

TOTAL SA
Form 424B5
June 21, 2012
Table of Contents

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Registration Statement Nos. 333-180967 and
333-180967-01

The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has become effective upon filing with the Securities and Exchange Commission. We are not using this prospectus supplement or the attached prospectus to offer or sell these securities or to solicit offers to buy these securities in any place where the offer is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 21, 2012

PROSPECTUS SUPPLEMENT

(To prospectus dated April 26, 2012)

\$

TOTAL CAPITAL INTERNATIONAL

(A wholly-owned subsidiary of TOTAL S.A.)

consisting of

% Guaranteed Notes Due 2017

Guaranteed on an unsecured, unsubordinated basis by

TOTAL S.A.

The % notes due June , 2017 (the notes) will bear interest at the rate of % per year. Total Capital International will pay interest on the notes on June and December of each year, beginning on December , 2012. Interest on the notes will accrue from June , 2012. The notes will mature on June , 2017. The notes will be issued only in denominations of \$2,000 and integral multiples of \$1,000.

Payment of the principal of, premium, if any, and interest on the notes is guaranteed by TOTAL S.A.

We may redeem the notes in whole or in part at any time and from time to time at the make-whole redemption price set forth in this prospectus supplement. In addition, we may redeem the notes at any time at 100% of the principal amount upon the occurrence of certain tax events described in this prospectus supplement and the attached prospectus.

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See Risk Factors beginning on page S-3 of this prospectus supplement, on page 2 of the attached prospectus and on page 4 of our Annual Report on Form 20-F for the fiscal year ended December 31, 2011, as amended, which is incorporated by reference in this prospectus supplement and the attached prospectus, to read about factors you should consider before investing in the notes.

Neither the Securities and Exchange Commission nor any state securities commission or other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the attached prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public Offering Price ⁽¹⁾	%	\$
Underwriting Discount	%	\$
Proceeds, before expenses, to TOTAL ⁽¹⁾	%	\$

⁽¹⁾ Plus accrued interest from _____, 2012, if settlement occurs after that date.

The underwriters expect to deliver the notes in book-entry form through the facilities of The Depository Trust Company (DTC) and its participants, including Euroclear Bank S.A./N.V. (Euroclear) and Clearstream Banking, Luxembourg (Clearstream), against payment in New York, New York on or about June _____, 2012.

Joint Book-Running Managers

Barclays

Morgan Stanley

RBS

Prospectus Supplement dated June _____, 2012.

Table of Contents

TABLE OF CONTENTS

	Page
<u>INCORPORATION OF INFORMATION FILED WITH THE SEC</u>	S-1
<u>GENERAL INFORMATION</u>	S-1
<u>RISK FACTORS</u>	S-3
<u>CAPITALIZATION AND INDEBTEDNESS OF TOTAL</u>	S-5
<u>DESCRIPTION OF NOTES</u>	S-7
<u>USE OF PROCEEDS</u>	S-10
<u>EXCHANGE RATE INFORMATION</u>	S-11
<u>UNDERWRITING</u>	S-12

Prospectus

<u>ABOUT THIS PROSPECTUS</u>	1
<u>ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES</u>	1
<u>RISK FACTORS</u>	2
<u>FORWARD-LOOKING STATEMENTS</u>	3
<u>WHERE YOU CAN FIND MORE INFORMATION ABOUT US</u>	3
<u>TOTAL S.A.</u>	4
<u>TOTAL CAPITAL</u>	4
<u>TOTAL CAPITAL CANADA LTD.</u>	4
<u>TOTAL CAPITAL INTERNATIONAL</u>	4
<u>USE OF PROCEEDS</u>	5
<u>DESCRIPTION OF DEBT SECURITIES AND GUARANTEE</u>	6
<u>CLEARANCE AND SETTLEMENT</u>	16
<u>TAX CONSIDERATIONS</u>	19
<u>PLAN OF DISTRIBUTION</u>	31
<u>VALIDITY OF SECURITIES</u>	33
<u>EXPERTS</u>	33
<u>EXPENSES</u>	33

Table of Contents

In this prospectus, unless the context indicates otherwise, the terms we, our and us refer to both TOTAL S.A. and Total Capital International, TOTAL refers to TOTAL S.A., the Total Group refers to TOTAL and its subsidiaries, and Total Capital International refers to Total Capital International.

INCORPORATION OF INFORMATION FILED WITH THE SEC

The U.S. Securities and Exchange Commission, referred to herein as the SEC, allows us to incorporate by reference into this prospectus supplement and the attached prospectus the information in documents filed with the SEC, which means that:

incorporated documents are considered part of this prospectus supplement and the attached prospectus;

we can disclose important information to you by referring to those documents; and

information filed with the SEC in the future will automatically update and supersede this prospectus supplement and the attached prospectus.

The information that we incorporate by reference is an important part of this prospectus supplement and the attached prospectus.

We incorporate by reference in this prospectus supplement and the attached prospectus the documents described in *Where You Can Find More Information About Us* in the attached prospectus which we filed with the SEC pursuant to the Securities Exchange Act of 1934, as amended, referred to herein as the Exchange Act, except to the extent amended or superseded by subsequent filings. We also incorporate by reference any future filings that we make with the SEC under Sections 13(a), 13(c) or 15(d) of the Exchange Act after the date of this prospectus supplement but before the end of the notes offering and that, in the case of any future filings on Form 6-K, are identified in such filing as being incorporated into this prospectus supplement or the attached prospectus.

The documents incorporated by reference in this prospectus supplement and the attached prospectus and, in particular, those set forth below contain important information about TOTAL and its financial condition:

TOTAL's Annual Report on Form 20-F for the year ended December 31, 2011, filed with the SEC on March 26, 2012, as amended on March 27, 2012; and

TOTAL's Reports on Form 6-K, furnished to the SEC on April 26, 2012, May 9, 2012 and June 21, 2012.

You should read *Where You Can Find More Information About Us* in the attached prospectus for information on how to obtain the documents incorporated by reference or other information relating to TOTAL.

GENERAL INFORMATION

No person has been authorized to provide you with information that is different from what is contained in, or incorporated by reference into, this prospectus supplement and the attached prospectus, and, if given or made, such information must not be relied upon as having been authorized. This prospectus supplement and the attached prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the notes to which it relates or an offer to sell or the solicitation of an offer to buy such notes by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this prospectus supplement and the attached prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus supplement or that the information contained in this prospectus supplement and the attached prospectus is correct as of any time subsequent to its date.

Table of Contents

The distribution of this prospectus supplement and the attached prospectus and the offering and sale of the notes in certain jurisdictions may be restricted by law. Persons into whose possession this prospectus supplement and the attached prospectus come are required by us and the underwriters to inform themselves about and to observe any such restrictions.

To the extent that the offer of the notes is made in any EEA Member State that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, including the 2010 PD Amending Directive (Directive 2010/73/EU) to the extent implemented in the relevant Member State, the Prospectus Directive) before the date of publication of an approved prospectus in relation to such notes which has been approved by the competent authority in that Member State in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and notified to the competent authority in that Member State in accordance with the Prospectus Directive), the offer (including any offer pursuant to this document) is only addressed to qualified investors in that Member State within the meaning of the Prospectus Directive or has been or will be made otherwise in circumstances that do not require us or any of the underwriters to publish a prospectus pursuant to the Prospectus Directive.

In the United Kingdom, this prospectus supplement and the attached prospectus is only being distributed to and is only directed at (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the Order) or (ii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

TOTAL s headquarters are located at 2, place Jean Millier, La Défense 6, 92400 Courbevoie, France.

Total Capital International s headquarters are located at 2, place Jean Millier, La Défense 6, 92400 Courbevoie, France.

In this prospectus, references to United States dollars , U.S. dollars , dollars , US\$ and \$ are to the currency of the United States and references to euros and are to the single European currency adopted by certain participating member countries of the European Union.

Table of Contents

RISK FACTORS

Investing in the securities offered using this prospectus involves risk. You should consider carefully the risks described below, together with the risks described in the documents incorporated by reference into this prospectus, and any risk factors included in the attached prospectus, before you decide to buy our notes. If any of these risks actually occurs, our business, financial condition and results of operations could suffer, and the trading price and liquidity of the securities offered using this prospectus could decline, in which case you may lose all or part of your investment.

Risks related to the offering and owning the notes

Since TOTAL is a holding company and currently conducts its operations through subsidiaries, your right to receive payments on the notes and the guarantee is subordinated to the other liabilities of TOTAL's subsidiaries.

TOTAL is organized as a holding company, and substantially all of its operations are carried on through subsidiaries. TOTAL's principal source of income is the dividends and distributions it receives from its subsidiaries. On an unconsolidated basis, TOTAL's obligations consisted of 35,932 million of debt as of March 31, 2012. TOTAL's ability to meet its financial obligations is dependent upon the availability of cash flows from its domestic and foreign subsidiaries and affiliated companies through dividends, intercompany advances, management fees and other payments. TOTAL's subsidiaries are not guarantors on the notes. Moreover, these subsidiaries and affiliated companies are not required and may not be able to pay dividends to TOTAL. Claims of the creditors of TOTAL's subsidiaries have priority as to the assets of such subsidiaries over the claims of creditors of TOTAL. Consequently, holders of Total Capital International's notes that are guaranteed by TOTAL are in fact structurally subordinated, on TOTAL's insolvency, to the prior claims of the creditors of TOTAL's subsidiaries.

In addition, some of TOTAL's subsidiaries are subject to laws restricting the amount of dividends they may pay. For example, these laws may prohibit dividend payments when net assets would fall below subscribed share capital, when the subsidiary lacks available profits or when the subsidiary fails to meet certain capital and reserve requirements. For example, French law prohibits those subsidiaries incorporated in France from paying dividends unless these payments are made out of distributable profits. These profits consist of accumulated, realized profits, which have not been previously utilized, less accumulated, realized losses, which have not been previously written off. Other statutory and general law obligations may also affect the ability of directors of TOTAL's subsidiaries to declare dividends and the ability of our subsidiaries to make payments to us on account of intercompany loans.

Since the notes are unsecured, your right to receive payments may be adversely affected.

The notes will be unsecured. The notes are not subordinated to any of our other debt obligations, and therefore they will rank equally with all our other unsecured and unsubordinated indebtedness (save for certain mandatory exceptions provided by French law). There is no limitation on TOTAL's or Total Capital International's ability to issue secured debt. As of March 31, 2012, TOTAL had approximately 301 million of consolidated secured indebtedness outstanding and Total Capital International had no secured indebtedness outstanding. If Total Capital International, as issuer of the notes, defaults on the notes or TOTAL, as guarantor, defaults on the guarantee, or after bankruptcy, liquidation or reorganization, then, to the extent the relevant obligor has granted security over its assets, the assets that secure that entity's debts will be used to satisfy the obligations under that secured debt before the obligor can make payment on the notes or the guarantee. There may only be limited assets available to make payments on the notes or the guarantee in the event of an acceleration of the notes. If there is not enough collateral to satisfy the obligations of the secured debt, then the remaining amounts on the secured debt would share equally with all unsubordinated unsecured indebtedness (save for certain mandatory exceptions provided by French law).

Table of Contents

At any point in time there may or may not be an active trading market for our notes.

At any point in time there may or may not be an active trading market for our notes. We have not and do not intend to list the notes on any securities exchange or automated quotation system. In addition, underwriters, broker-dealers and agents that participate in the distribution of the notes may make a market in the notes as permitted by applicable laws and regulations but will have no obligation to do so, and any such market-making activities with respect to the notes may be discontinued at any time without notice. If any of the notes are traded after their initial issuance, they may trade at a discount from their initial offering price. Among the factors that could cause the notes to trade at a discount are: an increase in prevailing interest rates; a decline in our credit worthiness; the time remaining to the maturity; a weakness in the market for similar securities; and declining general economic conditions.

Table of Contents**CAPITALIZATION AND INDEBTEDNESS OF TOTAL****(Unaudited)**

The following table sets out the unaudited consolidated capitalization and long-term indebtedness, as well as short-term indebtedness, of the Group as of March 31, 2012, prepared on the basis of IFRS.

(In millions of euros)	At March 31, 2012	
	Actual	As adjusted ⁽¹⁾
Current financial debt, including current portion of non-current financial debt		
Current portion of non-current financial debt	3,013	3,013
Current financial debt	6,561	6,561
Current portion of financial instruments for interest rate swaps liabilities	83	83
Other current financial instruments liabilities	66	66
Total current financial debt	9,723	9,723
Non-current financial debt	22,428	
Non-controlling interests	1,275	1,275
Shareholders' equity		
Common shares	5,911	5,911
Paid-in surplus and retained earnings	70,281	70,281
Currency translation adjustment	(1,857)	(1,857)
Treasury shares	(3,390)	(3,390)
Total shareholders' equity	70,945	70,945
Total capitalization and non-current indebtedness	94,648	

(1) As adjusted to reflect the issuance of debt securities offered pursuant to this prospectus supplement translated from U.S. dollars into euro using the June 1, 2012 European Central Bank reference exchange rate of 1=\$ for a total amount of . As of March 31, 2012, TOTAL had an authorized share capital of 3,446,364,159 ordinary shares with a par value of 2.50 per share, and an issued share capital of 2,364,545,977 ordinary shares (including 109,551,421 treasury shares from shareholders' equity).

As of March 31, 2012, approximately 301 million of TOTAL's non-current financial debt was secured and approximately 22,127 million was unsecured, and all of TOTAL's current financial debt of 6,561 million was unsecured. As of March 31, 2012, TOTAL had no outstanding guarantees from third parties relating to its consolidated indebtedness. For more information about TOTAL's commitments and contingencies, see Note 5 of the Notes to TOTAL's unaudited interim consolidated financial statements in Exhibit 99.1 to its Form 6-K filed with the SEC on May 9, 2012 and Note 23 of the Notes to TOTAL's audited consolidated financial statements in its Annual Report on Form 20-F for the year ended December 31, 2011, filed with the SEC on March 26, 2012, as amended on March 27, 2012.

On June 19 and 21, 2012, Total Capital International priced an issuance of AUD\$150 million principal amount of guaranteed notes due 2017 (or approximately 120 million using the June 20, 2012 European Central Bank reference exchange rate of 1=AUD\$1.25). The transaction is expected to close on June 26, 2012.

The annual shareholders' meeting of TOTAL held on May 11, 2012, approved the distribution of a cash dividend for 2011 of 2.28 per share. Taking into account the interim dividend of 1.71 per share paid as of March 22, 2012, the remaining balance of 0.57 per share, representing approximately 1.4 billion, will be paid on June 21, 2012.

Table of Contents

On April 26, 2012, the board of directors of TOTAL (the Board) approved an interim dividend of 0.57 per share, representing approximately 1.4 billion, to be paid on September 27, 2012.

The ex-dividend date for the remainder of the 2011 dividend will be June 18, 2012; for the ADR (NYSE: TOT) the ex-dividend date is June 13, 2012.

Except as disclosed herein, there have been no material changes in the consolidated capitalization, indebtedness and contingent liabilities of TOTAL since March 31, 2012.

S-6

Table of Contents

DESCRIPTION OF NOTES

This section outlines the specific financial and legal terms of the notes that are more generally described under Description of Debt Securities and Guarantee beginning on page 6 of the prospectus that is attached to this prospectus supplement. If anything described in this section is inconsistent with the terms described under Description of Debt Securities and Guarantee in the attached prospectus, the terms described below shall prevail.

The term notes shall mean the notes of each series originally issued on the original issuance date taken together with any additional notes of the same series subsequently issued.

Issuer: Total Capital International

Guarantor: TOTAL S.A.

Title: % Guaranteed Notes due June , 2017.

Total initial principal amount being issued: \$.

Public Offering Price: %.

Issuance date: June , 2012.

Maturity date: The notes will mature on June , 2017.

Interest rate: The notes will bear interest at the rate of % per annum.

Day count: Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Date interest starts accruing: June , 2012.

Interest due dates: Each June and December .

First interest due date: December , 2012.

Regular record dates for interest: Each and .

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Business Day: If any payment is due in respect of the notes on a day that is not a business day, it will be made on the next following business day, provided that no interest will accrue on the payment so deferred. A business day for these purposes is any weekday on which banking or trust institutions in the City of New York are not authorized generally or obligated by law, regulation or executive order to close.

Guarantee: Payment of the principal of, premium, if any, and interest on the notes is guaranteed by TOTAL. For more information about the guarantee, you should read Description of Debt Securities and Guarantee beginning on page 6 of the attached prospectus.

Ranking: The notes and the guarantees will constitute unsecured and unsubordinated indebtedness of Total Capital International and TOTAL S.A., respectively, and will rank equally with all other unsecured and unsubordinated indebtedness from time to time outstanding.

Name of depositary: The Depository Trust Company, commonly referred to as DTC .

S-7

Table of Contents

Form of notes: The notes will be issued as one or more global securities. You should read *Description of Debt Securities and Guarantee* *Legal Ownership* *Global Securities* beginning on page 8 of the attached prospectus for more information about global securities. The notes will be issued in the form of global securities deposited with DTC and registered in the name of Cede & Co, as the nominee of DTC. Beneficial interests in the notes may be held through DTC, Clearstream or Euroclear. For more information about global securities held through DTC, Clearstream or Euroclear, you should read *Clearance and Settlement* beginning on page 16 of the prospectus.

Redemption: The notes are not redeemable, except (i) as described under *Description of Debt Securities and Guarantee* *Optional Tax Redemption* beginning on page 13 of the attached prospectus; the provisions for optional tax redemption described therein will apply to changes in tax treatment occurring after the issuance date; at maturity, the notes will be repaid at par; and (ii) as described below under *Optional make-whole redemption* .

Optional make-whole redemption: We have the right to redeem the notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of (i) 100% of the principal amount of the notes to be redeemed and (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (not including any portion of payments of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the treasury rate plus _____ basis points, plus accrued and unpaid interest to the date of redemption.

For purposes of determining the optional make-whole redemption price, the following definitions are applicable.

Treasury rate means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) of the comparable treasury issue, assuming a price for the comparable treasury issue (expressed as a percentage of its principal amount) equal to the comparable treasury price for such redemption date.

Comparable treasury issue means the U.S. Treasury security or securities selected by the quotation agent as having an actual or interpolated maturity comparable to the remaining term of the applicable series of notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such notes.

Comparable treasury price means, with respect to any redemption date, the average of the reference treasury dealer quotations for such redemption date.

Quotation agent means one of the reference treasury dealers appointed by us. *Reference treasury dealer* means each of Barclays Capital Inc., Morgan Stanley & Co. LLC and RBS Securities Inc. or its affiliates which are primary U.S. government securities dealers, and their respective successors, and three other primary U.S. government securities dealers selected by us, provided, however, that if any of the foregoing shall cease to be a primary U.S. government securities dealer in the United States (a *primary treasury dealer*), we shall substitute therefor another primary treasury dealer.

Reference treasury dealer quotations means with respect to each reference treasury dealer and any redemption date, the average, as determined by the quotation agent, of the bid and asked prices for the comparable treasury issue (expressed in each case as a percentage of its principal amount) quoted in writing to the quotation agent by such reference treasury dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

Additional Amounts: We will make payments on the notes without withholding any taxes unless otherwise required to do so by law. If the Republic of France or any tax authority therein requires Total Capital International or TOTAL to withhold or deduct amounts from payment on a note or any

Table of Contents

amounts to be paid under the guarantee in respect of the notes or as additional amounts for or on account of taxes or any other governmental charges, or any other jurisdiction requires such withholding or deduction as a result of a merger or similar event, Total Capital International or TOTAL may be required to pay you an additional amount so that the net amount you receive will be the amount specified in the note to which you are entitled as more fully described in the attached prospectus.

Sinking fund: There is no sinking fund.

Trustee: Total Capital International will issue the notes under an indenture with The Bank of New York Mellon, as trustee, entered into on February 17, 2012, which is referred to on page 6 of the attached prospectus.

Net proceeds: The net proceeds will be \$ (before expenses).

Listing: We do not plan to have the notes listed on any securities exchange.

Risk factors: You should read carefully all of the information in this prospectus supplement and the attached prospectus, which includes information incorporated by reference. In particular, you should evaluate the specific factors under *Risk Factors* beginning on page S-3 of this prospectus supplement, on page 2 of the attached prospectus and on page 4 of our Annual Report on Form 20-F for the fiscal year ended December 31, 2011, as amended, for risks involved with an investment in the notes.

Further issues: We may issue notes of the same series as either series of the notes offered hereby without the consent of holders of such series of notes. Any additional notes so issued will have the same terms as the existing notes in all respects (except for the date from which interest accrues, the issue price and, in some cases, the first interest payment on the new notes, if any), so that such additional notes will be consolidated and form a single series with the existing notes.

Governing law and jurisdiction: The indenture and the notes are governed by New York law. Any legal proceeding arising out of or based upon the indenture and the notes may be instituted in any state or federal court in the Borough of Manhattan in New York City, New York.

Timing and delivery: We currently expect delivery of the notes to occur on or about June , 2012, which will be the fifth business day following the initial date of trading of the notes (such settlement cycle being referred to as T+5). Under applicable rules and regulations, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on the initial trading date of the notes and the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of notes who wish to trade notes on the initial date of trading of the notes or the next succeeding business day should consult their own advisor.

CUSIP/ISIN:

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds (after deducting underwriting discounts and commissions but before expenses of the offering) from the sale of the notes will be approximately \$. We intend to use the net proceeds from the sale of the notes for general corporate purposes.

S-10

Table of Contents**EXCHANGE RATE INFORMATION**

TOTAL publishes its consolidated financial statements in euros. As used in this prospectus supplement, the term "Noon Buying Rate" refers to the rate of exchange for euros, expressed in U.S. dollars per euro, as announced by The Federal Reserve Bank of New York for customs purposes as the rate in The City of New York for cable transfers payable in foreign currencies. Effective January 1, 2009, The Federal Reserve Bank discontinued the daily publication of Noon Buying Rates.

The following tables set out the average dollar/euro exchange rate for the years indicated, based on the Noon Buying Rate expressed in dollars per 1.00. Such rates are not used by TOTAL in preparation of its consolidated financial statements. No representation is made that the euro could have been converted into dollars at the rates shown or at any other rates for such periods or at such dates.

DOLLAR/EURO EXCHANGE RATES

Year	Average Rate(a)
2007	1.37
2008	1.47
2009	1.40
2010	1.33
2011	1.40

(a) *The average of the Noon Buying Rate expressed in dollars/euro on the last business day of each full month during the relevant year.* The table below shows the high and low dollar/euro exchange rates for the six months listed below based on the Noon Buying Rate expressed in dollars per euro.

DOLLAR/EURO EXCHANGE RATES

Period	High	Low
December 2011	1.35	1.29
January 2012	1.32	1.27
February 2012	1.35	1.31
March 2012	1.33	1.30
April 2012	1.33	1.31
May 2012	1.32	1.24
June 2012 (up to June 15)	1.26	1.24

The European Central Bank reference exchange rate on June 20, 2012 for the dollar against the euro was \$1.27/ .

Table of Contents**UNDERWRITING**

Subject to the terms and conditions of the Purchase Agreement with Total Capital International and TOTAL, dated the date of this prospectus supplement, each of the underwriters has severally agreed to purchase, and we have agreed to sell to each underwriter, the principal amount of notes set forth opposite the name of each underwriter:

Underwriters	Principal Amount of the Notes
Barclays Capital Inc.	\$
Morgan Stanley & Co. LLC	\$
RBS Securities Inc.	\$
Total	\$

The notes are a new issue of securities with no established trading market. We do not plan to have the notes listed on any securities exchange or included in any quotation system and there may be little or no secondary market for the notes. Total Capital International and TOTAL have been advised by the underwriters that they intend to make a market in the notes but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes.

Delivery of the notes will be made against payment on June 1, 2012. Under Rule 15c6-1 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, trades of securities in the secondary market generally are required to settle in three business days, referred to as T+3, unless the parties to a trade agree otherwise. Accordingly, by virtue of the fact that the initial delivery of the notes will not be made on a T+3 basis, investors who wish to trade the notes before a final settlement will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. See Description of Notes Timing and Delivery.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters and their affiliates have provided from time to time, and expect to provide in the future, investment and commercial banking and financial advisory services (including entering into swap arrangements) to TOTAL and its affiliates in the ordinary course of business, for which they have received and may continue to receive customary fees and commissions.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. If any of the underwriters or their respective affiliates have a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The underwriters have advised us that they propose to offer the notes, initially, to the public at the public offering price on the cover of this prospectus supplement and may offer notes to dealers at that price less a

Table of Contents

concession not in excess of % of the principal amount of the notes. The underwriters may allow, and the dealers may reallow, a discount not in excess of % of the principal amount of the notes to other dealers. After the initial public offering, the public offering price may be changed. The offering of the notes by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

In connection with the offering, the underwriters may purchase and sell notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of notes than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress. The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the notes. As a result, the price of the notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

Total Capital International and TOTAL have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

European Economic Area

Each underwriter has represented, warranted and agreed that:

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), it has not made and will not make an offer of notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of notes to the public in that Relevant Member State at any time:

to any legal entity which is a qualified investor as defined in the Prospectus Directive; or

to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 Prospectus Directive Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive provided, that no such offer of notes shall require us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of notes to the public in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 Prospectus Directive Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 Prospectus Directive Amending Directive means Directive 2010/73/EU.

This European Economic Area selling restriction is in addition to the other selling restrictions set out below.

Table of Contents

France

Each underwriter has represented, warranted and agreed that:

(a) no prospectus (including any amendment, supplement or replacement thereto) or any other offering material in connection with the offering of the notes has been submitted to the clearance procedures of the *Autorité des marchés financiers* or of the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the *Autorité des marchés financiers*;

(b) it has not offered or sold and will not offer or sell, directly or indirectly, the notes to the public in France, and has not released, issued, distributed or caused to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sale of the notes, the Prospectus or any other offering material relating to the notes, and that such offers, sales and distributions have been and shall be made in France only (i) to qualified investors (*investisseurs qualifiés*) and/or a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account and as provided in Articles L. 411-2, D. 411-1 to D. 411-4, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*, or (ii) to investment services providers authorized to engage in portfolio management on behalf of third parties, or (iii) in a transaction that, in accordance with Article L.411-2-I-1°-or-2° -or 3° of the French *Code monétaire et financier* and Article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute an offer of securities to the public (*offre au public de titres financiers*); and

(c) the notes may be resold only in compliance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French *Code monétaire et financier*.

United Kingdom

Each underwriter has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the FSMA)) received by it in connection with the issue or sale of any Offered Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Company or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

Table of Contents

PROSPECTUS

TOTAL S.A.

TOTAL CAPITAL

(A wholly-owned subsidiary of TOTAL S.A.)

FULLY AND UNCONDITIONALLY GUARANTEED

by

TOTAL S.A.

TOTAL CAPITAL CANADA LTD.

(A wholly-owned subsidiary of TOTAL S.A.)

FULLY AND UNCONDITIONALLY GUARANTEED

by

TOTAL S.A.

TOTAL CAPITAL INTERNATIONAL

(A wholly-owned subsidiary of TOTAL S.A.)

FULLY AND UNCONDITIONALLY GUARANTEED

by

TOTAL S.A.

(GUARANTEED) DEBT SECURITIES

TOTAL S.A., Total Capital, Total Capital Canada Ltd. or Total Capital International may use this prospectus from time to time to offer debt securities. Debt securities offered by Total Capital, Total Capital Canada Ltd. and/or Total Capital International using this prospectus will be fully and unconditionally guaranteed by TOTAL S.A., and are referred to as guaranteed debt securities in this prospectus.

You should read this prospectus and the accompanying prospectus supplement carefully before you invest. We may sell these securities to or through underwriters, and also to other purchasers or through agents. The names of the underwriters will be set forth in the accompanying prospectus supplement.

Investing in these securities involves certain risks. See Risk Factors beginning on page 2.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities, or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Prospectus dated April 26, 2012.

Table of Contents

TABLE OF CONTENTS

	Page
<u>ABOUT THIS PROSPECTUS</u>	1
<u>ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES</u>	1
<u>RISK FACTORS</u>	2
<u>FORWARD-LOOKING STATEMENTS</u>	3
<u>WHERE YOU CAN FIND MORE INFORMATION ABOUT US</u>	3
<u>TOTAL S.A.</u>	4
<u>TOTAL CAPITAL</u>	4
<u>TOTAL CAPITAL CANADA LTD.</u>	4
<u>TOTAL CAPITAL INTERNATIONAL</u>	4
<u>USE OF PROCEEDS</u>	5
<u>DESCRIPTION OF DEBT SECURITIES AND GUARANTEE</u>	6
<u>CLEARANCE AND SETTLEMENT</u>	16
<u>TAX CONSIDERATIONS</u>	19
<u>PLAN OF DISTRIBUTION</u>	31
<u>VALIDITY OF SECURITIES</u>	33
<u>EXPERTS</u>	33
<u>EXPENSES</u>	33

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the U.S. Securities and Exchange Commission, or the SEC, utilizing a shelf registration process. Under this shelf process, we may sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time TOTAL S.A., Total Capital, Total Capital Canada Ltd. or Total Capital International sells securities, we will provide a prospectus supplement that will contain specific information about the terms of those securities and their offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading *Where You Can Find More Information About Us*.

In this prospectus, the terms *we*, *our* and *us* refer to TOTAL S.A. or, in connection with an offering by Total Capital, both TOTAL S.A. and Total Capital or, in connection with an offering by Total Capital Canada Ltd., both TOTAL S.A. and Total Capital Canada Ltd. or, in connection with an offering by Total Capital International, both TOTAL S.A. and Total Capital International, *TOTAL* refers to TOTAL S.A., the *Total Group* refers to TOTAL and its subsidiaries, *Total Capital* refers to Total Capital, *Total Canada* refers to Total Capital Canada Ltd. and *Total Capital International* refers to Total Capital International. Any debt securities of Total Capital, Total Canada or Total Capital International which are offered using this prospectus will be fully and unconditionally guaranteed by TOTAL, and are referred to as guaranteed debt securities.

ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES

TOTAL, Total Capital and Total Capital International are *sociétés anonymes* incorporated under the laws of France. Total Canada is a corporation incorporated under the laws of Alberta, Canada. Many of our directors and officers, and some of the experts named in this document, reside outside the United States, principally in France and Canada. In addition, although we have assets in the United States, a large portion of our assets and the assets of our directors and officers is located outside of the United States. As a result, although we have appointed Corporation Service Company, 1180 Avenue of the Americas, Suite 210, New York, NY 10036 as agent for service of process under the registration statement to which this prospectus relates, U.S. investors may find it difficult in a lawsuit based on the civil liability provisions of the U.S. federal securities laws:

to effect service within the United States upon us or our directors and officers located outside the United States;

to enforce in U.S. courts or outside the United States judgments obtained against us or those persons in the U.S. courts;

to enforce in U.S. courts judgments obtained against us or those persons in courts in jurisdictions outside the United States; and

to enforce against us or those persons in France, Canada or in other jurisdictions outside the United States, whether in original actions or in actions for the enforcement of judgments of U.S. courts, civil liabilities based solely upon the U.S. federal securities laws.

Table of Contents

RISK FACTORS

Investing in the securities offered using this prospectus involves risk. You should consider carefully the risks described below, together with the risks described in the documents incorporated by reference into this prospectus, and any risk factors included in the prospectus supplement, before you decide to buy our securities. If any of these risks actually occurs, our business, financial condition and results of operations could suffer, and the trading price and liquidity of the securities offered using this prospectus could decline, in which case you may lose all or part of your investment.

Risks Relating to TOTAL's Business

You should read "Risk Factors" in TOTAL's Annual Report on Form 20-F for the year ended December 31, 2011, which is incorporated by reference in this prospectus, for information on risks relating to TOTAL's business.

Risks related to the offering and owning the debt securities

Since TOTAL is a holding company and currently conducts its operations through subsidiaries, your right to receive payments on the debt securities and the guarantee is subordinated to the other liabilities of TOTAL's subsidiaries.

TOTAL is organized as a holding company, and substantially all of its operations are carried on through subsidiaries. TOTAL's principal source of income is the dividends and distributions it receives from its subsidiaries. On an unconsolidated basis, TOTAL's obligations consisted of \$34,838 million of debt as of December 31, 2011. TOTAL's ability to meet its financial obligations is dependent upon the availability of cash flows from its domestic and foreign subsidiaries and affiliated companies through dividends, intercompany advances, management fees and other payments. TOTAL's subsidiaries are not guarantors on the debt securities we may offer, with any of TOTAL, Total Capital, Total Canada or Total Capital International as issuer. Moreover, these subsidiaries and affiliated companies are not required and may not be able to pay dividends to TOTAL. Claims of the creditors of TOTAL's subsidiaries have priority as to the assets of such subsidiaries over the claims of creditors of TOTAL. Consequently, holders of TOTAL's debt securities or Total Capital's debt securities, Total Canada's debt securities or Total Capital International's debt securities, in each case, that are guaranteed by TOTAL, are in fact structurally subordinated, on TOTAL's insolvency, to the prior claims of the creditors of TOTAL's subsidiaries.

In addition, some of TOTAL's subsidiaries are subject to laws restricting the amount of dividends they may pay. For example, these laws may prohibit dividend payments when net assets would fall below subscribed share capital, when the subsidiary lacks available profits or when the subsidiary fails to meet certain capital and reserve requirements. For example, French law prohibits those subsidiaries incorporated in France from paying dividends unless these payments are made out of distributable profits. These profits consist of accumulated, realized profits, which have not been previously utilized, less accumulated, realized losses, which have not been previously written off. Other statutory and general law obligations may also affect the ability of directors of TOTAL's subsidiaries to declare dividends and the ability of our subsidiaries to make payments to us on account of intercompany loans.

Since the debt securities are unsecured, your right to receive payments may be adversely affected.

The debt securities that we are offering will be unsecured. The debt securities are not subordinated to any of our other debt obligations, and therefore they will rank equally with all our other unsecured and unsubordinated indebtedness (save for certain mandatory exceptions provided by French and Canadian law). As of December 31, 2011, TOTAL had approximately \$349 million of consolidated secured indebtedness outstanding, and Total Capital, Total Canada and Total Capital International had no secured indebtedness outstanding. If any of TOTAL, Total Capital, Total Canada or Total Capital International, as issuer of the debt securities, defaults on the debt securities (or the guarantee in the case of TOTAL if it is relevant), or after bankruptcy, liquidation or reorganization, then, to the extent the relevant obligor has granted security over its assets, the assets that secure that entity's debts will be used to satisfy the obligations under that secured debt before the obligor can make payment on the debt securities or the guarantee. There may only be limited assets available to make payments on the debt securities or the guarantee in the event of an acceleration of the debt securities. If there is not enough collateral to satisfy the obligations of the secured debt, then the remaining amounts on the secured debt would share equally with all unsubordinated unsecured indebtedness (save for certain mandatory exceptions provided by French and Canadian law).

Table of Contents

FORWARD-LOOKING STATEMENTS

Some of the information contained or incorporated by reference in this prospectus and the related prospectus supplement may constitute forward-looking statements within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. Although we have based these forward-looking statements on our expectations and projections about future events, it is possible that actual results may differ materially from our expectations. In many cases, we include a discussion of the factors that are most likely to cause forward-looking statements to differ from actual results together with the forward-looking statements themselves.

Information regarding important factors that could cause actual results to differ, perhaps materially, from those in our forward looking statements is contained under Cautionary Statement Concerning Forward-Looking Statements in our Annual Report on Form 20-F for 2011, which is incorporated in this prospectus by reference (and will be contained in any of our annual reports for a subsequent year that are so incorporated). See Where You Can Find More Information About Us below for information about how to obtain a copy of this annual report.

In light of the factors set forth in the applicable Annual Report on Form 20-F and the other factors described in this prospectus, the forward-looking events might not occur at all or may occur differently than as described. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or future events or for any other reason.

WHERE YOU CAN FIND MORE INFORMATION ABOUT US

TOTAL files annual reports and other reports and information with the SEC. You may read and copy any document TOTAL files at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. In addition, TOTAL's SEC filings are available to the public at the SEC's web site at <http://www.sec.gov>.

TOTAL's American depositary shares are listed on the New York Stock Exchange. The principal trading market for TOTAL's shares is Euronext Paris. TOTAL's shares are also listed on Euronext Brussels and the London Stock Exchange. You can consult reports and other information about TOTAL that it files pursuant to the rules of the New York Stock Exchange at such exchange.

TOTAL has filed with the SEC a registration statement on Form F-3 relating to the securities covered by this prospectus. This prospectus is a part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus to a contract or other document of TOTAL, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC's public reference room in Washington, D.C., as well as through the SEC's Internet site.

The SEC allows TOTAL to incorporate by reference into this prospectus the information in documents filed with the SEC. This means that TOTAL can disclose important information to you by referring you to those documents. Each document incorporated by reference is current only as of the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in our affairs since the date thereof or that the information contained therein is current as of any time subsequent to its date. The information incorporated by reference is considered to be a part of this prospectus and should be read with the same care. When TOTAL updates the information contained in documents that have been incorporated by reference by making future filings with the SEC, the information incorporated by reference in this prospectus is considered to be automatically updated and superseded. In other words, in the case of a conflict or inconsistency between information contained in this prospectus and information incorporated by reference into this prospectus, you should rely on the information contained in the document that was filed later.

TOTAL incorporates by reference the documents listed below and any documents TOTAL files with the SEC in the future under Section 13(a), 13(c) or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act) until the offerings made under this prospectus are completed:

the reports on Form 6-K furnished to the SEC on February 14, 2012 and April 26, 2012; and

the Annual Report on Form 20-F for the year ended December 31, 2011, filed with the SEC on March 26, 2012, as amended on March 27, 2012.

Furthermore, TOTAL incorporates by reference any reports on Form 6-K furnished to the SEC by TOTAL pursuant to the Exchange Act that indicate on their cover page that they are incorporated by reference in this prospectus, both after the date of the initial registration statement, and

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after the date of this prospectus and before the date that any offering of the securities by means of this prospectus is terminated.

The Annual Report on Form 20-F of TOTAL for the year ended December 31, 2011 contains a summary description of TOTAL's business and audited consolidated financial statements with an auditors' report by TOTAL's independent registered

Table of Contents

public accounting firms. These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), which we refer to herein as IFRS .

You may request a copy of these filings, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing, at no cost, by writing to or telephoning TOTAL at the following address:

TOTAL S.A.
Tour Coupole
2, place Jean Millier
Arche Nord Coupole/Regnault
92078 Paris La Défense Cedex
France
(011) 331 4744 4546

You should rely only on the information that we incorporate by reference or provide in this prospectus or the prospectus supplement. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus or the prospectus supplement is accurate as of any date other than the date on the front of those documents.

TOTAL S.A.

TOTAL was incorporated on March 28, 1924 and has a duration until March 22, 2099, unless earlier dissolved or extended to a later date. TOTAL engages in all aspects of the petroleum industry, including upstream operations (oil and gas exploration, development and production, LNG) and downstream operations (refining, marketing and the trading and shipping of crude oil and petroleum products). TOTAL also produces base chemicals (petrochemicals and fertilizers) and specialty chemicals for the industrial and consumer markets. TOTAL began its upstream operations in the Middle East in 1924. Since that time, TOTAL has grown and expanded its operations worldwide. Most notably, in early 1999 TOTAL acquired control of PetroFina S.A. (Petrofina or Fina) and in early 2000, TOTAL acquired control of Elf Aquitaine S.A. (Elf Aquitaine or Elf). TOTAL currently owns 100% of Elf Aquitaine shares and, since early 2002, 100% of PetroFina shares. The Total Group operated under the name TotalFina from June 1999 to March 2000, and then under the name TotalFinaElf. Since May 2003, the Total Group has been operating once again under the name TOTAL.

TOTAL CAPITAL

Total Capital is a wholly-owned indirect subsidiary of TOTAL. It was incorporated as a *société anonyme* under the laws of France on December 15, 1999 under the name of DAJA 22, renamed TotalFinaElf Capital on July 17, 2000 and renamed Total Capital in May 2003. Total Capital is a financing vehicle for the Total Group and issues debt securities and commercial paper on behalf of the Total Group. Total Capital lends substantially all proceeds of its borrowings to the Total Group. TOTAL will fully and unconditionally guarantee the guaranteed debt securities issued by Total Capital as to payment of principal, premium, if any, interest and any other amounts due.

TOTAL CAPITAL CANADA LTD.

Total Canada is a wholly-owned subsidiary of TOTAL. It was incorporated on April 9, 2007 under the Business Corporations Act (Alberta). Total Canada is a financing vehicle for the Total Group and issues debt securities and commercial paper. Total Canada lends substantially all proceeds of its borrowings to the Total Group. TOTAL will fully and unconditionally guarantee the guaranteed debt securities issued by Total Canada as to payment of principal, premium, if any, interest and any other amounts due.

TOTAL CAPITAL INTERNATIONAL

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Total Capital International is a wholly-owned subsidiary of TOTAL. It was incorporated as a *société anonyme* under the laws of France on December 13, 2004 under the name of DAJA 56 and renamed Total Capital International on May 5, 2011. Total Capital International is a financing vehicle for the Total Group and issues debt securities. Total Capital International lends substantially all proceeds of its borrowings to the Total Group. TOTAL will fully and unconditionally guarantee the guaranteed debt securities issued by Total Capital International as to payment of principal, premium, if any, interest and any other amounts due.

Table of Contents

USE OF PROCEEDS

Unless otherwise indicated in an accompanying prospectus supplement, the net proceeds from the sale of securities will be used for general corporate purposes. These purposes include working capital for TOTAL or other companies in the Total Group and the repayment of existing borrowings of TOTAL and its subsidiaries.

Table of Contents

DESCRIPTION OF DEBT SECURITIES AND GUARANTEE

General

TOTAL may issue debt securities and Total Capital, Total Canada or Total Capital International may issue guaranteed debt securities using this prospectus. As required by U.S. federal law for all bonds and notes of companies that are publicly offered, the debt securities that TOTAL may issue are governed by a contract between TOTAL and The Bank of New York Mellon, as trustee, called an indenture. In the same manner, the guaranteed debt securities that each of Total Capital, Total Canada or Total Capital International may issue are governed by another, separate indenture, in each case among the respective issuer, TOTAL and The Bank of New York Mellon, as trustee.

The trustee under the indentures has two main roles:

first, it can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described under [Default and Related Matters](#) [Events of Default](#) [Remedies If an Event of Default Occurs](#) below; and

second, the trustee performs administrative duties for us, such as sending you interest payments, transferring your debt securities to a new buyer if you sell your debt securities and sending you notices.

Under the indenture for the guaranteed debt securities that may be issued by Total Capital, Total Canada or Total Capital International, TOTAL acts as the guarantor. For the guaranteed debt securities that Total Capital, Total Canada or Total Capital International may issue using this prospectus, TOTAL will fully and unconditionally guarantee the payment of the principal of, premium, if any, and interest on the guaranteed debt securities, including certain additional amounts which may be payable under the debt securities and the guarantee, as described under [Special Situations](#) [Payment of Additional Amounts](#) . TOTAL will guarantee the payment of such amounts when such amounts become due and payable, whether at the stated maturity of the guaranteed debt securities, by declaration or acceleration, call for redemption or otherwise.

In other respects, the guaranteed debt securities are subject to the same material provisions as the other debt securities described below.

Each indenture and its associated documents contain the full legal text governing the matters described in this section. The indentures, the debt securities and the guarantee are governed by New York law. We and the trustee have agreed to, and each holder of a debt security by its acceptance thereof agrees to, waive the right to trial by jury with respect to any legal proceeding directly or indirectly arising out of or relating to the indentures or the debt securities. A form of each indenture is an exhibit to our registration statement. See [Where You Can Find More Information About Us](#) for information on how to obtain a copy.

The trustee will not be liable for special, indirect or consequential damages and will not be liable for any failure of its obligations caused by circumstances beyond its reasonable control.

This section summarizes the material provisions of the indentures, the debt securities and, for the case of guaranteed debt securities, the guarantee. However, because it is a summary, it does not describe every aspect of the indentures, the debt securities or the guarantee. This summary is subject to and qualified in its entirety by reference to all the provisions of the indentures, including some of the terms used in the indentures. We describe the meaning for only the more important terms. We also include references in parentheses to some sections of the indentures. Whenever we refer to particular sections or defined terms of the indentures in this prospectus or in the prospectus supplement, those sections or defined terms are incorporated by reference herein or in the prospectus supplement. This summary also is subject to and qualified by reference to the description of the particular terms of your series described in the prospectus supplement.

TOTAL, Total Capital, Total Canada and Total Capital International may issue as many distinct series of debt securities under their respective indentures as we wish. This section summarizes all material terms of the debt securities that are common to all series, unless otherwise indicated in the prospectus supplement relating to a particular series. References to [we](#) and [us](#) in this section refer to either TOTAL, or in connection with an offering of guaranteed debt securities, both TOTAL and Total Capital, TOTAL and Total Canada or TOTAL and Total Capital International unless otherwise indicated.

We may issue the debt securities as original issue discount securities, which are debt securities that are offered and sold at a substantial discount to their stated principal amount. (*Section 101*) Special U.S. federal income tax, accounting and other considerations may apply to original issue discount securities. These considerations are discussed below under [Tax Considerations](#) [United States Federal Income Taxation](#) . The debt

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securities may also be issued as indexed securities or securities denominated in foreign currencies or currency units, as described in more detail in the prospectus supplement relating to any such debt securities.

Unless otherwise specified in a prospectus supplement, we may issue debt securities of the same series as an outstanding series of debt securities without the consent of holders of securities in the outstanding series. Any additional debt securities so issued will have the same terms as the existing debt securities of the same series in all respects (except for the first interest payment on the new series, if any), so that such additional debt securities will be consolidated and form a single series with the existing debt securities of the same series.

Table of Contents

In addition, the specific financial, legal and other terms particular to a series of debt securities are described in the prospectus supplement and the purchase agreement relating to the series. Those terms may vary from the terms described here. Accordingly, this summary also is subject to and qualified by reference to the description of the terms of the series described in the prospectus supplement.

The prospectus supplement relating to a series of debt securities will describe the following terms of the series:

the title of the series of debt securities;

any limit on the aggregate principal amount of the series of debt securities;

any stock exchange, if any, on which we list the series of debt securities;

the date or dates on which we will pay the principal of the series of debt securities;

the rate or rates, which may be fixed or variable, per annum at which the series of debt securities will bear interest, if any, and the date or dates from which that interest, if any, will accrue;

the dates on which interest, if any, on the series of debt securities will be payable and the regular record dates for the interest payment dates;

any mandatory or optional sinking funds or analogous provisions or provisions for redemption at the option of the holder;

the date, if any, after which and the price or prices at which the series of debt securities may, in accordance with any optional or mandatory redemption provisions that are not described in this prospectus, be redeemed and the other detailed terms and provisions of those optional or mandatory redemption provisions, if any;

the denominations in which the series of debt securities will be issuable if other than denominations of \$1,000 and any integral multiple of \$1,000;

the currency of payment of principal of, premium, if any, and interest on the series of debt securities if other than the currency of the United States of America and the manner of determining the equivalent amount in the currency of the United States of America, if applicable;

any index used to determine the amount of payment of principal of, premium, if any, and interest on the series of debt securities;

whether we will be required to pay additional amounts for withholding taxes or other governmental charges and, if applicable, a related right to an optional tax redemption for such a series;

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whether the series of debt securities will be issuable in whole or in part in the form of a global security as described below under Legal Ownership Global Securities , and the depositary or its nominee with respect

to the series of debt securities, and any special circumstances under which the global security may be registered for transfer or exchange in the name of a person other than the depositary or its nominee; and

any other special features of the series of debt securities.

The debt securities will be issued only in fully registered form without interest coupons.

Legal Ownership

Street Name and Other Indirect Holders

We generally will not recognize investors who hold securities in accounts at banks or brokers as legal holders of securities. When we refer to the holders of securities, we mean only the actual legal and (if applicable) record holder of those securities. Holding securities in accounts at banks or brokers is called holding in street name. If you hold securities in street name, we will recognize only the bank or broker or the financial institution the bank or broker uses to hold its securities. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the securities, either because they agree to do so in their customer agreements or because they are legally required to do so. If you hold securities in street name, you should check with your own institution to find out:

how it handles securities payments and notices;

whether it imposes fees or charges;

how it would handle voting if it were ever required to vote;

whether and how you can instruct it to send you securities registered in your own name so you can be a direct holder as described below; and

Table of Contents

how it would pursue rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests.

Direct Holders

Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the trustee, under the securities run only to persons who are registered as holders of securities. As noted above, we do not have obligations to you if you hold in street name or other indirect means, either because you choose to hold securities in that manner or because the securities are issued in the form of global securities as described below. For example, once we make payment to the registered holder, we have no further responsibility for the payment even if that holder is legally required to pass the payment along to you as a street name customer but does not do so.

Global Securities

What is a Global Security? A global security is a special type of indirectly held security, as described above under *Street Name and Other Indirect Holders*. If we choose to issue securities in the form of global securities, the ultimate beneficial owners can only be indirect holders.

We require that the securities included in the global security not be transferred to the name of any other direct holder unless the special circumstances described below occur. The financial institution that acts as the sole direct holder of the global security is called the depository. Any person wishing to own a security must do so indirectly by virtue of an account with a broker, bank or other financial institution that in turn has an account with the depository. The prospectus supplement relating to an offering of a series of securities will indicate whether the series will be issued only in the form of global securities.

Special Investor Considerations for Global Securities. As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depository, as well as general laws relating to securities transfers. We do not recognize this type of investor as a holder of securities and instead deal only with the depository that holds the global security.

If you are an investor in securities that are issued only in the form of global securities, you should be aware that:

You cannot get securities registered in your own name.

You cannot receive physical certificates for your interest in the securities.

You will be a street name holder and must look to your own bank or broker for payments on the securities and protection of your legal rights relating to the securities, as explained earlier under *Street Name and Other Indirect Holders*.

You may not be able to sell interests in the securities to some insurance companies and other institutions that are required by law to own their securities in the form of physical certificates.

The depository's policies will govern payments, transfers, exchange and other matters relating to your interest in the global security. We and the trustee have no responsibility for any aspect of the depository's actions or for its records of ownership interests in the global security. We and the trustee also do not supervise the depository in any way.

Special Situations When the Global Security Will Be Terminated. In a few special situations described below, the global security will terminate and interests in it will be exchanged for physical certificates representing securities. After that exchange, the choice of whether to hold securities directly or in street name will be up to the investor. Investors must consult their own bank or brokers to find out how to have their interests in securities transferred to their own name so that they will be direct holders. The rights of street name investors and direct holders in the securities have been previously described in the subsections entitled *Street Name and Other Indirect Holders* and *Direct Holders*.

The special situations for termination of a global security are:

When the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary.

When an event of default on the securities has occurred and has not been cured. Defaults on debt securities are discussed below under [Description of Debt Securities and Guarantee](#) [Default and Related Matters](#) [Events of Default](#) .

When the issuer or guarantor notifies the trustee that the global security is exchangeable for physical certificates. The prospectus supplement may also list additional situations for terminating a global security that would apply only to the particular series of securities covered by the prospectus supplement. When a global security terminates, the depositary, and not we or the trustee, is responsible for deciding the names of the institutions that will be the initial direct holders.

In the remainder of this description of debt securities, you means direct holders and not street name or other indirect holders of securities. Indirect holders should read the previous subsection entitled [Street Name and Other Indirect Holders](#) .

Table of Contents

Overview of Remainder of This Description

The remainder of this description summarizes:

Additional mechanics relevant to the debt securities under normal circumstances, such as how you transfer ownership and where we make payments.

Your rights under several *special situations*, such as if we merge with another company or if we want to change a term of the debt securities.

Your rights to receive *payment of additional amounts* due to changes in French tax withholding or deduction requirements.

Your rights if we *default* or experience other financial difficulties.

Our relationship with the *trustee*.

Additional Mechanics

Exchange and Transfer

The debt securities will be issued:

only in fully registered form;

without interest coupons; and

unless otherwise indicated in the prospectus supplement, in denominations that are even multiples of \$1,000.

You may have your debt securities broken into more debt securities of smaller denominations or combined into fewer debt securities of larger denominations, as long as the total principal amount is not changed. (*Section 305*) This is called an exchange.

You may exchange or transfer registered debt securities at the office of the trustee. The trustee acts as our agent for registering debt securities in the names of holders and transferring registered debt securities. We may change this appointment to another entity or perform the service ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also register transfers of the registered debt securities. (*Section 305*)

You will not be required to pay a service charge to transfer or exchange debt securities, but you may be required to pay for any tax or other governmental charge associated with the exchange or transfer. The transfer or exchange of a registered debt security will only be made if the security registrar is satisfied with your proof of ownership.

If we have designated additional transfer agents, they are named in the prospectus supplement. We may cancel the designation of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts. (*Section 1002*)

If the debt securities are redeemable and we redeem less than all of the debt securities of a particular series, we may block the transfer or exchange of debt securities during a specified period of time in order to freeze the list of holders to prepare the mailing. The period begins 15

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days before the day we mail the notice of redemption and ends on the day of that mailing. We may also refuse to register transfers or exchanges of debt securities selected for redemption. However, we will continue to permit transfers and exchanges of the unredeemed portion of any security being partially redeemed. (*Section 305*)

Payment and Paying Agents

We will pay interest to you if you are a direct holder listed in the trustee's records at the close of business on a particular day in advance of each due date for interest, even if you no longer own the security on the interest due date. That particular day, usually about two weeks in advance of the interest due date, is called the regular record date and is stated in the prospectus supplement. (*Section 307*)

We will pay interest, principal and any other money due on the registered debt securities at the corporate trust office of the trustee in New York City. That office is currently located at The Bank of New York Mellon, 101 Barclay Street, New York, New York 10286. You must make arrangements to have your payments picked up at or wired from that office. We may also choose to pay interest by mailing checks. Interest on global securities will be paid to the holder thereof by wire transfer.

Holders buying and selling debt securities must work out between them how to compensate for the fact that we will pay all the interest for an interest period to the one who is the registered holder on the regular record date. The most common manner is to adjust the sales price of the debt securities to pro rate interest fairly between buyer and seller. This pro rated interest amount is called accrued interest.

Table of Contents

Street name and other indirect holders should consult their banks or brokers for information on how they will receive payments.

We may also arrange for additional payment offices, and may cancel or change these offices, including our use of the trustee's corporate trust office. These offices are called paying agents. We may also choose to act as our own paying agent. We must notify you through the trustee of changes in the paying agents for any particular series of debt securities. (*Section 1002*)

Notices

We and the trustee will send notices only to direct holders, using their addresses as listed in the trustee's records. (*Section 106*)

Regardless of who acts as paying agent, all money that we pay to a paying agent that remains unclaimed at the end of two years after the amount is due to direct holders will be repaid to us. After that two-year period, you may look only to us for payment and not to the trustee, any other paying agent or anyone else. (*Section 1006*)

Special Situations

Mergers and Similar Events

We are generally permitted to consolidate or merge with another company or firm. We are also permitted to sell or lease substantially all of our assets to another corporation or other entity or to buy or lease substantially all of the assets of another corporation or other entity. In addition, we are permitted to transfer:

the obligations of Total Capital, Total Canada and/or Total Capital International to TOTAL or any majority-owned subsidiary of TOTAL; and

the obligations of TOTAL, as issuer of debt securities, to any majority-owned subsidiary of TOTAL, so long as the obligations of that subsidiary are guaranteed by TOTAL on the same terms as TOTAL's guarantee of Total Capital's, Total Canada's and Total Capital International's debt securities.

Solely in the case of a transfer of Total Capital's, Total Canada's or Total Capital International's obligations to TOTAL, the relevant guarantee of TOTAL will cease to exist without further action on our part.

No vote by holders of debt securities approving any of these actions is required, unless as part of the transaction we make changes to the applicable indenture requiring your approval, as described below under "Modification and Waiver". We may take these actions as part of a transaction involving outside third parties or as part of an internal corporate reorganization. We may take these actions even if they result in:

a lower credit rating being assigned to the debt securities; or

additional amounts becoming payable in respect of withholding tax.

Except as provided below, we have no obligation under the indentures to seek to avoid these results, or any other legal or financial effects that are disadvantageous to you, in connection with a merger, consolidation or sale or lease of assets that is permitted under the indentures. However, we may not take any of these actions unless all the following conditions are met:

Where TOTAL, Total Capital, Total Canada or Total Capital International merges out of existence or sells or leases substantially all of its assets, or transfers its obligations to a substitute obligor, the other entity must be duly organized and validly existing under the laws of the relevant jurisdiction.

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The merger, sale or lease of assets or other transaction, or the transfer of obligations to a substitute obligor, must not cause a default on the debt securities, and we must not already be in default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under **Default and Related Matters** **Events of Default** **What is An Event of Default?** A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

If any of TOTAL, Total Capital, Total Canada or Total Capital International merges out of existence or sells or leases substantially all of its assets, or transfers its obligations to a substitute obligor, the other entity must assume its obligations under the applicable indenture, debt securities and guarantee, including TOTAL's, Total Capital's, Total Canada's and Total Capital International's obligations to pay additional amounts described below under **Payment of Additional Amounts**. In the event the jurisdiction of incorporation of the successor or substitute obligor is not the Republic of France with respect to TOTAL, Total Capital and Total Capital International or Canada with respect to Total Canada, such successor or substitute obligor shall also agree to be bound to the obligations described below under **Payment of Additional Amounts** and **Optional Tax Redemption** but shall substitute the successor's or substitute obligor's jurisdiction of incorporation for the Republic of France or Canada, as the case may be.

Table of Contents

In the case of debt securities issued by Total Canada, the above conditions shall not apply to any consolidation, amalgamation or merger under the laws of Canada or any province or territory thereof in which Total Canada is the successor corporation and continues to be liable by operation of law for the due and punctual payment of the principal of, and premium, if any, and interest on all the debt securities then outstanding and for all other obligations of Total Canada under the indenture and under such debt securities.

In addition, in the case of debt securities issued by Total Canada, Total Canada may, notwithstanding anything contained in the indenture, enter into any transaction with any direct or indirect wholly-owned subsidiary of TOTAL without complying with the conditions set forth above in a transaction or series of transactions in which Total Canada retains all of its obligations under and in respect of all outstanding debt securities (a Permitted Reorganization) provided that, as of the date of the Permitted Reorganization:

(a) substantially all of the unsubordinated and unsecured indebtedness for borrowed money of Total Canada which ranked *pari passu* with the then outstanding debt securities immediately prior to the proposed Permitted Reorganization will rank no better than *pari passu* with the then outstanding debt securities after the Permitted Reorganization; or

(b) at least two of Total Canada's then current credit rating agencies (or if only one credit rating agency maintains ratings in respect of the debt securities at such time, that one credit rating agency) have affirmed that the rating assigned by them to the debt securities shall not be downgraded as a result of the Permitted Reorganization.

It is possible that the U.S. Internal Revenue Service may deem a merger or other similar transaction to cause an exchange for U.S. federal income tax purposes of debt securities for new securities by the holders of the debt securities. This could result in the recognition of taxable gain or loss for U.S. federal income tax purposes and possible other adverse tax consequences.

Modification and Waiver

There are three types of changes we can make to the indentures and the debt securities.

Changes Requiring Your Approval. First, there are changes that cannot be made to your debt securities without your specific approval, for example, by calling a meeting of holders and seeking a 100% quorum and unanimous consent, or, more likely, by obtaining written consents from each holder. We must obtain your specified approval in order to:

change the stated maturity of the principal or interest on a debt security;

reduce any amounts due on a debt security;

reduce the amount of principal payable upon acceleration of the maturity of a debt security following a default;

change the place or currency of payment on a debt security;

impair your right to sue for payment;

reduce the percentage of holders of debt securities whose consent is needed to modify or amend the applicable indenture;

reduce the percentage of holders of debt securities whose consent is needed to waive compliance with various provisions of the applicable indenture or to waive various defaults;

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modify any other aspect of the provisions dealing with modification and waiver of the applicable indenture; and

in the case of guaranteed debt securities, change in any manner adverse to the interests of holders the obligations of TOTAL to pay any principal, premium or interest under the guarantee. *(Section 902)*

Changes Requiring a Majority Vote. The second type of change to the indentures and the debt securities is the kind that requires a vote in favor by holders of debt securities owning a majority of the principal amount of the particular series affected. Most changes fall into this category, except for clarifying changes and other changes that would not adversely affect holders of the debt securities in any material respect. *(Section 901)* The same vote would be required for us to obtain a waiver of all or part of the covenants described below, or a waiver of a past default. However, we cannot obtain a waiver of a payment default or any other aspect of the indentures or the debt securities described previously under *Changes Requiring Your Approval* unless we obtain your individual consent, for example, by calling a meeting of holders and seeking a 100% quorum and unanimous consent, or, more likely, by obtaining written consents from each holder, to the waiver. *(Section 513)*

Changes Not Requiring Approval. The third type of change does not require any vote by holders of debt securities. This type is limited to clarifications and other changes that would not adversely affect holders of the debt securities in any material respect. *(Section 901)*

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

For original issue discount securities, we will use the principal amount that would be due and payable on the voting date if the maturity of the debt securities were accelerated to that date because of a default.

Table of Contents

For debt securities whose principal amount is not known (for example, because it is based on an index), we will use a special rule for that security described in the prospectus supplement.

For debt securities denominated in one or more foreign currencies or currency units, we will use the U.S. dollar equivalent as of the date of original issuance.

Debt securities will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for you money for their payment or redemption. Debt securities will also not be eligible to vote if they have been fully defeased as described later under **Covenants Defeasance and Discharge** . (*Section 101*)

We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding debt securities that are entitled to vote or take other action under the applicable indenture (or failing us in certain circumstances, the trustee). If we set a record date for a vote or other action to be taken by holders of a particular series, that vote or action may be taken only by persons who are holders of outstanding debt securities of that series on the record date and must be taken within 90 days following the record date or another period that we may specify (or as the trustee may specify, if it set the record date). We may shorten or lengthen (but not beyond 90 days) this period from time to time. (*Sections 501, 502, 512, 513 and 902*)

Street name and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indentures or the debt securities or request a waiver.

Redemption and Repayment

Unless otherwise indicated in the prospectus supplement, your debt security will not be entitled to the benefit of any sinking fund that is, we will not deposit money on a regular basis into any separate custodial account to repay your debt securities. In addition, we will not be entitled to redeem your debt security before its stated maturity, other than as described below under **Optional Tax Redemption** , unless the prospectus supplement specifies a redemption commencement date or other specific conditions upon which we may redeem the debt securities. You will not be entitled to require us to buy your debt security from you, before its stated maturity, unless the related prospectus supplement specifies one or more repayment dates.

In the event that we exercise an option to redeem any debt security, we will give written notice of the principal amount of the debt security to be redeemed to the trustee at least 45 days before the applicable redemption date and to the holder not less than 30 days nor more than 60 days before the applicable redemption date. We will give the notice in the manner described above under **Additional Mechanics Notices** .

If a debt security represented by a global security is subject to repayment at the holder's option, the depositary or its nominee, as the holder, will be the only person that can exercise the right to repayment. Any indirect holders who own beneficial interests in the global security and wish to exercise a repayment right must give proper and timely instructions to their banks or brokers through which they hold their interests, requesting that they notify the depositary to exercise the repayment right on their behalf. Different firms have different deadlines for accepting instructions from their customers, and you should take care to act promptly enough to ensure that your request is given effect by the depositary before the applicable deadline for exercise.

Street name and other indirect holders should contact their banks or brokers for information about how to exercise a repayment right in a timely manner.

We or our affiliates may purchase debt securities from investors who are willing to sell from time to time, either in the open market at prevailing prices or in private transactions at negotiated prices. Debt securities that we or they purchase may, in our discretion, be held, resold or canceled.

Payment of Additional Amounts

We will make payments on the debt securities without withholding any taxes unless otherwise required to do so by law or by the interpretation or administration thereof. If the Republic of France or, in the case of debt securities issued by Total Canada, Canada, or any tax authority in these jurisdictions requires TOTAL, Total Capital, Total Canada or Total Capital International to withhold or deduct amounts from payment on a debt security or any amounts to be paid under the guarantee in respect of guaranteed debt securities or as additional amounts for or on account of taxes or any other governmental charges, or any other jurisdiction requires such withholding or deduction as a result of a merger or similar

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event, TOTAL, Total Capital, Total Canada or Total Capital International as the case may be, may be required to pay you an additional amount so that the net amount you receive will be the amount specified in the debt security to which you are entitled.

Total Capital, Total Canada, Total Capital International or TOTAL, as the case may be, will not have to pay additional amounts under any of the following circumstances:

The holder of the debt securities (or a third party holding on behalf of the holder) is subject to such tax or governmental charge by reason of having some present or former connection to the Republic of France or, in the case of debt securities issued by Total Canada, Canada, or the other jurisdiction requiring such withholding or deduction, other than the mere holding of the debt security.

Table of Contents

In the case of debt securities issued by Total Canada, the holder of the debt securities (or the beneficial owner thereof) does not deal at arm's length with Total Canada or with TOTAL, within the meaning of the applicable tax legislation, at the time the amount is paid or payable.

The tax or governmental charge is imposed due to the presentation of a debt security, if presentation is required, for payment on a date more than 30 days after the security became due or after the payment was provided for, whichever occurs later.

The tax or governmental charge is on account of an estate, inheritance, gift, sale, transfer, personal property or similar tax or other governmental charge.

The tax or governmental charge is for a tax or governmental charge that is payable in a manner that does not involve withholding or deduction.

The tax or governmental charge is imposed or withheld because the holder or beneficial owner failed:

to provide information about the nationality, residence or identity of the holder or beneficial owner; or

to make a declaration or satisfy any information requirements that the statutes, treaties, regulations or administrative practices of the taxing jurisdiction require as a precondition to exemption from all or part of such tax or governmental charge.

The withholding or deduction is imposed pursuant to the European Union Directive 2003/48/EC regarding the taxation of savings income or any other directive amending, supplementing or replacing such directive, or any law implementing or complying with, or introduced in order to conform to, such directive or directives.

The withholding or deduction is imposed on a holder or beneficial owner who could have avoided such withholding or deduction by presenting its debt securities to another paying agent.

The holder is a fiduciary or partnership or an entity that is not the sole beneficial owner of the payment of the principal of, or any interest on, any debt security, and the laws of the jurisdiction require the payment to be included in the income of a beneficiary or settlor for tax purposes with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such additional amounts had it been the holder of such security.

These provisions will also apply to any taxes or governmental charges imposed by any jurisdiction in which a successor to, or substitute obligor of, Total Capital, Total Canada, Total Capital International or TOTAL is organized, except that the name of the jurisdiction of the successor or substitute obligor shall be substituted for the Republic of France or Canada, as the case may be.

The prospectus supplement relating to the debt securities may describe additional circumstances in which Total Capital, Total Canada or Total Capital International would not be required to pay additional amounts. (*Section 1010*) By the terms of the guarantee, if under the terms of the debt securities set forth in the prospectus supplement Total Capital, Total Canada or Total Capital International is not required to pay any additional amounts, then TOTAL as guarantor shall not be required to pay additional amounts under the guarantee, unless the guarantee has been modified or amended as described in the applicable prospectus supplement.

Please see the discussion under Tax Considerations French Taxation Taxation of Income Additional Amounts for a summary of the treatment of additional amounts under French tax law.

Optional Tax Redemption

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We may also have the option to redeem the debt securities of a given series if, as a result of any change in French tax treatment with respect to Total Capital, Total Capital International and TOTAL or Canadian tax treatment with respect to Total Canada (or treatment of any jurisdiction in which a successor to, or substitute obligor of, Total Capital, TOTAL or Total Canada is organized), Total Capital, Total Capital International, TOTAL or Total Canada would be required to pay additional amounts as described above under **Payment of Additional Amounts** . This option applies only in the case of changes in such tax treatment that become effective or of which we are notified on or after the date specified in the prospectus supplement for the applicable series of debt securities (or in the case of a successor entity, after the date of succession). The redemption price for the debt securities, other than original issue discount debt securities, will be equal to the principal amount of the debt securities being redeemed plus accrued interest. The redemption price for original issue discount debt securities will be specified in the prospectus supplement for such securities. (*Section 1108*)

Defeasance and Discharge

The following discussion of defeasance and discharge will be applicable to your series of debt securities, unless the related prospectus supplement states otherwise. (*Section 403*)

Each indenture contains a provision that permits us to elect:

Table of Contents

to be discharged after 90 days from all our obligations (subject to limited exceptions) with respect to any series of debt securities then outstanding; and/or

to be released from our obligations under some of the covenants and from the consequences of an event of default resulting from a breach of such covenants.

We can legally release ourselves from any payment or other obligations on the debt securities under either of the above elections, except for various obligations described below, if we, in addition to other actions, put in place the following arrangements for you to be repaid:

We must deposit in trust for your benefit and the benefit of all other direct holders of the debt securities a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the debt securities on their various due dates. In addition, on the date of such deposit, we must not be in default. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under **Default and Related Matters** **Events of Default** **What is An Event of Default?** A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded.

We must deliver to the trustee a legal opinion of our counsel confirming that under current U.S. federal income tax law we may make the above deposit without causing you to be taxed on the debt securities any differently than if we did not make the deposit and just repaid the debt securities ourselves in accordance with their terms. In the case of debt securities being discharged, we must deliver along with this opinion a private letter ruling from the U.S. Internal Revenue Service to this effect or a revenue ruling pertaining to a comparable form of transaction published by the U.S. Internal Revenue Service to the same effect.

If the debt securities are listed on the New York Stock Exchange, we must deliver to the trustee a legal opinion of our counsel confirming that the deposit, defeasance and discharge will not cause the debt securities to be delisted.

However, even if we take these actions, a number of our obligations relating to the debt securities will remain. These include the following obligations:

to register the transfer and exchange of debt securities;

to replace mutilated, destroyed, lost or stolen debt securities;

to maintain paying agencies; and

to hold money for payment in trust.

Default and Related Matters

Ranking

The debt securities are not secured by any of our property or assets. Accordingly, your ownership of debt securities means you are one of our unsecured creditors. The debt securities are not subordinated to any of our other debt obligations and therefore they rank equally with all our other unsecured and unsubordinated indebtedness (save for certain mandatory exceptions provided by French and Canadian law).

Events of Default

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You will have special rights if an event of default occurs and is not cured, as described later in this subsection.

What Is an Event of Default? The term "event of default" means any of the following:

We do not pay the principal or any premium on a debt security at maturity.

We do not pay interest on a debt security within 30 days of its due date.

We remain in breach of a covenant or any other term of the applicable indenture for 90 days after we receive a notice of default stating we are in breach. The notice must be sent by either the trustee or holders of 25% of the principal amount of debt securities of the affected series.

We file for bankruptcy or certain other events in bankruptcy, insolvency or reorganization occur.

In respect of guaranteed debt securities issued by Total Capital or Total Canada, the guarantee is not (or is claimed by TOTAL, Total Capital or Total Canada not to be) in full force and effect.

Any other event of default described in the prospectus supplement occurs. (*Section 501*)

Remedies If an Event of Default Occurs. If an event of default has occurred and has not been cured, the trustee or the holders of 25% in principal amount of the debt securities of the affected series may declare the entire principal amount of all the

Table of Contents

debt securities of that series to be due and immediately payable. This is called a declaration of acceleration of maturity. A declaration of acceleration of maturity may be canceled by the holders of at least a majority in principal amount of the debt securities of the affected series if certain conditions are met. (*Section 502*)

Except in cases of default, where the trustee has some special duties, the trustee is not required to take any action under the indentures at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This protection is called an indemnity. (*Section 603*) If reasonable indemnity is provided, the holders of a majority in principal amount of the outstanding debt securities of the relevant series may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other action under the indentures. (*Section 512*)

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the debt securities, the following must occur:

You must give the trustee written notice that an event of default has occurred and remains uncured.

The holders of 25% in principal amount of all outstanding debt securities of the relevant series must make a written request that the trustee take action because of the default, and must offer reasonable indemnity to the trustee against the cost and other liabilities of taking that action.

The trustee must have not taken action for 60 days after receipt of the above notice and offer of indemnity.

No direction inconsistent with such written request must have been given to the trustee during such 60-day period by holders of a majority in principal amount of all outstanding debt securities of that series. (*Section 507*)
Nothing, however, will prevent an individual holder from bringing suit to enforce payment.

Street name and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and to make or cancel a declaration of acceleration.

We will furnish to the trustee every year a written statement of certain of our officers certifying that, to their knowledge, we are in compliance with the indentures and the debt securities, or else specifying any default. (*Section 1008*)

Regarding the Trustee

TOTAL and several of its subsidiaries maintain banking relations with the trustee and its affiliates in the ordinary course of their business.

If an event of default occurs, or an event occurs that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded, the trustee may be considered to have a conflicting interest with respect to the debt securities or the applicable indenture for purposes of the Trust Indenture Act of 1939, as amended. In that case, the trustee may be required to resign as trustee under the applicable indenture and we would be required to appoint a successor trustee.

Table of Contents

CLEARANCE AND SETTLEMENT

Securities we issue may be held through one or more international and domestic clearing systems. The principal clearing systems we will use are the book-entry systems operated by DTC in the United States, Clearstream Banking, *société anonyme*, in Luxembourg (Clearstream) and Euroclear Bank S.A./N.V. in Brussels, Belgium (Euroclear). These systems have established electronic securities and payment, transfer, processing, depository and custodial links among themselves and others, either directly or through custodians and depositories. These links allow securities to be issued, held and transferred among the clearing systems without the physical transfer of certificates.

Special procedures to facilitate clearance and settlement have been established among these clearing systems to trade securities across borders in the secondary market. Where payments for securities we issue in global form will be made in U.S. dollars, these procedures can be used for cross-market transfers and the securities will be cleared and settled on a delivery against payment basis.

Investors in securities that are issued outside of the United States, its territories and possessions must initially hold their interests through Euroclear, Clearstream or the clearance system that is described in the applicable prospectus supplement.

Cross-market transfers of securities that are not in global form may be cleared and settled in accordance with other procedures that may be established among the clearing systems for these securities.

The policies of DTC, Clearstream and Euroclear will govern payments, transfers, exchange and other matters relating to the investor's interest in securities held by them. This is also true for any other clearance system that may be named in a prospectus supplement.

We have no responsibility for any aspect of the actions of DTC, Clearstream or Euroclear or any of their direct or indirect participants. We have no responsibility for any aspect of the records kept by DTC, Clearstream or Euroclear or any of their direct or indirect participants. We also do not supervise these systems in any way. This is also true for any other clearing system indicated in a prospectus supplement.

DTC, Clearstream, Euroclear and their participants perform these clearance and settlement functions under agreements they have made with one another or with their customers. You should be aware that they are not obligated to perform these procedures and may modify them or discontinue them at any time.

The description of the clearing systems in this section reflects our understanding of the rules and procedures of DTC, Clearstream and Euroclear as they are currently in effect. Those systems could change their rules and procedures at any time.

The Clearing Systems

DTC

DTC has advised us as follows:

DTC is:

a limited purpose trust company organized under the laws of the State of New York;

a member of the Federal Reserve System;

a clearing corporation within the meaning of the Uniform Commercial Code; and

a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes to accounts of its participants. This eliminates the need for physical movement of certificates.

Participants in DTC include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. DTC is partially owned by some of these participants or their representatives.

Indirect access to the DTC system is also available to banks, brokers, dealers and trust companies that have relationships with participants.

The rules applicable to DTC and DTC participants are on file with the SEC.

Clearstream

Clearstream has advised us as follows:

Table of Contents

Clearstream is a duly licensed bank organized as a *société anonyme* incorporated under the laws of Luxembourg and is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*).

Clearstream holds securities for its customers and facilitates the clearance and settlement of securities transactions among them. It does so through electronic book-entry changes to the accounts of its customers. This eliminates the need for physical movement of certificates.

Clearstream provides other services to its participants, including safekeeping, administration, clearance and settlement of internationally traded securities and lending and borrowing of securities. It interfaces with the domestic markets in over 30 countries through established depository and custodial relationships.

Clearstream's customers include worldwide securities brokers and dealers, banks, trust companies and clearing corporations and may include professional financial intermediaries. Its U.S. customers are limited to securities brokers and dealers and banks.

Indirect access to the Clearstream system is also available to others that clear through Clearstream customers or that have custodial relationships with its customers, such as banks, brokers, dealers and trust companies.

Euroclear

Euroclear has advised us as follows:

Euroclear is incorporated under the laws of Belgium as a bank and is subject to regulation by the Belgian Banking and Finance Commission (*Commission Bancaire et Financière*) and the National Bank of Belgium (*Banque Nationale de Belgique*).

Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions among them. It does so through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates.

Euroclear provides other services to its customers, including credit custody, lending and borrowing of securities and tri-party collateral management. It interfaces with the domestic markets of several other countries.

Euroclear customers include banks, including central banks, securities brokers and dealers, trust companies and clearing corporations and may include certain other professional financial intermediaries.

Indirect access to the Euroclear system is also available to others that clear through Euroclear customers or that have relationships with Euroclear customers.

All securities in Euroclear are held on a fungible basis. This means that specific certificates are not matched to specific securities clearance accounts.

Other Clearing Systems

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We may choose any other clearing system for a particular series of securities. The clearance and settlement procedures for the clearing system we choose will be described in the applicable prospectus supplement.

Primary Distribution

The distribution of the securities will be cleared through one or more of the clearing systems that we have described above or any other clearing system that is specified in the applicable prospectus supplement. Payment for securities will be made on a delivery versus payment or free delivery basis. These payment procedures will be more fully described in the applicable prospectus supplement.

Clearance and settlement procedures may vary from one series of securities to another according to the currency that is chosen for the specific series of securities. Customary clearance and settlement procedures are described below.

Clearance and Settlement Procedures DTC

DTC participants that hold securities through DTC on behalf of investors will follow the settlement practices applicable to United States corporate debt obligations.

For payments in U.S. dollars, securities will be credited to the securities custody accounts of these DTC participants against payment on the settlement date. For payments in a currency other than U.S. dollars, securities will be credited free of payment on the settlement date.

Table of Contents

Clearance and Settlement Procedures Euroclear and Clearstream

We understand that investors that hold their securities through Euroclear or Clearstream accounts will follow the settlement procedures that are applicable to conventional Eurobonds in registered form for debt securities, or such other procedures as are applicable for other securities.

Securities will be credited to the securities custody accounts of Euroclear and Clearstream participants on the business day following the settlement date, for value on the settlement date. They will be credited either free of payment or against payment for value on the settlement date.

Secondary Market Trading

Trading between DTC Participants

Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC's rules. Secondary market trading will be settled using procedures applicable to United States corporate debt obligations.

If payment is made in U.S. dollars, settlement will be made versus payment. If payment is made in a currency other than U.S. dollars, settlement will be free of payment. If payment is made other than in U.S. dollars, separate payment arrangements outside of the DTC system must be made between the DTC participants involved.

Trading between Euroclear and/or Clearstream Participants

We understand that secondary market trading between Euroclear and/or Clearstream participants will occur in the ordinary way following the applicable rules and operating procedures of Euroclear and Clearstream. Secondary market trading will be settled using procedures applicable to conventional Eurobonds in registered form for debt securities, or such other procedures as are applicable for other securities.

Transfers Between DTC and Clearstream or Euroclear

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. depository. However, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its U.S. depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions directly to the respective U.S. depositories.

Because of time-zone differences, credits of securities received by Clearstream or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and will be dated the business day following DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Clearstream participants or Euroclear participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream or Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be generally available to the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of securities among their respective participants, they are under no obligation to perform or continue to perform such procedures and such procedures may be changed or discontinued at any time.

Table of Contents**TAX CONSIDERATIONS****French Taxation**

This section describes the material French tax consequences of acquiring, owning and disposing of the debt securities described in this prospectus and is the opinion of Sullivan & Cromwell LLP, our French tax counsel. It applies only to holders of debt securities issued by TOTAL, Total Capital or Total Capital International that are not residents of France for the purpose of French taxation, that are not shareholders of TOTAL, Total Capital or Total Capital International and that do not hold the debt securities in connection with a permanent establishment or a fixed base in France through which the holder carries on a business or performs personal services.

This summary is based on the laws in force as of the date hereof, and is subject to any changes in applicable French tax laws or in any applicable double taxation conventions or treaties with France occurring after such date. This discussion does not purport to be a complete analysis of all potential French tax effects of the acquisition, ownership and disposition of debt securities.

Prospective purchasers of debt securities are urged to consult their own tax advisors concerning the French and other tax consequences of acquiring, owning and disposing of debt securities and their eligibility for the benefits of any tax treaty.

Taxation of Income

Interest. Payments of interest and other revenues with respect to debt securities issued on or after March 1, 2010 (other than debt securities which are consolidated (*assimilables* for the purpose of French law) and form a single series with debt securities issued prior to March 1, 2010 having the benefit of Article 131 *quater* of the French General Tax Code, the tax considerations of which are not described herein) will not be subject to the withholding tax set out under Article 125 A III of the French General Tax Code unless such payments are made outside France in a non-cooperative State or territory (*Etat ou territoire non coopératif*) within the meaning of Article 238-0 A of the French General Tax Code (a Non-Cooperative State). If such payments under the debt securities are made in a Non-Cooperative State, a 50% withholding tax will be applicable (subject to certain exceptions and to the more favorable provisions of any applicable double tax treaty) by virtue of Article 125 A III of the French General Tax Code. The list of Non-Cooperative States is published in a ministerial decree and updated annually.

Furthermore, pursuant to Article 238 A of the French General Tax Code, interest and other revenues on such debt securities will no longer be deductible from the taxable income of TOTAL, Total Capital or Total Capital International as from the fiscal years starting on or after January 1, 2011, if they are paid or accrued to persons established or domiciled in a Non-Cooperative State or paid on a bank account opened in a financial institution located in such a Non-Cooperative State. Under certain conditions, any such non-deductible interest and other revenues may be re-characterized as constructive dividends pursuant to Articles 109 *et seq.* of the French General Tax Code, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Article 119 bis 2 of the French General Tax Code, at a rate of 30% or 55%, subject to more favorable provisions of any applicable tax treaty.

Notwithstanding the foregoing, none of the 50% withholding tax set out under Article 125 A III of the French General Tax Code, the non-deductibility of the interest and other revenues of such debt securities or the withholding tax provided under Article 119 bis 2 of the French General Tax Code that may be levied as a result of such non-deductibility, to the extent the relevant interest or revenues relate to genuine transactions and are not in an abnormal or exaggerated amount, will apply if TOTAL, Total Capital or Total Capital International can prove that the principal purpose and effect of a particular issue of debt securities was not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the Exception). Pursuant to the ruling (*rescrit*) (RES 2010/11) of the *Direction générale des finances publiques* published on February 22, 2010, an issue of debt securities will benefit from the Exception without TOTAL, Total Capital or Total Capital International having to provide any proof of the purpose and effect of such issue of debt securities, if such debt securities are:

(a) offered by means of a public offer within the meaning of Article L.411.1 of the French Monetary and Financial Code or pursuant to an equivalent offer in a State other than a Non-Cooperative State. For this purpose, an equivalent offer means any offer requiring registration or submission of an offer document by or with a foreign securities market authority; or

(b) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or

(c) admitted, at the time of their issue, to the operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French Monetary and Financial Code, or of one of more similar foreign depositories or

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operators provided that such depositary or operator is not located in a Non-Cooperative State.

As the debt securities issued pursuant to this Prospectus are offered by means of an offer equivalent to a public offer, payments of interest or other revenues made by or on behalf of TOTAL, Total Capital or Total Capital International with respect to the debt securities will not be subject to the withholding tax set out under Article 125 A III of the French General Tax Code. In addition, they will be subject neither to the non-deductibility set out under Article 238 A of the same Code nor to the withholding

Table of Contents

tax set out under Article 119 bis 2 of the same Code solely on account of their being paid on a bank account opened in a financial institution located in a Non-Cooperative State or accrued or paid to persons established or domiciled in a Non-Cooperative State.

The European Union (EU) has adopted the Directive 2003/48/EC (the Tax Directive) regarding the taxation of savings income in the form of interest payments. Under the Tax Directive, paying agents shall provide to the competent authority of the State in which they are established details of the payment of interest and other similar income within the meaning of the Tax Directive made to, or for the benefit of, any individual resident in another EU Member State as the beneficial owner of the interest. The competent authority of the EU Member State of the paying agent is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident.

For a transitional period, however, Austria and Luxembourg will (unless during such period they elect otherwise) instead apply a withholding tax system in relation to interest payments pursuant to which tax will be levied, unless the recipient of such payments elects instead for an exchange of information procedure. The withholding tax rate is 35% since July 1, 2011. The transitional period shall end at the end of the first full fiscal year following the year during which certain non-EU countries (i.e., Switzerland, Liechtenstein, San Marino, Monaco, Andorra and the United States) will each enter into an agreement with the EU providing for an exchange of information upon request as defined in the OECD Model Agreement on Exchange of Information on Tax Matters released on April 18, 2002 with respect to interest payments made by paying agents established within those countries to beneficial owners located within the EU.

Article 242 ter and Article 49 I ter to 49 I sexies of the Schedule III of the French General Tax Code implements the Tax Directive and therefore imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to interest payments made to beneficial owners domiciled in another EU Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to that beneficial owner.

Investors should rely on their own analysis of the terms of the Tax Directive and should consult appropriate legal or taxation professionals.

Taxation on Sale or Other Disposition. Under article 244 bis C of the French General Tax Code, a person that is not a resident of France for the purpose of French taxation generally is not subject to any French income tax or capital gains tax on any gain derived from the sale or other disposition of a debt security, unless such debt security forms part of the business property of a permanent establishment or a fixed base that such person maintains in France.

Additional Amounts. If the French tax laws or regulations applicable to us (or to any of our successors) change and payments in respect of the debt securities become subject to withholding or deduction, we will, to the extent permitted by applicable law, be responsible for the payment of any additional amounts to offset such withholding, except as provided above in Description of Debt Securities and Guarantee Special Situations Payment of Additional Amounts or in any applicable prospectus supplement.

Under French law, an issuer may not bear on behalf of a holder of its debt securities any withholding tax due in respect of interest payments on such securities. It is unclear whether additional amounts payable (as described above in Description of Debt Securities and Guarantee Special Situations Payment of Additional Amounts or in any applicable prospectus supplement) in respect of withholding or deduction for taxes imposed on payments on the debt securities may be validly paid in accordance with French law.

Stamp Duty and Other Transfer Taxes

Transfers of debt securities will not be subject to any stamp duty or other transfer tax imposed in France, provided such transfer is not recorded in a deed registered in France.

Estate and Gift Tax

France imposes estate and gift tax on securities of a French company that are acquired by inheritance or gift. According to article 750 ter of the French General Tax Code, the taxation is triggered without regard to the residence of the transferor. However, France has entered into estate and gift tax treaties with a number of countries pursuant to which, assuming certain conditions are met, residents of the treaty country may be exempted from such tax or obtain a tax credit. As a result from the combination of the French domestic tax law and the estate and gift tax convention between the United States and France, a transfer of debt securities by gift or by reason of the death of a United States holder entitled to benefits under that convention will not be subject to French gift or inheritance tax, so long as, among other conditions, the donor or decedent was not domiciled in France at the time of the transfer and the debt securities were not used or held for use in the conduct of a business or profession through a permanent establishment or fixed base in France.

Wealth Tax

French wealth tax (*impôt de solidarité sur la fortune*) generally does not apply to debt securities owned by non-French residents according to article 885 L of the French General Tax Code. Subject to certain exceptions, a United States holder that is resident in the United States within the meaning of the income tax convention between the United States and France generally is exempt from French wealth tax.

Table of Contents

Prospective purchasers who are individuals are urged to consult with their own tax advisers.

Canadian Taxation

This section describes the material Canadian federal income tax consequences of acquiring, owning and disposing of the debt securities described in this prospectus and is the opinion of Bennett Jones LLP, our Canadian tax counsel (Canadian Counsel). This section applies to you only if you acquire your debt securities in the offering or offerings contemplated by this prospectus, and if at all relevant times, and for the purposes of the Income Tax Act (Canada) (the Tax Act) and any applicable income tax treaty or convention, you deal with TOTAL, Total Canada, Total Capital and Total Capital International at arm's length, are not and are not deemed to be a resident of Canada, will hold the debt securities as capital property, and will not use or hold and will not be deemed to use or hold the debt securities in connection with a business carried on in Canada (a Non-Resident Holder). Special rules which are not discussed in this summary may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere.

This section is based upon the current provisions of the Tax Act and the regulations thereunder, all specific proposals to amend such provisions publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this prospectus, and Canadian Counsel's understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency. This summary is not exhaustive of all possible Canadian federal income tax consequences, and except as noted above, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, and does not take into account tax legislation or considerations of any province, territory or foreign jurisdiction, which may differ from the federal income tax considerations.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Non-Resident Holder, and no representation with respect to the income tax consequences to any particular Non-Resident Holder is made.

Under the Tax Act, provided that the interest paid or payable on any debt securities is not participating debt interest , within the meaning of the Tax Act, a Non-Resident Holder will not be subject to Canadian withholding tax in respect of any amounts paid or credited by Total Canada as, on account of, in lieu of, or in satisfaction of interest on the debt securities. Generally, interest paid or payable on the debt securities will not be participating debt interest unless all or a portion of such interest is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, or any other similar criterion or by reference to dividends paid or payable to shareholders of a corporation. There will be no other Canadian income taxes payable under the Tax Act in respect of the holding, redemption or disposition of the debt securities or the receipt of interest, premium or penalty on the debt securities by a Non-Resident Holder from Total Canada.

Table of Contents

United States Federal Income Taxation

This section describes the material U.S. federal income tax consequences of owning the debt securities and is the opinion of Sullivan & Cromwell LLP, our U.S. tax counsel. It applies to you only if you acquire your debt securities in an offering contemplated by this prospectus and hold your debt securities as capital assets for tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

a dealer in securities or currencies;

a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings;

a bank;

a life insurance company;

a tax-exempt organization;

a person that owns debt securities that are a hedge or that are hedged against interest rate or currency risks;

a person that owns debt securities as part of a straddle or conversion transaction for tax purposes;

a person that purchases or sells debt securities as part of a wash sale for tax purposes; or

a U.S. holder (as defined below) whose functional currency for tax purposes is not the U.S. dollar.

This section is based on the Internal Revenue Code of 1986, as amended (the Code), its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, as well as on the income tax treaty between the U.S. and France and on the income tax treaty between the U.S. and Canada, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

If a partnership holds the debt securities, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding debt securities should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in the debt securities.

This subsection deals only with debt securities that are due to mature 30 years or less from the date on which they are issued. The U.S. federal income tax consequences of owning debt securities that are due to mature more than 30 years from their date of issue will be discussed in an applicable prospectus supplement.

Please consult your own tax advisor concerning the consequences of owning these debt securities in your particular circumstances under the Code and the laws of any other taxing jurisdiction.

U.S. Holders

This subsection describes the tax consequences to a U.S. holder. You are a U.S. holder if you are a beneficial owner of debt securities and you are:

a citizen or resident of the U.S.,

a domestic corporation,

an estate whose income is subject to U.S. federal income tax regardless of its source, or

a trust if (i) a U.S. court can exercise primary supervision over the trust's administration and one or more U.S. persons are authorized to control all substantial decisions of the trust, or (ii) the trust has a valid election in effect to be treated as a U.S. person.

If you are not a U.S. holder, this subsection does not apply to you, and you should refer to "U.S. Alien Holders" below.

Payments of Interest.

Except as described below in the case of interest on a discount debt security that is not qualified stated interest, each as defined below under

Original Issue Discount, you will be taxed on any interest on your debt security, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars, as ordinary income at the time you receive the interest or when it accrues, depending on your method of accounting for tax purposes. We will refer to a currency, composite currency or basket of currencies other than the U.S. dollar as foreign currency.

Interest paid by us on debt securities and original issue discount, if any, accrued with respect to the debt securities (as described below under

Original Issue Discount) is income from sources outside the U.S. subject to the rules regarding the foreign tax credit allowable to a U.S. holder. Under the foreign tax credit rules, interest paid will, depending on your circumstances, be either passive or general income for purposes of computing the foreign tax credit allowable to you.

Table of Contents

Cash Basis Taxpayers. If you are a taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes and you receive an interest payment that is denominated in, or determined by reference to, a foreign currency, you must recognize income equal to the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

Accrual Basis Taxpayers. If you are a taxpayer that uses an accrual method of accounting for tax purposes, you may determine the amount of income that you recognize with respect to an interest payment denominated in, or determined by reference to, a foreign currency by using one of two methods. Under the first method, you will determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

If you elect the second method, you will determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if you receive a payment of interest within five business days of the last day of your accrual period or taxable year, you may instead translate the interest accrued into U.S. dollars at the exchange rate in effect on the day that you actually receive the interest payment. If you elect the second method, it will apply to all debt instruments that you hold at the beginning of the first taxable year to which the election applies and to all debt instruments that you subsequently acquire. You may not revoke this election without the consent of the United States Internal Revenue Service (IRS).

When you actually receive an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of your debt security, denominated in, or determined by reference to, a foreign currency for which you accrued an amount of income, you will recognize ordinary income or loss measured by the difference, if any, between the exchange rate that you used to accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether you actually convert the payment into U.S. dollars.

Original Issue Discount

General. If you own a debt security, other than a short-term debt security with a term of one year or less, it will be treated as a discount debt security issued at an original issue discount, if the amount by which the debt security's stated redemption price at maturity exceeds its issue price is more than a *de minimis* amount. Generally, a debt security's issue price will be the first price at which a substantial amount of debt securities included in the issue of which the debt security is a part is sold to persons other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers. A debt security's stated redemption price at maturity is the total of all payments provided by the debt security that are not payments of qualified stated interest. Generally, an interest payment on a debt security is qualified stated interest if it is one part of a series of stated interest payments on a debt security that are unconditionally payable at least annually at a single fixed rate, with certain exceptions for lower rates paid during some periods, applied to the outstanding principal amount of the debt security. There are special rules for variable rate debt securities that are discussed below under [Variable Rate Debt Securities](#).

In general, your debt security is not a discount debt security if the amount by which its stated redemption price at maturity exceeds its issue price is less than the *de minimis* amount of 1/4 of one percent of its stated redemption price at maturity multiplied by the number of complete years to its maturity. Your debt security will have *de minimis* original issue discount if the amount of the excess is less than the *de minimis* amount. If your debt security has *de minimis* original issue discount, you must include the *de minimis* amount in income as stated principal payments are made on the debt security, unless you make the election described below under [Election to Treat All Interest as Original Issue Discount](#). You can determine the includible amount with respect to each such payment by multiplying the total amount of your debt security's *de minimis* original issue discount by a fraction equal to

the amount of the principal payment made
divided by:

the stated principal amount of the debt security.

Generally, if your discount debt security matures more than one year from its date of issue, you must include original issue discount, or OID, in income before you receive cash attributable to that income. The amount of OID that you must include in income is calculated using a constant-yield method, and generally you will include increasingly greater amounts of OID in income over the life of your debt security. More specifically, you can calculate the amount of OID that you must include in income by adding the daily portions of OID with respect to your discount debt security for each day during the taxable year or portion of the taxable year that you hold your discount debt security. You can

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determine the daily portion by allocating to each day in any accrual period a pro rata portion of the OID allocable to that accrual period. You may select an accrual period of any length with respect to your discount debt security and you may vary the length of each accrual period over the term of your discount debt security. However, no accrual period may be longer than one year and each scheduled payment of interest or principal on the discount debt security must occur on either the first or final day of an accrual period.

You can determine the amount of OID allocable to an accrual period by:

Table of Contents

multiplying your discount debt security's adjusted issue price at the beginning of the accrual period by your debt security's yield to maturity, and then

subtracting from this figure the sum of the payments of qualified stated interest on your debt security allocable to the accrual period. You must determine the discount debt security's yield to maturity on the basis of compounding at the close of each accrual period and adjusting for the length of each accrual period. Further, you determine your discount debt security's adjusted issue price at the beginning of any accrual period by:

adding your discount debt security's issue price and any accrued OID for each prior accrual period, and then

subtracting any payments previously made on your discount debt security that were not qualified stated interest payments.

If an interval between payments of qualified stated interest on your discount debt security contains more than one accrual period, then, when you determine the amount of OID allocable to an accrual period, you must allocate the amount of qualified stated interest payable at the end of the interval, including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval, pro rata to each accrual period in the interval based on their relative lengths. In addition, you must increase the adjusted issue price at the beginning of each accrual period in the interval by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. You may compute the amount of OID allocable to an initial short accrual period by using any reasonable method if all other accrual periods, other than a final short accrual period, are of equal length.

The amount of OID allocable to the final accrual period is equal to the difference between:

the amount payable at the maturity of your debt security, other than any payment of qualified stated interest; and

your debt security's adjusted issue price as of the beginning of the final accrual period.

Acquisition Premium. If you purchase your debt security for an amount that is less than or equal to the sum of all amounts, other than qualified stated interest, payable on your debt security after the purchase date but is greater than the amount of your debt security's adjusted issue price, as determined above under **General**, the excess is acquisition premium. If you do not make the election described below under **Election to Treat All Interest as Original Issue Discount**, then you must reduce the daily portions of OID by a fraction equal to:

the excess of your adjusted basis in the debt security immediately after purchase over the adjusted issue price of the debt security, divided by,

the excess of the sum of all amounts payable, other than qualified stated interest, on the debt security after the purchase date over the debt security's adjusted issue price.

Pre-Issuance Accrued Interest. An election may be made to decrease the issue price of your debt security by the amount of pre-issuance accrued interest if:

a portion of the initial purchase price of your debt security is attributable to pre-issuance accrued interest;

the first stated interest payment on your debt security is to be made within one year of your debt security's issue date; and

the payment will equal or exceed the amount of pre-issuance accrued interest.

If this election is made, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on your debt security.

Debt Securities Subject to Contingencies Including Optional Redemption. Your debt security is subject to a contingency if it provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies, other than a remote or incidental contingency, whether such contingency relates to payments of interest or of principal. In such a case, you must determine the yield and maturity of your debt security by assuming that the payments will be made according to the payment schedule most likely to occur if:

the timing and amounts of the payments that comprise each payment schedule are known as of the issue date; and

one of such schedules is significantly more likely than not to occur.

If there is no single payment schedule that is significantly more likely than not to occur, other than because of a mandatory sinking fund, you must include income on your debt security in accordance with the general rules that govern contingent payment obligations. These rules will be discussed in the applicable prospectus supplement.

Notwithstanding the general rules for determining yield and maturity, if your debt security is subject to contingencies, and either you or we have an unconditional option or options that, if exercised, would require payments to be made on the debt security under an alternative payment schedule or schedules, then:

Table of Contents

in the case of an option or options that we may exercise, we will be deemed to exercise or not to exercise an option or combination of options in the manner that minimizes the yield on your debt security; and

in the case of an option or options that you may exercise, you will be deemed to exercise or not to exercise an option or combination of options in the manner that maximizes the yield on your debt security.

If both you and we hold options described in the preceding sentence, those rules will apply to each option in the order in which they may be exercised. You may determine the yield on your debt security for the purposes of those calculations by using any date on which your debt security may be redeemed or repurchased as the maturity date and the amount payable on the date that you chose in accordance with the terms of your debt security as the principal amount payable at maturity.

If a contingency, including the exercise of an option, actually occurs or does not occur contrary to an assumption made according to the above rules, then, except to the extent that a portion of your debt security is repaid as a result of the change in circumstances and solely to determine the amount and accrual of OID, you must redetermine the yield and maturity of your debt security by treating your debt security as having been retired and reissued on the date of the change in circumstances for an amount equal to your debt security's adjusted issue price on that date.

Election to Treat All Interest as Original Issue Discount. You may elect to include in gross income all interest that accrues on your debt security using the constant-yield method described above under *General*, with the modifications described below. For purposes of this election, interest will include stated interest, OID, *de minimis* OID, market discount, described below under *Market Discount*, *de minimis* market discount and unstated interest, as adjusted by any amortizable bond premium, described below under *Debt Securities Purchased at a Premium*, or acquisition premium.

If you make this election for your debt security, then, when you apply the constant-yield method:

the issue price of your debt security will equal your cost;

the issue date of your debt security will be the date you acquired it; and

no payments on your debt security will be treated as payments of qualified stated interest.

Generally, this election will apply only to the debt security for which you make it; however, if the debt security has amortizable bond premium, you will be deemed to have made an election to apply amortizable bond premium against interest for all debt instruments with amortizable bond premium, other than debt instruments the interest on which is excludible from gross income, that you hold as of the beginning of the taxable year to which the election applies or any taxable year thereafter. Additionally, if you make this election for a market discount debt security, you will be treated as having made the election discussed below under *Market Discount* to include market discount in income currently over the life of all debt instruments that you currently own or later acquire. You may not revoke any election to apply the constant-yield method to all interest on a debt security or the deemed elections with respect to amortizable bond premium or market discount debt securities without the consent of the IRS.

Variable Rate Debt Securities. Your debt security will be a variable rate debt security if:

your debt security's issue price does not exceed the total noncontingent principal payments by more than the lesser of:

1.5 percent of the product of the total noncontingent principal payments and the number of complete years to maturity from the issue date; or

15 percent of the total noncontingent principal payments; and

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your debt security provides for stated interest, compounded or paid at least annually, only at:

one or more qualified floating rates;

a single fixed rate and one or more qualified floating rates;

a single objective rate; or

a single fixed rate and a single objective rate that is a qualified inverse floating rate.

Your debt security will have a variable rate that is a qualified floating rate if:

variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which your debt security is denominated; or

the rate is equal to such a rate multiplied by either:

a fixed multiple that is greater than 0.65 but not more than 1.35; or

a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate; and

the value of the rate on any date during the term of your debt security is set no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

Table of Contents

If your debt security provides for two or more qualified floating rates that are within 0.25 percentage points of each other on the issue date or can reasonably be expected to have approximately the same values throughout the term of the debt security, the qualified floating rates together constitute a single qualified floating rate.

Your debt security will not have a qualified floating rate, however, if the rate is subject to certain restrictions, including caps, floors, governors, or other similar restrictions, unless such restrictions are fixed throughout the term of the debt security or are not reasonably expected to significantly affect the yield on the debt security.

Your debt security will have a variable rate that is a single objective rate if:

Basic earnings per common share			
Net income applicable to common shares	\$	0.03	\$ 0.03
Diluted earnings per common share			
Net income applicable to common shares	\$	0.03	\$ 0.03

Table Of Contents

Diluted income per share for the three months ended March 31, 2015 and 2014 excludes the potential effects of outstanding shares of our convertible preferred stock, as their conversion and exercise would have no effect on the calculation of dilutive shares.

Options to purchase 244,342 shares of our common stock were excluded from the computation of diluted earnings per share for the three-month period ended March 31, 2015. For the three-month period ended March 31, 2014, options to purchase 612,745 shares of our common stock were excluded from the computation of diluted earnings per share. In each case, the exercise price of the options not included in the computations of diluted earnings per share exceeded the average price of our stock during those periods and therefore would not affect the calculation of earnings per share.

Note 6. Business Segments

We are currently organized and managed in three reporting segments: the Greens Creek unit, the Lucky Friday unit and the Casa Berardi unit.

General corporate activities not associated with operating units and their various exploration activities, as well as discontinued operations and idle properties, are presented as “other.” Interest expense, interest income and income taxes are considered general corporate items, and are not allocated to our segments.

The following tables present information about reportable segments for the three months ended March 31, 2015 and 2014 (in thousands):

	Three Months Ended	
	March 31,	
	2015	2014
Net sales to unaffiliated customers:		
Greens Creek	\$67,355	\$63,596
Lucky Friday	19,891	20,096
Casa Berardi	31,846	42,095
	\$119,092	\$125,787
Income (loss) from operations:		
Greens Creek	\$14,693	\$11,046
Lucky Friday	3,546	4,700
Casa Berardi	(765)	3,441

Other	(12,552)	(11,276)
	\$4,922	\$7,911

The following table presents identifiable assets by reportable segment as of March 31, 2015 and December 31, 2014 (in thousands):

	March 31, 2015	December 31, 2014
Identifiable assets:		
Greens Creek	\$704,348	\$704,121
Lucky Friday	369,503	356,482
Casa Berardi	789,989	800,961
Other	396,111	400,500
	\$2,259,951	\$2,262,064

Table Of Contents**Note 7. Employee Benefit Plans**

We sponsor defined benefit pension plans covering substantially all U.S. employees. Net periodic pension cost for the plans consisted of the following for the three months ended March 31, 2015 and 2014 (in thousands):

	Three Months Ended	
	March 31,	
	2015	2014
Service cost	\$1,054	\$1,020
Interest cost	1,206	1,186
Expected return on plan assets	(1,345)	(1,249)
Amortization of prior service benefit	(84)	(84)
Amortization of net loss	1,065	756
Net periodic benefit cost	\$1,896	\$1,629

In January 2015, we contributed approximately \$5.0 million in shares of our common stock to our defined benefit plans, with no additional contributions anticipated in 2015. We expect to contribute approximately \$0.4 million to our unfunded supplemental executive retirement plan during 2015.

Note 8. Stockholders' Equity*Share-based Compensation Plans*

We periodically grant restricted stock unit awards and/or shares of common stock to our employees and directors. Grants to individual executives upon hiring or retention vest over a defined service period, with cost amortized over that period. We measure compensation cost for restricted stock units and stock grants at the closing price of our stock at the time of grant. Restricted stock unit grants vest after a specified period with compensation cost amortized over that period. Although we have no current plans to issue stock options, we have in the past and may do so in the future.

On March 5, 2015, the Board of Directors granted 911,148 shares of common stock to employees for payment of annual and long-term incentive compensation for the period ended December 31, 2014. The shares were distributed in March 2015, and the \$3.0 million in expense related to the stock awards has been recognized as of March 31, 2015.

Stock-based compensation expense recorded in the first three months of both 2015 and 2014 totaled \$1.1 million and was related to amortization of restricted stock unit grants to employees in prior periods.

In connection with the vesting of restricted stock units or other issuances of common stock to employees as compensation, employees have in the past, at their election and when permitted by us, chosen to satisfy their tax withholding obligations through net share settlement, pursuant to which the Company withholds the number of shares necessary to satisfy such withholding obligations. Pursuant to such net settlements, in the first quarter of 2015 we repurchased 284,243 shares for approximately \$941,000, or approximately \$3.31 per share.

Table Of Contents*Common Stock Dividends*

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 and if declared by the Board. For illustrative purposes only, the table below summarizes potential per share dividend amounts at different quarterly average realized price levels according to the first component of the policy:

Quarterly average realized silver price	Quarterly dividend	Annualized dividend
per ounce	per share	per share
\$30	\$0.01	\$0.04
\$35	\$0.02	\$0.08
\$40	\$0.03	\$0.12
\$45	\$0.04	\$0.16
\$50	\$0.05	\$0.20
\$55	\$0.06	\$0.24
\$60	\$0.07	\$0.28

On May 6, 2015, our Board of Directors declared a dividend on common stock, pursuant to the minimum annual dividend component of the policy described above, of \$0.0025 per share, for a total dividend of \$0.9 million payable in June 2015. Because the average realized silver price for the first quarter of 2015 was \$17.18 per ounce, below the minimum threshold of \$30 according to the policy, no silver-price-linked component was declared or paid. The declaration and payment of common stock dividends is at the sole discretion of our Board of Directors.

Common Stock Repurchase Program

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 to 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 March 31, 2015, 934,100 shares have been purchased in prior periods at an average price of \$3.99 per share, leaving 19.1 million shares that may yet be purchased under the program. The closing price of our common stock at May 5, 2015, was \$3.01 per share.

Note 9. Senior Notes, Credit Facilities and Capital Leases

Senior Notes

On April 12, 2013, we completed an offering of \$500 million in aggregate principal amount of our Senior Notes due May 1, 2021, and in 2014, an additional \$6.5 million aggregate principal amount of the Notes was issued to our pension plan in order to satisfy the funding requirement for 2014 (collectively, the “Notes”). The Notes are governed by the Indenture, dated as of April 12, 2013, as amended (the “Indenture”), among Hecla Mining Company (“Hecla”) and certain of our subsidiaries and The Bank of New York Mellon Trust Company, N.A., as trustee. The net proceeds from the initial offering of the Notes (\$490 million) were used to partially fund the acquisition of Aurizon and for general corporate purposes, including expenses related to the Aurizon acquisition.

Table Of Contents

The Notes are recorded net of a 2% initial purchaser discount totaling \$10 million at the time of the April 2013 issuance and having an unamortized balance of \$7.7 million as of March 31, 2015. The Notes bear interest at a rate of 6.875% per year from the date of original issuance or from the most recent payment date on which interest has been paid or provided for. Interest on the Notes is payable on May 1 and November 1 of each year, commencing November 1, 2013. During the first quarter of 2015 and 2014, interest expense related to the Notes and amortization of the initial purchaser discount and fees related to the issuance of the Notes, net of \$3.3 million and \$2.7 million, respectively, in capitalized interest, totaled \$5.7 million and \$6.3 million, respectively.

The Notes are guaranteed on a senior unsecured basis by certain of our subsidiaries (the "Guarantors"). The Notes and the guarantees are, respectively, Hecla's and the Guarantors' general senior unsecured obligations and are subordinated to all of Hecla's and the Guarantors' existing and future secured debt to the extent of the assets securing that secured debt. In addition, the Notes are effectively subordinated to all of the liabilities of Hecla's subsidiaries that are not guaranteeing the Notes, to the extent of the assets of those subsidiaries.

The Notes will be redeemable in whole or in part, at any time and from time to time on or after May 1, 2016, on the redemption dates and at the redemption prices specified in the Indenture, plus accrued and unpaid interest, if any, to the date of redemption. Prior to May 1, 2016, we may redeem some or all of the Notes at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, if any, to the redemption date, plus a "make whole" premium. We may redeem up to 35% of the Notes before May 1, 2016 with the net cash proceeds from certain equity offerings.

Upon the occurrence of a change of control (as defined in the Indenture), each holder of Notes will have the right to require us to purchase all or a portion of such holder's Notes pursuant to a change of control offer (as defined in the Indenture), at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase, subject to the rights of holders of the Notes on the relevant record date to receive interest due on the relevant interest payment date.

Table Of Contents*Credit Facilities*

In February 2014, we entered into a \$100 million senior secured revolving credit facility, which was amended in November 2014 to extend the maturity date to November 18, 2018. The credit facility is collateralized by the shares of common stock held in our material domestic subsidiaries and by our joint venture interests in the Greens Creek mine, all of our rights and interests in the joint venture agreement, and all of our rights and interests in the assets of the joint venture. This credit facility replaced our previous \$100 million credit facility which had the same terms of collateral as described above. Below is information on the interest rates, standby fee, and financial covenant terms under our current credit facility:

Interest rates:

Spread over the London Interbank Offer Rate	2.25 - 3.25%
Spread over alternative base rate	1.25 - 2.25%
Standby fee per annum on undrawn amounts	0.50%

Covenant financial ratios:

Senior leverage ratio (debt secured by liens/EBITDA)	not more than 2.50:1
Leverage ratio (total debt less unencumbered cash/EBITDA)	not more than 4.00:1
Interest coverage ratio (EBITDA/interest expense)	not more than 3.00:1

We were in compliance with all covenants under the credit agreement and no amounts were outstanding as of March 31, 2015. We have not drawn funds on the current revolving credit facility as of the filing date of this report.

Capital Leases

We have entered into various lease agreements, primarily for equipment at our Greens Creek, Lucky Friday and Casa Berardi units, which we have determined to be capital leases. At March 31, 2015, the total liability balance associated with capital leases, including certain purchase option amounts, was \$21.9 million, with \$10.3 million of the liability classified as current and the remaining \$11.6 million classified as non-current. At December 31, 2014, the total liability balance associated with capital leases was \$23.1 million, with \$9.5 million of the liability classified as current and \$13.7 million classified as non-current. The total obligation for future minimum lease payments was \$22.7 million at March 31, 2015, with \$1.0 million attributed to interest.

At March 31, 2015, the annual maturities of capital lease commitments, including interest, are (in thousands):

Twelve-month period ending March 31,	
2016	\$10,195
2017	6,997
2018	3,821
2019	1,700
Total	22,713
Less: imputed interest	(1,046)
Net capital lease obligation	\$21,667

Note 10. Developments in Accounting Pronouncements

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

In April 2015, the FASB issued ASU No. 2015-03 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 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. 2015-03 is not expected to have a material impact on our condensed consolidated financial statements.

Table Of Contents

Note 11. Derivative Instruments

At times, we 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.

We are currently using financially-settled forward contracts to manage the exposure to changes in prices of silver, gold, zinc and lead contained in our concentrate shipments between the time of shipment and final settlement. In addition, we use financially-settled forward contracts to manage the exposure to changes in prices of zinc and lead (but not silver and gold) contained in our forecasted future concentrate shipments. These contracts do not qualify for hedge accounting and are marked-to-market through earnings each period. At March 31, 2015, we recorded the following balances related to these contracts:

- a current asset of \$6.8 million which is included in other current assets and is net of \$0.9 million in contracts in a fair value current liability position; and
- a non-current asset of \$7.5 million which is included in other non-current assets and is net of \$0.2 million in contracts in a fair value current liability position.

We recognized a \$0.3 million net gain during the first three months of 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 a \$5.8 million net gain during the first three months of 2015 on the contracts utilized to manage exposure to prices for forecasted future concentrate shipments, which includes \$1.9 million in gains realized on settled contracts. The net gain on these contracts is included as a separate line item under other income (expense), as they relate to forecasted future shipments, as opposed to sales that have already taken place but are subject to final pricing as discussed in the preceding paragraph. The net gain during the first three months of 2015 is the result of decreasing zinc and lead prices. This program is designed to mitigate the impact of potential future declines in lead and zinc prices from the price levels established in the contracts (see average price information below).

Table Of Contents

The following tables summarize the quantities of metals committed under forward sales contracts at March 31, 2015 and December 31, 2014:

March 31, 2015	Ounces/pounds under contract (in 000's)				Average price per ounce/pound			
	Silver (ounces)	Gold (ounces)	Zinc (pounds)	Lead (pounds)	Silver (ounces)	Gold (ounces)	Zinc (pounds)	Lead (pounds)
Contracts on provisional sales								
2015 settlements	1,587	6	25,849	8,874	\$16.71	\$ 1,194	\$ 0.94	\$ 0.81
Contracts on forecasted sales								
2015 settlements	—	—	27,999	22,487	N/A	N/A	\$ 0.95	\$ 1.10
2016 settlements	—	—	44,699	34,337	N/A	N/A	\$ 0.99	\$ 1.03
2017 settlements	—	—	1,984	—	N/A	N/A	\$ 1.04	N/A

December 31, 2014	Ounces/pounds under contract (in 000's)				Average price per ounce/pound			
	Silver (ounces)	Gold (ounces)	Zinc (pounds)	Lead (pounds)	Silver (ounces)	Gold (ounces)	Zinc (pounds)	Lead (pounds)
Contracts on provisional sales								
2015 settlements	1,607	6	19,456	8,378	\$16.06	\$ 1,195	\$ 1.01	\$ 0.87
Contracts on forecasted sales								
2015 settlements	—	—	46,738	29,652	N/A	N/A	\$ 0.96	\$ 1.07
2016 settlements	—	—	44,699	34,337	N/A	N/A	\$ 0.99	\$ 1.03
2017 settlements	—	—	1,984	—	N/A	N/A	\$ 1.04	N/A

Our concentrate sales are based on a provisional sales price containing an embedded derivative that is required to be separated from the host contract for accounting purposes. The host contract is the receivable from the sale of the concentrates at the forward price at the time of the sale. The embedded derivative, which does not qualify for hedge accounting, is marked-to-market through earnings each period prior to final settlement.

Table Of Contents**Note 12. Fair Value Measurement**

The table below sets forth our assets and liabilities that were accounted for at fair value on a recurring basis and the fair value calculation input hierarchy level that we have determined applies to each asset and liability category (in thousands).

Description	Balance at March 31, 2015	Balance at December 31, 2014	Input Hierarchy Level
Assets:			
Cash and cash equivalents:			
Money market funds and other bank deposits	\$ 196,231	\$ 209,665	Level 1
Available for sale securities:			
Equity securities – mining industry	4,334	4,920	Level 1
Trade accounts receivable:			
Receivables from provisional concentrate sales	27,280	17,696	Level 2
Restricted cash balances:			
Certificates of deposit and other bank deposits	883	883	Level 1
Derivative contracts:			
Metal forward contracts	14,317	11,347	Level 2
Total assets	\$ 243,045	\$ 244,511	

Cash and cash equivalents consist primarily of money market funds and are valued at cost, which approximates fair value.

Current and non-current restricted cash balances consist primarily of certificates of deposit and U.S. Treasury securities and are valued at cost, which approximates fair value.

Our current and non-current investments consist of marketable equity securities which are valued using quoted market prices for each security.

Trade accounts receivable include amounts due to us for shipments of concentrates and doré sold to customers. Revenues and the corresponding accounts receivable for sales of concentrates and doré are recorded when title and risk of loss transfer to the customer (generally at the time of loading on truck or ship). Sales of concentrates

are recorded using estimated forward prices for the anticipated month of settlement applied to our estimate of payable metal quantities contained in each shipment. Sales are recorded net of estimated treatment and refining charges, which are also impacted by changes in metals prices and quantities of contained metals. We estimate the prices at which sales of our concentrates will be settled due to the time elapsed between shipment and final settlement with the customer. Receivables for previously recorded concentrate sales are adjusted to reflect estimated forward metals prices at the end of each period until final settlement by the customer. We obtain the forward metals prices used each period from a pricing service. Changes in metals prices between shipment and final settlement result in changes to revenues previously recorded upon shipment. The embedded derivative contained in our concentrate sales is marked-to-market through earnings each period prior to final settlement.

We utilize financially-settled forward contracts to manage the exposure to changes in prices of silver, gold, zinc and lead contained in our concentrate shipments that have not reached final settlement. We also utilize financially-settled forward contracts to manage the exposure to changes in prices of zinc and lead contained in our forecasted future concentrate shipments. See *Note 11* for more information. These contracts do not qualify for hedge accounting, and are marked-to-market through earnings each period. The fair value of each contract represents the difference between the forward metal price for the contract settlement period as of the measurement date and the contract settlement metal price, multiplied by the quantity of metal involved in the contract.

Our Senior Notes issued in April 2013, which were recorded at their carrying value of \$498.8 million, net of unamortized initial purchaser discount at March 31, 2015, had a fair value of \$445.3 million at March 31, 2015. Quoted market prices, which we consider to be Level 1 inputs, are utilized to estimate fair values of the Notes. See *Note 9* for more information.

Table Of Contents**Note 13. Proposed Merger with Revett**

On March 26, 2015, we and Revett Mining Company, Inc. (Revett) entered into a merger agreement pursuant to which we would acquire all of the issued and outstanding common stock of Revett. Revett holds 100% ownership of two properties in Northwest Montana: the Troy Mine, which is currently on care-and-maintenance, and the Rock Creek project, a significant undeveloped silver and copper deposit. In the proposed merger, each outstanding common share of Revett would be exchanged for 0.1622 of a share of our common stock, which have an estimated value of \$0.52 per Revett common share based on the closing price of Hecla's common stock of \$3.23 per share on March 25, 2015, the last full day before the merger agreement was entered into. The actual value of consideration transferred will be based on the market price of Hecla's common stock on the date the merger is consummated. Based on the closing price of Hecla stock of \$3.01 per share on May 5, 2015, total consideration would be \$18.8 million. A 10% change in the price per share of Hecla stock from its closing price on May 5, 2015 would result in a \$1.9 million change in the amount of consideration transferred in the merger. Estimated consideration is based on Revett having 38,548,989 outstanding common shares, excluding 725,000 shares owned by our wholly-owned subsidiary which would be canceled in the merger. All consideration given to Revett stockholders will be in newly issued Hecla stock. The proposed merger is subject to approval by Revett's stockholders. No assurance can be given as to whether the merger will be approved and consummated.

In April 2015, we entered into a term loan and security agreement with Revett pursuant to which we agreed to provide one or more secured loans to Revett in an aggregate amount not to exceed \$1.5 million. The loans bear interest at a rate per annum equal to LIBOR plus 5% and will be due and payable on July 1, 2015. The loans are secured by certain real estate holdings of Revett's subsidiary, Revett Holdings, Inc., and the equity interests in Revett Holdings, Inc.

Note 14. Guarantor Subsidiaries

Presented below are Hecla's unaudited interim condensed consolidating financial statements as required by Rule 3-10 of Regulation S-X of the Securities Exchange Act of 1934, as amended, resulting from the guarantees by certain of Hecla's subsidiaries (the "Guarantors") of the Notes (see *Note 9* for more information). The Guarantors consist of the following of Hecla's 100%-owned subsidiaries: Hecla Limited; Silver Hunter Mining Company; Rio Grande Silver, Inc.; RHL Holdings, Inc.; Hecla MC Subsidiary, LLC; Hecla Silver Valley, Inc.; Burke Trading, Inc.; Hecla Alaska LLC; Hecla Greens Creek Mining Company; Hecla Admiralty Company; and Hecla Juneau Mining Company. We completed the initial offering of the Notes on April 12, 2013, and a related exchange offer for virtually identical notes registered with the SEC on January 3, 2014.

The unaudited interim condensed consolidating financial statements below have been prepared from our financial information on the same basis of accounting as the unaudited interim consolidated financial statements. Investments in the subsidiaries are accounted for under the equity method. Accordingly, the entries necessary to consolidate Hecla, the Guarantors, and Non-Guarantors are reflected in the intercompany eliminations column. In the course of preparing consolidated financial statements, we eliminate the effects of various transactions conducted between Hecla's subsidiaries. While valid at an individual subsidiary level, such activities are eliminated in consolidation because, when taken as a whole, they do not represent business activity with third-party customers, vendors, and other parties. Examples of such eliminations include the following:

Investments in subsidiaries. The acquisition of a company results in an investment on the records of the parent company and a contribution of capital on the records of the subsidiary. Such investments and capital contributions are eliminated in consolidation.

Capital contributions. Certain of Hecla's subsidiaries do not generate cash flow, either at all or sufficient to meet their capital needs, and their cash requirements are routinely met with inter-company advances from their parent companies. On an annual basis, the boards of directors of such parent companies declare contributions of capital to their subsidiary companies, which increase the parents' investment and the subsidiaries' additional paid-in capital. In consolidation, investments in subsidiaries and related additional paid-in capital are eliminated.

Table Of Contents

Dividends. Certain of Hecla's subsidiaries which generate cash flow routinely provide cash to their parent companies through inter-company transfers. On an annual basis, the boards of directors of such subsidiary companies declare dividends to their parent companies, which reduces the subsidiaries' retained earnings and increases the parents' dividend income. In consolidation, such activity is eliminated.

Debt. Inter-company debt agreements have been established between certain of Hecla's subsidiaries and their parents. The related debt liability and receivable balances, accrued interest expense and income activity, and payments of principal and accrued interest amounts by the subsidiary companies to their parents are eliminated in consolidation.

Deferred taxes. Our ability to realize deferred tax assets and liabilities is considered on a consolidated basis for subsidiaries within the United States, with all subsidiaries' estimated future taxable income contributing to the ability to realize all such assets and liabilities. However, when Hecla's subsidiaries are viewed independently, we use the separate return method to assess the realizability of each subsidiary's deferred tax assets and whether a valuation allowance is required against such deferred tax assets. In some instances, a parent company or subsidiary may possess deferred tax assets whose realization depends on the future taxable incomes of other subsidiaries on a consolidated-return basis, but would not be considered realizable if such parent or subsidiary filed on a separate stand-alone basis. In such a situation, a valuation allowance is assessed on that subsidiary's deferred tax assets, with the resulting adjustment reported in the eliminations column of the guarantor and parent's financial statements, as is the case in the unaudited interim financial statements set forth below. The separate return method can result in significant eliminations of deferred tax assets and liabilities and related income tax provisions and benefits. Non-current deferred tax asset balances are included in other non-current assets on the condensed consolidating balance sheets and make up a large portion of that item, particularly for the guarantor balances.

Separate financial statements of the Guarantors are not presented because the guarantees by the Guarantors are joint and several and full and unconditional, except for certain customary release provisions, including: (1) the sale or disposal of all or substantially all of the assets of the Guarantor; (2) the sale or other disposition of the capital stock of the Guarantor; (3) the Guarantor is designated as an unrestricted entity in accordance with the applicable provisions of the indenture; (4) Hecla ceases to be a borrower as defined in the indenture; and (5) upon legal or covenant defeasance or satisfaction and discharge of the indenture.

Table Of Contents**Unaudited Interim Condensed Consolidating Balance Sheets**

	As of March 31, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in thousands)				
<u>Assets</u>					
Cash and cash equivalents	\$ 145,284	\$ 35,957	\$ 14,990	\$ —	\$ 196,231
Other current assets	17,969	52,393	27,769	13,963	112,094
Properties, plants, and equipment - net	1,838	1,085,971	749,364	—	1,837,173
Intercompany receivable (payable)	439,735	(125,964)	(370,025)	56,254	—
Investments in subsidiaries	1,365,864	—	—	(1,365,864)	—
Other non-current assets	10,102	182,205	4,207	(82,061)	114,453
Total assets	\$ 1,980,792	\$ 1,230,562	\$ 426,305	\$ (1,377,708)	\$ 2,259,951
<u>Liabilities and Stockholders' Equity</u>					
Current liabilities	\$ 24,709	\$ 48,654	\$ 19,983	\$ (4,808)	\$ 88,538
Long-term debt	498,791	10,150	1,440	—	510,381
Non-current portion of accrued reclamation	—	43,886	11,895	—	55,781
Non-current deferred tax liability	—	7,036	138,422	(7,036)	138,422
Other non-current liabilities	37,967	10,386	(849)	—	47,504
Stockholders' equity	1,419,325	1,110,450	255,414	(1,365,864)	1,419,325
Total liabilities and stockholders' equity	\$ 1,980,792	\$ 1,230,562	\$ 426,305	\$ (1,377,708)	\$ 2,259,951

Table Of Contents

	As of December 31, 2014				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in thousands)				
<u>Assets</u>					
Cash and cash equivalents	\$146,885	\$33,824	\$ 28,956	\$—	\$ 209,665
Other current assets	7,115	48,981	23,165	27,433	106,694
Properties, plants, and equipment - net	1,572	1,079,658	750,334	—	1,831,564
Intercompany receivable (payable)	470,306	(123,671)	(392,880)	46,245	—
Investments in subsidiaries	1,317,969	—	—	(1,317,969)	—
Other non-current assets	8,644	189,014	4,620	(88,137)	114,141
Total assets	\$1,952,491	\$1,227,806	\$ 414,195	\$(1,332,428)	\$ 2,262,064
<u>Liabilities and Stockholders' Equity</u>					
Current liabilities	\$14,143	\$54,918	\$ 21,996	\$(72)	\$ 90,985
Long-term debt	498,479	10,597	3,053	—	512,129
Non-current portion of accrued reclamation	—	43,314	12,305	—	55,619
Non-current deferred tax liability	—	14,387	153,300	(14,387)	153,300
Other non-current liabilities	42,895	11,126	(964)	—	53,057
Stockholders' equity	1,396,974	1,093,464	224,505	(1,317,969)	1,396,974
Total liabilities and stockholders' equity	\$1,952,491	\$1,227,806	\$ 414,195	\$(1,332,428)	\$ 2,262,064

Table Of Contents**Unaudited Interim Condensed Consolidating Statements of Operations**

	Three Months Ended March 31, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in thousands)				
Revenues	\$312	\$ 86,934	\$ 31,846	\$ —	\$ 119,092
Cost of sales	—	(51,437)	(22,528)	—	(73,965)
Depreciation, depletion, amortization	—	(16,611)	(8,643)	—	(25,254)
General and administrative	(4,442)	(3,893)	(385)	—	(8,720)
Exploration and pre-development	(217)	(1,134)	(3,785)	—	(5,136)
Gain on derivative contracts	5,792	—	—	—	5,792
Equity in earnings of subsidiaries	40,042	—	—	(40,042)	—
Other (expense) income	(28,935)	3,567	31,006	(3,456)	2,182
Income (loss) before income taxes	12,552	17,426	27,511	(43,498)	13,991
(Provision) benefit from income taxes	—	(4,946)	51	3,456	(1,439)
Net income (loss)	12,552	12,480	27,562	(40,042)	12,552
Preferred stock dividends	(138)	—	—	—	(138)
Income (loss) applicable to common stockholders	12,414	12,480	27,562	(40,042)	12,414
Net income (loss)	12,552	12,480	27,562	(40,042)	12,552
Changes in comprehensive income (loss)	1,936	(194)	2,051	(1,857)	1,936
Comprehensive income (loss)	\$14,488	\$ 12,286	\$ 29,613	\$ (41,899)	\$ 14,488

	Three Months Ended March 31, 2014				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in thousands)				
Revenues	\$(19)	\$ 83,710	\$ 42,096	\$ —	\$ 125,787
Cost of sales	—	(49,933)	(27,808)	—	(77,741)
Depreciation, depletion, amortization	—	(17,221)	(8,582)	—	(25,803)
General and administrative	(4,630)	(3,008)	(303)	—	(7,941)
Exploration and pre-development	(44)	(958)	(3,567)	—	(4,569)
Gain on derivative contracts	9,452	—	—	—	9,452
Equity in earnings of subsidiaries	17,703	—	—	(17,703)	—
Other (expense) income	(10,821)	408	9,955	(3,303)	(3,761)
Income (loss) before income taxes	11,641	12,998	11,791	(21,006)	15,424
(Provision) benefit from income taxes	—	(2,886)	(4,200)	3,303	(3,783)
Net income (loss)	11,641	10,112	7,591	(17,703)	11,641
Preferred stock dividends	(138)	—	—	—	(138)
Income (loss) applicable to common stockholders	11,503	10,112	7,591	(17,303)	11,503
Net income (loss)	11,641	10,112	7,591	(17,703)	11,641
Changes in comprehensive income (loss)	1,350	57	1,316	(1,373)	1,350
Comprehensive income (loss)	\$12,991	\$ 10,169	\$ 8,907	\$ (19,076)	\$ 12,991

Table Of Contents**Unaudited Interim Condensed Consolidating Statements of Cash Flows**

	Three Months Ended March 31, 2015				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in thousands)				
Cash flows from operating activities	\$ 15,726	\$ 15,823	\$ 19,902	\$ (30,032)) \$ 21,419
Cash flows from investing activities:					
Additions to properties, plants, and equipment	(424)	(18,163)	(8,371)		(26,958)
Other investing activities, net	—	25	(947)	—	(922)
Cash flows from financing activities:					
Dividends paid to stockholders	(1,062)	—	—	—	(1,062)
Borrowings on debt	—	—	—	—	—
Payments on debt	—	(1,901)	(446)	—	(2,347)
Other financing activity	(15,841)	6,349	(21,544)	30,032	(1,004)
Effect of exchange rate changes on cash	—	—	(2,560)	—	(2,560)
Changes in cash and cash equivalents	(1,601)	2,133	(13,966)	—	(13,434)
Beginning cash and cash equivalents	146,885	33,824	28,956	—	209,665
Ending cash and cash equivalents	\$ 145,284	\$ 35,957	\$ 14,990	\$ —	\$ 196,231

	Three Months Ended March 31, 2014				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in thousands)				
Cash flows from operating activities	\$ 31,570	\$ 23,937	\$ (1,509)) \$ (23,615)) \$ 30,383
Cash flows from investing activities:					
Additions to properties, plants, and equipment	(383)	(13,628)	(12,856)	—	(26,867)
Other investing activities, net	(2,570)	(57)	(2,428)	2,570	(2,485)
Cash flows from financing activities:					
Dividends paid to stockholders	(995)	—	—	—	(995)
Borrowings on debt	(316)	316	—	—	—
Payments on debt	312	(2,715)	—	—	(2,403)
Other financing activity	(16,637)	(4,463)	(413)	21,045	(468)
Effect of exchange rate changes on cash	—	—	(1,698)	—	(1,698)
Changes in cash and cash equivalents	10,981	3,390	(18,904)	—	(4,533)
Beginning cash and cash equivalents	126,271	40,009	45,895	—	212,175
Ending cash and cash equivalents	\$ 137,252	\$ 43,399	\$ 26,991	\$ —	\$ 207,642

Table Of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements contained in this Form 10-Q, including in Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosure About Market Risk, are intended to be covered by the safe harbor provided for under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Our forward-looking statements include our current expectations and projections about future results, performance, results of litigation, prospects and opportunities, including reserves and other mineralization. We have tried to identify these forward-looking statements by using words such as "may," "will," "expect," "anticipate," "believe," "intend," "feel," "plan," "estimate," "project," "forecast" 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 results, performance, prospects or opportunities 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 Part I, Item 1A – Business – Risk Factors in this Form 10-Q and in our annual report filed on Form 10-K for the year ended December 31, 2014. Given these risks and uncertainties, readers are cautioned not to place undue reliance on our 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 do not intend to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

Hecla Mining Company and our subsidiaries have provided precious and base metals to the U.S. and worldwide since 1891. We discover, acquire, develop, and produce silver, gold, lead and zinc.

We produce lead, zinc and bulk concentrates, which we sell to custom smelters and brokers, and unrefined bullion bars (doré) containing gold and silver, which are further refined before sale to precious metals traders. We are organized and managed in three segments that encompass our operating units: the Greens Creek, Lucky Friday, and Casa Berardi units. The map below shows the locations of our operating units and our exploration and pre-development projects, as well as our corporate offices located in Coeur d'Alene, Idaho and Vancouver, British Columbia.

Table Of Contents

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

- operating our properties safely, in an environmentally responsible manner, and cost-effectively;
- continue optimizing and improving operations at our Greens Creek, Lucky Friday, and Casa Berardi units;
- expanding our proven and probable reserves and production capacity at our operating properties;
- conducting our business with financial stewardship to preserve our financial position in varying metals price environments;
- continuing to advance our San Sebastian project in Mexico through additional drilling and a preliminary economic study with the goal of reaching a development decision in 2015;
- maintaining and investing in exploration and pre-development projects in the vicinities of five mining districts we believe to be under-explored and under-invested: North Idaho's Silver Valley in the historic Coeur d'Alene Mining District; our Greens Creek unit on Alaska's Admiralty Island located near Juneau; the silver-producing district near Durango, Mexico; the Abitibi region of north-western Quebec, Canada; and the Creede district of Southwestern Colorado; and
- continuing to seek opportunities to acquire and invest in mining properties and companies, including our proposed merger with Revett Mining Company announced in March 2015 and minority investments in certain exploration stage companies.

A number of key factors may impact the execution of our strategy, including regulatory issues and metals prices. Metals prices can be very volatile. As discussed in the *Critical Accounting Estimates* section below, metals prices are influenced by a number of factors beyond our control. Average market prices of silver, gold, and lead in the first three months of 2015 were lower than their levels from the comparable period last year, while average zinc prices were slightly higher, as illustrated by the table in *Results of Operations* below. While we believe current global economic and industrial trends could result in growing demand, prices have been volatile and there can be no assurance that current prices will continue.

Table Of Contents

On June 1, 2013, we completed the acquisition of all of the issued and outstanding common stock of Aurizon for total consideration of CAD\$740.8 million (US\$714.5 million). 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 3. 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 9 of Notes to Condensed Consolidated Financial Statements (Unaudited)*). 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 additional debt; however, a number of factors could impact our ability to meet the debt obligations and fund our other projects.

On March 26, 2015, we and Revett Mining Company, Inc. (Revett) entered into a merger agreement pursuant to which we would acquire all of the issued and outstanding common stock of Revett, as further discussed in *Note 13 of Notes to Condensed Consolidated Financial Statements (Unaudited)*. Revett holds 100% ownership of two properties in Northwest Montana: the Troy Mine, which is currently on care-and-maintenance, and the Rock Creek project, a significant undeveloped silver and copper deposit. In the proposed merger, each outstanding common share of Revett would be exchanged for 0.1622 of a share of our common stock, for total consideration of approximately \$18.8 million based on the closing price of Hecla stock of \$3.01 per share on May 5, 2015. The proposed merger is subject to approval by Revett's stockholders and other customary closing conditions. No assurance can be given as to whether the merger will be approved and consummated. See *Item 1A – Risk Factors* for information on potential risks relating to the merger and to us following the merger if it is consummated.

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

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 the Mine Safety and Health Administration (“MSHA”) to address issues outlined in its investigations and inspections and continue to evaluate our safety practices.

Another challenge is the risk associated with environmental litigation and ongoing reclamation activities. As described in *Part I, Item 1A. Risk Factors* of our annual report filed on Form 10-K for the year ended December 31, 2014 and *Note 4 of Notes to Condensed Consolidated Financial Statements (Unaudited)*, 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.

Table Of Contents**Results of Operations**

Sales of products by metal for the three-month periods ended March 31, 2015 and 2014 were as follows:

(in thousands)	Three Months Ended March 31,	
	2015	2014
Silver	\$ 50,281	\$ 43,883
Gold	48,620	57,085
Lead	14,670	14,858
Zinc	21,037	24,277
Less: Smelter and refining charges	(15,516)	(14,316)
Sales of products	\$ 119,092	\$ 125,787

For the first quarter of 2015, we recorded income applicable to common stockholders of \$12.4 million (\$0.03 per basic common share), compared to \$11.5 million (\$0.03 per basic common share) during the first quarter of 2014. The following factors led to the results for the first three months of 2015 compared to the same period in 2014:

A net foreign exchange gain in the first quarter of 2015 of \$12.3 million versus a net gain of \$4.1 million in the same period of 2014, as the acquisition of Aurizon has resulted in increased exposure to exchange fluctuations between the U.S. dollar and Canadian dollar.

Decreased average silver, gold, and lead prices for the first quarter of 2015 compared to the same period in 2014.

Average zinc prices were slightly higher compared to the same period in the prior year.

	Three months ended March 31,	
	2015	2014
Silver – London PM Fix (\$/ounce)	\$ 16.72	\$ 20.49
Realized price per ounce	\$ 17.18	\$ 20.04
Gold – London PM Fix (\$/ounce)	\$ 1,219	\$ 1,294
Realized price per ounce	\$ 1,222	\$ 1,298
Lead – LME Final Cash Buyer (\$/pound)	\$ 0.82	\$ 0.95
Realized price per pound	\$ 0.85	\$ 0.98
Zinc – LME Final Cash Buyer (\$/pound)	\$ 0.94	\$ 0.92

Realized price per pound	\$0.94	\$0.90
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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 the first quarter of 2015, we recorded net positive price adjustments to provisional settlements of \$2.1 million compared to net negative price adjustments to provisional settlements of \$0.7 million in the first quarter of 2014. The price adjustments related to silver, gold, zinc and lead contained in our concentrate shipments were largely offset by gains and losses on forward contracts for those metals for each period. (see *Note 11 of Notes to Condensed Consolidated Financial Statements (Unaudited)* 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.

Decreases in gross profit of \$5.0 million and \$1.2 million in the first quarter of 2015 at our Casa Berardi and Lucky Friday units, respectively, compared to the first quarter of 2014. This was partially offset by increased gross profit at our Greens Creek unit in the first quarter of 2015 by \$3.8 million. See *The Greens Creek Segment, The Lucky Friday Segment, The Casa Berardi Segment* sections below.

Table Of Contents

- A net gain on base metal derivative contracts of \$5.8 million in the first quarter of 2015 compared to a gain of \$9.5 million in the same period of 2014.
- Unrealized losses on investments of \$2.8 million in the first quarter of 2015 compared to gains of \$0.7 million in the first quarter of 2014. The 2015 losses were the result of impairments of certain investments being deemed to be other-than-temporary.
- An income tax provision of \$1.4 million in the first quarter of 2015 compared to an income tax provision of \$3.8 million in the first quarter of 2014. See the *Corporate Matters* section below for more information.

The Greens Creek Segment

	Three months ended	
	March 31,	
	2015	2014
<i>Dollars are in thousands (except per ounce and per ton amounts)</i>		
Sales	\$67,355	\$63,596
Cost of sales and other direct production costs	(37,962)	(36,737)
Depreciation, depletion and amortization	(13,746)	(15,026)
Gross profit	\$15,647	\$11,833
Tons of ore milled	195,469	202,715
Production:		
Silver (ounces)	2,035,966	1,787,137
Gold (ounces)	15,239	15,009
Zinc (tons)	13,920	15,041
Lead (tons)	4,930	4,825
Payable metal quantities sold:		
Silver (ounces)	2,139,402	1,545,623
Gold (ounces)	13,612	11,509
Zinc (tons)	9,693	12,108
Lead (tons)	4,428	3,623
Ore grades:		
Silver ounces per ton	13.78	12.44
Gold ounces per ton	0.12	0.12
Zinc percent	8.34	8.57
Lead percent	3.26	3.14
Mining cost per ton	\$73.68	\$66.89
Milling cost per ton	\$28.74	\$27.51
Cash Cost, After By-product Credits, per Silver Ounce ⁽¹⁾	\$3.23	\$1.58

(1) A reconciliation of this non-GAAP measure to cost of sales and other direct production costs and depreciation, depletion and amortization, the most comparable GAAP measures, can be found below in *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).

The \$3.8 million increase in gross profit during the first quarter of 2015 compared to the same 2014 period was primarily the result of higher sales volume, despite significantly lower average prices for silver, gold, and lead. Higher silver and lead ore grades and higher silver and gold recovery, partially offset by lower zinc grades and higher labor costs also impacted gross profit. In addition, gross profit at Greens Creek was impacted by positive price adjustments to revenues of \$1.9 million for the first quarter of 2015 compared to negative price adjustments of \$0.4 million for the first quarter of 2014. Price adjustments to revenues result from changes in metals prices between transfer of title of concentrates to buyers and final settlements during the period. The price adjustments related to silver, gold, zinc and lead contained in concentrate shipments were net of gains and losses on forward contracts for those metals for each period. The price adjustments and gains and losses on forward contracts discussed above are included in sales.

Table Of Contents

Mining and milling costs per ton increased by 10% and 4%, respectively, in the first quarter of 2015 compared to the same period in 2014. The increase in mining and milling costs was primarily the result of higher hourly and salary labor costs, due to higher staffing levels, and lower milled tons.

Depreciation, depletion and amortization expense was 9% less in the first quarter of 2015 compared to the same 2014 period, due primarily to the effect on units-of-production depreciation of weaker silver prices relative to base metal prices.

The chart below illustrates the factors contributing to the variances in Cash Cost, After By-product Credits, per Silver Ounce for the first quarter of 2015 compared to the same period of 2014:

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

	Three Months Ended March 31,	
	2015	2014
Cash Cost, Before By-product Credits, per Silver Ounce	\$23.14	\$26.08
By-product credits	(19.91)	(24.50)
Cash Cost, After By-product Credits, per Silver Ounce	\$3.23	\$1.58

The increase in Cash Costs, After By-Product Credits, per Silver Ounce for the first quarter of 2015 compared to 2014 was the result of higher labor costs and lower by-product credits, partially offset by higher silver production.

Table Of Contents

Mining and milling costs decreased in the first quarter of 2015 compared to 2014 on a per-ounce basis, despite increasing on a per-ton basis as discussed above, due primarily to higher silver production resulting from improved silver grades and recovery.

Other cash costs per ounce for the first quarter of 2015 were lower compared to 2014 due to the effect of higher silver production and lower mine license tax.

Treatment costs were lower in the first quarter of 2015 compared to 2014 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.

By-product credits per ounce were lower in the first quarter of 2015 compared to 2014 due to lower gold and lead prices and higher silver production due to increased silver ore grades.

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 concentrates we produce versus the portion of those metals actually payable by our customers according to the terms of the contracts. Differences can also arise from inventory changes incidental to shipping schedules. The difference in payable quantities sold for 2015 compared to 2014 is 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 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.

Table Of Contents*The Lucky Friday Segment*

	Three Months Ended	
	March 31,	
	2015	2014
<i>Dollars are in thousands (except per ounce and per ton amounts)</i>		
Sales	\$19,891	\$20,096
Cost of sales and other direct production costs	(13,474)	(13,196)
Depreciation, depletion and amortization	(2,866)	(2,196)
Gross profit	\$3,551	\$4,704
Tons of ore milled	74,245	79,089
Production:		
Silver (ounces)	836,719	699,605
Lead (tons)	4,948	4,810
Zinc (tons)	2,167	2,050
Payable metal quantities sold:		
Silver (ounces)	781,506	639,017
Lead (tons)	4,196	3,957
Zinc (tons)	1,450	1,395
Ore grades:		
Silver ounces per ton	11.75	9.38
Lead percent	7.00	6.49
Zinc percent	3.19	3.00
Mining cost per ton	\$84.68	80.99
Milling cost per ton	\$20.27	20.59
Cash Cost, After By-product Credits, per Silver Ounce (1)	\$9.05	\$9.60

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 measures, can be found below in *Reconciliation of Cash* (1) *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)*.

Gross profit decreased by \$1.2 million in the first quarter of 2015 compared to 2014 primarily due to lower silver and lead prices, partially offset by increased metal production as a result of improved ore grades. Depreciation, depletion and amortization increased from first quarter 2014 due to the increased machinery and equipment invested in the mine.

Mining cost per ton was 5% higher in the first quarter of 2015 compared to the same period in 2014 due primarily to lower tonnage. Milling cost per ton was 2% lower in the first quarter of 2015 compared to 2014, as lower costs for consumables offset the impact of lower tonnage.

Table Of Contents

The chart below illustrates the factors contributing to the variances in Cash Cost, After By-product Credits, per Silver Ounce for the first quarter of 2015 compared to the same period of 2014:

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

	Three Months Ended March 31,	
	2015	2014
Cash Cost, Before By-product Credits, per Silver Ounce	\$21.68	\$25.62
By-product credits	(12.63)	(16.02)
Cash Cost, After By-product Credits, per Silver Ounce	\$9.05	\$9.60

Cash Cost, After By-product Credits, per Silver Ounce for the first quarter of 2015 was lower than in the first quarter of 2014 due primarily to the increased silver production.

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

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

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

Likewise, we believe the identification of 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 revenue from any single by-product metal to warrant classification of such as a co-product.

Table Of Contents

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, upon its completion, to provide deeper access in order to extend the mine's operational life. 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. Construction of the #4 Shaft as currently designed is expected to cost approximately \$225 million, an increase from the previous estimate of \$215 million as a result of additional ground support and other design changes required as the shaft is deepened. Approximately \$176 million has been spent as of March 31, 2015, with completion expected in 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, (iv) a significant increase in operating or capital costs, or (v) changing ground conditions.

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 4 of Notes to Condensed Consolidated Financial Statements (Unaudited) for contingencies related to various accidents and other events occurring at the Lucky Friday mine in prior periods.

The Casa Berardi Segment

<i>Dollars are in thousands (except per ounce and per ton amounts)</i>	Three Months Ended	
	March 31, 2015	2014
Sales	\$31,846	\$42,096
Cost of sales and other direct production costs	(22,528)	(27,808)
Depreciation, depletion and amortization	(8,643)	(8,581)
Gross profit	\$675	\$5,707
Tons of ore milled	188,095	186,143
Production:		
Gold (ounces)	25,411	31,259
Silver (ounces)	5,912	5,111
Payable metal quantities sold:		
Gold (ounces)	26,183	32,456
Silver (ounces)	5,627	5,063

Ore grades:		
Gold ounces per ton	0.16	0.19
Silver ounces per ton	0.036	0.031
Mining cost per ton	\$105.50	\$121.15
Milling cost per ton	\$21.94	\$22.78
Cash Cost, After By-product Credits, per Gold Ounce ⁽¹⁾	\$973.52	\$886.28

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 measures, can be found below in *Reconciliation of Cash*
⁽¹⁾ *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).*

Table Of Contents

Gross profit decreased by \$5.0 million for the first quarter of 2015 compared to the same period in 2014. The decrease is primarily due to lower gold prices, ore grades, and recoveries. Tons of ore milled increased slightly in the first quarter to an average throughput of 2,090 tons per day compared to 2,068 tons per day for 2014.

Mining cost per ton for the first quarter of 2015 was 13% lower than the first quarter of 2014 primarily due to higher ore production and lower propane costs this year compared to last when a propane shortage resulted in higher prices. Foreign exchange differences also contributed to the lower costs, as the U.S. dollar was stronger relative to the Canadian dollar in the first quarter of 2015 than it was in the first quarter of 2014.

Milling cost per ton was down 4% in the first quarter of 2015 compared to the same period in 2014 mainly due to higher ore production and foreign exchange differences noted above.

Sales during the first quarter of 2015 totaled \$31.8 million compared to \$42.1 million in the first quarter of 2014. The decrease in 2015 is attributed to lower gold prices, ore grades, and recoveries. The lower grades are a result of mine sequencing. Recoveries are lower due to new metallurgical characteristics of ore from the 118 Zone, requiring adjustments to the mill which are expected to improve recoveries starting in the second quarter. Our average realized sale price per ounce of gold during 2015 was \$1,222 compared to \$1,298 for the same period in 2014.

The chart below illustrates the factors contributing to Cash Cost, After By-product Credits, per Gold Ounce for the first quarter of 2015:

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

	Three Months Ended March 31,	
	2015	2014
Cash Cost, Before By-product Credits, per Silver Ounce	\$977.34	\$889.61
By-product credits	(3.82)	(3.33)
Cash Cost, After By-product Credits, per Silver Ounce	\$973.52	\$886.28

Table Of Contents

The increase in Cash Cost, After By-product Credits, per Gold Ounce for the first quarter of 2015 compared to the first quarter of 2014 was primarily the result of lower gold production due to decreased ore grades and recoveries.

Mining and milling cost per ounce increased in the first quarter of 2015 compared to the same period of 2014 due to lower gold production, partially offset by foreign exchange differences.

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.

Corporate Matters

Employee Benefit Plans

Our defined benefit pension plans, while affording a significant benefit to our employees, also represent a significant liability to us. The liability recorded for the funded status of our plans was \$40.4 million and \$43.7 million as of March 31, 2015 and December 31, 2014, respectively. In January 2015, we contributed approximately \$5.0 million in shares of our common stock to our defined benefit plans, with no additional contributions anticipated in 2015. While the economic variables which will determine future funding 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. See *Note 7 of Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information.

Income Taxes

We continue to have a net deferred tax asset in the U.S. and a net deferred tax liability in Canada. Our U.S. net deferred tax asset at March 31, 2015 totaled \$108.6 million, or 5% of total assets, a decrease of \$2.4 million from the \$111.0 million net deferred tax asset at December 31, 2014. The largest component of the deferred tax asset is net operating loss carryforwards which are available to be applied against future taxable income. The next largest component is deferred exploration expense. Each reporting period we assess our deferred tax assets utilizing long-range forecasts to provide reasonable assurance that they will be realized through future earnings. At March 31, 2015, we retained a valuation allowance on U.S. deferred tax assets of \$6.3 million, primarily for foreign tax credits. A \$29.8 million valuation allowance remains on deferred tax assets in foreign jurisdictions.

Our net Canadian deferred tax liability at March 31, 2015 was \$138.4 million, a decrease of \$15.0 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, and 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 effective tax rate for the three months ended March 31, 2015 was 10% compared to 24% for the three months ended March 31, 2014. The change in the effective tax rate is primarily due to the effects of the U.S. deduction for percentage depletion and the impact of taxation in foreign jurisdictions.

Table Of Contents

Reconciliation of Cash Cost, Before By-product Credits and Cash Cost, After By-product Credits, Per Ounce (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, per Ounce and Cash Cost, After By-product Credits, per Ounce to the most comparable GAAP measures of cost of sales and other direct production costs and depreciation, depletion and amortization for our operations at the Greens Creek, Lucky Friday, and Casa Berardi units for the three-month periods ended March 31, 2015 and 2014.

Cash Cost, After By-product Credits, per Ounce is an important operating statistic that we utilize to measure each mine's operating performance. It also allows us to benchmark the performance of each of our mines versus those of our competitors. As a primary silver mining company, we also use the statistic on an aggregate basis - aggregating the Greens Creek and Lucky Friday mines - to compare our performance with that of other primary silver mining companies. With regard to Casa Berardi, we use Cash Cost, After By-product Credits, per Gold Ounce to compare its performance with other gold mines. 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, per Ounce include all direct and indirect operating cash costs related directly to the physical activities of producing metals, including mining, processing and other plant costs, third-party refining expense, on-site general and administrative costs, royalties and mining production taxes. By-product credits include revenues earned from all metals other than the primary metal produced at each unit. Cash Cost, After By-product Credits, per Ounce provides management and investors an indication of operating cash flow, after consideration of the average price, received from production. Management also uses this measurement for the comparative monitoring of performance of our mining operations period-to-period from a cash flow perspective. Cash Cost, After By-product Credits, per Ounce is a measure developed by precious metals companies (including the Silver Institute) in an effort to provide a uniform standard for comparison purposes. There can be no assurance, however, that our reporting of this non-GAAP measure is the same as that reported by other mining companies.

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

Table Of Contents

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

<i>In thousands (except per ounce amounts)</i>	Total, Greens Creek and Lucky Friday Units Three months ended March 31,	
	2015	2014
By-product value, all silver properties:		
Zinc	\$21,690	\$22,956
Gold	15,508	16,260
Lead	13,893	15,767
Total by-product credits	\$51,091	\$54,983
By-product credits per silver ounce, all silver properties		
Zinc	\$7.55	\$9.23
Gold	5.40	6.54
Lead	4.84	6.34
Total by-product credits	\$17.79	\$22.11

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 Three months ended March 31,	
	2015	2014
Silver by-product value	\$97	\$104
Silver by-product credits per gold ounce	\$3.82	\$3.33

Cost of sales and other direct production costs and depreciation, depletion and amortization are the most comparable financial measures 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 Condensed Consolidated Statement of Operations and Comprehensive Income (Loss) (Unaudited).

40

Table Of Contents

<i>In thousands (except per ounce amounts)</i>	Total, Greens Creek and Lucky Friday Units Three Months Ended March 31,	
	2015	2014
Cash Cost, Before By-product Credits ⁽¹⁾	\$65,246	\$64,519
By-product credits	(51,090)	(54,983)
Cash Cost, After By-product Credits	14,156	9,536
Divided by ounces produced	2,873	2,487
Cash Cost, Before By-product Credits, per Silver Ounce Produced	22.71	25.94
By-product Credits per Silver Ounce Produced	(17.78)	(22.11)
Cash Cost, After By-product Credits, per Silver Ounce Produced	\$4.93	\$3.83
Reconciliation to GAAP:		
Cash Cost, After By-product Credits	\$14,156	\$9,536
Depreciation, depletion and amortization	16,612	17,222
Treatment costs	(19,921)	(19,906)
By-product credits	51,090	54,983
Change in product inventory	5,718	4,795
Reclamation and other costs	393	525
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	\$68,048	\$67,155

<i>In thousands (except per ounce amounts)</i>	Greens Creek Unit Three Months Ended March 31,	
	2015	2014
Cash Cost, Before By-product Credits ⁽¹⁾	\$47,113	\$46,599
By-product credits	(40,531)	(43,777)
Cash Cost, After By-product Credits	6,582	2,822
Divided by ounces produced	2,036	1,787
Cash Cost, Before By-product Credits, per Silver Ounce	23.14	26.08
By-product Credits per Silver Ounce	(19.91)	(24.50)
Cash Cost, After By-product Credits, per Silver Ounce	\$3.23	\$1.58
Reconciliation to GAAP:		
Cash Cost, After By-product Credits	\$6,582	\$2,822
Depreciation, depletion and amortization	13,746	15,026
Treatment costs	(15,233)	(15,389)
By-product credits	40,531	43,777
Change in product inventory	5,694	4,999
Reclamation and other costs	388	528
	\$51,708	\$51,763

Cost of sales and other direct production costs and depreciation, depletion and amortization
(GAAP)

41

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

	Lucky Friday Unit Three Months Ended March 31,	
	2015	2014
Cash Cost, Before By-product Credits ⁽¹⁾	\$18,133	\$17,920
By-product credits	(10,559)	(11,206)
Cash Cost, After By-product Credits	7,574	6,714
Divided by ounces produced	837	700
Cash Cost, Before By-product Credits, per Silver Ounce	21.68	25.62
By-product Credits per Silver Ounce	(12.63)	(16.02)
Cash Cost, After By-product Credits, per Silver Ounce	\$9.05	\$9.60
Reconciliation to GAAP:		
Cash Cost, After By-product Credits	\$7,574	\$6,714
Depreciation, depletion and amortization	2,866	2,196
Treatment costs	(4,688)	(4,517)
By-product credits	10,559	11,206
Change in product inventory	24	(204)
Reclamation and other costs	5	(3)
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	\$16,340	\$15,392

In thousands (except ounce and per ounce amounts)

	Casa Berardi Unit Three months ended March 31,	
	2015	2014
Cash Cost, Before By-product Credits ⁽¹⁾	\$24,835	\$27,808
By-product credits	(97)	(104)
Cash Cost, After by-product credits	24,738	27,704
Divided by gold ounces produced	25,411	31,259
Cash Cost, Before By-product Credits, per Gold Ounce	977.34	889.61
By-product Credits per Gold Ounce	(3.82)	(3.33)
Cash Cost, After By-product Credits, per Gold Ounce	\$973.52	\$886.28
Reconciliation to GAAP:		
Cash Cost, After By-product Credits	\$24,738	\$27,704
Depreciation, depletion and amortization	8,643	8,581
Treatment costs	(153)	(98)
By-product credits	97	104
Change in product inventory	(2,272)	(107)
Reclamation and other costs	118	205
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	\$31,171	\$36,389

Table Of Contents*In thousands*

	Total, All Locations Three months ended March 31,	
	2015	2014
Reconciliation to GAAP:		
Cash Cost, After By-product Credits	\$38,894	\$37,240
Depreciation, depletion and amortization	25,255	25,803
Treatment costs	(20,074)	(20,004)
By-product credits	51,187	55,087
Change in product inventory	3,446	4,688
Reclamation and other costs	511	730
Cost of sales and other direct production costs and depreciation, depletion and amortization (GAAP)	\$99,219	\$103,544

- (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.

Financial Liquidity and Capital Resources

Our liquid assets include (in millions):

	March 31, 2015	December 31, 2014
Cash and cash equivalents held in U.S. dollars	\$176.7	\$ 180.9
Cash and cash equivalents held in foreign currency	19.5	28.8
Total cash and cash equivalents	196.2	209.7
Marketable equity securities - non-current	4.3	4.9
Total cash, cash equivalents and investments	\$200.5	\$ 214.6

Cash and cash equivalents decreased by \$13.5 million in the first three months of 2015, as discussed below, while the value of non-current marketable equity securities decreased by \$0.6 million (see *Note 2 of Notes to Condensed*

Consolidated Financial Statements (Unaudited) for more information).

On April 12, 2013, we completed an offering of Notes in the total principal amount of US\$500 million, as discussed in *Note 9 of Notes to Condensed Consolidated Financial Statements (Unaudited)*. The net proceeds from the offering of the Notes of \$490 million were used to partially fund the acquisition of Aurizon and for general corporate purposes, including expenses related to the Aurizon acquisition. In addition, on April 14, 2014, we entered into an agreement with the Hecla Mining Company Retirement Plan Trust pursuant to which we contributed \$6.5 million in aggregate principal amount of the Notes in order to satisfy the funding requirement for one of our defined benefit pension plans for 2014. The Notes are due May 1, 2021 and bear interest at a rate of 6.875% per year from the date of original issuance or from the most recent payment date to which interest has been paid or provided for. Interest on the Notes is payable on May 1 and November 1 of each year, commencing November 1, 2013.

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, including approximately \$176 million that has been spent on the project as of March 31, 2015.

Table Of Contents

Pursuant to our common stock dividend policy described in *Note 8 of Notes to Condensed Consolidated Financial Statements (Unaudited)*, our Board of Directors declared and paid dividends on common stock totaling \$0.9 million in the first quarter of 2015 and \$0.9 million in the first quarter of 2014. On May 6, 2015, our Board of Directors declared a dividend on common stock totaling \$0.9 million payable in June 2015. Our dividend policy has a silver-price-linked component which ties the amount of declared common stock dividends to our realized silver price for the preceding quarter. Another component of our common stock dividend policy anticipates paying an annual minimum dividend. The declaration and payment of dividends on common stock is at the sole discretion of our board of directors, and there can be no assurance that we will continue to declare and pay common stock dividends in the future.

On 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 March 31, 2015, 934,100 shares have been purchased in prior periods at an average price of \$3.99 per share, leaving 19.1 million shares that may yet be purchased under the program. The closing price of our common stock at May 5, 2015, was \$3.01 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 assurance that such financing will be available to us.

As a result of our current cash balances, the performance of our current operations, current metals prices, and full availability of our \$100 million revolving credit facility, 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 and other potential cash requirements during the next 12 months. Our obligations and other uses of cash may include, but are not limited to: debt service obligations related to the Notes, capital outlays for the #4 Shaft project and other capital expenditures, potential repurchases of our common stock under the program described above, and payment of dividends on common stock, if declared by our board of directors. We currently estimate that a total of approximately \$145 million will be spent on capital expenditures, primarily for equipment, infrastructure, and development at our mines, in 2015. We also estimate that exploration and pre-development expenditures will total approximately \$18 million in 2015. However, capital, exploration, and pre-development expenditures may change based upon our financial position, metals prices, and other considerations. Our ability to fund the activities described above will depend on our operating performance, metals prices, our ability to estimate costs, sources of liquidity available to us, and other factors. A sustained downturn in metals prices or significant increase in operational or capital costs, other uses of cash, or other factors beyond our control could impact our plans.

	Three Months Ended March March 31, 31, 2015 2014	
Cash provided by operating activities (in millions)	\$21.4	\$ 30.4

Cash provided by operating activities in the first quarter of 2015 decreased by \$9.0 million compared to the same period in 2014. The reduction was primarily due to working capital and other operating asset and liability changes which resulted in a net cash flow decrease of \$8.0 million in the first three months of 2015 compared to a net increase in cash flows of \$6.3 million in the 2014 period. The \$14.3 million variance in working capital changes is attributed to higher accounts receivable balances due to the timing of sales at Greens Creek and Casa Berardi, an increased portion of incentive compensation related to prior-year performance paid in cash rather than stock, and lower accrued taxes due to the timing of tax payments. These factors were partially offset by smaller reductions in accounts payable due to the timing of capital spending at the operations. In addition, income, as adjusted for non-cash items, was higher by \$5.3 million, due primarily to increased sales volumes and the impact of a weaker Canadian dollar relative to the U.S. dollar in the first quarter of 2015 compared to the same period in 2014.

Table Of Contents

	Three Months Ended	
	March 31, 2015	March 31, 2014
Cash used in investing activities (in millions)	\$(27.9)	\$(29.4)

During the first quarter of 2015 we invested \$27.0 million in capital expenditures, not including \$1.6 million in non-cash capital lease additions, compared to \$26.9 million, not including \$2.2 million in capital lease additions, in the same period in 2014. We acquired investments for \$0.9 million in the first quarter of 2015. Restricted investments related to reclamation bonding at the Casa Berardi unit increased by \$2.5 million during the first quarter of 2014. In June, such restricted investments were replaced by a letter of credit.

	Three Months Ended	
	March 31, 2015	March 31, 2014
Cash used in financing activities (in millions)	\$(4.4)	\$(3.9)

We paid cash dividends of \$0.9 million on our common stock and cash dividends of \$0.1 million on our Series B Preferred Stock during each of the first quarters of 2015 and 2014. We made repayments on our capital leases of \$2.3 million and \$2.4 million in the three month periods ended March 31, 2015 and 2014, respectively. In addition, during the first quarter of 2015, we acquired treasury shares for \$0.9 million as the result of employees' elections to satisfy their tax withholding obligations related to incentive compensation paid in stock through net share settlement. (see *Note 8 of Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information). No treasury shares were acquired in the first quarter of 2014 due to the timing of incentive compensation payments.

Contractual Obligations, Contingent Liabilities and Commitments

The table below presents our fixed, non-cancelable contractual obligations and commitments primarily related to our Notes, outstanding purchase orders, certain capital expenditures, our credit facility and lease arrangements as of March 31, 2015 (in thousands):

Payments Due By Period

Total

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	Less than	1-3 years	4-5 years	More than	
	1 year			5 years	
Purchase obligations ⁽¹⁾	\$ 13,919	\$ —	\$ —	\$ —	\$ 13,919
Commitment fees ⁽²⁾	500	1,317	—	—	1,817
Contractual obligations ⁽³⁾	3,009	1,012	—	—	4,021
Capital lease commitments ⁽⁴⁾	10,195	10,818	1,700	—	22,713
Operating lease commitments ⁽⁵⁾	3,433	5,726	2,213	1,561	12,933
Supplemental executive retirement plan ⁽⁶⁾	346	716	750	2,304	4,116
Notes ⁽⁷⁾	34,822	69,644	69,644	544,224	718,334
Total contractual cash obligations	\$ 66,224	\$ 89,233	\$ 74,307	\$ 548,089	\$ 777,853

Consist of open purchase orders of approximately \$9.3 million at the Greens Creek unit, \$3.5 million at the Lucky Friday unit and \$1.1 million at the Casa Berardi unit. Included in these amounts are approximately \$0.5 million, ⁽¹⁾ \$2.1 million, and \$0.8 million related to various capital projects at the Greens Creek, Lucky Friday and Casa Berardi units, respectively.

Table Of Contents

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
 (2) revolving credit agreement as of March 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 9 of Notes to Condensed Consolidated Financial Statements (Unaudited)*.

(3) As of March 31, 2015, we were committed to approximately \$4.0 million for various non-capital items.

Includes scheduled capital lease payments of \$15.5 million, \$4.1 million, and \$3.1 million (including interest),
 (4) 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 9 of Notes to Condensed Consolidated Financial Statements (Unaudited)* 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
 (6) post-retirement benefits for qualifying retired employees, along with a supplemental executive retirement plan. These amounts represent our estimate of the future funding requirements for these plans. See *Note 7 of Notes to Condensed Consolidated Financial Statements (Unaudited)* 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 (the "Notes"). See *Note 9 of Notes to Condensed Consolidated Financial Statements (Unaudited)*
 (7) for more information. The Notes bear interest at a rate of 6.875% per year from the date of original issuance or from the most recent payment date to which interest has been paid or provided for. Interest on the Notes is payable on May 1 and November 1 of each year, commencing November 1, 2013. Since the initial offering, we have issued an additional \$6.5 million in aggregate principal amount of the Notes to fund obligations under our defined benefit pension plan. See *Note 7 and Note 9 of Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information.

We record liabilities for costs associated with mine closure, reclamation of land and other environmental matters. At March 31, 2015, our liabilities for these matters totaled \$57.4 million. Future expenditures related to closure, reclamation and environmental expenditures at our sites are difficult to estimate, although we anticipate we will incur expenditures relating to these obligations over the next 30 years. See *The Greens Creek Segment* above for more information regarding our closure and reclamation obligations there. For additional information relating to our environmental obligations, see *Note 4 of Notes to Condensed Consolidated Financial Statements (Unaudited)*.

As discussed in *Overview*, in March 2015 we entered into an agreement to acquire Revett. See *Note 13 of Notes to Condensed Consolidated Financial Statements (Unaudited)* for a discussion of our commitment, upon satisfaction of certain conditions, to close the proposed acquisition of Revett and issue shares of our common stock as consideration.

Off-Balance Sheet Arrangements

At March 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 are material to investors.

Table Of Contents*Critical Accounting Estimates*

Our significant accounting policies are described in *Note 1 of Notes to Consolidated Financial Statements* in our annual report filed on Form 10-K for the year ended December 31, 2014. As described in *Note 1* of the annual report, 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* in our annual report filed on Form 10-K for the year ended December 31, 2014, metals prices have historically been volatile. Silver demand arises from investment demand, particularly in exchange-traded funds, industrial demand, and consumer demand. Gold demand arises primarily from investment and consumer demand. Investment demand for silver and gold is influenced by various factors, including: the value of the U.S. Dollar and other currencies, changing U.S. budget deficits, widening availability of exchange-traded funds, interest rate levels, the health of credit markets, and inflationary expectations. Uncertainty concerning a global economic recovery could result in continued investment demand for precious metals. Industrial demand for silver is closely linked to world Gross Domestic Product growth, and industrial fabrication levels, as it is difficult to substitute for silver in industrial fabrication. Consumer demand is driven significantly by demand for jewelry and similar retail products. We believe that industrial and economic trends, including urbanization and growth of the middle class in countries such as China and India, will result in continued consumer demand for silver and gold and industrial demand for silver. However, there can be no assurance whether these trends will continue or how they will impact prices of the metals we produce. In the past, we have recorded impairments to our asset carrying value because of low prices, and we can offer no assurance that prices will either remain at their current levels or increase.

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

Sales of all metals products sold directly to customers are recorded as revenues when title and risk of loss transfer to the customer (generally at the time of shipment) at estimated forward metals prices for the estimated month of settlement. Due to the time elapsed between the time of shipment to the customer and final settlement with the customer, we must estimate the prices at which sales of our metals will be settled. Previously recorded sales and trade accounts receivable are adjusted to estimated settlement metals prices until final settlement by the customer. Changes in metals prices between shipment and final settlement result in changes to revenues and accounts receivable previously recorded upon shipment. As a result, our trade accounts receivable balances are subject to changes in metals prices until final settlement occurs. For more information, see part *N. Revenue Recognition* of *Note 1* of *Notes to Consolidated Financial Statements* in our annual report filed on Form 10-K for the year ended December 31, 2014.

Table Of Contents

We utilize financially-settled forward contracts to manage our exposure to changes in prices for silver, gold, zinc and lead. See *Item 3. Quantitative and Qualitative Disclosures About Market Risk - Commodity-Price Risk Management* below for more information on our contract programs. These contracts do not qualify for hedge accounting and are therefore marked-to-market through earnings each period. Changes in silver, gold, zinc and lead prices between the dates that the contracts are entered into and their settlements will result in changes to the fair value asset or liability associated with the contracts, with a corresponding gain or loss recognized in earnings.

Obligations for Environmental, Reclamation and Closure Matters

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

Mineral Reserves

Critical estimates are inherent in the process of determining our reserves. Our reserves are affected largely by our assessment of future metals prices, as well as by engineering and geological estimates of ore grade, accessibility and production cost. Metals prices are estimated at long-term averages, as described in *Item 2. — Property Descriptions* in our annual report filed on Form 10-K for the year ended December 31, 2014. 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. Reserves also play a key role in the valuation of certain assets in the determination of the purchase price allocations for acquisitions (see *Business Combinations* below). Reserves are a culmination of many estimates and are not guarantees that we will recover the indicated quantities of metals or that we will do so at a profitable level.

Business Combinations

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

Table Of Contents

Item 3. 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 March 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 (*Item 1A. – Risk Factors* of this Form 10-Q and of our annual report filed on Form 10-K for the year ended December 31, 2014).

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* in our annual report filed on Form 10-K for the year ended December 31, 2014). At March 31, 2015, metals contained in concentrates and exposed to future price changes totaled approximately 1.7 million ounces of silver, 6,916 ounces of gold, 13,614 tons of zinc, and 4,595 tons of lead. If the price for each metal were to change by 10%, the change in the total value of the concentrates sold would be approximately \$6.9 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 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.

We are currently using financially-settled forward contracts to manage the exposure to changes in prices of silver, gold, zinc and lead contained in our concentrate shipments between the time of shipment and final settlement. In addition, we use financially-settled forward contracts to manage the exposure to changes in prices of zinc and lead (but not silver and gold) contained in our forecasted future concentrate shipments. These contracts do not qualify for hedge accounting and are marked-to-market through earnings each period. At March 31, 2015, we recorded the following balances related to these contracts:

- a current asset of \$6.8 million which is included in other current assets and is net of \$0.9 million in contracts in a fair value current liability position; and
- a non-current asset of \$7.5 million which is included in other non-current assets and is net of \$0.2 million in contracts in a fair value current liability position.

We recognized a \$0.3 million net gain during the first three months of 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.

Table Of Contents

We recognized a \$5.8 million net gain during the first three months of 2015 on the contracts utilized to manage exposure to prices for forecasted future concentrate shipments, which includes \$1.9 million in gains realized on settled contracts. The net gain on these contracts is included as a separate line item under other income (expense), as they relate to forecasted future shipments, as opposed to sales that have already taken place but are subject to final pricing as discussed in the preceding paragraph. The net gain during the first three months of 2015 is the result of decreasing zinc and lead prices. This program is designed to mitigate the impact of potential future declines in lead and zinc prices from the price levels established in the contracts (see average price information below).

The following table summarizes the quantities of metals committed under forward sales contracts at March 31, 2015:

	Ounces/pounds under contract (in 000's)				Average price per ounce/pound			
	Silver (ounces)	Gold (ounces)	Zinc (pounds)	Lead (pounds)	Silver (ounces)	Gold (ounces)	Zinc (pounds)	Lead (pounds)
Contracts on provisional sales								
2015 settlements	1,587	6	25,849	8,874	\$ 16.71	\$ 1,194	\$ 0.94	\$ 0.81
Contracts on forecasted sales								
2015 settlements	—	—	27,999	22,487	N/A	N/A	\$ 0.95	\$ 1.10
2016 settlements	—	—	44,699	34,337	N/A	N/A	\$ 0.99	\$ 1.03
2017 settlements	—	—	1,984	—	N/A	N/A	\$ 1.04	N/A

The contracts represent 30% of the forecasted zinc production at an average price of \$0.98 per pound for the period from the second quarter of 2015 to the end of 2017 and 29% of the forecasted lead production at an average price of \$1.05 per pound for the period from the second quarter of 2015 to the end of 2017.

Foreign Currency

We operate or have mining interests in Canada and Mexico, which exposes us to risks associated with fluctuations in the exchange rates of the currencies involved, particularly between the U.S. dollar and Canadian dollar. On June 1, 2013, we completed the acquisition of Aurizon Mines Ltd., which gave us ownership of the Casa Berardi mine and various mineral interests in Quebec, Canada. We have determined that the functional currency for our Canadian operations is the U.S. dollar. As such, foreign exchange gains and losses associated with the re-measurement of monetary assets and liabilities from Canadian dollars to U.S. dollars are recorded to earnings each period. For the first quarter of 2015, we recognized a net foreign exchange gain of \$12.3 million. Foreign currency exchange rates are influenced by a number of factors beyond our control. We currently do not utilize forward contracts or other contracts to manage our exposure to foreign currency fluctuations, but we may do so in the future. A 1% change in the exchange rate between the U.S. dollar and Canadian dollar from the rate at March 31, 2015 would have resulted in a

change of approximately \$1.4 million in our net foreign exchange gain.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures as required by Securities Exchange Act Rules 13a-15(e) and 15d-15(e) as of the end of the period covered by this report. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures, including controls and procedures designed to ensure that information required to be disclosed by us is accumulated and communicated to our management (including our CEO and CFO), were effective as of March 31, 2015, in assuring them in a timely manner that material information required to be disclosed in this report has been properly recorded, processed, summarized and reported. There were no changes in our internal control over financial reporting during the quarter ended March 31, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table Of Contents

Internal control systems, no matter how well designed and operated, have inherent limitations. Therefore, even a system which is determined to be effective cannot provide absolute assurance that all control issues have been detected or prevented. Our systems of internal controls are designed to provide reasonable assurance with respect to financial statement preparation and presentation.

Part II - Other Information

Hecla Mining Company and Subsidiaries

Item 1. Legal Proceedings

For information concerning legal proceedings, refer to *Note 4 of Notes to Condensed Consolidated Financial Statements (Unaudited)*, which is incorporated by reference into this Item 1.

Item 1A. Risk Factors

Item 1A – Risk Factors of our annual report filed on Form 10-K for the year ended December 31, 2014 sets forth information relating to important risks and uncertainties that could materially adversely affect our business, financial condition or operating results. Those risk factors continue to be relevant to an understanding of our business, financial condition and operating results. Additional risk factors have been added in this Form 10-Q to provide updated information, as set forth below.

On March 26, 2015, we and Revett Mining Company, Inc. (Revett) entered into a merger agreement pursuant to which we would acquire all of the issued and outstanding common stock of Revett. See *Note 13 of Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information. The proposed merger is subject to approval by Revett's stockholders. The information below includes additional risk factors related to the potential acquisition.

Risk Factors Relating to the Merger

The merger with Revett may not be completed on the terms or timeline currently contemplated or at all. Failure to complete the merger could negatively impact the price of our stock and our future business and financial results.

The completion of the merger is subject to certain conditions, including (1) approval by Revett stockholders, (2) the effectiveness of certain filings with the SEC, (3) the absence of certain legal impediments, (4) certain environmental risk transfer program and other insurance policies relating to the Troy Mine continuing to be in full force and effect, and (5) other customary closing conditions. There can be no assurance that the merger will be consummated on the terms or timeline currently contemplated, or at all. We have expended and will continue to expend a significant amount of time and resources on the merger, and a failure to consummate the merger as currently contemplated, or at all, could have a material adverse effect on our business and results of operations.

If the merger is not completed, our ongoing business may be adversely affected and we will be subject to several risks, including the following:

Having to pay substantial other costs and expenses relating to the proposed transaction, such as legal, accounting, filing, printing and mailing fees and integration costs that have already been incurred and will continue to be incurred;

Table Of Contents

the focus of management on the merger instead of on pursuing other opportunities that could be beneficial to us; and

the market price of our common stock could decline to the extent that the current market price reflects a market assumption that the merger will be completed;

in each case, without realizing any of the anticipated benefits of having the merger completed. In addition, if the merger is not completed, we may experience negative reactions from the financial markets and from our employees and other stakeholders. We could also be subject to litigation related to any failure to complete the merger or to perform our obligations under the merger agreement. If the merger is not completed, we cannot assure our stockholders that these risks will not materialize and will not materially affect our business, financial results and stock price.

The exchange ratio is fixed and will not be adjusted in the event of any change in either Hecla's or Revett's stock price.

Upon closing of the merger, each share of Revett common stock (other than shares owned by Revett or us, which will be cancelled) will be converted into the right to receive 0.1622 of a share of our common stock, with cash paid in lieu of fractional shares. This exchange ratio was fixed in the merger agreement and will not be adjusted for changes in the market price of either our common stock or Revett's common stock. Changes in the price of our common stock prior to the merger will affect the market value that Revett stockholders will receive on the date of the merger. Stock price changes may result from a variety of factors (many of which are beyond the control of us or Revett), including, without limitation, the following:

changes in our or Revett's businesses, operations, performance and prospects;

changes in market assessments of the business, operations and prospects of us or Revett;

investor behavior and strategies, including market assessments of the likelihood that the merger will be completed, including related considerations regarding regulatory clearance of the merger;

interest rates, metals prices, general market and economic conditions and other factors generally affecting the price of our and Revett's common stock; and

federal, state and local legislation, governmental regulation and legal developments in the businesses in which we and Revett operate.

The price of our common stock at the closing of the merger may vary from its price on the date the merger agreement was executed, on the date of this Form 10-Q and on the date of the special meeting of Revett. As a result, the market value represented by the exchange ratio will also vary.

Any delay in completing the merger may reduce or eliminate the expected benefits from the merger.

In addition to the required Revett stockholder approval, the merger is subject to a number of other conditions beyond our and Revett's control that may prevent, delay or otherwise materially adversely affect its completion. We and Revett cannot predict whether and when these other conditions will be satisfied. Furthermore, obtaining the required approval could delay the completion of the merger for a significant period of time or prevent it from occurring. Any delay in completing the merger could cause us not to realize some or all of the benefits that we expect to achieve if the merger is successfully completed within its expected time frame.

The merger will involve substantial costs.

We have incurred and expect to continue to incur substantial costs and expenses relating directly to the transaction, including fees and expenses payable to legal, accounting and financial advisors and other professional fees relating to the transaction, insurance premium costs, fees and costs relating to regulatory filings and notices, SEC filing fees, printing and mailing costs and other transaction-related costs, fees and expenses.

Table Of Contents

In connection with the announcement of the merger agreement, putative class action lawsuits have been filed and are pending as of the date hereof, seeking, among other things, to enjoin the merger, and an adverse ruling in any of these lawsuits may prevent the merger from being effective or from becoming effective within the expected time frame.

While Revett's and our respective directors and management teams believe that the allegations in the complaints are without merit and intend to defend vigorously against these allegations, there can be no assurance as to the outcome of these, or any similar future lawsuits, including the costs associated with defending these claims or any other liabilities that may be incurred in connection with the litigation or settlement of these claims. If any plaintiffs are successful in obtaining an injunction with respect to the merger, such an injunction may prevent the completion of the merger on the agreed upon terms, in the expected time frame or altogether. Whether the plaintiffs' claims are successful, this type of litigation is often expensive and diverts management's attention and resources, which could adversely affect the operation of our business.

Risk Factors Relating to Us Following the Merger

We will incur transaction and integration costs in connection with the merger.

We expect to incur transaction fees and other costs related to the merger. In addition to transaction costs related to the merger, we will incur integration costs following the completion of the merger as we integrate the Revett business with ours.

After completion of the merger, we may fail to realize anticipated benefits.

The success of the merger will depend, in part, on our ability to realize the anticipated benefits from the acquisition of Revett. If we are not able to successfully integrate Revett into our operations within the anticipated time frame, or at all, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

The market price of our common stock following the merger may decline in the future as a result of the merger.

The market price of our common stock may decline in the future as a result of the merger for a number of reasons, including the unsuccessful integration of Revett and us, our failure to achieve the perceived benefits of the merger, including financial results, difficulties in permitting Revett's Rock Creek project, costs associated with reclamation of Revett's Troy mine, or declines in the mining industry, the market prices of silver and gold, our business or the economy as a whole. These factors are, to some extent, beyond our control.

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

Revett's proposed development of Rock Creek 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'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 has 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 with any degree of certainty how possible future challenges will be resolved. Rock Creek is the significant asset owned by Revett. New court challenges to the SEIS and a revised Record of Decision may delay the planned development at Rock Creek. If we were 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 result in denial of the ability 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.

Table Of Contents

The reclamation liability at Troy Mine could be substantial.

Revett's financial obligations to reclaim, restore and close Troy mine are presently covered by a \$12.9 million surety bond, which includes \$6.5 million in a restricted cash account. In late 2012, Montana Department of Environmental Quality and the U.S. Forest Service issued a new Environmental Impact Statement and Record of Decision pertaining to the Troy reclamation. Revett does not presently know whether the revised reclamation plan as a result of the recent regulatory actions will increase its bonding costs. Laws governing the closure of mining operations in Montana have become more stringent since Troy mine was first placed into production. These factors could result in the imposition of a higher bond. Revett's reclamation liability for Troy mine is not limited by the amount of the bond itself; the bond serves only as security for the payment of these obligations. If the merger is completed, we would necessarily have to pay for any increase in actual costs over and above the maximum allowed under the bond. Reclamation costs at the Troy mine could be significant and could have a material adverse effect on our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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 shares were subsequently registered for resale on a Form S-3 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.

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 Quarterly Report.

Item 6. Exhibits

See the exhibit index to this Form 10-Q for the list of exhibits.

Items 3 and 5 of Part II are not applicable and are omitted from this report.

54

Table Of Contents

Hecla Mining Company and Subsidiaries

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HECLA MINING COMPANY
(Registrant)

Date: May 7, 2015 **By** Phillips S. Baker, Jr.
Phillips S. Baker, Jr., President,
Chief Executive Officer and Director

Date: May 7, 2015 **By** James A. Sabala
James A. Sabala, Senior Vice President and
Chief Financial Officer

Table Of Contents

Hecla Mining Company and Wholly Owned Subsidiaries

Form 10-Q – March 31, 2015

Index to Exhibits

3.1 Restated Certificate of Incorporation of the Registrant. Filed as exhibit 3.1 to registrant's Current Report on Form 8-K filed on December 12, 2014 (File No. 1-8491), and incorporated herein by reference.

3.2 Bylaws of the Registrant as amended to date. Filed as exhibit 3.1 to Registrant's Current Report on Form 8-K filed on August 22, 2014 (File No. 1-8491), and incorporated herein by reference.

4.1(a) Certificate of Designations, Preferences and Rights of Series A Junior Participating Preferred Stock of the Registrant. Filed as exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (File No 1-8491), and incorporated herein by reference.

4.1(b) Certificate of Designations, Preferences and Rights of Series B Cumulative Convertible Preferred Stock of the Registrant. Filed as exhibit 3.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 (File No. 1-8491), and incorporated herein by reference.

4.2(a) Registration Rights Agreement, dated as of January 14, 2015, among Hecla Mining Company, as Issuer, Hecla Mining Company Retirement Plan Trust, which is the funding vehicle for the Hecla Mining Company Retirement Plan, a tax-qualified employee benefit pension plan sponsored by Hecla Mining Company, and the Lucky Friday Pension Plan Trust, which is the funding vehicle for the Lucky Friday Pension Plan. Filed as exhibit 4.3 to Registrant's S-3ASR filed on January 14, 2015 (File No. 1-8491), and incorporated herein by reference.

4.2(b) Indenture dated as of April 12, 2013, among Hecla Mining Company, as Issuer, certain subsidiaries of Hecla Mining company, as Guarantors thereto, and The Bank of New York Mellon Trust Company, N.A., as Trustee. Filed as exhibit 10.1 to Registrant's Current Report on Form 8-K filed on April 15, 2013 (File No. 1-8491), and incorporated herein by reference.

4.2(c) Supplemental Indenture, dated as of April 14, 2014, among Hecla Mining Company, as Issuer, certain subsidiaries of Hecla Mining Company, as Guarantors thereto, and The Bank of New York Mellon Trust Company, N.A., as Trustee. Filed as exhibit 4.2 to Registrant's S-3ASR filed on April 14, 2014 (File No. 1-8491), and incorporated herein by reference.

Table Of Contents

31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *

31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. *

32.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *

32.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. *

95 Mine safety information listed in Section 1503 of the Dodd-Frank Act. *

99.1 Agreement and Plan of Merger by and among Revett Mining Company, Inc., Hecla Mining Company and RHL Holdings, Inc., dated as of March 26, 2015, (Set forth as Appendix A to the preliminary proxy statement/prospectus included in the Company's registration statement on Form S-4 (registration no. 333-203533) filed on April 20, 2015 and incorporated herein by reference).

101.INS XBRL Instance. **

101.SCH XBRL Taxonomy Extension Schema.**

101.CAL XBRL Taxonomy Extension Calculation.**

101.DEF XBRL Taxonomy Extension Definition.**

101.LAB XBRL Taxonomy Extension Labels.**

101.PRE XBRL Taxonomy Extension Presentation.**

(1) Indicates a management contract or compensatory plan or arrangement.

* Filed herewith.

** XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities and Exchange Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.