defined new mineralization at the, 9a, Gallagher Fault Block, Southwest Bench, Deep 200 South, and 5250 targets. Additional exploration drilling targeted the East Ore and Mine Syncline targets. Definition drilling focused on continued expansion of the NWW and Deep 200 South zones while also targeting the East Ore, 9a, West Wall and Upper Southwest zones. We anticipate that drilling will result in the conversion of mineralized material into reserves in the next couple of years. Definition drilling in 2016 is expected to focus on the East Ore, Upper Plate, Northwest West, 9a and Deep 200 South Zones. Exploration drilling in 2016 is expected to include programs at the East Ore, 9a, Deep 200 South and Gallagher Zones. Surface drilling is expected to concentrate on the Big Sore area which is located less than 2,000 feet northeast of current underground mine infrastructure.

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 410 employees at the Greens Creek unit at December 31, 2015.

As of December 31, 2015, we have recorded a \$41.3 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, 2015. The net book value of the Greens Creek unit property and its associated plant, equipment and mineral interests was approximately \$639.7 million as of December 31, 2015.

Based on current ore reserve estimates, the currently known remaining mine life at Greens Creek is 10 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.

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Production	Years Ended December 31,		
	2015	2014	2013
Ore milled (tons)	814,398	816,213	805,322
Silver (ounces)	8,452,153	7,826,341	7,448,347
Gold (ounces)	60,566	58,753	57,457
Zinc (tons)	61,934	59,810	57,614
Lead (tons)	21,617	20,151	20,114
Cash Cost, After By-product Credits, Per Silver Ounce ⁽¹⁾	\$3.91	\$2.89	\$4.42
<u>Proven Ore Reserves^(2,3,4,5,6)</u>			
Total tons	10,100	4,700	14,100
Silver (ounces per ton)	20.8	15.7	12.9
Gold (ounces per ton)	0.12	0.10	0.13
Zinc (percent)	9.0	9.2	8.1
Lead (percent)	3.7	3.7	3.0
Contained silver (ounces)	209,900	74,200	181,700
Contained gold (ounces)	1,200	500	1,800
Contained zinc (tons)	910	440	1,150
Contained lead (tons)	370	180	430
<u>Probable Ore Reserves^(2,3,4,5,6)</u>			
Total tons	7,204,100	7,691,000	7,782,800
Silver (ounces per ton)	12.3	12.2	11.9
Gold (ounces per ton)	0.09	0.10	0.09
Zinc (percent)	8.1	8.3	8.7
Lead (percent)	3.0	3.1	3.3
Contained silver (ounces)	88,522,900	93,946,900	92,338,300
Contained gold (ounces)	675,500	738,200	710,900
Contained zinc (tons)	581,730	639,490	676,800
Contained lead (tons)	218,030	240,670	255,700
<u>Total Proven and Probable Ore Reserves^(2,3,4,5,6)</u>			
Total tons	7,214,200	7,695,700	7,796,900
Silver (ounces per ton)	12.3	12.2	11.9
Gold (ounces per ton)	0.09	0.10	0.09
Zinc (percent)	8.1	8.3	8.7
Lead (percent)	3.0	3.1	3.3
Contained silver (ounces)	88,732,800	94,021,100	92,520,000
Contained gold (ounces)	676,700	738,700	712,700
Contained zinc (tons)	582,640	639,930	677,950
Contained lead (tons)	218,400	240,850	256,130

(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 operating mining 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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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 (2) operating costs. Due to multiple ore metals, and complex combinations of ore types, metal ratios and metallurgical performances at Greens Creek, the cutoff grade is expressed in terms of net smelter return (“NSR”), rather than metal grade. The cutoff grade at Greens Creek is \$190 per ton NSR. Our estimates of proven and probable reserves are based on the following metals prices:

	December 31,		
	2015	2014	2013
Silver (per ounce)	\$14.50	\$17.25	\$20.00
Gold (per ounce)	\$1,100	\$1,225	\$1,300
Lead (per pound)	\$0.90	\$0.95	\$0.90
Zinc (per pound)	\$0.90	\$0.90	\$0.80

Reserves are in-place materials that incorporate estimates of the amount of waste that must be mined along with the (3) ore and expected mining recovery. The 2015 reserve model assumes average total mill recoveries of 71% for silver, 63% for gold, 88% for zinc and 78% for lead.

The changes in reserves in 2015 versus 2014 are due to continued depletion of the deposit through production and (4) lower metals price assumptions, partially offset by the addition of data from new drill holes. The changes in reserves in 2014 versus 2013 were 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.

Probable reserves at the Greens Creek unit are based on average drill spacing of 50 to 100 feet. Proven reserves (5) 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 2015 represents stockpiled ore.

Greens Creek ore reserve estimates were prepared by Robert Callaghan, Chief Geologist, and Kerry Lear, Senior (6) 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.

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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 71% of our current proven and probable ore reserve tonnages, while the remaining 29% 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. The original flotation mill was constructed in 1960 and had a capacity of 750 tons per day. Various modifications and upgrades have been made since that time, including: installation of a 1,000 ton coarse ore bin and replacement of the ball mill in 1984 to increase processing capacity to 1,000 tons per day; replacement of the double-deck crushing screen with a triple-deck screen, installation of a tertiary cone crushing stage, lead concentrate flash flotation equipment, four ball mill cyclones, a mill feed sampler, and lead concentrate column cleaners and thickeners in 2005; addition of dust collection equipment in the crushing plant in 2006; installation of zinc concentrate flash flotation, conditioning, and column cleaner equipment, and an on-stream analyzer in 2007; construction of two new water treatment plants in 2008, with ongoing enhancements to those facilities since that time; addition of a discharge event pond in 2009; sand cyclone and reagent equipment in 2011; and various refurbishments made during the temporary suspension period in 2012 discussed below. 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. 2015 production was impacted by the failure of an underground booster fan in the second quarter, which reduced the ventilation capacity of the mine and led to the temporary closure of a high-grade stope. Also, there were 16 days of downtime in the third quarter of 2015 for planned hoist mechanical maintenance. Lower grade stopes were mined until new booster fans and other ventilation infrastructure were commissioned at the end of the third quarter of 2015. Production resumed from the higher-grade stope in the fourth quarter of 2015. In 2015, production averaged 815 tons milled per day, and total mill recovery was approximately 95% silver, 94% lead, and 92% zinc. All lead and zinc concentrate production during 2015 was shipped to Teck Resources Limited's smelter in Trail, British Columbia, Canada.

Underground exploration drilling 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). Previous exploration and definition drilling from the 6500 level drill platform upgraded mineralized material to reserves along the western extent of the 30 Vein from the 7200 to 7800 levels. No drilling is planned for 2016 but is expected to resume in 2017 when new drill platforms are available.

Based on current estimates of reserves, mineralized material, and other resources, the currently expected mine life at Lucky Friday is approximately 21 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.

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Production	Years Ended December 31,		
	2015	2014	2013
Ore milled (tons)	297,347	309,070	174,331
Silver (ounces)	3,028,134	3,239,151	1,459,000
Lead (tons)	18,348	20,104	10,260
Zinc (tons)	8,139	8,159	3,793
Cash Cost, After By-product Credits, Per Silver Ounce ⁽¹⁾	\$11.23	\$9.44	\$19.21
<u>Proven Ore Reserves^(2,3,4,5)</u>			
Total tons	3,509,800	3,839,600	3,707,800
Silver (ounces per ton)	16.5	13.7	12.1
Lead (percent)	9.8	8.3	7.3
Zinc (percent)	3.2	2.6	2.3
Contained silver (ounces)	57,960,800	52,556,000	44,891,500
Contained lead (tons)	344,610	318,610	270,150
Contained zinc (tons)	111,210	98,230	86,360
<u>Probable Ore Reserves^(2,3,4,5)</u>			
Total tons	1,557,100	2,043,200	2,698,000
Silver (ounces per ton)	13.3	12.9	12.0
Lead (percent)	8.0	7.4	7.2
Zinc (percent)	2.9	2.2	2.6
Contained silver (ounces)	20,720,500	26,346,100	32,351,800
Contained lead (tons)	124,950	151,590	193,110
Contained zinc (tons)	45,080	44,910	69,180
<u>Total Proven and Probable Ore Reserves^(2,3,4,5)</u>			
Total tons	5,066,900	5,882,800	6,405,800
Silver (ounces per ton)	15.5	13.4	12.1
Lead (percent)	9.3	8.0	7.2
Zinc (percent)	3.1	2.4	2.4
Contained silver (ounces)	78,681,300	78,902,100	77,243,300
Contained lead (tons)	469,560	470,200	463,260
Contained zinc (tons)	156,290	143,140	155,540

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 operating mining 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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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 (2) operating costs. Due to multiple ore metals, and complex combinations of ore types, metal ratios and metallurgical performances at Lucky Friday, the cutoff grade is expressed in terms of net smelter return (“NSR”), rather than metal grade. The cutoff grade at Lucky Friday ranges from \$151 per ton NSR to \$160 per ton NSR. Our estimates of proven and probable reserves are based on the following metals prices:

	December 31,		
	2015	2014	2013
Silver (per ounce)	\$14.50	\$17.25	\$20.00
Lead (per pound)	\$0.90	\$0.95	\$0.90
Zinc (per pound)	\$0.90	\$0.90	\$0.80

Reserves are in-place materials that incorporate estimates of the amount of waste that must be mined along with the (3) ore and expected mining recovery. The 2015 reserve model assumes average total mill recoveries of 95% for silver, 95% for lead and 90% for zinc.

The change in reserves in 2015 from 2014 was because of lower silver prices, depletion of the deposit through (4) production, and exclusion of some lower-grade material, partially offset by inclusion of definition drilling information from 2014. The changes in reserves in 2014 versus 2013 were due to lower silver prices and depletion of the deposit through production, partially offset by inclusion of definition drilling information from 2014.

Lucky Friday ore reserve estimates were prepared by Terry DeVoe, Chief Geologist, and Joshua Pritts, Resource (5) 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.

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 the 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 8600 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. The #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, 2015 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, 3,490 feet of vertical excavation, and other construction activities. Completion of #4 Shaft and associated development 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 late 2016, and capital expenditures for the project are anticipated to total approximately \$225 million, including approximately \$205 million spent on the project through December 31, 2015. However, as further discussed in *Item 1A. Risk Factors*, there are a number of factors that could affect completion of the project.

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During 2014, Lucky Friday continued implementation of an Environmental Management System and completed installation of remote stream gauging stations. These stations assist in performing daily monitoring activities in nearby receiving waters as required by our effluent discharge permit. Additionally, we have completed reclamation activities on the 26 acre Mine Tailing Impoundment Structure ("MTIS") 4 borrow site and achieved final stabilization of the site prior to onset of winter conditions. In 2015, closure plans and costs were updated and developed for MTIS 3 and 4. The closure cost for MTIS 3 is based on the closure design and cost estimate developed by a third-party firm in conjunction with cost estimates prepared by Lucky Friday personnel to complete necessary associated work to facilitate the closure of the impoundment. The closure cost for MTIS 4 is based on the most recent closure cap design and was prepared by a third-party firm. At December 31, 2015, an asset retirement obligation of approximately \$5.2 million had been recorded for reclamation and closure costs. The current site closure plan also includes estimated costs for stabilization and clean-up of the mine and mill site and ongoing monitoring and maintenance. In 2016, we anticipate development of a revised plan that includes estimated costs for reclamation and closure of the mine and mill upon the end of the known mine life, and an update to the asset retirement obligation may be required upon completion of the plan.

The net book value of the Lucky Friday unit property and its associated plant, equipment and mineral interests was approximately \$398.3 million as of December 31, 2015. The age of the facilities at Lucky Friday ranges from the 1950s to 2015.

At December 31, 2015, there were 318 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 249 hourly employees. As further discussed in *Item 1A. Risk Factors*, the current labor agreement expires on April 30, 2016.

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 north-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 Puisseaux 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.

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.

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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 Conquéranrs road, which runs north from its intersection with road 393 north of La Sarre and passes through the village of Villebois. The branch is approximately 21 kilometers north of Villebois. A gravel road links the East Mine and the West Mine (which roughly represent the east-west boundaries of the mine), and a number of forestry roads provide access to the rest of the project area, from east and west.

Hecla Quebec Inc., Hecla's wholly owned subsidiary, owns a 100% interest in the mineral titles and mining leases comprising the current Casa Berardi mine. The Casa Berardi mine is composed of 69 contiguous claims, covering 3,148.3 hectares (7,779.6 acres) and two mining leases covering 481.4 hectares (1,189.7 acres). The Casa Berardi property area totals 3,629.75 hectares (8,969.3 acres). All the claims and leases are in good standing. In 2007, Lake Shore Gold Corp. ("Lake Shore") was granted an option to earn a 50% joint venture interest in a portion of the exploration property adjacent to the current Casa Berardi mine, by incurring exploration expenditures. To date, Lake Shore has not formally elected to earn in to the joint venture. The exploration property impacted by this agreement includes 227 claims adjacent to the east and west of the Casa Berardi mine, and covers an area of 28,738 acres.

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, 2015, the claims and leases comprising part of the Casa Berardi mine have excess work credits of CAD\$11.2 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 tenths 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. Construction of the processing facility, consisting of a crushing plant, a 2,400 ton/day ore processing plant and tailings facility, was completed in 1988 by Inco Gold and Golden Knight Resources Inc., and ore processing began in September 1989, and during the next 9 years the mill processed 3.9 million tons at an average grade of 0.2 ounces per ton. Production at Casa Berardi was suspended in 1997 and the mill was put on care and maintenance until 2005, when major rehabilitation work was initiated by Aurizon Mines Ltd. Beginning in the third quarter of 2005,

upgrades including refurbishing of the crushing, grinding circuits, conveyors, and leach circuits, the addition of gravity circuits, and construction of an assay laboratory were performed, resulting in an increase of mill capacity to nearly 3,100 tons/day. The mill facility was commissioned in November of 2006 and the processing rate ramped up to reach commercial production in May of 2007. In 2015, total mill recovery of gold was approximately 87%.

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

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.

In early 2016, we made the decision to move forward with construction of the East Mine Crown Pillar ("EMCP") open pit, which is situated between the East Mine and West Mine. We currently expect that the EMCP pit will produce ore by the end of 2016, with anticipated capital expenditures of approximately \$39 million over the life of the mine, including approximately \$19 million to be incurred in 2016. The EMCP pit, as currently designed, would be a smaller scale operation using conventional open pit mining methods, and is expected to run for approximately 5.5 years of production. The average amount of material to be moved every six month period is anticipated to be approximately 160,000 to 260,000 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 approximately 4 full years of production. The average amount of material being moved every six month period is expected to approximate 450,000 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 2015, the mill processed approximately 844,090 tons, for an average of 2,313 tons per day. The current life of mine plan is based on an average milling rate of approximately 2,700 tons per day until 2017. From 2017 on, the mill capacity is expected to increase to about 3,100 tons per day for the remaining mine life. The increase in capacity is expected to allow for milling of mine ore from open pits, including the aforementioned EMCP pit.

Based on current ore reserve estimates, the known life of mine plan totals 12.4 million tons of ore grading 0.14 ounces of gold per ton, with production for approximately 11 years. The projected open pit production is anticipated to be used to support a planned expansion of processing operations to approximately 3,100 tons per day. Such throughput is planned to occur from late 2016 to 2025.

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 the 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 2015, up to seven drills operated underground to refine stope designs, upgrade and expand known mineralization to reserves and identify new mineralization in the 117, 118, 123, and 124 Zones. Drilling from the 550, 770, and 850 levels in the mine has identified multiple, stacked high-grade lenses of the 123 Zone that represent at least 1,800 feet of semi-continuous, down-dip mineralization with an average strike length of 425 feet. Surface and underground exploration drilling targeted the up and down plunge mineralization extensions of the 117, 124, Lower Inter and Northwest Zones.

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The proposed 2016 underground in-stope and definition drill programs are expected to appraise the high grade ore shoots of the 113, 118, 123 and 124 Principal Zones. Surface and underground exploration drilling in 2016 is expected to evaluate extensions of the 100 South, Lower Inter, 117 and 124 Zones.

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 535 employees at the Casa Berardi unit at December 31, 2015.

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 \$741.5 million as of December 31, 2015. As of December 31, 2015, we have recorded a \$5.5 million asset retirement obligation for reclamation and closure costs. We maintain a surety bond as financial guarantee for future reclamation and closure work.

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 2015, 2014 and 2013 is set forth in the table below.

	Year Ended December 31,		Seven Months Ended December 31,
<u>Production</u>	2015	2014	2013
Ore milled (tons)	844,090	827,580	387,608
Gold (ounces)	127,891	128,244	62,532
Silver (ounces)	29,639	25,014	12,381
Cash Cost, After By-product Credits, Per Gold Ounce ⁽¹⁾	\$771.54	\$826.35	\$950.79
<u>Proven Ore Reserves^(2,3,4,5)</u>			
Total tons	2,118,600	1,605,700	1,106,300
Gold (ounces per ton)	0.11	0.15	0.17
Contained gold (ounces)	234,300	237,000	185,100

Probable Ore Reserves^(2,3,4,5,6)

Total tons	8,103,700	7,806,200	7,932,800
Gold (ounces per ton)	0.14	0.14	0.15
Contained gold (ounces)	1,097,500	1,100,100	1,208,500

Total Proven and Probable Ore Reserves^(2,3,4,5,6)

Total tons	10,222,300	9,411,900	9,039,100
Gold (ounces per ton)	0.13	0.14	0.15
Contained gold (ounces)	1,331,800	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 operating mining 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)*.

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Proven and probable ore reserves are calculated and reviewed in-house and are subject to periodic audit by others, although audits are not performed on an annual basis. Cutoff grade assumptions vary by ore body and are developed based on reserve metals price assumptions, anticipated mill recoveries and refiner payables, and cash (2) operating costs. The cutoff grade at Casa Berardi is assumed to be between 0.106 and 0.119 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 \$1,100, \$1,225 and \$1,300 per gold ounce for 2015, 2014 and 2013, respectively.

Reserves are in-place materials that incorporate estimates of the amount of waste that must be mined along with the (3) ore and expected mining recovery. The 2015 reserve model assumes average total mill recoveries for gold of approximately 86%.

The changes in reserves in 2015 compared to 2014 and in 2014 compared to 2013 are a result of depletion of the (4) deposit through production and a lower gold price assumption, offset by inclusion of definition drilling information.

Casa Berardi ore reserve estimates were prepared by Sylvain Picard, Chief Geologist, and Real Parent, Senior (5) 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.

The San Sebastian Unit

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

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

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

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

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

Recent exploration success on the Middle, North, and East Francine veins and completion of a Preliminary Economic Assessment lead to the decision in the third quarter of 2015 to develop shallow open pit mines on those veins, with development commencing in the fourth quarter of 2015. Ore production from the Middle and East Francine veins commenced late in the fourth quarter of 2015, and from the North vein in the first quarter of 2016. The pits are expected to extend to a maximum of approximately 270 feet in depth. Near-surface material is excavated, with drill

and blast techniques used for deeper material. Ore production is anticipated to run for approximately 6 months at the East Francine and North veins and 16 months at the Middle vein. Total production from the three pits is anticipated to range from 7,000 to 29,000 tons of ore per month over approximately 16 months, with variable quantities of waste, for total ore production of approximately 270,000 tons. Production is achieved through excavating and drilling and blasting the shallow-dipping, high-grade silver veins which carry significant gold credits.

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Run of mine ore is hauled in trucks by contractors to a processing facility near Velardeña, Durango, Mexico, which is located approximately 60 miles from the San Sebastian mine site. We previously owned the Velardeña mill, but now use it to process ore under a lease arrangement. Processing of ore from the open pits started in December 2015 and averaged approximately 300 tons per day over 22 days of operation, with recovery of approximately 90% silver and 89% gold. As of December 31, 2015, under the current lease term, we have the ability to use the mill through December 31, 2016, with the potential to extend the lease for up to two additional 6-month terms. The mill is a conventional leach, counter-current decantation and Merrill Crowe precipitation circuit capable of processing up to approximately 550 tons per day, depending on ore hardness. The ore is crushed in a two-staged crushing plant consisting of a primary jaw, a secondary cone crusher and a double-deck vibrating screen. The grinding circuit includes a primary ball mill and cyclone classifiers. The ground ore is thickened followed by agitated leaching and four stages of counter-current decantation to wash solubilized silver and gold from the pulp. The solution bearing silver and gold is clarified, deaerated and zinc dust added to precipitate silver and gold that is recovered in plate and frame filters. The precious metal precipitate is smelted and refined into doré, and is then shipped to a third-party refiner. Since construction of the mill in 1994, two leach tanks were added in 2001, a filter press was added in 2002, and the Merrill Crowe system and Autojet Filters were expanded and modified in 2012. In addition, rehabilitation of various components of the mill was completed in 2015 prior to the start of processing of the ore from the open pits.

There has been significant drilling success over the past two and a half years on the near-surface East Francine, Middle and North veins at the San Sebastian unit, leading to advancement to open pit mine production as discussed above. The East Francine, Andrea, Middle and North veins now define nearly 5.0 miles of mineralized strike length and are open along strike and at depth. The East Francine Vein has currently been traced for over 1,600 feet along strike and to 500 feet of depth. The Middle Vein has been traced for nearly 7,000 feet along strike and to a depth of over 1,000 feet. Shallow in-fill drilling of the Middle Vein confirmed the continuity of the vein mineralization. The North Vein has a mineralized trend that extends over 3,500 feet along strike and 700 feet to depth and remains open along strike in both directions and at depth.

Exploration drilling in 2016 is expected to concentrate on defining high grade mineralization deeper in the North Vein to parallel a mineralized zone at that depth in the Middle Vein. Drilling to the west of the current mineralization is expected to evaluate new vein targets identified by trenching and reverse circulation drilling in 2015.

At December 31, 2015, the net book value of the San Sebastian unit property and its associated plant and equipment was \$4.7 million. Infrastructure includes a water supply system, maintenance shop, warehouse, laboratory, leased mill and related improvements, and various offices. Equipment and facilities are in good condition. As of December 31, 2015, \$1.4 million has been accrued for reclamation and closure costs. All permits required for mining of the open pits and operation of the mill are in place.

There were a total of 58 employees at the San Sebastian unit as of December 31, 2015. These employees are not represented by a bargaining agent. We currently primarily use third-party contractors for mining and operation of the processing facility. The hourly employees of the lessor of the processing facility are represented the Sindicato

Nacional de Trabajadores Mineros, Metalúrgicos, Siderúrgicos y Similares de la República Mexicana (a Mexico national union) as bargaining agent.

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

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Information with respect to the San Sebastian unit's production, average cost per ounce of silver produced and proven and probable ore reserves are set forth in the table below.

	Year Ended
<u>Production</u>	December 31,
	2015
Ore milled (tons)	6,602
Silver (ounces)	81,677
Gold (ounces)	870
Cash Cost, After By-product Credits, Per Silver Ounce ⁽¹⁾	\$6.71
<u>Proven Ore Reserves^(2,3,4)</u>	
Total tons	5,000
Silver (ounces per ton)	14.5
Gold (ounces per ton)	0.21
Contained silver (ounces)	72,300
Contained gold (ounces)	1,000
<u>Probable Ore Reserves^(2,3,4)</u>	
Total tons	284,100
Silver (ounces per ton)	28.0
Gold (ounces per ton)	0.22
Contained silver (ounces)	7,942,500
Contained gold (ounces)	63,000
<u>Total Proven and Probable Ore Reserves^(2,3,4)</u>	
Total tons	289,100
Silver (ounces per ton)	27.7
Gold (ounces per ton)	0.22
Contained silver (ounces)	8,014,800
Contained gold (ounces)	64,000

(1) Includes by-product credits from gold 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 operating

mining 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)*.

Proven and probable ore reserves are calculated and reviewed in-house and are subject to periodic audit by others, although audits are not performed on an annual basis. Cutoff grade assumptions vary by ore body and are developed based on reserve metals price assumptions, anticipated mill recoveries and refiner payables, and cash (2)operating costs. Due to multiple ore metals, and complex combinations of ore types, metal ratios and metallurgical performances at San Sebastian, the cutoff grade is expressed in terms of net smelter return (“NSR”), rather than metal grade. The cutoff grade at San Sebastian is assumed to be \$100 per tonne. The average prices used for the San Sebastian unit were:

	December
	31,
	2015
Silver (per ounce)	\$ 14.50
Gold (per ounce)	\$ 1,100

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Reserves are in-place materials that incorporate estimates of the amount of waste that must be mined along with the (3) ore. Metal recoveries vary by mine zone and ore grade. The 2015 reserve model assumes average total mill recoveries of between approximately 80% and 92% for silver and between approximately 91% and 93% for gold.

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

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

The information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in exhibit 95 to this 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 19, 2016, there were 4,395 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 Third Second First

	Quarter	Quarter	Quarter	Quarter
2015 – High	\$ 2.65	\$ 2.76	\$ 3.37	\$ 3.54
– Low	\$ 1.78	\$ 1.77	\$ 2.72	\$ 2.65
2014 – High	\$ 2.91	\$ 3.52	\$ 3.48	\$ 3.76
– Low	\$ 2.00	\$ 2.47	\$ 2.71	\$ 2.98

Quarterly dividends were paid on our Series B Preferred Stock for 2013, 2014 and 2015, and no dividends are in arrears.

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In September 2011 and February 2012, our board of directors adopted a common stock dividend policy that has two components: (1) a dividend that links the amount of dividends on our common stock to our average quarterly realized silver price in the preceding quarter, and (2) a minimum annual dividend of \$0.01 per share of common stock, in each case, payable quarterly, when declared. See *Note 9 of Notes to Consolidated Financial Statements* for more information on potential dividend amounts under the first component of the policy at various silver prices. The following table summarizes the quarterly common stock dividends declared by our board of directors for the years ended 2013, 2014 and 2015:

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
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
May 6, 2015	\$—	\$0.0025	\$—	\$0.0025	\$0.9	June 2015
August 6, 2015	\$—	\$0.0025	\$—	\$0.0025	\$0.9	September 2015
November 3, 2015	\$—	\$0.0025	\$—	\$0.0025	\$0.9	December 2015
February 20, 2016	\$—	\$0.0025	\$—	\$0.0025	\$0.9	March 2016

Because the average realized silver price for each quarter of 2013, 2014 and 2015 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, 2015 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	11,975,936
Stock Plan for Non-employee Directors	—	N/A	506,921
Key Employee Deferred Compensation Plan	—	N/A	638,911
Total	—	N/A	13,121,768

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

On January 14, 2015, we issued 1,764,086 unregistered shares of our common stock in private placements to the Hecla Mining Company Retirement Plan Trust and The Lucky Friday Pension Plan Trust, in order to satisfy the funding requirements for those defined benefit pension plans. The private placements were exempt from registration under the Securities Act of 1933 pursuant to section 4(a)(2) of that Act. The shares were subsequently registered for resale on a registration statement on Form S-3 filed with the SEC on January 14, 2015. We did not receive any proceeds from the sale of the shares. The shares had a value of \$5.0 million at the time of issuance.

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On June 1, 2013, we issued 56,997,790 unregistered shares of common stock to the former holders of common stock of 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.

The following performance graph compares the performance of our common stock during the period beginning December 31, 2010 and ending December 31, 2015 to the S&P 500, the S&P 500 Gold Index, a peer group for the year ending December 31, 2015 ("New Peer Group"), and a peer group for the year ending December 31, 2014 ("Old Peer Group"). The New Peer Group consists of the following companies: Alamos Gold Inc., B2Gold Corp., 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., Primero Mining Corp., ProShares Trust, Royal Gold, 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., 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 change in our 2015 peer group compared to the 2014 peer group was to add B2 Gold Corp., Primero Mining Corp., and ProShares Trust, and to remove Allied Nevada Gold Corp., AuRico Gold Inc., and Silver Standard Resources Inc., 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	2014 Old Peer Group	2015 New Peer Group
December 2010	\$100.00	\$100.00	\$100.00	\$100.00	\$100.00
December 2011	\$46.59	\$102.11	\$99.32	\$84.63	\$87.35
December 2012	\$52.56	\$118.45	\$79.05	\$79.38	\$83.17
December 2013	\$27.91	\$156.82	\$40.70	\$41.25	\$45.07
December 2014	\$25.37	\$178.29	\$33.72	\$38.46	\$42.59
December 2015	\$17.26	\$180.75	\$32.26	\$25.49	\$28.98

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, 2015.

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, 2011 through 2015, 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.

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	2015	2014	2013 (7)	2012 (7)	2011
Sales of products	\$443,567	\$500,781	\$382,589	\$321,143	\$477,643
Net income (loss)	\$(86,968)	) \$17,824	\$(25,130)	) \$14,954	\$151,164
Preferred stock dividends ⁽¹⁾	\$(552)	) \$(552)	) \$(552)	) \$(552)	) \$(552)
Income (loss) applicable to common stockholders	\$(87,520)	) \$17,272	\$(25,682)	) \$14,402	\$150,612
Basic income (loss) per common share	\$(0.23)	) \$0.05	\$(0.08)	) \$0.05	\$0.54
Diluted income (loss) per common share	\$(0.23)	) \$0.05	\$(0.08)	) \$0.05	\$0.51
EBITDA ⁽²⁾	\$107,316	\$151,532	\$69,130	\$76,373	\$283,365
Total assets	\$2,221,925	\$2,262,064	\$2,232,119	\$1,378,290	\$1,396,090
Accrued reclamation & closure costs ⁽³⁾	\$95,538	\$57,250	\$105,191	\$113,215	\$153,811
Non-current portion of debt and capital leases ⁽⁴⁾	\$509,040	\$512,129	\$505,058	\$11,935	\$6,265
Cash dividends paid per common share ⁽⁵⁾	\$0.01	\$0.01	\$0.02	\$0.06	\$0.02
Common shares issued and outstanding	378,112,840	367,376,863	342,663,381	285,209,848	285,289,924
Stockholders of record	4,392	5,571	6,435	6,630	6,943
Employees ⁽⁶⁾	1,404	1,354	1,312	735	735

(1) We declared and paid all quarterly dividends on our Series B preferred shares for 2011, 2012, 2013, 2014 and 2015 totaling \$0.6 million for each of those years.

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)*.

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 payment of the financial obligations was completed in 2014.

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 (4) Act of 1933, as amended. In 2014, an additional \$6.5 million aggregate principal amount of the Senior Notes were issued to our pension plan. More information can be found in *Note 6 of Notes to Consolidated Financial Statements*.

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

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

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(7) 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 generally 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.

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 four business segments for financial reporting purposes: the Greens Creek operating unit on Admiralty Island in Alaska, the Lucky Friday operating unit in Idaho, the Casa Berardi operating unit in Quebec, Canada, and the San Sebastian operating unit in Durango, Mexico. Since our operating mines are located in the U.S., Canada, and Mexico, we believe they have low or relatively moderate political risk, and less economic risk than mines located in other parts of the world. Our exploration interests are also in the United States, Canada, and Mexico, 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 2015, we

- Reported sales of products of \$443.6 million, which was within 11% of our record sales in 2014 in spite of lower average prices for all metals we produce.
-

Achieved record silver production, which was 5% higher than in 2014, and gold production that was 1% higher compared to 2014. The higher silver production is due to improved ore grades and recoveries at Greens Creek and the addition of production from San Sebastian, as discussed below. The increase in gold production is primarily the result of improved recoveries at Greens Creek.

- Generated \$106.4 million in net cash flows from operating activities, representing a 28% increase compared to 2014 in spite of lower metals prices. See the *Financial Liquidity and Capital Resources* section below for further discussion.
- Made the decision to develop a mine at our San Sebastian unit in the third quarter of 2015 and commenced production there in the fourth quarter.
- Committed a significant level of capital expenditures (including lease additions, capitalized interest, and other non-cash items) of approximately \$160.7 million, including \$60.0 million at Lucky Friday, \$46.0 million at Greens Creek, \$35.3 million at Casa Berardi, and \$4.6 million at San Sebastian.
- Maintained a consistent level of overall proven and probable reserves at December 31, 2015, with silver reserves increasing by 1% and gold reserves remaining substantially unchanged compared to 2014 while using lower price assumptions in 2015. The silver reserves as of December 31, 2015 represents the highest level in our history. The higher overall silver reserves is due to the addition of reserves at San Sebastian. See *Item 2. Property Descriptions* for additional information on proven and probable reserves at each of our operating units.

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- Performed exploration and pre-development activities during the year, drilling targets at our land packages in
- Alaska, Idaho, Quebec, and Mexico. Continued exploration success at our San Sebastian unit in Mexico led to a return to production there, as discussed above.
 - Acquired Revett, giving us ownership of the Rock Creek project in northwestern Montana.
 - Achieved the above milestones while maintaining a cash balance of \$155.2 million as of December 31, 2015.

Silver, gold, and lead prices declined to annual averages of \$15.70, \$1,160, and \$0.81, respectively, for 2015, from average prices of \$19.08 for silver, \$1,266 for gold, and \$0.95 for lead for 2014, and \$23.83 for silver, \$1,410 for gold, and \$0.97 for lead in 2013. Average prices of zinc in 2015 decreased to \$0.88 from \$0.98 in 2014, and were slightly higher than the average of \$0.87 in 2013. Lead and zinc represent important by-products at our Greens Creek and Lucky Friday segments, and gold is also a significant by-product at Greens Creek. The decrease in metals prices negatively impacted our operating results in spite of increased production of silver, gold, and zinc in 2015 compared to 2014.

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 2015 compared to those in 2014 and 2013 are illustrated in the *Results of Operations* section below. Additionally, 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, 2015, 2014 and 2013.

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, on a limited basis, through the use of 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, zinc and lead in 2015 were lower than their levels in 2014, as illustrated by the table in *Results of Operations* below. While we believe global economic and

industrial trends could result in continued demand for the metals we produce, 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.

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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. We maintained our level of exploration spending and increased pre-development spending in 2015, after reducing exploration and pre-development spending in 2014 and 2013 compared to the respective prior year in an effort to address the recent decline in metals prices. On June 15, 2015, we completed the acquisition of all of the issued and outstanding common stock of Revett, as further discussed in *Note 15 of Notes to Consolidated Financial Statements*. The acquired entities hold 100% ownership of two properties in north-western Montana: the Troy Mine, which is on care-and-maintenance, and the Rock Creek project, a significant undeveloped silver and copper deposit. In the acquisition, we paid cash of \$0.9 million and each outstanding common share of Revett was exchanged for 0.1622 of a share of our common stock, for total consideration of approximately \$20.1 million based on the closing price of Hecla stock of \$3.06 per share on June 15, 2015. Development of Rock Creek has been challenged by conservation groups at various times, and there can be no assurance that we will be able to obtain the permitting required to develop Rock Creek. In *Risk Factors*, see *Legal challenges could prevent the Rock Creek project from ever being developed* for more information.

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 involves 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 \$100 million revolving credit agreement under which there were no borrowings during 2015 or as of the filing date of this report.

During the third quarter of 2015, we made a development decision to mine near surface, high grade portions of silver and gold deposits at our San Sebastian project in Mexico, and ore production commenced in the fourth quarter of 2015. See the *San Sebastian Segment* section below for more information. As a result, we believe that we will generate positive cash flows at San Sebastian over the approximate two year period following the start of production. However, our ability to generate positive cash flows at San Sebastian may be impacted by changes in estimated costs, precious metals prices, or other factors, and there can be no assurance that we will be able to develop and operate San Sebastian as anticipated.

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. We work with MSHA to address issues outlined in its investigations and inspections and continue to evaluate our safety practices.

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.*

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Another challenge we face 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.

Results of Operations

Sales of products by metal for the years ended December 31, 2015, 2014 and 2013 were as follows:

(in thousands)	Year Ended December 31,		
	2015	2014	2013
Silver	\$ 158,371	\$ 175,361	\$ 170,634
Gold	205,216	224,138	137,603
Lead	55,380	64,190	50,761
Zinc	85,290	96,154	74,683
Less: Smelter and refining charges	(60,690)	(59,062)	(51,092)
Sales of products	\$443,567	\$500,781	\$382,589

For the year ended December 31, 2015, we reported a loss applicable to common stockholders of \$87.5 million compared to income of \$17.3 million in 2014 and a loss of \$25.7 million in 2013. The following factors led to those differences:

• Decreased average realized silver, gold, lead and zinc prices in 2015 compared to 2014 and 2013. These price variances are illustrated in the table below.

	Average price for the year ended December 31,		
	2015	2014	2013
Silver —London PM Fix (\$/ounce)	\$ 15.70	\$ 19.08	\$ 23.83
Realized price per ounce	15.57	18.46	21.28
Gold —London PM Fix (\$/ounce)	1,160	1,266	1,411
Realized price per ounce	1,150	1,262	1,317
Lead —LME Final Cash Buyer (\$/pound)	0.81	0.95	0.97
Realized price per pound	0.83	0.98	1.00
Zinc — LME Final Cash Buyer (\$/pound)	0.88	0.98	0.87
Realized price per pound	0.86	0.99	0.88

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 2015, we recorded net positive price adjustments to provisional settlements of \$0.6 million compared to net negative price adjustments to provisional settlements of \$2.3 million in 2014 and \$17.0 million in 2013. The price adjustments related to zinc and lead contained in our concentrate sales were largely offset by gains and losses on forward contracts for those metals for each year. The price adjustments related to silver and gold contained in our concentrate sales were largely offset by gains and losses on forward contracts for those metals in 2015 and 2014, and partially offset in 2013, 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.

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Decreased gross profit at our Greens Creek unit of \$32.6 million in 2015 compared to \$45.5 million in 2014 and \$69.7 million in 2013. Gross profit at our Lucky Friday unit of \$1.1 million in 2015 was lower than gross profit of \$21.9 million in 2014, but higher than a gross loss of \$4.9 million in 2013. In addition, at our Casa Berardi unit acquired in June 2013, we reported gross profit of \$4.9 million in 2015 versus \$17.8 million in 2014 and \$1.3 million in 2013. 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 and the acquisition of Revett of \$2.2 million in 2015.

Interest expense, net of amounts capitalized, of \$25.4 million in 2015 compared to \$26.8 million in 2014 and \$21.7 million in 2013. The interest is primarily related to our Senior Notes issued 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*).

General and administrative costs, which increased to \$34.2 million in 2015 from \$31.5 million in 2014 and \$28.9 million in 2013 due to increased incentive compensation and staffing.

Net mark-to-market gains on base metal forward contracts of \$8.3 million in 2015, \$9.1 million in 2014 and \$18.0 million in 2013. These gains are related to financially-settled forward contracts on forecasted zinc and lead production as part of a risk management program, and resulted from decreases in zinc and lead prices during each period. We do not include silver and gold in this program.

Exploration and pre-development expense increased to \$22.0 million in 2015 from \$19.7 million in 2014, which represented a decrease from \$37.7 million in 2013. Our activity in 2015 included a continuation of extensive exploration work at our Greens Creek unit, on our land package near Durango, Mexico, 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 and 2015, resulting in the decision to develop a mine there in the third quarter of 2015. During 2013, we also advanced pre-development projects at the Equity and Bulldog mines in the Creede district which has given us access to historic workings and underground drill platforms.

Reclassifications of \$3.0 million, \$2.4 million, and \$2.6 million in unrealized losses on certain marketable securities from other comprehensive income to current earnings in 2015, 2014 and 2013, respectively. The losses were recognized in current earnings in each period because the securities were deemed to be other than temporarily impaired.

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Provision for closed operations and environmental matters increased to \$12.2 million in 2015 from \$10.1 million in 2014 and \$5.4 million in 2013. The 2015 provision includes a net \$8.7 million charge for potentially resolving the exposure to liability at the South Dakota and Colorado Superfund Sites Related to CoCa Mines, Inc., which is in addition to \$1.2 million in charges recognized in prior years. The 2014 provision includes a \$5.6 million increase to the liability for the Johnny M site in New Mexico (See *Note 7 of Notes to Consolidated Financial Statements* for more information).

Net foreign exchange gains of \$24.6 million in 2015 compared to \$11.5 million in 2014 and \$3.0 million in 2013.

- 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 2015 and 2014.

Income tax provision of \$56.3 million in 2015 compared to income tax benefits of \$5.2 million in 2014 and \$9.8 million in 2013. The provision in 2015 is primarily the result of an increase in the valuation allowance for U.S. deferred tax assets, partially offset by a decrease in the valuation allowance for Mexican deferred tax assets. 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.

Greens Creek Segment

<i>Dollars are in thousands (except per ounce and per ton amounts)</i>	Years Ended December 31,		
	2015	2014	2013
Sales	\$227,833	245,175	263,263
Cost of sales and other direct production costs	(138,723)	(136,177)	(138,261)
Depreciation, depletion and amortization	(56,553)	(63,505)	(55,265)
Gross Profit	\$32,557	\$45,493	\$69,737
Tons of ore milled	814,398	816,213	805,322
Production:			
Silver (ounces)	8,452,153	7,826,341	7,448,347
Gold (ounces)	60,566	58,753	57,457
Zinc (tons)	61,934	59,810	57,614
Lead (tons)	21,617	20,151	20,114
Payable metal quantities sold:			
Silver (ounces)	7,384,657	6,434,739	6,675,459
Gold (ounces)	48,325	46,297	46,648
Zinc (tons)	44,492	42,744	39,806
Lead (tons)	17,553	15,526	17,056
Ore grades:			

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Silver ounces per ton	13.50	13.24	13.04
Gold ounces per ton	0.11	0.12	0.12
Zinc percent	8.74	8.38	8.47
Lead percent	3.30	3.22	3.33
Mining cost per ton	\$71.50	\$69.45	\$68.43
Milling cost per ton	\$30.32	\$30.56	\$33.92
Cash Cost, After By-product Credits, Per Silver Ounce ⁽¹⁾	\$3.91	\$2.89	\$4.42

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, (1) 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)*.

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The \$12.9 million and \$37.2 million decreases in gross profit for 2015 compared to 2014 and 2013, respectively, were primarily the result of lower average realized prices for silver, gold, zinc and lead, partially offset by higher quantities sold. Average realized prices for silver, gold, zinc and lead for 2015 were lower than in 2014 by 16%, 9%, 13% and 15% respectively, and lower than in 2013 by 27%, 13%, 2% and 16% respectively.

Gross profit was also impacted by positive price adjustments to revenues of \$0.5 million in 2015 and negative price adjustments of \$1.3 million in 2014 and \$16.5 million in 2013. 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 11% less in 2015 compared to 2014 due primarily to the effect on units-of-production depreciation of reduced sales values resulting from lower metals prices. Depreciation, depletion and amortization expense was 2% more compared to 2013 due to increased assets in service, largely offset by the effect on units-of-production depreciation of weaker silver prices relative to base metal prices.

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 2013, due to lower precipitation levels and increased local demand, less hydroelectric power was available. However, during 2015 and 2014, Greens Creek received 96% and 97.3%, respectively, 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 \$4.3 million (4% of total production costs) at Greens Creek in 2015 compared to \$5.5 million (5% of production costs) in 2014 and \$13.3 million (11% of production costs) in 2013. The cost of hydroelectric power was \$7.3 million (6% of production costs) in 2015, \$7.2 million (6% of production costs) in 2014, and \$4.7 million (4% of production costs) in 2013.

Mining costs per ton increased in 2015 by 3% and 4% compared to 2014 and 2013, respectively. The higher mining costs were primarily the result of higher labor and maintenance costs. Milling costs per ton remained relatively constant in 2015 compared to 2014. Milling costs per ton were down in 2015 compared to 2013 by 11% because we generated less power on-site in 2015 due to an increased availability of less expensive hydroelectric power, resulting in lower diesel costs, as discussed above.

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The chart below illustrates the factors contributing to the variances in Cash Cost, After By-product Credits, Per Silver Ounce for 2015 compared to 2014 and 2013:

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

	Years Ended December		
	31,		
	2015	2014	2013
Cash Cost, Before By-product Credits, per Silver Ounce	\$23.24	\$25.46	\$27.32
By-product credits per silver ounce	(19.33)	(22.57)	(22.90)
Cash Cost, After By-product Credits, per Silver Ounce	\$3.91	\$2.89	\$4.42

Cash Costs, After By-product Credits, per Silver Ounce were higher in 2015 compared to 2014 due to lower by-product credits by \$3.24 per ounce, partially offset by lower mining and milling, treatment, and other costs on a per-ounce basis. The decrease in Cash Costs, After By-product Credits, per Silver Ounce in 2015 compared to 2013 was the result of lower milling and treatment costs and higher silver production, partially offset by lower by-product credits.

Mining costs decreased in 2015 compared to 2014 and 2013 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 recoveries and grades. Milling costs decreased in 2015 compared to 2014 and 2013 on a per-ounce basis due to higher silver production.

Other costs for 2015 were lower compared to 2014 and 2013 due to the effect of higher silver production and lower mine license tax.

Treatment costs were lower in 2015 compared to 2014 and 2013 as a result of lower silver prices, as treatment costs include the value of silver not payable to us through the smelting process. The silver not payable to us is either recovered by the smelters through further processing or ultimately not recovered and included in the smelters' waste material. Treatment costs also include a price adjustment component that fluctuates with changes in base metal prices.

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By-product credits per ounce were lower in 2015 compared to 2014 and 2013 due to lower gold and lead prices and higher silver production due to increased silver ore grades. Lower zinc prices in 2015 also contributed to the decrease compared to 2014.

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 paid for by our customers according to the terms of our sales contracts. Differences can also arise from inventory changes incidental to shipping schedules, or variances in ore grades which impact the amount of metals contained in concentrates produced and sold. The differences in payable quantities sold for 2015 compared to 2014 and 2013 were due mainly to 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 Greens Creek 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 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 asset retirement obligation ("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.

Table Of Contents*The Lucky Friday Segment*

Dollars are in thousands (except per ounce and per ton amounts)

	Years Ended December 31,		
	2015	2014	2013
Sales	\$66,302	\$89,757	\$44,204
Cost of sales and other direct production costs	(53,960)	(58,423)	(41,230)
Depreciation, depletion and amortization	(11,262)	(9,431)	(7,833)
Gross profit (loss)	\$1,080	\$21,903	\$(4,859)
Tons of ore milled	297,347	309,070	174,331
Production:			
Silver (ounces)	3,028,134	3,239,151	1,459,000
Lead (tons)	18,348	20,104	10,260
Zinc (tons)	8,139	8,159	3,793
Payable metal quantities sold:			
Silver (ounces)	2,759,114	3,039,697	1,328,340
Lead (tons)	15,856	17,105	8,377
Zinc (tons)	5,339	5,904	2,702
Ore grades:			
Silver ounces per ton	10.68	11.00	8.99
Lead percent	6.55	6.87	6.19
Zinc percent	2.98	2.93	2.69
Mining cost per ton	\$89.69	\$87.90	\$100.49
Milling cost per ton	\$21.51	\$21.56	\$29.74
Cash Cost, After By-product Credits, Per Silver Ounce ⁽¹⁾	\$11.23	\$9.44	\$19.21

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 decrease in gross profit for 2015 compared to 2014 was due to lower silver, lead, and zinc prices and reduced silver production due to lower ore throughput and grades. The lower grades were a result of failure of the underground booster fan, which reduced the ventilation capacity of the mine, leading to the temporary closure of a higher-grade production stope. Production during most of the third quarter of 2015 came from lower grade material until the fan was replaced and other ventilation infrastructure completed. The increase in gross profit 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.

Gross profit was also impacted by depreciation expense, which increased in 2015 by 19% and 44% compared to 2014 and 2013, respectively, due to an increase in assets in service. The increase compared to 2013 was also due to the impact of higher production on units-of-production depreciation.

Mining costs per ton increased in 2015 by 2% compared to 2014, but were 11% lower compared to 2013. Milling cost per ton in 2015 were consistent with 2014, but were 28% lower than in 2013. The decrease in per-ton costs in 2015 compared to 2013 was primarily the result of higher ore production in 2015, as throughput was ramping up during most of 2013 following a period of suspended production, as discussed below.

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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 2015 and 2014.

The chart below illustrates the factors contributing to the variances in Cash Cost, After By-product Credits, Per Silver Ounce for 2015, 2014 and 2013:

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

	Year ended December 31,		
	2015	2014	2013
Cash Cost, Before By-product Credits, per Silver Ounce	23.79	23.95	34.93
By-product credits per silver ounce	(12.56)	(14.51)	(15.72)
Cash Cost, After By-product Credits, per Silver Ounce	\$11.23	\$9.44	\$19.21

The increase in Cash Cost, After By-product Credits, per Silver Ounce for 2015 compared to 2014 was due to lower by-product credits and reduced silver production as a result of lower ore throughput and grades. The decrease in Cash Cost, After By-product Credits, per Silver Ounce for 2014 compared to 2013 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 per ounce increased slightly in 2015 compared to 2014 as a result of lower silver production. 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.

By-product credits were lower in 2015 compared to 2014 due to lower lead and zinc prices and production. 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 paid for by our customers according to the terms of our sales contracts. Differences can also arise from inventory changes incidental to the timing of concentrate shipments, or variances in ore grades which impact the amount of metals contained in concentrates produced and sold.

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, an internal shaft at the Lucky Friday mine, is expected to provide deeper access which should in turn extend the mine's operational life and expand silver production. We commenced engineering and construction activities on the #4 Shaft in late 2008, and our board of directors gave its final approval of the project in August 2011. As of December 31, 2015, the #4 Shaft has been excavated to the 8390 level. Construction of the #4 Shaft as currently designed is expected to cost approximately \$225 million, including approximately \$205 million already spent as of December 31, 2015, with completion expected in late 2016. 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, or (iv) a significant increase in operating or capital costs.

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.

See *Note 7 of Notes to Consolidated Financial Statements* for more information about contingencies related to various accidents and other events that occurred at the Lucky Friday mine in prior periods.

Table Of Contents***The Casa Berardi Segment***

On June 1, 2013, we completed the acquisition of all of the issued and outstanding common shares of 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.

	Years Ended December 31,		
	2015	2014	2013 ⁽¹⁾
<i>Dollars are in thousands (except per ounce and per ton amounts)</i>			
Sales	\$149,432	\$165,849	\$75,122
Cost of sales and other direct production costs	(100,884)	(109,846)	(55,825)
Depreciation, depletion and amortization	(43,674)	(38,198)	(18,030)
Gross profit	\$4,874	\$17,805	\$1,267
Tons of ore milled	844,090	827,580	387,608
Production:			
Gold (ounces)	127,891	128,244	62,532
Silver (ounces)	29,639	25,014	12,381
Payable metal quantities sold:			
Gold (ounces)	130,075	131,287	57,840
Silver (ounces)	28,125	24,785	15,500
Ore grades:			
Gold ounces per ton	0.174	0.170	0.180
Silver ounces per ton	0.040	0.034	0.036
Mining cost per ton	\$94.51	\$103.53	\$127.56
Milling cost per ton	\$19.35	\$20.75	\$23.02
Cash Cost, After By-product Credits, per Gold Ounce ⁽²⁾	\$772	\$826	\$951

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

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 decreased by \$12.9 million for 2015 compared to 2014 primarily due to lower gold prices, but was higher than in 2013 primarily due to our ownership during only a part of 2013. Our average realized sale price per ounce of gold during 2015 was \$1,147 compared to \$1,263 for 2014 and \$1,293 in the period of our ownership of Casa Berardi

during 2013. The average market price per ounce for the full years of 2015, 2014 and 2013, respectively, was \$1,160, \$1,266 and \$1,411.

In addition, depreciation expense in 2015 increased by 14% compared to 2014 due to an increase in assets placed in service. Depreciation expense also increased in 2015 and 2014 compared to 2013 primarily due to our ownership during only part of 2013.

Mining costs per ton of \$94.51 for 2015 were 9% lower than \$103.53 for 2014 and 26% lower than \$127.56 for 2013. The decrease is primarily due to higher ore production and foreign exchange differences between the periods, as the U.S. dollar strengthened relative to the Canadian dollar in 2015 and 2014. Foreign exchange differences impacted mining costs per ton in 2015 by approximately 14% compared to 2014 and 18% compared to 2013. Average mill throughput achieved during 2015 reached 2,313 tons per day compared to 2,267 tons per day in 2014 and 1,811 tons per day in 2013. However, in spite of the improved throughput and higher gold grades, gold production was lower in 2015 compared to 2014 as a result of lower recoveries during the first half of 2015 due to new metallurgical characteristics of ore from the 118 Zone, requiring adjustments to the mill which have resulted in improved recoveries beginning in the third quarter of 2015.

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Milling costs per ton decreased by 7% in 2015 compared to 2014 and by 16% compared to 2013 mainly due to higher ore production and exchange rate differences.

In early 2016, we made the decision to move forward with construction of the East Mine Crown Pillar ("EMCP") open pit at Casa Berardi. The pit is expected to provide approximately 5.5 years of production which is meant to supplement the material produced from the underground operation. As a result, we anticipate an increase in mill throughput to approximately 3,100 tons per day for the remaining mine life of the EMCP pit, starting in 2017. Excavation of surface materials has begun, and ore production from the pit is expected commence before the end of 2016. Capital investment for the EMCP pit project is estimated at \$39 million over the life of mine, with approximately \$19 million to be spent in 2016.

The chart below illustrates the factors contributing to Cash Cost, After By-product Credits, Per Gold Ounce for 2015, 2014 and 2013:

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

	Year Ended December 31,		
	2015	2014	2013
Cash Cost, Before By-product Credits, per Gold Ounce	\$775.11	\$829.97	\$954.98
By-product credits per gold ounce	(3.57)	(3.62)	(4.19)
Cash Cost, After By-product Credits, per Gold Ounce	\$771.54	\$826.35	\$950.79

The decrease in Cash Cost, After By-product Credits, per Gold Ounce for 2015 compared to 2014 and 2013 was primarily the result of the continued strengthening of the U.S. dollar relative to the Canadian dollar.

Mining and milling cost per ounce decreased in 2015 compared to 2014 and 2013, also as a result of the foreign exchange differences.

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The difference between what we report as "production" and "payable metal quantities sold" is mainly attributable to 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.

The San Sebastian Segment

In the third quarter of 2015, we made the development decision to mine near surface, high grade portions of silver and gold deposits from shallow open pits at our San Sebastian unit in Mexico. We previously produced silver and gold from underground mines at San Sebastian from 2001 to 2005. A Preliminary Economic Assessment was completed, and development of the pits and mine production commenced in the fourth quarter of 2015. Mill production started in December 2015 with the ore processed at a leased mill. The first sales did not occur until after December 31, 2015, and all production costs for the month of December were included in inventory.

	December (1)
	2015
Tons of ore milled	6,602
Production:	
Silver (ounces)	81,677
Gold (ounces)	870
Ore grades:	
Silver ounces per ton	13.7
Gold ounces per ton	0.148
Mining cost per ton	\$ 129.91
Milling cost per ton	\$ 44.76
Cash Cost, After By-product Credits, per Silver Ounce ⁽²⁾	\$ 6.71

(1) Ore was processed for 22 days in December 2015.

(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).

The mill operated at 300 tons per day during the initial 22 days of production, which is lower than the expected throughput rate going forward. In addition, the ore processed in December had lower grades, particularly for silver, than anticipated over the mine life, which is currently expected to be approximately 18 months.

Exploration expenses at San Sebastian for 2015, 2014 and 2013 were \$4.3 million, \$4.3 million and \$4.1 million, respectively.

Pre-development expenses for 2015, 2014 and 2013 were \$3.1 million, \$1.5 million and \$1.7 million, respectively. The higher costs in 2015 were the result of increased in-fill drilling and initial work to engage contractors for mine and mill preparation.

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The chart below illustrates the factors contributing to Cash Cost, After By-product Credits, Per Silver Ounce for December 2015:

We believe the identification of gold as a by-product credit is appropriate at San Sebastian because of its anticipated lower economic value compared to silver over the life of the mine. In addition, we will not receive sufficient revenue from gold at San Sebastian to warrant classification of such as a co-product. Because we consider gold to be a by-product of our silver production at San Sebastian, the value of gold offsets operating costs within our calculations of Cash Cost, After By-product Credits, per Silver 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 2015, the funded status of our plans changed from a liability of \$43.7 million at the first of the year to a liability of \$46.9 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 Senior 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 made in 2015. We expect to contribute a total of \$5.3 million in shares of our common stock and cash to our defined benefit plans in 2016. 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 one of our two defined benefit pension plans to change the pension benefit formula and other plan provisions. See *Note 8 of Notes to Consolidated Financial Statements* for more information.

Income Taxes

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. We continue to have a net deferred tax asset in the U.S. and a net deferred tax liability in Canada. We now have a net deferred tax asset in Mexico after releasing a portion of the valuation allowance related to net operating loss carryforwards.

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Our U.S. net deferred tax asset at December 31, 2015 totaled \$42.9 million, or 2% of total assets, a decrease of \$68.1 million from the \$111.0 million net deferred tax asset at December 31, 2014. The largest component of the deferred tax asset is deferred foreign exchange losses. The next largest component is net operating loss carryforwards. Due to declining metals prices and related long-term pricing assumptions impacting forecasts of future taxable income, in 2015, we determined that we are indefinite Alternative Minimum taxpayers, resulting in additional valuation allowance. The additional valuation allowance is primarily related to forecasted utilization of regular net operating loss carryforwards and the effect of re-measuring temporary deferred tax assets using a tax rate 20% from the previous rate of 35%. At December 31, 2015, we retained a valuation allowance on U.S. deferred tax assets of \$104.3 million, primarily for net operating loss carryforwards.

Our net Canadian deferred tax liability at December 31, 2015 was \$120.3 million, a decrease of \$33.1 million from the \$153.4 million net deferred tax liability at December 31, 2014. 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.

Our net Mexican deferred tax asset at December 31, 2015 was \$11.7 million. The deferred tax asset is the result of a decrease in the fourth quarter of 2015 in the valuation allowance related to net operating losses which are expected to be utilized as a result of operating activities at San Sebastian. An \$11.5 million valuation allowance remains on deferred tax assets in foreign jurisdictions.

As discussed in *Note 5 of Notes to Consolidated Financial Statements*, our effective tax rate for 2015 was negative 184% compared to negative 42% for 2014. The change in effective tax rate for 2015 was primarily the result of the change in the valuation allowances described above, the U.S. deduction for percentage depletion, 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 2016 effective tax rate could vary significantly from that of 2015.

For the years 2015, 2014 and 2013, 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, Casa Berardi, and San Sebastian units for the years ended December 31, 2015, 2014 and 2013. With commercial production beginning in late 2015, the San Sebastian unit's information is not applicable for 2014 and 2013.

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, Lucky Friday and San Sebastian 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.

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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, Lucky Friday and San Sebastian, our combined silver properties.

As depicted in the Greens Creek Unit, the Lucky Friday Unit, and the San Sebastian 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:

<i>In thousands (except per ounce amounts)</i>	Total, Greens Creek, Lucky Friday and San Sebastian Units		
	Year ended December 31,		
	2015	2014	2013
By-product value, all silver properties:			
Zinc	\$87,383	\$95,701	\$77,616
Gold	59,019	61,871	66,907
Lead	55,955	66,082	48,973
Total by-product credits	\$202,357	\$223,654	\$193,496
By-product credits per silver ounce, all silver properties			
Zinc	\$7.56	\$8.65	\$8.71
Gold	5.10	5.59	7.51
Lead	4.84	5.97	5.50
Total by-product credits	\$17.50	\$20.21	\$21.72

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

<i>In thousands (except per ounce amounts)</i>	Casa Berardi Unit		
	(3)		
	Year ended		
	December 31,		
	2015	2014	2013
Silver by-product value	\$457	\$464	\$262

Silver by-product credits per gold ounce \$4 \$4 \$4

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)*.

Table Of Contents*In thousands (except per ounce amounts)*

	Total, Greens Creek, Lucky Friday and San		
	Sebastian Units		
	Year ended December 31,		
	2015	2014	2013
Cash Cost, Before By-product Credits ⁽¹⁾	\$269,971	\$276,842	\$254,460
By-product credits	(202,357)	(223,654)	(193,496)
Cash Cost, After By-product Credits	67,614	53,188	60,964
Divided by silver ounces produced	11,562	11,065	8,907
Cash Cost, Before By-product Credits, per Silver Ounce	23.35	25.02	28.56
By-product credits per silver ounce	(17.50)	(20.21)	(21.72)
Cash Cost, After By-product Credits, per Silver Ounce	\$5.85	\$4.81	\$6.84
Reconciliation to GAAP:			
Cash Cost, After By-product Credits	\$67,614	\$53,188	\$60,964
Depreciation, depletion and amortization	67,815	72,936	63,098
Treatment costs	(80,239)	(82,639)	(76,823)
By-product credits	202,357	223,654	193,496
Change in product inventory	1,632	(1,649)	(246)
Reclamation and other costs	1,319	2,046	2,100
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	\$260,498	\$267,536	\$242,589

In thousands (except per ounce amounts)

	Greens Creek Unit		
	Year ended December 31,		
	2015	2014	2013
Cash Cost, Before by-Product Credits ⁽¹⁾	\$196,443	\$199,247	\$203,496
By-product credits	(163,394)	(176,650)	(170,563)
Cash Cost, After By-product Credits	33,049	22,597	32,933
Divided by silver ounces produced	8,452	7,826	7,448
Cash Cost, Before By-product Credits, per Silver Ounce	23.24	25.46	27.32
By-product credits per silver ounce	(19.33)	(22.57)	(22.90)
Cash Cost, After By-product Credits, per Silver Ounce	\$3.91	\$2.89	\$4.42
Reconciliation to GAAP:			
Cash Cost, After By-product Credits	\$33,049	\$22,597	\$32,933
Depreciation, depletion and amortization	56,553	63,505	55,265
Treatment costs	(63,284)	(63,313)	(67,341)
By-product credits	163,394	176,650	170,563
Change in product inventory	4,222	(1,706)	159
Reclamation and other costs	1,342	1,949	1,947
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	\$195,276	\$199,682	\$193,526

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<i>In thousands (except per ounce amounts)</i>	Lucky Friday Unit		
	Year ended December 31,		
	2015	2014	2013
Cash Cost, Before By-product Credits ⁽¹⁾	\$72,052	\$77,595	\$50,964
By-product credits	(38,035)	(47,004)	(22,933)
Cash Cost, After By-product Credits	34,017	30,591	28,031
Divided by silver ounces produced	3,028	3,239	1,459
Cash Cost, Before By-product Credits, per Silver Ounce	23.79	23.95	34.93
By-product credits per silver ounce	(12.56)	(14.51)	(15.72)
Cash Cost, After By-product Credits, per Silver Ounce	\$11.23	\$9.44	\$19.21
Reconciliation to GAAP:			
Cash Cost, After By-product Credits	\$34,017	\$30,591	\$28,031
Depreciation, depletion and amortization	11,262	9,431	7,833
Treatment costs	(16,915)	(19,326)	(9,482)
By-product credits	38,035	47,004	22,933
Change in product inventory	(1,154)	57	(405)
Reclamation and other costs	(23)	97	153
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	\$65,222	\$67,854	\$49,063

<i>In thousands (except per ounce amounts)</i>	San Sebastian Unit⁽²⁾		
	Year ended December 31,		
	2015	2014	2013
Cash Cost, Before By-product Credits ⁽¹⁾	\$1,476	\$ —	\$ —
By-product credits	(928)	—	—
Cash Cost, After By-product Credits	548	—	—
Divided by silver ounces produced	82	—	—
Cash Cost, Before By-product Credits, per Silver Ounce	18.07	—	—
By-product credits per silver ounce	(11.36)	—	—
Cash Cost, After By-product Credits, per Silver Ounce	\$6.71	\$ —	\$ —
Reconciliation to GAAP:			
Cash Cost, After By-product Credits	\$548	\$ —	\$ —
Treatment costs	(40)	—	—
By-product credits	928	—	—
Change in product inventory	(1,436)	—	—
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	\$—	\$ —	\$ —

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<i>In thousands (except ounce and per ounce amounts)</i>	Casa Berardi Unit ⁽³⁾		
	Year ended December 31,		
	2015	2014	2013
Cash Cost, Before By-product Credits ⁽¹⁾	\$99,129	\$106,438	\$59,717
By-product credits	(457)	(464)	(262)
Cash Cost, After by-product credits	98,672	105,974	59,455
Divided by gold ounces produced	127,891	128,244	62,532
Cash Cost, Before By-product Credits, per Gold Ounce	775.11	829.97	954.98
By-product credits per gold ounce	(3.57)	(3.62)	(4.19)
Cash Cost, After By-product Credits, per Gold Ounce	\$771.54	\$826.35	\$950.79
Reconciliation to GAAP:			
Cash Cost, After By-product Credits	\$98,672	\$105,974	\$59,455
Depreciation, depletion and amortization	43,674	38,198	18,030
Treatment costs	(670)	(564)	(268)
By-product credits	457	464	262
Change in product inventory	1,970	3,151	(3,766)
Reclamation and other costs	455	820	142
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	\$144,558	\$148,043	\$73,855.00

<i>In thousands</i>	Total, All Locations		
	Year ended December 31,		
	2015	2014	2013
Reconciliation to GAAP:			
Cash Cost, After By-product Credits	\$166,286	\$159,162	\$120,419
Depreciation, depletion and amortization	111,489	111,134	81,128
Treatment costs	(80,909)	(83,203)	(77,092)
By-product credits	202,814	224,118	193,758
Change in product inventory	3,602	1,502	(4,012)
Suspension-related costs	—	—	—
Reclamation and other costs	1,774	2,867	2,242
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	\$405,056	\$415,580	\$316,443

⁽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⁾ Commercial production began at the San Sebastian unit in the fourth quarter of 2015. See *The San Sebastian Unit* for more information on the property.

On June 1, 2013, we completed the acquisition of Aurizon, 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.

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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, 2015, 2014, 2013, 2012, and 2011 (in thousands).

	Year ended December 31,				
	2015	2014	2013	2012	2011
Net income (loss) (GAAP)	\$(86,968)	\$17,824	\$(25,130)	\$14,954	\$151,164
Interest expense, net of amount capitalized ⁽¹⁾	25,389	26,775	21,689	2,427	2,875
Income tax provision (benefit)	56,310	(5,240)	(9,795)	8,879	81,978
Depreciation, depletion, and amortization	112,585	112,173	82,366	50,113	47,348
EBITDA	\$107,316	\$151,532	\$69,130	\$76,373	\$283,365

On April 12, 2013, we completed an offering of \$500 million in aggregate principal amount of our Senior Notes due May 1, 2021, and issued additional Senior Notes in 2014 to fund one of our defined benefit pension plans. See ⁽¹⁾ *Note 6 of Notes to Consolidated Financial Statements* for more information. The Senior 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 Senior Notes is payable on May 1 and November 1 of each year, commencing November 1, 2013.

Financial Liquidity and Capital Resources

Our liquid assets include (in millions):

	December 31, 2015	December 31, 2014	December 31, 2013
Cash and cash equivalents held in U.S. dollars	\$ 137.0	\$ 180.9	\$ 166.5

Cash and cash equivalents held in foreign currency	18.2	28.8	45.7
Total cash and cash equivalents	155.2	209.7	212.2
Marketable equity securities, non-current	1.5	4.9	7.0
Total cash, cash equivalents and investments	\$ 156.7	\$ 214.6	\$ 219.2

Cash and cash equivalents decreased in 2015, as discussed below. Cash held in foreign currencies represents balances in Canadian dollars and Mexican pesos, with the \$10.6 million decrease in 2015 resulting primarily from a reduction in Canadian dollars held. The value of non-current marketable equity securities decreased by \$4.3 million due to unrecognized losses on equity investments, partially offset by the purchase of investments for approximately \$0.9 million.

As further discussed in *Note 15 of Notes to Consolidated Financial Statements*, on June 1, 2013, we completed the acquisition of Aurizon 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.

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On April 12, 2013, we completed an offering of Senior 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 Senior 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 Senior Notes in order to satisfy the funding requirement for one of our defined benefit pension plans for 2014. The Senior 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 Senior 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 payment obligation under the Consent Decree.

The #4 Shaft project, which is discussed further in the *Lucky Friday Segment* section above, is expected to involve capital expenditures of approximately \$225 million through 2016, of which \$205 million has been spent as of December 31, 2015 (leaving approximately \$20 million remaining).

In the third quarter of 2015, we made a development decision to mine near surface, high grade portions of the silver and gold deposits at our San Sebastian project in Mexico and commenced production there in the fourth quarter of 2015. As a result, we expect to incur development costs there during the first half of 2016 totaling approximately \$2.0 million and believe San Sebastian will generate positive cash flows in 2016 and 2017. However, our estimate of costs could change, and our ability to generate cash flow at San Sebastian could be impacted by changes in precious metals prices or other factors, and there can be no assurance that we will be able to develop and operate San Sebastian as anticipated.

As discussed in *Note 15 of Notes to Consolidated Financial Statements*, in June 2015 we completed the acquisition of all of the outstanding common stock of Revett for total consideration of \$20.1 million, consisting of \$0.9 million in cash and \$19.1 million in our common stock. As a result of the acquisition, we anticipate incurring costs over the next three to four years totaling approximately \$18.8 million for reclamation of the Troy mine. We expect to recover approximately \$16.8 million of these costs over that time period through submittal of reimbursement claims pursuant to an insurance policy held by the Revett subsidiary owning the Troy mine, and this amount is recorded as an asset as of December 31, 2015. However, there can be no assurance that we will be successful in obtaining reimbursement for such costs as anticipated.

As discussed in *Note 7 of Notes to Consolidated Financial Statements*, it is probable that CoCa Mines, Inc., our wholly-owned subsidiary, will incur a settlement liability for response costs at the Gilt Edge and Nelson Tunnel/Commodore sites for \$9.9 million after payments from insurance proceeds and another party to the settlement. However, there can be no assurance the settlement will be finalized as outlined above or occur at all.

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 \$3.7 million in 2015, \$3.5 million in 2014, and \$6.0 million in 2013. 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.

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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, 2015, 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 19, 2016 was \$2.36 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 and expected 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 twelve months. Our obligations and other uses of cash may include, but are not limited to: debt service obligations related to the Senior Notes, capital outlays for the #4 Shaft project and other capital expenditures, regulatory matters, litigation, 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 \$150 million will be spent on capital expenditures, primarily for equipment, infrastructure, and development at our mines, in 2016. We also estimate that exploration and pre-development expenditures will total approximately \$15 million in 2016. 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,		
	2015	2014	2013
Cash provided by operating activities (in millions)	\$106.4	\$83.1	\$26.6

Cash provided by operating activities increased by \$23.3 million in 2015 compared to 2014. The increase in 2015 is due to working capital and other operating asset and liability changes that resulted in a net increase in cash flows of

\$9.6 million in 2015 compared to a decrease in cash flows of \$51.1 million in 2014. Significant variances in working capital changes between 2015 to 2014 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 higher accounts payable balances due to increased capital spending at the end of 2015. These variances were partially offset by an increased portion of incentive compensation related to prior-period performance paid in cash in 2015 rather than stock, and higher accounts receivable balances due to the timing of sales. In addition, income, as adjusted for non-cash items, was lower by \$37.4 million in 2015 compared to 2014 due primarily to lower metals prices.

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 the \$55.4 million in payments, primarily covered by warrant proceeds, for the remaining Coeur d'Alene Basin settlement obligation, 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.

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	Year Ended December		
	31,		
	2015	2014	2013
Cash used in investing activities (in millions)	\$138.6	\$118.4	\$475.5

Capital expenditures, excluding non-cash lease additions of \$5.1 million, were \$137.4 million in 2015, which was \$14.9 million higher than capital expenditures in 2014. The increase was primarily related to tailings facility expansion at Greens Creek, higher costs incurred for the #4 Shaft project at Lucky Friday, and open pit development and mill rehabilitation costs in support of start-up at San Sebastian, partially offset by the completion of the shaft deepening project at Casa Berardi in 2014. 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 2015. We purchased marketable securities having a cost basis of \$0.9 million and \$0.6 million during 2015 and 2014, respectively.

We invested \$122.5 million in capital expenditures in 2014, excluding \$9.5 million in non-cash capital lease additions, compared to \$150.7 million, excluding \$12.3 million in capital leases, in 2013. 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. In 2013, we recognized a cash outflow for the acquisition of Aurizon, net of cash acquired, of \$321.1 million, as discussed above. 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.

	Year Ended		
	December 31,		
	2015	2014	2013
Cash provided by (used in) financing activities (in millions)	\$(17.1)	\$36.5	\$474.9

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 2015, 2014, and 2013, we paid cash dividends on our common stock totaling \$3.7 million, \$3.5 million, and \$6.0 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 \$10.0 million, \$9.1 million, and \$7.0 million, in 2015, 2014, and 2013, respectively. We also purchased shares of our common stock for \$1.9 million, \$3.7 million, and \$0.3 million in 2015, 2014, and 2013, respectively, with \$1.5 million of the amount in 2014 related to our stock repurchase program discussed above, and the remaining amounts for each year related to the election by employees to satisfy tax withholding obligations for the vesting of restricted stock units through net share settlement.

Table Of Contents***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, 2015 (in thousands):

	Payments Due By Period				Total
	Less than 1 year	1-3 years	3-5 years	After 5 years	
Purchase obligations ⁽¹⁾	\$5,892	\$—	\$—	\$—	\$5,892
Commitment fees ⁽²⁾	500	942	—	—	1,442
Contractual obligations ⁽³⁾	11,117	—	—	—	11,117
Capital lease commitments ⁽⁴⁾	9,055	8,706	972	—	18,733
Operating lease commitments ⁽⁵⁾	5,046	4,084	2,078	1,196	12,404
Defined benefit pension plans ⁽⁶⁾	5,274	—	—	—	5,274
Supplemental executive retirement plan ⁽⁶⁾	402	876	1,079	3,962	6,319
Senior Notes ⁽⁷⁾	34,822	69,644	69,644	518,107	692,217
Total contractual cash obligations	\$72,108	\$84,252	\$73,773	\$523,265	\$753,398

(1) Consist of open purchase orders of approximately \$3.8 million at the Greens Creek unit, \$0.8 million at the Lucky Friday unit and \$1.2 million at the Casa Berardi unit. Included in these amounts are approximately \$1.0 million, \$48 thousand, and \$0.8 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. There was no amount drawn under the revolving credit agreement as of December 31, 2015, 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, 2015, we were committed to approximately \$11.1 million in expenditures for various items at our operating units.

(4) Includes scheduled capital lease payments of \$10.4 million, \$5.2 million and \$3.2 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.

We enter into operating leases in the normal course of business. Substantially all lease agreements have fixed
(5) 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.

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.
(6) 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.

On April 12, 2013, we completed an offering of \$500 million in aggregate principal amount of our Senior Notes due May 1, 2021. See *Note 6 of Notes to Consolidated Financial Statements* for more information. Additionally, during 2014 we issued \$6.5 million of additional Senior Notes to fund the 2014 funding requirement of one of our
(7) defined benefit pension plans. See *Note 8 of Notes to Consolidated Financial Statements* for more information. The Senior 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 Senior 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, 2015, our liabilities for these matters totaled \$95.5 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, 2015, 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.

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, including recent uncertainty in China, 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 long-term 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, China has recently experienced a lower rate of economic growth which is ongoing and could continue in the near term. 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.

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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 evaluation 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 concentrates 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 shipment of concentrates 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 related to concentrate sales 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 estimate 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.

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. Properties*. 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 in an effort to ensure that carrying values are reported appropriately. Our forecasts are also used in determining the level of valuation allowances on our deferred tax assets. Reserves also play a key role in the determination of the allocation of purchase price to acquired assets in 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.

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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 May 2014, the Financial Accounting Standards Board ("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, 2017. We are in the process of evaluating this guidance and our method of adoption.

In April 2015, the FASB issued ASU No. 2015-15 Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The update requires debt issuance costs related to a recognized debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Debt disclosures will include the face amount of the debt liability and the effective interest rate. The update requires retrospective application and represents a change in accounting principle. The update is effective for fiscal years beginning after December 15, 2015. ASU No. 2015-15 is not expected to have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11 Inventory (Topic 330): Simplifying the Measurement of Inventory. The update provides for inventory to be measured at the lower of cost and net realizable value, and is effective for the fiscal years beginning after December 15, 2016. We are currently evaluating the potential impact of implementing this update on the our consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16 Simplifying the Accounting for Measurement-Period Adjustments (Topic 805) which eliminates the requirement for an acquirer to retrospectively adjust the financial statements for measurement-period adjustments that occur in periods after a business combination is consummated. These changes become effective for fiscal years beginning after December 15, 2016, and as such they are not expected to have a material impact on prior periods.

In November 2015, the FASB issued ASU No. 2015-17 Income Taxes - Balance Sheet Classification of Deferred Taxes (Topic 740). The update is designed to reduce complexity of reporting deferred income tax liabilities and assets into current and non-current amounts in a statement of financial position. The FASB has proposed the presentation of deferred income taxes, changes to deferred tax liabilities and assets be classified as non-current in the statement of financial position. The update is effective for fiscal years beginning after December 15, 2016. ASU No. 2015-17 is not expected to have a material impact on our consolidated financial statements. Our current deferred tax asset balance at December 31, 2015 was \$18.0 million.

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In January 2016, the FASB issued ASU No. 2016-01 Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The update makes several modifications to Subtopic 825-10, including the elimination of the available-for-sale classification of equity investments, and requires equity investments with readily determinable fair values to be measured at fair value with changes in fair value recognized in net income. The update is effective for fiscal years beginning after December 15, 2017. We are currently evaluating the impact of the guidance on our consolidated financial statements.

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 Exchange Act, 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, 2015, 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*).

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, 2015, metals contained in concentrates and exposed to future price changes totaled approximately 1.5

million ounces of silver, 5,605 ounces of gold, 12,714 tons of zinc, and 4,553 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 \$5.3 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 fluctuations in the market. 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 under contract positions.

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We use 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, at times 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; however, there were no open contracts under this program as of December 31, 2015. These contracts do not qualify for hedge accounting and are marked-to-market through earnings each period. At December 31, 2015, we recorded a current liability of \$0.3 million on the contracts utilized to manage exposure to prices of metals in our concentrate shipments, which is included in other current liabilities and is net of \$0.6 million in contracts in a fair value current asset position.

We recognized a \$6.2 million net gain during 2015 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 an \$8.3 million net gain during 2015 on the contracts utilized to manage exposure to prices for forecasted future concentrate shipments, which includes \$18.8 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 fu