

AMENDED

Form **8937**  
(December 2017)  
Department of the Treasury  
Internal Revenue Service

**Report of Organizational Actions  
Affecting Basis of Securities**

OMB No. 1545-0123

▶ See separate instructions.

**Part I Reporting Issuer**

1 Issuer's name <b>KLONDEX MINES LTD</b>		2 Issuer's employer identification number (EIN) <b>98-1153397</b>	
3 Name of contact for additional information <b>KARI LARUE</b>	4 Telephone No. of contact <b>208-769-4100</b>	5 Email address of contact <b>klarue@hecla-mining.com</b>	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact <b>6500 N MINERAL DRIVE, SUITE 200</b>		7 City, town, or post office, state, and ZIP code of contact <b>COEUR D'ALENE, ID 83815</b>	
8 Date of action <b>JULY 20, 2018</b>		9 Classification and description <b>COMMON STOCK</b>	
10 CUSIP number <b>49869610</b>	11 Serial number(s)	12 Ticker symbol <b>KDX</b>	13 Account number(s)

**Part II Organizational Action** Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ On July 20, 2018, Hecla Mining Company acquired all of the issued and outstanding common shares of Klondex Mines Ltd. ("Klondex") for consideration valued at \$2.24 per Klondex share (the "Arrangement"). Under the terms of the Arrangement, each holder of Klondex common shares had the option to receive either (i) \$2.47 in cash (the "Cash Alternative"), (ii) 0.6272 of a Hecla share per Klondex share (the "Share Alternative"), or (iii) US\$0.8411 in cash and 0.4136 of a Hecla share per Klondex share (the "Combined Alternative"), subject in the case of the Cash Alternative and the Share Alternative to pro-ratio based on a maximum cash consideration of \$153.2 million and a maximum number of Hecla shares issued of 75,276,176. In connection with the Arrangement, Hecla also issued an aggregate of 2,068,000 warrants to purchase one share of common stock ("Hecla Warrants") to holders of warrants to purchase Klondex's common stock. An aggregate of 2,068,000 Hecla Warrants have an exercise price of \$8.02 and expire in April 2032. An aggregate of 2,068,000 Hecla Warrants have an exercise price of \$1.57 and expire in February 2029.

Klondex shareholders also received shares of a newly formed company, ("Havilah Shares") which holds the Canadian assets of Klondex.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ A U.S. Holder of Klondex Shares will recognize gain or loss equal to the difference between (i) the fair market value of Hecla Shares and the U.S. dollar amount of the cash received by such U.S. Holder in the Arrangement, and (ii) the adjusted tax basis of such U.S. Holder in such Klondex Shares exchanged.

A U.S. Holder of Klondex Shares which receives Havilah Shares will be required to include the amount of such distribution in gross income as dividend income.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶

The fair market value of Hecla shares on July 20, 2018 was \$3.22 based on the NYSE closing price of Hecla Mining Company shares on July 20, 2018.

Havilah shares opened for trading on July 25, 2018 on the TSXV in Canadian dollars at \$0.60 per share.  
US dollar equivalent at the foreign exchange rate on July 25 of CAD\$1.3088 to USD\$1.00 = USD\$0.4584 per share.

**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ 1001, 1011, 1012, 1016, 301

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18 Can any resulting loss be recognized? ▶ Yes

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19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The reportable tax year is 2018.

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Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**

Signature ▶  Date ▶ 9-17-18

Print your name ▶ Russell Lawler Title ▶ Treasurer

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.