Section 1: 10-Q (FORM 10-Q)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

Commission file number 1-8491

HECLA MINING COMPANY

(Exact name of registrant as specified in its charter)

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

208-769-4100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes XX . No __ .

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

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

Large Accelerated Filer _XX.
Accelerated Filer __.
Non-Accelerated Filer __ . (Do not check if a smaller reporting company)
Smaller Reporting Company__.
Emerging growth company __.

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

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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Class	Shares Outstanding May 8, 2018
Common stock, par value $0.25 per share	400,632,153

Hecla Mining Company and Subsidiaries

Form 10-Q

For the Quarter Ended March 31, 2018

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*Items 2, 3 and 5 of Part II are omitted as they are not applicable.

Part I - Financial Information

Item 1. Financial Statements

Hecla Mining Company and Subsidiaries

Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except shares)

	March 31, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 212,569	$ 186,107
Short-term investments	34,358	33,758
Accounts receivable:		
Trade	19,713	14,805
Taxes	10,382	10,382
Other, net	8,911	7,003
Inventories:		
Concentrates, doré, and stockpiled ore	37,024	28,455
Materials and supplies	25,779	26,100
Other current assets	17,369	13,715
Total current assets	366,105	320,325
Non-current investments	7,652	7,561
Non-current restricted cash and cash equivalents	1,005	1,032
Properties, plants, equipment and mineral interests, net	2,008,704	2,020,021
Non-current deferred income taxes	671	1,509
Other non-current assets	13,954	14,509
Total assets	$ 2,398,091	$ 2,364,957
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$ 51,636	$ 46,549
Accrued payroll and related benefits	21,420	31,259
Accrued taxes	7,273	5,919
Current portion of capital leases	5,669	5,608
Current portion of accrued reclamation and closure costs	8,315	6,679
Accrued interest	14,555	5,745
Other current liabilities	7,066	10,371
Total current liabilities	115,934	112,130
Capital leases	7,094	6,193
Accrued reclamation and closure costs	78,887	79,366
Long-term debt	533,566	502,229
Non-current deferred tax liability	116,866	121,546
Non-current pension liability	48,459	46,628
Other non-current liabilities	2,784	12,983
Total liabilities	903,590	881,075
Commitments and contingencies (Notes 2, 4, 7, 9, and 11)		
STOCKHOLDERS' EQUITY		
Preferred stock, 5,000,000 shares authorized:		
Series B preferred stock, $0.25 par value, 157,816 shares issued and outstanding, liquidation preference — $7,891	39	39
Common stock, $0.25 par value, 750,000,000 shares authorized; issued and outstanding March 31, 2018 — 400,301,617 shares and December 31, 2017 — 399,176,425 shares	101,290	100,926
Capital surplus	1,626,298	1,619,816
Accumulated deficit	(187,092)	(195,484)
Accumulated other comprehensive loss	(26,767)	(23,373)
Less treasury stock, at cost; March 31, 2018 - 4,864,799 and December 31, 2017 - 4,529,450 shares issued and held in treasury	(19,267)	(18,042)
Total stockholders' equity	1,494,501	1,483,882
Total liabilities and stockholders' equity	$ 2,398,091	$ 2,364,957

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

Hecla Mining Company and Subsidiaries

Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)
(Dollars and shares in thousands, except for per-share amounts)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Sales of products	$ 139,709	$ 142,544
Cost of sales and other direct production costs	72,869	78,676
Depreciation, depletion and amortization	28,054	28,952
Total cost of sales	100,923	107,628
Gross profit	38,786	34,916
Other operating expenses:		
General and administrative	7,735	9,206
Exploration	7,360	4,514
Pre-development	1,005	1,252
Research and development	1,436	683
Other operating expense	515	663
Lucky Friday suspension-related costs	5,017	1,581
Acquisition costs	2,507	27
Provision for closed operations and environmental matters	1,262	1,119
Total other operating expense	26,837	19,045
Income from operations	11,949	15,871
Other income (expense):		
Loss on disposal of investments	—	(167)
Unrealized gain on investments	310	327
Gain (loss) on derivative contracts	4,007	(7,809)
Net foreign exchange gain (loss)	2,592	(2,262)
Other (expense) income	(56)	325
Interest expense, net of amounts capitalized	(9,794)	(8,522)
Total other expense	(2,941)	(18,108)
Income (loss) before income taxes	9,008	(2,237)
Income tax (provision) benefit	(768)	29,071
Net income (loss)	8,240	26,834
Preferred stock dividends	(138)	(138)
Income applicable to common stockholders	$ 8,102	$ 26,696
Comprehensive income:		
Net income	$ 8,240	$ 26,834
Reclassification of disposal and impairment of investments included in net income	—	167
Unrealized holding losses on investments	(31)	(256)
Unrealized gain and amortization of prior service on pension plans	—	32
Change in fair value of derivative contracts designated as hedge transactions	(2,073)	3,261
Comprehensive income	$ 6,136	$ 30,038
Basic income per common share after preferred dividends	$ 0.02	$ 0.07
Diluted income per common share after preferred dividends	$ 0.02	$ 0.07
Weighted average number of common shares outstanding - basic	399,322	395,370
Weighted average number of common shares outstanding - diluted	401,923	398,149

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

Hecla Mining Company and Subsidiaries

Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Operating activities:		
Net income	$ 8,240	$ 26,834
Non-cash elements included in net income:		
Depreciation, depletion and amortization	29,490	29,590
Unrealized (gain) on investments	(310)	(327)
Loss on disposal of investments	—	167
Gain on disposition of properties, plants, equipment, and mineral interests	(129)	(32)
Provision for reclamation and closure costs	1,323	1,026
Stock compensation	1,127	1,349
Deferred income taxes	(438)	(21,234)
Amortization of loan origination fees	449	480
(Gain) loss on derivative contracts	(9,094)	7,343
Foreign exchange (gain) loss	(3,399)	506
Other non-cash items, net	(36)	2
Change in assets and liabilities:		
Accounts receivable	(7,266)	(8,738)
Inventories	(6,762)	(3,358)
Other current and non-current assets	(3,171)	1,363
Accounts payable and accrued liabilities	13,956	(1,510)
Accrued payroll and related benefits	(3,927)	6,881
Accrued taxes	218	1,754
Accrued reclamation and closure costs and other non-current liabilities	(3,888)	(3,811)
Cash provided by operating activities	16,383	38,285
Investing activities:		
Additions to properties, plants, equipment and mineral interests	(17,635)	(21,658)
Proceeds from disposition of properties, plants and equipment	151	61
Purchases of investments	(31,182)	(11,113)
Maturities of investments	30,501	3,634
Net cash used in investing activities	(18,165)	(29,076)
Financing activities:		
Acquisition of treasury shares	(1,225)	(731)
Dividends paid to common stockholders	(998)	(989)
Dividends paid to preferred stockholders	(138)	(138)
Credit facility fees paid	—	(91)
Borrowings on debt	31,024	—
Repayments of debt	—	(470)
Repayments of capital leases	(1,322)	(1,595)
Net cash provided by (used in) financing activities	27,341	(4,014)
Effect of exchange rates on cash	876	1,814
Net increase in cash, cash equivalents and restricted cash and cash equivalents	26,435	7,009
Cash, cash equivalents and restricted cash and cash equivalents at beginning of period	187,139	171,977
Cash, cash equivalents and restricted cash and cash equivalents at end of period	$ 213,574	$ 178,986
Significant non-cash investing and financing activities:		
Addition of capital lease obligations	$ 2,446	$ 1,798
Payment of accrued compensation in stock	$ 4,863	$ 4,240

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

Note 1. Basis of Preparation of Financial Statements

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements and notes to the unaudited interim condensed consolidated financial statements contain all adjustments, consisting of normal recurring items and items which are nonrecurring, necessary to present fairly, in all material respects, the financial position of Hecla Mining Company and its consolidated subsidiaries ("Hecla" or "the Company" or “we” or “our” or “us”). These unaudited interim condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and related footnotes as set forth in our annual report filed on Form 10-K for the year ended December 31, 2017, as it may be amended from time to time.

The results of operations for the periods presented may not be indicative of those which may be expected for a full year. The unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in audited financial statements prepared in accordance with generally accepted accounting principles in the United States (“GAAP”) have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures are adequate for the information not to be misleading.

Certain condensed consolidated financial statement amounts for the prior period have been reclassified to conform to the current period presentation. These reclassifications had no effect on the net income, comprehensive income, or accumulated deficit as previously reported.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and the disclosures of contingent liabilities. Accordingly, ultimate results could differ materially from those estimates.

Note 2. Investments

Investments

Our current investments, which are classified as "available for sale" and consist of bonds having maturities of greater than 90 days and less than 365 days, had a fair value of $34.4 million and $33.8 million, respectively, at March 31, 2018 and December 31, 2017. During the first quarter of 2018 and 2017, we had purchases of such investments of $31.2 million and $11.1 million, respectively, and maturities of $30.5 million and $3.6 million, respectively. Our current investments at March 31, 2018 and December 31, 2017 consisted of the following:

	March 31, 2018			December 31, 2017		
	Amortized cost	Unrealized loss	Fair market value	Amortized cost	Unrealized loss	Fair market value
Corporate bonds	$ 34,394	$ (36)	$ 34,358	$ 33,778	$ (20)	$ 33,758

At March 31, 2018 and December 31, 2017, the fair value of our non-current investments was $7.7 million and $7.6 million, respectively. Our non-current investments consist of marketable equity securities which are carried at fair value, and are primarily classified as “available-for-sale.” The cost basis of our non-current investments was approximately $5.6 million and $5.7 million at March 31, 2018 and December 31, 2017, respectively. We had net unrealized gains of $2.1 million and $1.9 million on equity investments held as of March 31, 2018 and December 31, 2017, respectively. During the quarter ended March 31, 2018, we recognized $0.3 million in net unrealized gains in current earnings. During the quarter ended March 31, 2017, we recognized $0.3 million in net unrealized losses on equity investments in other comprehensive income and $0.3 million in net unrealized gains in current earnings.

Note 3. Income Taxes

Major components of our income tax provision for the three months ended March 31, 2018 and 2017 are as follows (in thousands):

	Three Months Ended March 31,	
	2018	2017
Current:		
Domestic	$ —	$ (12,797)
Foreign	1,206	5,515
Total current income tax provision (benefit)	1,206	(7,282)
Deferred:		
Domestic	—	(18,903)
Foreign	(438)	(2,886)
Total deferred income tax (benefit) provision	(438)	(21,789)
Total income tax provision (benefit)	$ 768	$ (29,071)

The current income tax provisions for the three months ended March 31, 2018 and 2017 vary from the amounts that would have resulted from applying the statutory income tax rate to pre-tax income due primarily to the non-utilization of tax losses in the U.S. in 2018, the impact of the change in accounting method treatment of the #4 Shaft development costs in 2017, and the impact of taxation in foreign jurisdictions.

As of March 31, 2018, we have a net deferred tax liability in the U.S. of $0.3 million, a net deferred tax liability in Canada of $116.9 million, and a net deferred tax asset in Mexico of $1.0 million, for a consolidated worldwide net deferred tax liability of $116.2 million. We recorded a full valuation allowance in the U.S. in December 2017 as a result of U.S. tax reform. Our circumstances at March 31, 2018 continue to support a full valuation allowance in the U.S. where our domestic tax provision is zero. In the first quarter of 2017, we received consent from the Internal Revenue Service to permit us to take a different income tax position relating to the timing of deductions for the #4 Shaft development costs at Lucky Friday. This tax accounting method change substantially revised the timing of deductions for these costs for regular tax and Alternative Minimum Tax ("AMT") relative to our projected life of mine and projected taxable income. These timing changes caused us to revise our assessment of the ability to generate sufficient future taxable income to realize our deferred tax assets, resulting in a valuation allowance release of approximately $15 million. At March 31, 2018 and December 31, 2017, the balances of the valuation allowances on our deferred tax assets were approximately $80.4 million and $78.7 million, respectively.

Note 4. Commitments, Contingencies and Obligations

General

We follow U.S. Generally Accepted Accounting Principles guidance in determining our accruals and disclosures with respect to loss contingencies, and evaluate such accruals and contingencies for each reporting period. Accordingly, estimated losses from loss contingencies are accrued by a charge to income when information available prior to issuance of the financial statements indicates that it is probable that a liability could be incurred and the amount of the loss can be reasonably estimated. Legal expenses associated with the contingency are expensed as incurred. If a loss contingency is not probable or reasonably estimable, disclosure of the loss contingency is made in the financial statements when it is at least reasonably possible that a material loss could be incurred.

Rio Grande Silver Guaranty

Our wholly-owned subsidiary, Rio Grande Silver Inc. (“Rio”), is party to a joint venture with Emerald Mining & Leasing, LLC (“EML”) and certain other parties with respect to a land package in the Creede Mining District of Colorado that is adjacent to other land held by Rio. Rio holds a 70% interest in the joint venture. In connection with the joint venture, we are required to guarantee certain environmental remediation-related obligations of EML to a third party up to a maximum liability to us of $2.5 million. As of March 31, 2018, we have not been required to make any payments pursuant to the guaranty. We may be required to make payments in the future, limited to the $2.5 million maximum liability, should EML fail to meet its obligations to the third party. However, to the extent that any payments are made by us under the guaranty, EML, in addition to other parties, has jointly and severally agreed to reimburse and indemnify us for any such payments. We have not recorded a liability relating to the guaranty as of March 31, 2018.

Lucky Friday Water Permit Matters

In the past, the Lucky Friday unit experienced multiple regulatory issues relating to its water discharge permits and water management more generally. All of these issues have been resolved except for one: in December 2013, the EPA issued to Hecla Limited a request for information under Section 308 of the Clean Water Act directing Hecla Limited to undertake a comprehensive groundwater investigation of Lucky Friday’s tailings pond no. 3 to evaluate whether the pond is causing the discharge of pollutants via seepage to groundwater that is discharging to surface water. We completed the investigation mandated by the EPA and submitted a draft report to the agency in December 2015. We are waiting for the EPA’s response and we cannot predict what the impact of the investigation will be.

Hecla Limited strives to maintain its water discharges at the Lucky Friday unit in full compliance with its permits and applicable laws; however, we cannot provide assurance that in the future it will be able to fully comply with the permit limits and other regulatory requirements regarding water management.

Johnny M Mine Area near San Mateo, McKinley County, New Mexico

In May 2011, the EPA made a formal request to Hecla Mining Company for information regarding the Johnny M Mine Area near San Mateo, McKinley County, New Mexico, and asserted that Hecla Mining Company may be responsible under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") for environmental remediation and past costs the EPA has incurred at the site. Mining at the Johnny M was conducted for a limited period of time by a predecessor of our subsidiary, Hecla Limited. In August 2012, Hecla Limited and the EPA entered into a Settlement Agreement and Administrative Order on Consent for Removal Action (“Consent Order”), pursuant to which Hecla Limited agreed to pay (i) $1.1 million to the EPA for its past response costs at the site and (ii) any future response costs at the site under the Consent Order, in exchange for a covenant not to sue by the EPA. Hecla Limited paid the $1.1 million to the EPA for its past response costs and in December 2014, submitted to EPA the Engineering Evaluation and Cost Analysis (“EE/CA”) for the site. The EE/CA evaluates three alternative response actions: 1) no action, 2) off-site disposal, and 3) on-site disposal. The range in estimated costs of these alternatives is $0 to $221 million. In the EE/CA, Hecla Limited recommended that EPA approve on-site disposal, which is currently estimated to cost $5.6 million, on the basis that it is the most appropriate response action under CERCLA. In June 2015, the EPA approved the EE/CA, with a few minor conditions. The EPA still needs to publish the EE/CA for public notice and comment, and the agency will not make a final decision on the appropriate response action until the public comment process is complete. It is anticipated that Hecla Limited will implement the response action selected by the EPA pursuant to an amendment to the Consent Order or a new order. Based on the foregoing, we believe it is probable that Hecla Limited will incur a liability for remediation at the site. In the fourth quarter of 2014, we accrued $5.6 million, which continues to be our best estimate of that liability as of the date of this report. There can be no assurance that Hecla Limited’s liability will not be more than $5.6 million, or that its ultimate liability will not have a material adverse effect on Hecla Limited’s or our results of operations or financial position.

The Johnny M Mine is in an area known as the San Mateo Creek Basin (“SMCB”), which is an approximately 321 square mile area in New Mexico that contains numerous legacy uranium mines and mills. The EPA is considering listing the entire SMCB on CERCLA’s National Priorities List in order to address perceived groundwater issues within the SMCB. The EE/CA discussed above relates primarily to contaminated rock and soil, not groundwater. In the event that the SMCB is listed as a Superfund site, or for other reasons, it is possible that Hecla Limited’s liability at the Johnny M Site, as well as any other sites within the SMCB at which predecessor companies of Hecla Limited may have been involved, will be greater than our current accrual of $5.6 million due to the increased scope of required remediation.

Carpenter Snow Creek and Barker-Hughesville Sites in Montana

In July 2010, the EPA made a formal request to Hecla Mining Company for information regarding the Carpenter Snow Creek Superfund site located in Cascade County, Montana. The Carpenter Snow Creek site is located in a historic mining district, and in the early 1980s Hecla Limited leased 6 mining claims and performed limited exploration activities at the site. Hecla Limited terminated the mining lease in 1988.

In June 2011, the EPA informed Hecla Limited that it believes Hecla Limited, among several other viable companies, may be liable for cleanup of the site or for costs incurred by the EPA in cleaning up the site. The EPA stated in the June 2011 letter that it has incurred approximately $4.5 million in response costs and estimated that total remediation costs may exceed $100 million. Hecla Limited cannot with reasonable certainty estimate the amount or range of liability, if any, relating to this matter because of, among other reasons, the lack of information concerning the site.

In February 2017, the EPA made a formal request to Hecla Mining Company for information regarding the Barker-Hughesville Mining District Superfund site located in Judith Basin and Cascade Counties, Montana. The Barker-Hughesville site is located in a historic mining district, and between approximately June and December 1983, Hecla Limited was party to an agreement with another mining company under which limited exploration activities occurred at or near the site. Neither the EPA nor any other party has made any claims against Hecla Limited (or Hecla Mining Company); however, it is possible that such a claim will be made in the future. Unless and until such a claim is made, Hecla Limited cannot estimate the amount or range of liability, if any, relating to this matter.

Debt

On April 12, 2013, we completed an offering of $500 million aggregate principal amount of 6.875% Senior Notes due 2021 ("Senior Notes"). The net proceeds from the offering of the Senior Notes were used to partially fund the acquisition of Aurizon Mines Ltd. ("Aurizon") and for general corporate purposes, including expenses related to the Aurizon acquisition. Through the acquisition of Aurizon, we acquired our Casa Berardi mine and other interests in Quebec, Canada. In 2014, we completed additional issuances of our Senior Notes in the aggregate principal amount of $6.5 million, which were contributed to one of our pension plans to satisfy the funding requirement for 2014. Interest on the Senior Notes is payable on May 1 and November 1 of each year, commencing November 1, 2013.

On March 5, 2018, we entered into a note purchase agreement pursuant to which we issued CAD$40 million (approximately USD$30.8 million at the time of the transaction) in aggregate principal amount of our Series 2018-A Senior Notes due May 1, 2021 (the “Notes”) to Ressources Québec, a subsidiary of Investissment Québec, a financing arm of the Québec government. The Notes were issued at a discount of 0.58%, and bear interest at a rate of 4.68% per year, payable on May 1 and November 1 of each year, commencing May 1, 2018. The Notes are senior and unsecured and are pari passu in all material respects with the Senior Notes, including with respect to guarantees of the Notes by certain of our subsidiaries. The net proceeds from the Notes are required to be used for development and expansion of our Casa Berardi mine.

See *Note 9* for more information.

Other Commitments

Our contractual obligations as of March 31, 2018 included approximately $7.1 million for various costs. In addition, our open purchase orders at March 31, 2018 included approximately $0.1 million, $3.1 million and $3.3 million for various capital and non-capital items at the Lucky Friday, Casa Berardi and Greens Creek units, respectively. We also have total commitments of approximately $13.6 million relating to scheduled payments on capital leases, including interest, primarily for equipment at our Greens Creek, Lucky Friday and Casa Berardi units (see *Note 9* for more information). As part of our ongoing business and operations, we are required to provide surety bonds, bank letters of credit, and restricted deposits for various purposes, including financial support for environmental reclamation obligations and workers compensation programs. As of March 31, 2018, we had surety bonds totaling $117.0 million in place as financial support for future reclamation and closure costs, self-insurance, and employee benefit plans. The obligations associated with these instruments are generally related to performance requirements that we address through ongoing operations. As the requirements are met, the beneficiary of the associated instruments cancels or returns the instrument to the issuing entity. Certain of these instruments are associated with operating sites with long-lived assets and will remain outstanding until closure of the sites. We believe we are in compliance with all applicable bonding requirements and will be able to satisfy future bonding requirements as they arise.

Other Contingencies

We also have certain other contingencies resulting from litigation, claims, EPA investigations, and other commitments and are subject to a variety of environmental and safety laws and regulations incident to the ordinary course of business. We currently have no basis to conclude that any or all of such contingencies will materially affect our financial position, results of operations or cash flows. However, in the future, there may be changes to these contingencies, or additional contingencies may occur, any of which might result in an accrual or a change in current accruals recorded by us, and there can be no assurance that their ultimate disposition will not have a material adverse effect on our financial position, results of operations or cash flows.

Note 5. Earnings (Loss) Per Common Share

We are authorized to issue 750,000,000 shares of common stock, $0.25 par value per share. At March 31, 2018, there were 405,166,416 shares of our common stock issued and 4,864,799 shares issued and held in treasury, for a net of 400,301,617 shares outstanding. Basic and diluted income per common share, after preferred dividends, was $0.02 and $0.07 for the three-month periods ended March 31, 2018 and 2017, respectively.

Diluted income (loss) per share for the three months ended March 31, 2018 and 2017 excludes the potential effects of outstanding shares of our convertible preferred stock, as their conversion would have no effect on the calculation of dilutive shares.

For the three months ended March 31, 2018, 1,092,307 restricted stock units that were unvested during the quarter and 1,509,159 deferred shares were included in the calculation of diluted earnings (loss) per share, and there were an additional 539,204 unvested restricted stock units and 212,602 deferred shares which were not dilutive. For the three-month period ended March 31, 2017, 2,051,734 restricted stock units that were unvested during the quarter and 727,262 in deferred shares were included in the calculation of diluted earnings (loss) per share.

Note 6. Business Segments and Sales of Products

We discover, acquire, develop, produce, and market concentrates and doré containing silver, gold, lead and zinc. We are currently organized and managed in four segments, which represent our operating units: the Greens Creek unit, the Lucky Friday unit, the Casa Berardi unit, and the San Sebastian 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, 2018 and 2017 (in thousands):

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Net sales to unaffiliated customers:		
Greens Creek	$ 65,850	$ 58,850
Lucky Friday	4,977	20,010
Casa Berardi	55,548	41,712
San Sebastian	13,334	21,972
	$ 139,709	$ 142,544
Income (loss) from operations:		
Greens Creek	$ 23,152	$ 14,114
Lucky Friday	(4,146)	3,880
Casa Berardi	3,250	(2,245)
San Sebastian	5,017	13,454
Other	(15,324)	(13,332)
	$ 11,949	$ 15,871

The following table presents identifiable assets by reportable segment as of March 31, 2018 and December 31, 2017 (in thousands):

	March 31, 2018	December 31, 2017
Identifiable assets:		
Greens Creek	$ 669,042	$ 671,960
Lucky Friday	432,369	432,400
Casa Berardi	802,017	804,505
San Sebastian	67,576	62,198
Other	427,087	393,894
	$ 2,398,091	$ 2,364,957

Our products consist of both metal concentrates, which we sell to custom smelters and brokers, and unrefined bullion bars (doré), which may be sold as doré or further refined before sale to precious metals traders. Revenue is recognized upon the completion of the performance obligations and transfer of control of the product to the customer.

For sales of metals from refined doré, the performance obligation is met and revenue is recognized at the time of transfer of control of the agreed-upon metal quantities to the customer by the refiner. For sales of doré, the performance obligation is met, the transaction price is known, and revenue is recognized at the time of transfer of title and control of the doré containing the agreed-upon metal quantities to the customer. Refining, selling and shipping costs related to sales of doré and metals from doré are recorded to cost of sales as incurred.

For concentrate sales, the performance obligation is met, the transaction price can be reasonably estimated, and revenue is recognized generally at the time of shipment. Concentrates sold at our Lucky Friday unit typically leave the mine and are received by the customer within the same day. However, there is a period of time between shipment of concentrates from our Greens Creek unit and their physical receipt by the customer, and judgment is required in determining when control has been transferred to the customer for those shipments. We have determined the performance obligation is met and title is transferred to the customer upon shipment of concentrate parcels from Greens Creek because, at that time, 1) legal title is transferred to the customer, 2) the customer has accepted the parcel and obtained the ability to realize all of the benefits from the product, 3) the concentrate content specifications are known, have been communicated to the customer, and the customer has the significant risks and rewards of ownership of it, 4) it is very unlikely a concentrate parcel from Greens Creek will be rejected by a customer upon physical receipt, and 5) we have the right to payment for the parcel.

Judgment is required in identifying the performance obligations for our concentrate sales. Most of our concentrate sales involve “frame contracts” with smelters that can cover multiple years and specify certain terms, under which individual parcels of concentrates are sold. However, some terms are not specified in the frame contracts and/or can be renegotiated as part of annual amendments to the frame contract. We have determined parcel shipments represent individual performance obligations satisfied at a point in time when control of the shipment is transferred to the customer.

Our concentrate sales involve variable consideration, as they are subject to changes in metals prices between the time of shipment and their final settlement. However, we are able to reasonably estimate the transaction price for the concentrate sales at the time of shipment using forward prices for the month of settlement, and previously recorded sales and accounts receivable are adjusted to estimated settlement metals prices until final settlement with the customer. Also, it is unlikely a significant reversal of revenue for any one concentrate parcel will occur. As such, we use the expected value method to price the parcels until the final settlement date occurs, at which time the final transaction price is known. At March 31, 2018, metals contained in concentrates and exposed to future price changes totaled 1.5 million ounces of silver, 6,151 ounces of gold, 11,030 tons of zinc, and 1,800 tons of lead. However, as discussed in *Note 11*, we seek to mitigate the risk of negative price adjustments by using financially-settled forward contracts for some of our sales.

Sales and accounts receivable for concentrate shipments are recorded net of charges for treatment, refining, smelting losses, and other charges negotiated by us with the customers, which represent components of the transaction price. Charges are estimated by us upon shipment of concentrates based on contractual terms, and actual charges typically do not vary materially from our estimates. Costs charged by customers include fixed treatment and refining costs per ton of concentrate and may include price escalators which allow the customers to participate in the increase of lead and zinc prices above a negotiated baseline. Costs for shipping concentrates to customers are recorded to cost of sales as incurred.

Sales of metal concentrates and metal products are made principally to custom smelters, brokers and metals traders. The percentage of sales contributed by each segment is reflected in the following table:

	Three Months Ended March 31,	
	2018	2017
Greens Creek	46%	41%
Lucky Friday	4%	14%
Casa Berardi	40%	29%
San Sebastian	10%	16%
	100%	100%

Sales of products by metal for the thee-month periods ended March 31, 2018 and 2017 were as follows (in thousands):

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Silver	$ 35,222	$ 51,357
Gold	73,044	62,701
Lead	9,227	13,619
Zinc	30,109	29,865
Less: Smelter and refining charges	(7,893)	(14,998)
	139,709	142,544

The following is sales information by geographic area based on the location of smelters and brokers (for concentrate shipments) and location of parent companies (for doré sales to metals traders) for the three-month periods ended March 31, 2018 and 2017 (in thousands):

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Canada	$ 88,668	$ 100,219
Korea	32,703	28,971
Japan	13,773	12,290
United States	4,081	5,205
Other	(131)	(48)
Total, excluding gains/losses on forward contracts	139,094	146,637

Sales by significant product type for the three-month periods ended March 31, 2018 and 2017 were as follows (in thousands):

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Doré and metals from doré	$ 73,492	$ 68,981
Lead concentrate	34,334	48,917
Zinc concentrate	25,652	24,218
Bulk concentrate	5,616	4,521
Total, excluding gains/losses on forward contracts	139,094	146,637

Sales of products for the first three months of 2018 and 2017 included net gains of $0.6 million and net losses of $4.1 million, respectively, on financially-settled forward contracts for silver, gold, lead and zinc contained in our concentrate sales. See *Note 11* for more information.

Sales of products to significant customers as a percentage of total sales were as follows for the three-month periods ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
CIBC	47%	24%
Scotia	2%	20%
Korea Zinc	23%	20%
Teck Metals Ltd.	4%	15%
Ocean Partners	10%	10%

Our trade accounts receivable balance related to contracts with customers was $19.7 million at March 31, 2018 and $14.8 million at December 31, 2017, and included no allowance for doubtful accounts.

We have determined our contracts do not include a significant financing component. For doré sales and sales of metal from doré, payment is received at the time the performance obligation is satisfied. Consideration for concentrate sales is variable, and we receive payment for a significant portion of the estimated value of concentrate parcels within a relatively short period of time after the performance obligation is satisfied.

We do not incur significant costs to obtain contracts, nor costs to fulfill contracts which are not addressed by other standards. Therefore, we have not recognized an asset for such costs as of March 31, 2018 or December 31, 2017.

The sales and income (loss) from operations amounts reported above include results from our Lucky Friday segment. The Lucky Friday mine is our only operation where some of our employees are subject to a collective bargaining agreement, and the most recent agreement expired on April 30, 2016. On February 19, 2017, the unionized employees voted against our contract offer. On March 13, 2017, the unionized employees went on strike and have been on strike since that time. Production at Lucky Friday was suspended from the start of the strike until July 2017, when limited production resumed. For the first quarter of 2018 and 2017, suspension costs not related to production of $4.1 million and $1.2 million, respectively, along with $0.9 million and $0.4 million, respectively, in non-cash depreciation expense, are reported in a separate line item on our consolidated statement of operations. We cannot predict how long the strike will last or whether an agreement will be reached. As a result of the strike or other related events, operations at Lucky Friday could continue to be disrupted, which could adversely affect our financial condition and results of operations. If the strike continues for an extended period or it is determined an eventual resolution is unlikely, it may be appropriate in the future to review the carrying value of properties, plants, equipment and mineral interests at Lucky Friday. Under such review, if estimated undiscounted cash flows from Lucky Friday were less than its carrying value, an impairment loss would be recognized for the difference between the carrying value and the estimated fair value. The carrying value of properties, plants, equipment and mineral interests at Lucky Friday as of March 31, 2018 was approximately $422 million. However, Lucky Friday has significant identified reserves and mineralized material and a current estimated mine life of approximately 22 years.

On April 30, 2018, we settled with the National Labor Relations Board ("NLRB") an unfair labor practice claim made by the union. As part of the settlement, Hecla Limited rescinded its last, best and final contract offer implemented in March 2017. We do not believe the settlement with the NLRB will resolve any of the key differences in the ongoing labor dispute. On May 4, 2018, we gave notice to the union that the parties to the labor dispute are at impasse, and implemented portions of our revised final offer presented in December 2017.

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, 2018 and 2017 (in thousands):

	Three Months Ended March 31,	
	2018	2017
Service cost	$ 1,252	$ 1,196
Interest cost	1,377	1,339
Expected return on plan assets	(1,634)	(1,462)
Amortization of prior service benefit	15	(84)
Amortization of net loss	931	1,033
Net periodic benefit cost	$ 1,941	$ 2,022

For the three months ended March 31, 2018, the service cost component of net periodic benefit cost is included in the same line items of our condensed consolidated financial statements as other employee compensation costs, and the net expense of $0.7 million related to all other components of net periodic benefit cost is included in other (expense) income on our condensed consolidated statements of operations and comprehensive income (loss). For the three months ended March 31, 2017, all components of net periodic benefit cost are included in the same line items of our condensed consolidated financial statements as other employee compensation costs.

In April 2018, we contributed $1.3 million in cash to our defined benefit plans, and expect to contribute an additional $2.6 million in cash or shares of our common stock to our defined benefit plans in 2018. We expect to contribute approximately $0.5 million to our unfunded supplemental executive retirement plan during 2018.

Note 8. Stockholders' Equity

Stock-based Compensation Plans

We periodically grant restricted stock unit awards, performance-based share awards and shares of common stock to our employees and directors. We measure compensation cost for restricted stock units and stock grants at the closing price of our stock at the time of grant. We measure compensation cost for performance-based grants using a Monte Carlo simulation to estimate their value at grant date. Restricted stock unit and performance-based share grants vest after a specified period with compensation cost amortized over that period. Although we have no current plans to issue stock options, we may do so in the future.

In March 2018, the Board of Directors granted 1,237,369 shares of common stock to employees for payment of long-term incentive compensation for the period ended December 31, 2017. The shares were distributed in March 2018, and $4.9 million in expense related to the stock awards was recognized in the periods prior to March 31, 2018.

Stock-based compensation expense for vesting restricted stock unit and performance-based share grants to employees and shares issued to nonemployee directors totaled $1.1 million for the first three months of 2018 and $1.3 million for the first three months of 2017.

In connection with the vesting of restricted stock units and other stock grants, employees have in the past, at their election and when permitted by us, chosen to satisfy their minimum tax withholding obligations through net share settlement, pursuant to which the Company withholds the number of shares necessary to satisfy such withholding obligations. As a result, in the first three months of 2018 we withheld 335,349 shares valued at approximately $1.2 million, or approximately $3.65 per share. In the first three months of 2017 we withheld 154,933 shares valued at approximately $0.7 million, or approximately $4.67 per share.

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, if and when declared. 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 per ounce	Quarterly dividend per share	Annualized dividend 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

On May 9, 2018, our Board of Directors declared a common stock dividend, pursuant to the minimum annual dividend component of the policy described above, of $0.0025 per share, for a total dividend of approximately $1.0 million payable in June 2018. Because the average realized silver price for the first quarter of 2018 was $16.84 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.

At-The-Market Equity Distribution Agreement

Pursuant to an equity distribution agreement dated February 23, 2016, we may issue and sell shares of our common stock from time to time through ordinary broker transactions having an aggregate offering price of up to $75 million, with the net proceeds available for general corporate purposes. The terms of sales transactions under the agreement, including trading day(s), number of shares sold in the aggregate, number of shares sold per trading day, and the floor selling price per share, are proposed by us to the sales agent. Whether or not we engage in sales from time to time may depend on a variety of factors, including share price, our cash resources, customary black-out restrictions, and whether we have any material inside information. The agreement can be terminated by us at any time. The shares issued under the equity distribution agreement are registered under the Securities Act of 1933, as amended, pursuant to our shelf registration statement on Form S-3, which was filed with the SEC on February 23, 2016. As of March 31, 2018, we had sold 4,608,847 shares under the agreement for total proceeds of approximately $17.7 million, net of commissions of approximately $0.4 million. No shares were sold under the agreement during the first quarter of 2018.

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 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, 2018, 934,100 shares have been purchased at an average price of $3.99 per share, leaving approximately 19.1 million shares that may yet be purchased under the program. The closing price of our common stock at May 8, 2018, was $3.97 per share.

Note 9. Debt, 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 in a private placement conducted pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended, and in 2014, an additional $6.5 million aggregate principal amount of the Senior Notes were issued to one of our pension plans. The Senior Notes were subsequently exchanged for substantially identical Senior Notes registered with the SEC. The Senior 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 Senior Notes ($490 million) were used to partially fund the acquisition of Aurizon and for general corporate purposes, including expenses related to the Aurizon acquisition.

The Senior 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 $4.0 million as of March 31, 2018. The Senior Notes bear interest at a rate of 6.875% per year from the date of original issuance or from the most recent payment date on which interest has been paid or provided for. Interest on the Senior Notes is payable on May 1 and November 1 of each year, commencing November 1, 2013. During the three months ended March 31, 2018 and 2017, interest expense related to the Senior Notes and amortization of the initial purchaser discount and fees related to the issuance of the Senior Notes totaled $9.1 million and $8.1 million, respectively. The interest expense related to the Senior Notes for the three months ended March 31, 2017 was net of $0.9 million in capitalized interest, primarily related to the #4 Shaft project at our Lucky Friday unit which was completed in January 2017.

The Senior Notes are guaranteed on a senior unsecured basis by certain of our subsidiaries (the "Guarantors"). The Senior 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 Senior Notes are effectively subordinated to all of the liabilities of Hecla's subsidiaries that are not guaranteeing the Senior Notes, to the extent of the assets of those subsidiaries.

The Senior Notes became redeemable in whole or in part, at any time and from time to time 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.

Upon the occurrence of a change of control (as defined in the Indenture), each holder of Senior Notes will have the right to require us to purchase all or a portion of such holder's Senior 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 Senior Notes on the relevant record date to receive interest due on the relevant interest payment date.

Ressources Québec Notes

On March 5, 2018, we entered into a note purchase agreement pursuant to which we issued CAD$40 million (approximately USD$30.8 million at the time of the transaction) in aggregate principal amount of our Series 2018-A Senior Notes due May 1, 2021 (the “RQ Notes”) to Ressources Québec, a subsidiary of Investissment Québec, a financing arm of the Québec government. The RQ Notes were issued at a discount of 0.58%, or CAD$0.2 million, and bear interest at a rate of 4.68% per year, payable on May 1 and November 1 of each year, commencing May 1, 2018. The RQ Notes are senior and unsecured and are pari passu in all material respects with the Senior Notes, including with respect to guarantees of the RQ Notes by certain of our subsidiaries. The net proceeds from the RQ Notes are required to be used for development and expansion of our Casa Berardi mine. During the three months ended March 31, 2018, interest expense related to the RQ Notes, including discount and origination fees, totaled $0.4 million.

Credit Facilities

In May 2016, we entered into a $100 million senior secured revolving credit facility with a three-year term, which was amended in July 2017 to extend the term until July 14, 2020. 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)[1]	not more than 4.00:1
Interest coverage ratio (EBITDA/interest expense)	not less than 3.00:1

We are also able to obtain letters of credit under the facility, and for any such letters we are required to pay a participation fee of between 2.25% and 3.25% based on our total leverage ratio, as well as a fronting fee to each issuing bank of 0.20% annually on the average daily dollar amount of any outstanding letters of credit. There were $2.6 million in letters of credit outstanding as of March 31, 2018.

We believe we were substantially in compliance with all covenants under the credit agreement as of March 31, 2018. With the exception of the $2.6 million in letters of credit outstanding at March 31, 2018, 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, 2018, the total liability associated with the capital leases, including certain purchase option amounts, was $12.8 million, with $5.7 million of the liability classified as current and $7.1 million classified as non-current. At December 31, 2017, the total liability balance associated with capital leases was $11.8 million, with $5.6 million of the liability classified as current and $6.2 million classified as non-current. The total obligation for future minimum lease payments was $13.6 million at March 31, 2018, with $0.8 million attributed to interest.

At March 31, 2018, the annual maturities of capital lease commitments, including interest, were (in thousands):

Twelve-month period ending March 31,		
2019	$	5,672
2020		3,771
2021		2,786
2022		1,361
Total		13,590
Less: imputed interest		(826)
Net capital lease obligation	$	12,764

Note 10. Developments in Accounting Pronouncements

Accounting Standards Updates Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 Revenue Recognition, replacing guidance currently codified in Subtopic 605-10 Revenue Recognition-Overall. The new ASU establishes a new five step principles-based framework in an effort to significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. In August 2015, the FASB issued ASU No. 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. ASU No. 2015-14 deferred the effective date of ASU No. 2014-09 until annual and interim reporting periods beginning after December 15, 2017. We adopted ASU No. 2014-09 as of January 1, 2018 using the modified-retrospective transition approach. The impact of adoption of the update to our consolidated financial statements for the three months ended March 31, 2017 would have been a reclassification of $140 thousand in doré refining costs from sales of products to cost of sales and other direct production costs.

We performed an assessment of the impact of implementation of ASU No. 2014-09, and concluded it does not change the timing of revenue recognition or amounts of revenue recognized compared to how we recognize revenue under our current policies. Our revenues involve a relatively limited number of types of contracts and customers. In addition, our revenue contracts do not involve multiple types of performance obligations. Revenues from doré are recognized, and the transaction price is known, at the time the metals sold are delivered to the customer. Concentrate revenues are generally recognized at the time of shipment. Concentrates sold at our Lucky Friday unit typically leave the mine and are received by the customer within the same day. There is a period of time between shipment of concentrates from our Greens Creek unit and their physical receipt by the customer. However, based on our assessment, we believe control of the concentrate parcels is generally obtained by the customer at the time of shipment.

Our concentrate sales involve variable consideration, as they are subject to changes in metals prices between the time of shipment and their final settlement. However, we are able to reasonably estimate the transaction price for the concentrate sales at the time of shipment using forward prices for the month of settlement, and we then adjust the values each period until final settlement. Also, it is unlikely a significant reversal of revenue for any one concentrate parcel will occur.

Adoption of ASU No. 2014-09 involves additional disclosures, where applicable, on (i) contracts with customers, (ii) significant judgments and changes in judgments in determining the timing of satisfaction of performance obligations and the transaction price, and (iii) assets recognized for costs to obtain or fulfill contracts. See *Note 6* for information on our sales of products.

In January 2016, the FASB issued ASU No. 2016-01 Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The guidance requires entities to measure equity investments that are not accounted for under the equity method at fair value, with any changes in fair value included in current earnings, and updates certain disclosure requirements. The update is effective for fiscal years beginning after December 15, 2017. We adopted ASU No. 2016-01 as of January 1, 2018 using the modified-retrospective approach, with a cumulative-effect adjustment from accumulated other comprehensive loss to retained deficit on our balance sheet of $1.3 million, net of the income tax effect.

In August 2016, the FASB issued ASU No. 2016-15 Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments. The update provides guidance on classification for cash receipts and payments related to eight specific issues. The update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. We adopted this update as of January 1, 2018.

In November 2016, the FASB issued ASU No. 2016-18 Statement of Cash Flows (Topic 230): Restricted Cash. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. We adopted this update as of January 1, 2018. Cash, cash equivalents, and restricted cash and cash equivalents on the condensed consolidated statement of cash flows includes restricted cash and cash equivalents of $1.0 million as of March 31, 2018 and December 31, 2017 and $2.2 million as of March 31, 2017 and December 31, 2016, as well as amounts previously reported for cash and cash equivalents.

In January 2017, the FASB issued ASU No. 2017-01 Business Combinations (Topic 805): Clarifying the Definition of a Business. The update clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We will apply the applicable provisions of the update to any acquisitions occurring after the effective date.

In March 2017, the FASB issued ASU No. 2017-07 Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Period Postretirement Benefit Cost. The update provides specific requirements for classification and disclosure regarding the service cost component and other components of net benefit cost related to pension plans. The update is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. We have implemented this update effective January 1, 2018. For the full year of 2018, a total net expense of approximately $2.8 million for the components of net benefit cost except service cost is expected to be included in other income (expense) on our consolidated statements of operations, and not reported in the same line items as other employee compensation costs.

Accounting Standards Updates to Become Effective in Future Periods

In February 2016, the FASB issued ASU No. 2016-02 Leases (Topic 842). The update modifies the classification criteria and requires lessees to recognize the assets and liabilities on the balance sheet for most leases. The update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. We are currently reviewing our leases and compiling the information required to implement the new guidance. See *Note 9* for information on future commitments related to our operating leases; the present value of these leases will be recognized on our balance sheet upon implementation of the new guidance. We are currently evaluating the potential impact of implementing this update on our consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12 Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. The objective of the update is to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements, and simplify the application of existing hedge accounting guidance. The update is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the potential impact of implementing this update on our consolidated financial statements.

Note 11. Derivative Instruments

Foreign Currency

Our wholly-owned subsidiaries owning the Casa Berardi and San Sebastian mines are U.S. dollar ("USD")-functional entities which routinely incur expenses denominated in Canadian dollar ("CAD") and Mexican peso ("MXN"), and such expenses expose us to exchange rate fluctuations between the USD and CAD and MXN. In April 2016, we initiated a program to manage our exposure to fluctuations in the exchange rate between the USD and CAD and the impact on our future operating costs denominated in CAD. In October 2016, we also initiated a program to manage our exposure to the impact of fluctuations in the exchange rate between the USD and MXN on our future operating costs denominated in MXN. The programs utilize forward contracts to buy CAD and MXN, and each contract is designated as a cash flow hedge. As of March 31, 2018, we have 120 forward contracts outstanding to buy CAD$285.4 million having a notional amount of USD$220.8 million, and 36 forward contracts outstanding to buy MXN$276.6 million having a notional amount of USD$13.9 million. The CAD contracts are related to forecasted cash operating costs at Casa Berardi to be incurred from 2018 through 2022 and have CAD-to-USD exchange rates ranging between 1.2729 and 1.3360. The MXN contracts are related to forecasted cash operating costs at San Sebastian for 2018 through 2020 and have MXN-to-USD exchange rates ranging between 19.1750 and 20.8550. Our risk management policy allows for up to 75% of our planned cost exposure for five years into the future to be hedged under such programs, and for potential additional programs to manage other foreign currency-related exposure areas.

As of March 31, 2018, we recorded the following balances for the fair value of the contracts:

- a current asset of $1.1 million, which is included in other current assets;
- a non-current asset of $2.0 million, which is included in other non-current assets; and
- a current liability of $0.2 million, which is included in other current liabilities.

Net unrealized gains of approximately $3.0 million related to the effective portion of the hedges were included in accumulated other comprehensive income as of March 31, 2018, and are net of related deferred taxes. Unrealized gains and losses will be transferred from accumulated other comprehensive loss to current earnings as the underlying operating expenses are recognized. We estimate approximately $0.8 million in net unrealized gains included in accumulated other comprehensive income as of March 31, 2018 would be reclassified to current earnings in the next twelve months. Net realized gains of approximately $0.5 million on contracts related to underlying expenses which have been recognized were transferred from accumulated other comprehensive loss and included in cost of sales and other direct production costs for the three months ended March 31, 2018. Net unrealized gains of approximately $15 thousand related to ineffectiveness of the hedges were included in gain (loss) on derivatives contracts on our consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2018.

Metals Prices

At times, we may use commodity forward sales commitments, commodity swap contracts and commodity put and call option contracts to manage our exposure to fluctuation in the prices of certain metals 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. Our risk management policy allows for up to 75% of our planned metals price exposure for five years into the future, with certain other limitations, to be hedged under such programs. These instruments do, however, expose us to (i) credit risk in the form 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 currently 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 are not designated as hedges and are marked-to-market through earnings each period.

As of March 31, 2018, we recorded the following balances for the fair value of the contracts:

- a current asset of $0.3 million, which is included in other current assets;
- a non-current asset of $0.3 million, which is included in other non-current assets;
- a current liability of $6.8 million, which is included in other current liabilities and is net of $0.1 million for contracts in a fair value current asset position; and
- a non-current liability of $0.3 million, which is included in other non-current liabilities and is net of $3.1 million for contracts in a fair value non-current asset position.

We recognized a $0.6 million net gain during the first quarter of 2018 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 $4.0 million net gain during the first quarter of 2018 on the contracts utilized to manage exposure to prices for forecasted future concentrate shipments. The net gain on these contracts is included as a separate line item under other income (expense), as they relate to forecasted future shipments, as opposed to sales that have already taken place but are subject to final pricing as discussed in the preceding paragraph. The net gain for the first quarter of 2018 is the result of decreasing zinc and lead prices. This program, when utilized, 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). When those prices increase compared to the contracts, we incur losses on the contracts.

The following tables summarize the quantities of metals committed under forward sales contracts at March 31, 2018 and December 31, 2017:

March 31, 2018	**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								
2018 settlements	543	2	7,385	—	$ 16.91	$ 1,342	$ 1.52	N/A
Contracts on forecasted sales								
2018 settlements	—	—	26,841	15,598	N/A	N/A	$ 1.23	$ 1.07
2019 settlements	—	—	48,502	20,283	N/A	N/A	$ 1.40	$ 1.10
2020 settlements	—	—	42,329	19,401	N/A	N/A	$ 1.40	$ 1.13

December 31, 2017	**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								
2018 settlements	1,447	5	21,550	4,740	$ 16.64	$ 1,279	$ 1.45	$ 1.11
Contracts on forecasted sales								
2018 settlements	—	—	32,187	16,645	N/A	N/A	$ 1.29	$ 1.06
2019 settlements	—	—	23,589	18,078	N/A	N/A	$ 1.33	$ 1.09
2020 settlements	—	—	3,307	2,866	N/A	N/A	$ 1.27	$ 1.08

Credit-risk-related Contingent Features

Certain of our derivative contracts contain cross default provisions which provide that a default under our revolving credit agreement would cause a default under the derivative contracts. As of March 31, 2018, we have not posted any collateral related to these agreements. The fair value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $10.9 million as of March 31, 2018. If we were in breach of any of these provisions at March 31, 2018, we could have been required to settle our obligations under the agreements at their termination value of $10.9 million.

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, 2018	Balance at December 31, 2017	Input Hierarchy Level
Assets:			
Cash and cash equivalents:			
Money market funds and other bank deposits	$ 212,569	$ 186,107	Level 1
Available for sale securities:			
Debt securities – municipal and corporate bonds	34,358	33,758	Level 2
Equity securities – mining industry	7,652	7,561	Level 1
Trade accounts receivable:			
Receivables from provisional concentrate sales	19,713	14,805	Level 2
Restricted cash balances:			
Certificates of deposit and other bank deposits	1,005	1,032	Level 1
Derivative contracts:			
Metal forward contracts	630	—	Level 2
Foreign exchange contracts	3,122	4,943	Level 2
Total assets	$ 279,049	$ 248,206	
Liabilities:			
Derivative contracts:			
Metal forward contracts	$ 7,066	$ 15,531	Level 2
Foreign exchange contracts	248	—	Level 2
Total Liabilities	$ 7,314	$ 15,531	

Cash and cash equivalents consist primarily of money market funds and are valued at cost, which approximates fair value, and a small portion consists of municipal bonds having maturities of less than 90 days, which are recorded at fair value.

Current available-for-sale securities consist of municipal and corporate bonds having maturities of more than 90 days, which are recorded at fair value.

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

Our non-current available for sale securities consist of marketable equity securities of companies in the mining industry which are valued using quoted market prices for each security.

Trade accounts receivable include amounts due to us for shipments of concentrates, doré and precipitate sold to customers. Revenues and the corresponding accounts receivable for sales of metals products are recorded when title and risk of loss transfer to the customer (generally at the time of ship loading, or at the time of customer arrival for trucked products). 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 metal prices between shipment and final settlement result in changes to revenues previously recorded upon shipment. The embedded derivative contained in our concentrate sales is adjusted to fair market value through earnings each period prior to final settlement.

We use financially-settled forward contracts to manage exposure to changes in the exchange rate between USD and CAD and MXN, and the impact on CAD- and MXN-denominated operating costs incurred at our Casa Berardi and San Sebastian units (see *Note 11* for more information). These contracts qualify for hedge accounting, with unrealized gains and losses related to the effective portion of the contracts included in accumulated other comprehensive loss, and unrealized gains and losses related to the ineffective portion of the contracts included in earnings each period. The fair value of each contract represents the present value of the difference between the forward exchange rate for the contract settlement period as of the measurement date and the contract settlement exchange rate.

We use financially-settled forward contracts to manage the exposure to changes in prices of silver, gold, zinc and lead contained in our concentrate shipments that have not reached final settlement. We also use 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 present value of the difference between the forward metal price for the contract settlement period as of the measurement date and the contract settlement metal price.

Our Senior Notes, which were recorded at their carrying value of $502.5 million, net of unamortized initial purchaser discount at March 31, 2018, had a fair value of $516.6 million at March 31, 2018. Quoted market prices, which we consider to be Level 1 inputs, are utilized to estimate fair values of the Senior Notes. See *Note 9* for more information.

Note 13. Acquisition of Klondex Mines Ltd.

On March 16, 2018, we and Klondex Mines Ltd. ("Klondex") entered into an agreement pursuant to which we would acquire all of the issued and outstanding common shares of Klondex for consideration valued at $2.47 per Klondex share (the "Arrangement"). Under the terms of the Arrangement, each holder of Klondex common shares may elect 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-ration based on a maximum cash consideration of $157.4 million and a maximum number of Hecla shares issued of 77,411,859. If all Klondex shareholders elect either the Cash Alternative or the Share Alternative, each Klondex shareholder would be entitled to receive US$0.8411 in cash and 0.4136 Hecla shares. Klondex shareholders would also receive shares of a newly formed company which would hold the Canadian assets of Klondex. Klondex had 179,668,072 issued and outstanding common shares as of May 7, 2018. An additional 7,476,924 Klondex common shares would be issued immediately prior to consummation of the proposed Arrangement related to conversion of in-the-money Klondex share options and warrants and certain outstanding restricted share units, resulting in a total of 187,144,996 issued and outstanding Klondex common shares at the time of consummation of the Arrangement. The actual value of consideration transferred will be based in part on the market price of Hecla's common stock on the date the Arrangement is consummated. Based on the 60-day volume-weighted average price at the time of announcement on March 19, 2018 of $3.94 per share, total consideration would be $462.3 million. A 10% change in the price per share of Hecla stock would result in a $30.5 million change in the amount of total consideration transferred in the Arrangement. The closing price of Hecla’s common stock was $3.97 at May 8, 2018. The Arrangement is subject to approval of at least 66 2/3% of the votes to be cast by Klondex shareholders.

Under the proposed Arrangement, we would also subscribe for US$7.0 million of common shares of the new company which would hold the Canadian assets of Klondex.

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 Senior Notes and the RQ 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.; Hecla MC Subsidiary, LLC; Hecla Silver Valley, Inc.; Burke Trading, Inc.; Hecla Montana, Inc.; Revett Silver Company; RC Resources, Inc.; Troy Mine Inc.; Revett Exploration, Inc.; Revett Holdings, Inc.; Mines Management, Inc.; Newhi Corp.; Montanore Minerals Corp.; Hecla Alaska LLC; Hecla Greens Creek Mining Company; Hecla Admiralty Company; and Hecla Juneau Mining Company. We completed the initial offering of the Senior Notes on April 12, 2013, and a related exchange offer for virtually identical notes registered with the SEC on January 3, 2014. We issued the RQ Notes on March 5, 2018.

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 condensed consolidated financial statements set forth elsewhere in this report. Investments in the subsidiaries are accounted for under the equity method. Accordingly, the entries necessary to consolidate Hecla, the Guarantors, and our non-guarantor subsidiaries 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 and its subsidiaries and among the 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 in debt or equity capital on the records of the parent company and a contribution to debt or equity 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 at least an annual basis, when not otherwise intended as debt, 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.

- ***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 (if any) and income activity (if any), and payments of principal and accrued interest amounts (if any) by the subsidiary companies to their parents are eliminated in consolidation.

- ***Dividends.*** Certain of Hecla's subsidiaries which generate cash flow routinely provide cash to their parent companies through inter-company transfers. On at least 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.

- ***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 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.

Unaudited Interim Condensed Consolidating Balance Sheets

	As of March 31, 2018				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in thousands)				
Assets					
Cash and cash equivalents	$ 137,504	$ 21,096	$ 53,969	$ —	$ 212,569
Other current assets	48,067	55,771	49,767	(69)	153,536
Properties, plants, and equipment - net	1,934	1,241,325	765,445	—	2,008,704
Intercompany receivable (payable)	293,972	(163,503)	(338,811)	208,342	—
Investments in subsidiaries	1,373,604	—	—	(1,373,604)	—
Other non-current assets	13,807	7,370	8,325	(6,220)	23,282
Total assets	$ 1,868,888	$ 1,162,059	$ 538,695	$ (1,171,551)	$ 2,398,091
Liabilities and Stockholders' Equity					
Current liabilities	$ (203,947)	$ 67,735	$ 38,776	$ 213,370	$ 115,934
Long-term debt	533,566	3,682	3,412	—	540,660
Non-current portion of accrued reclamation	—	66,614	12,273	—	78,887
Non-current deferred tax liability	—	11,630	116,553	(11,317)	116,866
Other non-current liabilities	44,768	5,384	1,091	—	51,243
Stockholders' equity	1,494,501	1,007,014	366,590	(1,373,604)	1,494,501
Total liabilities and stockholders' equity	$ 1,868,888	$ 1,162,059	$ 538,695	$ (1,171,551)	$ 2,398,091

	As of December 31, 2017				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(in thousands)		
Assets					
Cash and cash equivalents	$ 103,878	$ 31,016	$ 51,213	$ —	$ 186,107
Other current assets	47,555	47,608	39,630	(575)	134,218
Properties, plants, and equipment - net	1,946	1,244,161	773,914	—	2,020,021
Intercompany receivable (payable)	287,310	(177,438)	(341,182)	231,310	—
Investments in subsidiaries	1,358,025	—	—	(1,358,025)	—
Other non-current assets	14,409	7,289	9,283	(6,370)	24,611
Total assets	$ 1,813,123	$ 1,152,636	$ 532,858	$ (1,133,660)	$ 2,364,957
Liabilities and Stockholders' Equity					
Current liabilities	$ (226,576)	$ 66,550	$ 37,671	$ 234,485	$ 112,130
Long-term debt	502,229	2,303	3,890	—	508,422
Non-current portion of accrued reclamation	—	67,565	11,801	—	79,366
Non-current deferred tax liability	—	10,120	121,546	(10,120)	121,546
Other non-current liabilities	53,588	5,185	838	—	59,611
Stockholders' equity	1,483,882	1,000,913	357,112	(1,358,025)	1,483,882
Total liabilities and stockholders' equity	$ 1,813,123	$ 1,152,636	$ 532,858	$ (1,133,660)	$ 2,364,957

Unaudited Interim Condensed Consolidating Statements of Operations

	Three Months Ended March 31, 2018				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in thousands)				
Revenues	$ 615	$ 70,211	$ 68,883	$ —	$ 139,709
Cost of sales	475	(34,701)	(38,643)	—	(72,869)
Depreciation, depletion, amortization	—	(11,260)	(16,794)	—	(28,054)
General and administrative	(3,833)	(3,448)	(454)	—	(7,735)
Exploration and pre-development	(55)	(1,939)	(6,371)	—	(8,365)
Research and development	—	(482)	(954)	—	(1,436)
Gain on derivative contracts	4,007	—	—	—	4,007
Acquisition costs	(2,360)	—	(147)	—	(2,507)
Equity in earnings of subsidiaries	17,768	—	—	(17,768)	—
Other (expense) income	(8,377)	(6,794)	6,917	(5,488)	(13,742)
Income (loss) before income taxes	8,240	11,587	12,437	(23,256)	9,008
(Provision) benefit from income taxes	—	(5,488)	(768)	5,488	(768)
Net income (loss)	8,240	6,099	11,669	(17,768)	8,240
Preferred stock dividends	(138)	—	—	—	(138)
Income (loss) applicable to common stockholders	8,102	6,099	11,669	(17,768)	8,102
Net income (loss)	8,240	6,099	11,669	(17,768)	8,240
Changes in comprehensive income (loss)	(2,104)	—	38	(38)	(2,104)
Comprehensive income (loss)	$ 6,136	$ 6,099	$ 11,707	$ (17,806)	$ 6,136

	Three Months Ended March 31, 2017				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(in thousands)		
Revenues	$ (4,093)	$ 82,953	$ 63,684	$ —	$ 142,544
Cost of sales	(148)	(42,772)	(35,756)	—	(78,676)
Depreciation, depletion, amortization	—	(15,766)	(13,186)	—	(28,952)
General and administrative	(6,469)	(2,319)	(418)	—	(9,206)
Exploration and pre-development	(244)	(1,901)	(3,621)	—	(5,766)
Gain on derivative contracts	(7,809)	—	—	—	(7,809)
Equity in earnings of subsidiaries	2,701	—	—	(2,701)	—
Other (expense) income	42,896	(3,116)	(9,332)	(44,820)	(14,372)
Income (loss) before income taxes	26,834	17,079	1,371	(47,521)	(2,237)
(Provision) benefit from income taxes	—	(8,969)	(6,780)	44,820	29,071
Net income (loss)	26,834	8,110	(5,409)	(2,701)	26,834
Preferred stock dividends	(138)	—	—	—	(138)
Income (loss) applicable to common stockholders	26,696	8,110	(5,409)	(2,701)	26,696
Net income (loss)	26,834	8,110	(5,409)	(2,701)	26,834
Changes in comprehensive income (loss)	3,204	—	(89)	89	3,204
Comprehensive income (loss)	$ 30,038	$ 8,110	$ (5,498)	$ (2,612)	$ 30,038

Unaudited Interim Condensed Consolidating Statements of Cash Flows

	Three Months Ended March 31, 2018				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
			(in thousands)		
Cash flows from operating activities	$ 21,183	$ 18,747	$ 13,396	$ (36,943)	$ 16,383
Cash flows from investing activities:					
Additions to properties, plants, and equipment	—	(8,082)	(9,553)	—	(17,635)
Other investing activities, net	(16,260)	151	—	15,579	(530)
Cash flows from financing activities:					
Dividends paid to stockholders	(1,136)	—	—	—	(1,136)
Borrowings on debt	31,024	—	—	—	31,024
Payments on debt	—	(644)	(678)	—	(1,322)
Other financing activity	(1,186)	(20,118)	(1,285)	21,364	(1,225)
Effect of exchange rate changes on cash	—	—	876	—	876
Changes in cash, cash equivalents and restricted cash and cash equivalents	33,625	(9,946)	2,756	—	26,435
Beginning cash, cash equivalents and restricted cash and cash equivalents	103,878	32,048	51,213	—	187,139
Ending cash, cash equivalents and restricted cash and cash equivalents	$ 137,503	$ 22,102	$ 53,969	$ —	$ 213,574

	Three Months Ended March 31, 2017				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
	(in thousands)				
Cash flows from operating activities	$ 40,953	$ 11,508	$ 15,642	$ (29,818)	$ 38,285
Cash flows from investing activities:					
Additions to properties, plants, and equipment	—	(7,540)	(14,118)	—	(21,658)
Other investing activities, net	(7,479)	61	—	—	(7,418)
Cash flows from financing activities:					
Dividends paid to stockholders	(1,127)	—	—	—	(1,127)
Payments on debt	—	(1,658)	(407)	—	(2,065)
Other financing activity	(41,096)	3,025	7,431	29,818	(822)
Effect of exchange rate changes on cash	—	—	1,814	—	1,814
Changes in cash, cash equivalents and restricted cash and cash equivalents	(8,749)	5,396	10,362	—	7,009
Beginning cash, cash equivalents and restricted cash and cash equivalents	113,275	26,588	32,114	—	171,977
Ending cash, cash equivalents and restricted cash and cash equivalents	$ 104,526	$ 31,984	$ 42,476	$ —	$ 178,986

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" and similar expressions. These forward-looking statements are based on information currently available to us and are expressed in good faith and believed to have a reasonable basis. However, our forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause our actual 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 our annual report filed on Form 10-K for the year ended December 31, 2017, as updated in Part II, Item 1A – Risk Factors in this quarterly report on Form 10-Q for the quarter ended March 31, 2018. 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 precipitate and bullion bars (doré) containing gold and silver, which are further refined before sale to precious metals traders. We are organized into four segments that encompass our operating and development units: Greens Creek, Lucky Friday, Casa Berardi, and San Sebastian. The map below shows the locations of our operating units and our exploration and pre-development projects, as well as our corporate offices located in Coeur d'Alene, Idaho and Vancouver, British Columbia.

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

- operating our properties safely, in an environmentally responsible manner, and cost-effectively;
- continuing to optimize and improve operations at our units, which includes incurring research and development expenditures that may not result in tangible benefits;
- expanding our proven and probable reserves and production capacity at our units;
- conducting our business with financial stewardship to preserve our financial position in varying metals price environments;
- advance permitting of the Rock Creek and Montanore projects. We acquired Rock Creek as part of the acquisition of Revett Mining Company, Inc. ("Revett") in June 2015, and we acquired Montanore through the acquisition of Mines Management, Inc. ("Mines Management") in September 2016;
- maintaining and investing in exploration and pre-development projects in the vicinities of six mining districts and projects we believe to be under-explored and under-invested: North Idaho's Silver Valley in the historic Coeur d'Alene Mining District; our Greens Creek unit on Alaska's Admiralty Island located near Juneau; the silver-producing district near Durango, Mexico; the Abitibi region of northwestern Quebec, Canada; the Rock Creek and Montanore projects in northwestern Montana; and the Creede district of southwestern Colorado. If the proposed acquisition of Klondex Mines Ltd. ("Klondex") is approved by the shareholders of Klondex and consummated, our exploration and pre-development efforts will also be focused on Klondex's projects in northern Nevada; and
- continuing to seek opportunities to acquire and invest in mining properties and companies, including the proposed acquisition of Klondex discussed further below.

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 gold, lead, and zinc in the first three months of 2018 were higher than their levels from the comparable period last year, with the average silver price lower, as illustrated by the table in *Results of Operations* below. While we believe current global economic and industrial trends could result in continued demand for the metals we produce, prices have been volatile and there can be no assurance that current prices will continue.

The total principal amount of our Senior Notes due May 1, 2021 is $506.5 million, and they bear interest at a rate of 6.875% per year. The net proceeds from the Senior Notes were primarily used for the acquisition of Aurizon in June 2013. In addition, in March 2018 we entered into a note purchase agreement pursuant to which we issued CAD$40 million (approximately USD$30.8 million at the time of the transaction) in aggregate principal amount of our Series 2018-A Senior Notes due May 1, 2021 (the "RQ Notes") to Ressources Québec which have an annual coupon rate of 4.68%. The net proceeds from the RQ Notes are required to be used for development and expansion of our Casa Berardi unit. See *Note 9* of *Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information on our debt arrangements. 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 Senior Notes and RQ Notes; however, a number of factors could impact our ability to meet the debt obligations and fund our other projects.

On March 16, 2018, we entered into an agreement to acquire all of the issued and outstanding common shares of Klondex for total consideration valued at approximately $462 million at the time of the agreement. See *Note 13* of *Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information. Klondex owns 100% of three producing gold mines, along with interests in various gold exploration properties in the northern Nevada, as well as other properties in Canada which we would not be acquiring. The acquisition is expected to increase our annual gold production, give us ownership of operating gold mines and identified gold reserves and other mineralized material, and provide access to a large land package with known mineralization. Should the transaction be approved and consummated, we would be faced with the challenge of integrating the acquisition and assuming operating responsibility for Klondex's mines and other operations. See *Part II, Item 1A – Risk Factors – Operating, Development, Exploration and Acquisition Risks* for risks associated with our proposed acquisition of Klondex.

On June 15, 2015, we completed the acquisition of Revett, giving us 100% ownership of the Rock Creek project, a significant undeveloped silver and copper deposit in northwestern Montana. In addition, on September 13, 2016, we completed the acquisition of Mines Management, giving us 100% ownership of the Montanore project, another significant undeveloped silver and copper deposit located approximately 10 miles from our Rock Creek project. Development of Rock Creek and Montanore has been challenged by non-governmental organizations and governmental agencies at various times, and there can be no assurance that we will be able to obtain the permits required to develop these projects. In *Part I, Item 1A – Risk Factors* in our annual report filed on Form 10-K for the year ended December 31, 2017, see *Legal challenges could prevent the Rock Creek or Montanore projects from ever being developed* for more information.

As further discussed in the *Lucky Friday Segment* section below, the union employees at Lucky Friday have been on strike since March 13, 2017. Production at Lucky Friday was suspended from the start of the strike until July 2017, with limited production by salary employees commencing at that time. We cannot predict how long the strike will last or whether an agreement will be reached. We expect to incur cash expenditures of approximately $1.0 million to $1.5 million per month to advance engineering and infrastructure for the restart of full production, in addition to costs related to limited interim production. As a result of the strike or other related events, operations at Lucky Friday could continue to be disrupted, which could adversely affect our financial condition and results of operations.

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 for us 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, 2017 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 and the estimate of our environmental liabilities and liquidity needs, as well as our strategic plans, may 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.

Results of Operations

Sales of products by metal for the three-month periods ended March 31, 2018 and 2017 were as follows:

	Three Months Ended March 31,	
(in thousands)	2018	2017
Silver	$ 35,222	$ 51,357
Gold	73,044	62,701
Lead	9,227	13,619
Zinc	30,109	29,865
Less: Smelter and refining charges	(7,893)	(14,998)
Sales of products	$ 139,709	$ 142,544

The fluctuations in sales for the first quarter of 2018 compared to the same period of 2017 were primarily due to:

- Lower quantities and silver, lead and zinc sold as a result of lower production of those metals, partially offset by higher gold volume. See *The Greens Creek Segment, The Lucky Friday Segment, The Casa Berardi Segment, and The San Sebastian Segment* sections below for more information on metal production and sales volumes at each of our operating segments. Total metals production and sales volumes for each period are shown in the following table:

		Three Months Ended March 31,	
		2018	2017
Silver -	Ounces produced	2,534,095	3,369,427
	Payable ounces sold	2,091,464	2,869,114
Gold -	Ounces produced	57,808	56,113
	Payable ounces sold	54,839	51,371
Lead -	Tons produced	5,627	8,636
	Payable tons sold	3,868	6,426
Zinc -	Tons produced	15,211	15,537
	Payable tons sold	10,104	11,847

The difference between what we report as "ounces/tons produced" and "payable ounces/tons sold" is attributable to the difference between the quantities of metals contained in the concentrates we produce versus the portion of those metals actually paid for by our customers according to the terms of our sales contracts. Differences can also arise from inventory changes incidental to shipping schedules, or variances in ore grades which impact the amount of metals contained in concentrates produced and sold.

- Higher average realized prices for gold, lead and zinc, and lower average realized prices for silver. These price variances are illustrated in the table below.

		Three months ended March 31,	
		2018	2017
Silver –	London PM Fix ($/ounce)	$ 16.77	$ 17.42
	Realized price per ounce	$ 16.84	$ 17.90
Gold –	London PM Fix ($/ounce)	$ 1,329	$ 1,219
	Realized price per ounce	$ 1,332	$ 1,221
Lead –	LME Final Cash Buyer ($/pound)	$ 1.14	$ 1.03
	Realized price per pound	$ 1.19	$ 1.06
Zinc –	LME Final Cash Buyer ($/pound)	$ 1.55	$ 1.26
	Realized price per pound	$ 1.49	$ 1.26

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 2018, we recorded net negative price adjustments to provisional settlements of $0.1 million compared to net positive price adjustments to provisional settlements of $0.6 million in the first quarter of 2017. 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.

For the first quarter of 2018, we recorded income applicable to common stockholders of $8.1 million ($0.02 per basic common share), compared to income of $26.7 million ($0.07 per basic common share) during the first quarter of 2017. The following factors contributed to the results for the first three months of 2018 compared to the same period in 2017:

- An income tax provision of $0.8 million in first quarter of 2018 compared to an income tax benefit of $29.1 million in the first quarter of 2017. The benefit in the 2017 period is primarily the result of a change in income tax position relating to the timing of deduction for #4 Shaft development costs at Lucky Friday.
- Lucky Friday suspension costs of $4.1 million, along with $0.9 million in non-cash depreciation expense, in the first quarter of 2018 compared to $1.2 million in suspension costs and $0.4 million in non-cash depreciation in the same period of 2017. These costs were incurred during the suspension of full production resulting from the strike, which started in March 2017.
- Exploration and pre-development expense increased by $2.6 million in the first quarter of 2018 compared to the first quarter of 2017. In 2018, we have continued exploration work at our Greens Creek, San Sebastian, and Casa Berardi units, and on our land package near our Lucky Friday unit. "Pre-development expense" is defined as costs incurred in the exploration stage that may ultimately benefit production, such as underground ramp development, which are expensed due to the lack of proven and probable reserves. Pre-development expense of $1.0 million in the first quarter of 2018 was related to advancement of our Montanore and Rock Creek projects.
- $2.5 million in costs in the first quarter of 2018 related to our proposed acquisition of Klondex.
- Higher interest expense by $1.3 million in the first quarter of 2018 compared to the same period of 2017. Interest expense in the first quarter of 2017 was net of $0.9 million in capitalized interest primarily related to the #4 Shaft project, with the decrease due to completion of #4 Shaft in January 2017. Interest expense in the first quarter of 2018 included $0.4 million related to the Notes issued to Ressources Québec in March 2018.
- Lower general and administrative expense by $1.5 million in the first quarter of 2018 compared to the first quarter of 2017 due to lower accruals for incentive compensation.

- Increased gross profit at our Greens Creek and Casa Berardi units in the first quarter of 2018 of $9.1 million and $7.1 million, respectively, compared to the first quarter of 2017. This was partially offset by decreases in gross profit of $7.8 million and $4.6 million, respectively, in the first quarter of 2018 at our San Sebastian and Lucky Friday units. See *The Greens Creek Segment, The Lucky Friday Segment, The Casa Berardi Segment,* and *The San Sebastian Segment* sections below.
- A net foreign exchange gain in the first quarter of 2018 of $2.6 million versus a net loss of $2.3 million in the same period of 2017, with the variance primarily related to the impact of weakening of the CAD relative to the USD on the remeasurement of our net monetary liabilities in Quebec. During the first quarter of 2018, the applicable CAD-to-USD exchange rate increased from 1.2545 to 1.2893, compared to a decrease in the rate from 1.3426 to 1.3310 during the first quarter of 2017.
- A gain on base metal derivatives contracts of $4.0 million in the first quarter of 2018 compared to a loss of $7.8 million in the same period of 2017. See *Note 11* of *Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information.

The Greens Creek Segment

Dollars are in thousands (except per ounce and per ton amounts)	Three months ended March 31,	
	2018	2017
Sales	$ 65,850	$ 58,850
Cost of sales and other direct production costs	(31,222)	(30,664)
Depreciation, depletion and amortization	(10,639)	(13,332)
Cost of sales and other direct production costs and depreciation, depletion and amortization	(41,861)	(43,996)
Gross profit	$ 23,989	$ 14,854
Tons of ore milled	211,430	197,129
Production:		
Silver (ounces)	1,913,232	1,929,297
Gold (ounces)	13,118	14,022
Zinc (tons)	14,799	13,406
Lead (tons)	5,021	4,809
Payable metal quantities sold:		
Silver (ounces)	1,460,981	1,439,461
Gold (ounces)	9,006	10,290
Zinc (tons)	9,792	10,159
Lead (tons)	2,924	2,830
Ore grades:		
Silver ounces per ton	11.71	12.71
Gold ounces per ton	0.10	0.10
Zinc percent	8.05	7.82
Lead percent	2.96	3.06
Mining cost per ton	$ 68.99	$ 71.41
Milling cost per ton	$ 32.64	$ 33.72
Cash Cost, After By-product Credits, per Silver Ounce (1)	$ (4.99)	$ 0.65
All-In Sustaining Cost ("AISC"), After By-product Credits, per Silver Ounce (1)	$ 0.59	$ 3.86

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

The $9.1 million increase in gross profit during the first quarter of 2018 compared to the same 2017 period was the result of higher average prices for gold, zinc and lead and lower depreciation expense, partially offset by lower average silver prices. The reduction in depreciation and depletion expense is due to an increase in product inventory, which includes deferred depreciation and depletion, the impact of higher reserves on units-of-production depreciation, and expiration of depreciable lives on previously acquired assets.

Mining and milling costs per ton each decreased by 3% in the first quarter of 2018 compared to the same period in 2017, primarily as a result of mill throughput that increased by 7%.

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 2018 compared to the same period of 2017:

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

	Three Months Ended March 31,	
	2018	2017
Cash Cost, Before By-product Credits, per Silver Ounce	$ 24.49	$ 24.71
By-product credits	(29.48)	(24.06)
Cash Cost, After By-product Credits, per Silver Ounce	$ (4.99)	$ 0.65

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

	Three Months Ended March 31,	
	2018	2017
AISC, Before By-product Credits, per Silver Ounce	$ 30.07	$ 27.92
By-product credits	(29.48)	(24.06)
AISC, After By-product Credits, per Silver Ounce	$ 0.59	$ 3.86

The decrease in Cash Costs, After By-Product Credits, per Silver Ounce for the first quarter of 2018 compared to 2017 was the result of higher by-product credits. The decrease in AISC, After By-Product Credits, per Silver Ounce was also due to higher by-product credits, partially offset by higher capital spending.

Mining and milling costs per ounce increased slightly in the first quarter of 2018 compared to 2017 on a per-ounce basis due primarily to lower silver production resulting from lower silver grades, partially offset by higher mill throughput.

Other cash costs per ounce for the first quarter of 2018 were higher compared to 2017 due to the effect of lower silver production and higher expense for Alaska mine license tax.

Treatment costs were lower in the first quarter of 2018 compared to 2017 as a result of improved terms, lower silver production and 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 higher in the first quarter of 2018 compared to 2017 due to higher gold, zinc and lead prices, higher zinc and lead production, due to higher mill throughput, and lower silver production.

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 paid for by our customers according to the terms of our sales contracts. Differences can also arise from inventory changes incidental to shipping schedules, or variances in ore grades which impact the amount of metals contained in concentrates produced and sold.

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 have not consistently received sufficient revenue from any single by-product metal to warrant classification of such as a co-product.

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

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The Lucky Friday Segment

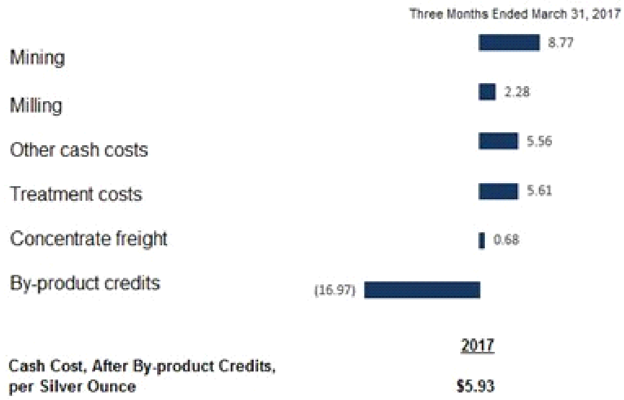
Dollars are in thousands (except per ounce and per ton amounts)	Three Months Ended March 31,	
	2018	2017
Sales	$ 4,977	$ 20,010
Cost of sales and other direct production costs	(3,479)	(12,110)
Depreciation, depletion and amortization	(621)	(2,433)
Cost of sales and other direct production costs and depreciation, depletion and amortization	(4,100)	(14,543)
Gross profit	$ 877	$ 5,467
Tons of ore milled	9,559	57,069
Production:		
Silver (ounces)	99,780	680,782
Lead (tons)	606	3,827
Zinc (tons)	412	2,131
Payable metal quantities sold:		
Silver (ounces)	155,743	641,004
Lead (tons)	944	3,596
Zinc (tons)	312	1,688
Ore grades:		
Silver ounces per ton	11.10	12.39
Lead percent	6.92	7.05
Zinc percent	4.79	3.99
Mining cost per ton	$ 114.76	$ 104.72
Milling cost per ton	$ 21.67	$ 27.16
Cash Cost, After By-product Credits, per Silver Ounce (1)	$ —	$ 5.93
AISC, After By-product Credits, per Silver Ounce (1)	$ —	$ 12.06

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

Gross profit decreased by $4.6 million in the first quarter of 2018 compared to 2017. The variance is primarily due to reduced metal production resulting from the strike by unionized employees starting in mid-March 2017, discussed further below, and lower silver prices. Silver and lead production was also impacted by lower ore grades. These factors were partially offset by higher lead and zinc prices. Gross profit was also impacted by depreciation expense, which decreased by $1.8 million in the first quarter of 2018 compared to the same period of 2017 due to lower sales volume.

Mining cost per ton increased by 10% in the first quarter of 2018 compared to the same period in 2017 due primarily to lower ore production as a result of the strike described below. Milling cost per ton in the first quarter of 2018 decreased by 20%, as the mill only operated when the limited production provided a sufficient ore stockpile. Mining and milling cost per ton for the first quarter of 2018 are not indicative of future operating results under full production, as there was reduced mill throughput during the year. In addition, costs not directly related to mining and processing ore have been classified as suspension costs during the strike period, and excluded from the calculations of mining and milling cost per ton.

The chart below illustrates the factors contributing to Cash Cost, After By-product Credits, per Silver Ounce for the first quarter of 2017. Cash Cost, After By-product Credits, per Silver Ounce and AISC, After By-product Credits, per Silver Ounce, are not presented for the first quarter of 2018, as production was limited due to the strike and results are not comparable to those from the first quarter of 2017 and are not indicative of future operating results under full production.



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

	Three Months Ended March 31, 2017
Cash Cost, Before By-product Credits, per Silver Ounce	$ 22.90
By-product credits	(16.97)
Cash Cost, After By-product Credits, per Silver Ounce	$ 5.93

The following table summarizes the components of AISC, After By-product Credits, per Silver Ounce for the first quarter of 2017. AISC, After By-product Credits, per Silver Ounce is not presented for the first quarter of 2018 as a result of the limited production due to the strike.

	Three Months Ended March 31, 2017
AISC, Before By-product Credits, per Silver Ounce	$ 29.03
By-product credits	(16.97)
AISC, After By-product Credits, per Silver Ounce	$ 12.06

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

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 sufficient revenue from any single by-product metal to warrant classification of such as a co-product.

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

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

Many of the employees at our Lucky Friday unit are represented by a union, and the most recent collective bargaining agreement with the union expired on April 30, 2016. On February 19, 2017, the unionized employees voted against our contract offer. On March 13, 2017, the unionized employees went on strike, and have been on strike since that time. Production at Lucky Friday was suspended from the start of the strike, until limited production by salaried personnel commenced in July 2017. Salaried personnel have continued to perform limited production and capital improvements, which are expected to include development in preparation for arrival of the RVM in 2019. Suspension costs during the strike totaled $4.1 million and $1.2 million, respectively, in the first quarters of 2018 and 2017, which are combined with non-cash depreciation expense of $0.9 million and $0.4 million, respectively, for those periods, in a separate line item on our consolidated statement of operations. These suspension costs are excluded from the calculation of gross profit, Cash Cost, After By-product Credits, per Silver Ounce and AISC, After By-product Credits, per Silver Ounce, when presented. We cannot predict how long the strike will last or whether an agreement will be reached. As a result of the strike or other related events, operations at Lucky Friday could continue to be disrupted, which could adversely affect our financial condition and results of operations. If the strike continues for an extended period or it is determined an eventual resolution is unlikely, it may be appropriate in the future to review the carrying value of properties, plants, equipment and mineral interests at Lucky Friday. Under such review, if estimated undiscounted cash flows from Lucky Friday were less than its carrying value, an impairment loss would be recognized for the difference between the carrying value and the estimated fair value. The carrying value of properties, plants, equipment and mineral interests at Lucky Friday as of March 31, 2018 was approximately $422 million. However, Lucky Friday has significant identified reserves and mineralized material and a current estimated mine life of approximately 22 years.

On April 30, 2018, we settled with the National Labor Relations Board ("NLRB") an unfair labor practice claim made by the union. As part of the settlement, Hecla Limited rescinded its last, best and final contract offer implemented in March 2017. We do not believe the settlement with the NLRB will resolve any of the key differences in the ongoing labor dispute. On May 4, 2018, we gave notice to the union that the parties to the labor dispute are at impasse, and implemented portions of our revised final offer presented in December 2017.

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

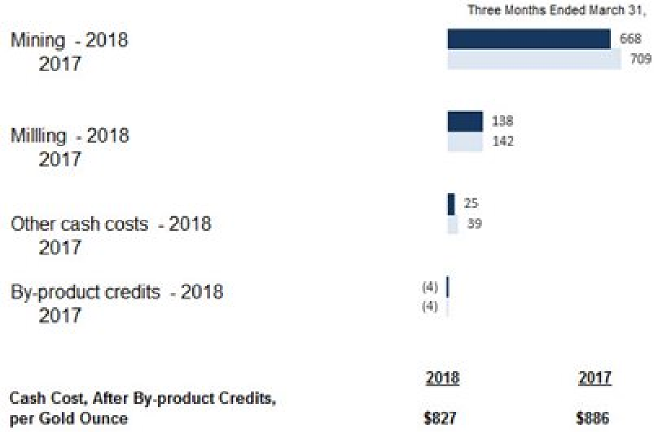
Dollars are in thousands (except per ounce and per ton amounts)	Three Months Ended March 31,	
	2018	2017
Sales	$ 55,548	$ 41,712
Cost of sales and other direct production costs	(33,077)	(29,953)
Depreciation, depletion and amortization	(16,110)	(12,514)
Cost of sales and other direct production costs and depreciation, depletion and amortization	(49,187)	(42,467)
Gross (loss) profit	$ 6,361	$ (755)
Tons of ore milled	348,549	293,696
Production:		
Gold (ounces)	40,177	35,807
Silver (ounces)	8,891	8,545
Payable metal quantities sold:		
Gold (ounces)	41,645	34,166
Silver (ounces)	8,835	7,899
Ore grades:		
Gold ounces per ton	0.135	0.140
Silver ounces per ton	0.03	0.03
Mining cost per ton	$ 76.95	$ 86.58
Milling cost per ton	$ 15.96	$ 17.26
Cash Cost, After By-product Credits, per Gold Ounce (1)	$ 827	$ 886
AISC, After By-product Credits, per Gold Ounce (1)	$ 1,086	$ 1,256

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

Gross profit increased by $7.1 million for the first quarter of 2018 compared to the same period in 2017 primarily due to higher gold volume, resulting from increased mill throughput, and higher gold prices. These factors are partially offset by higher cost of sales and depreciation expense, also a result of the higher production.

Mining and milling cost per ton for the first quarter of 2018 were lower than the first quarter of 2017 by 11% and 8%, respectively, primarily due to higher ore production. The decrease in mining cost per ton was also due to reduced stripping costs related to the East Mine Crown Pillar pit.

The chart below illustrates the factors contributing to Cash Cost, After By-product Credits, per Gold Ounce for the first quarter of 2018 compared to the same period of 2017:



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

	Three Months Ended March 31,	
	2018	2017
Cash Cost, Before By-product Credits, per Gold Ounce	$ 831	$ 890
By-product credits	(4)	(4)
Cash Cost, After By-product Credits, per Gold Ounce	$ 827	$ 886

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

	Three Months Ended March 31,	
	2018	2017
AISC, Before By-product Credits, per Gold Ounce	$ 1,090	$ 1,260
By-product credits	(4)	(4)
AISC, After By-product Credits, per Gold Ounce	$ 1,086	$ 1,256

The decrease in Cash Cost, After By-product Credits, per Gold Ounce for the first quarter of 2018 compared to the first quarter of 2017 was primarily the result of higher gold production. The decrease in AISC, After By-product Credits, per Gold Ounce was due to higher gold production and lower capital spending, partially offset by higher exploration spending.

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 and AISC, After By-product Credits, per Gold Ounce.

The San Sebastian Segment

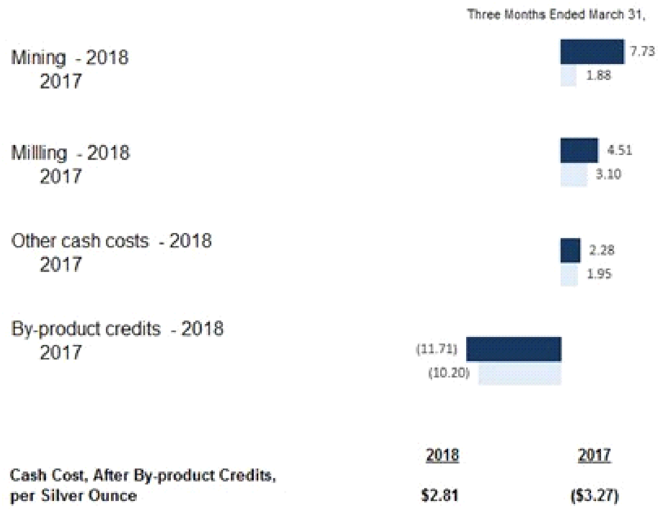
Dollars are in thousands (except per ounce and per ton amounts)	Three Months Ended March 31,	
	2018	2017
Sales	$ 13,334	$ 21,972
Cost of sales and other direct production costs	(5,091)	(5,950)
Depreciation, depletion and amortization	(684)	(673)
Cost of sales and other direct production costs and depreciation, depletion and amortization	(5,775)	(6,623)
Gross profit	$ 7,559	$ 15,349
Tons of ore milled	34,397	36,663
Production:		
Silver (ounces)	512,192	750,803
Gold (ounces)	4,513	6,284
Payable metal quantities sold:		
Silver (ounces)	465,905	780,750
Gold (ounces)	4,188	6,915
Ore grades:		
Silver ounces per ton	16.10	21.78
Gold ounces per ton	0.142	0.183
Mining cost per ton	$ 115.12	$ 38.99
Milling cost per ton	$ 67.13	$ 64.15
Cash Cost, After By-product Credits, per Silver Ounce (1)	$ 2.81	$ (3.27)
AISC, After By-product Credits, per Silver Ounce (1)	$ 8.37	$ 0.43

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

The $7.8 million decrease in gross profit in the first quarter of 2018 compared to the same period of 2017 is primarily due to lower silver and gold ore grades and higher costs as a result of transitioning from open pit to underground mining. The ore processed in the first quarters of 2018 and 2017 came from higher grade deposits mined from shallow open pits. Production from the existing open pits substantially ended in December 2017; however, during the first quarter of 2018, mill throughput primarily came from ore stockpiled from the open pits. In January 2017, we started development of a new underground portal and work to rehabilitate historic underground infrastructure which should allow us to mine deeper portions of the deposits at San Sebastian. Limited ore production from underground began in January 2018 and continued to increase during the first quarter. The underground ore production is expected to have lower grades than the open pit.

Mining and milling cost per ton for the first quarter of 2018 were higher than the first quarter of 2017 by 195% and 5%, respectively. The large increase in mining cost per ton was due to the transition of production from shallow open pits to underground, along with lower ore tonnage. The increase in milling cost per ton was due to the lower ore tonnage.

The chart below illustrates the factors contributing to Cash Cost, After By-product Credits, Per Silver Ounce for the first quarter of 2018 compared to the same period of 2017:



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

	Three Months Ended March 31,	
	2018	2017
Cash Cost, Before By-product Credits, per Silver Ounce	$ 14.52	$ 6.93
By-product credits	(11.71)	(10.20)
Cash Cost, After By-product Credits, per Silver Ounce	$ 2.81	$ (3.27)

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

	Three Months Ended March 31,	
	2018	2017
AISC, Before By-product Credits, per Silver Ounce	$ 20.08	$ 10.63
By-product credits	(11.71)	(10.20)
AISC, After By-product Credits, per Silver Ounce	$ 8.37	$ 0.43

The increase in Cash Cost, After By-product Credits, per Silver Ounce in the first quarter of 2018 compared to the same period of 2017 was primarily the result of lower silver production and higher mining costs, due to the transition from open pit to underground mining, partially offset by higher by-product credits per ounce due to higher gold prices. The same factors along with higher exploration spending, partially offset by lower capital costs, resulted in the increase in AISC, After By-product Credits, per Silver Ounce in the first quarter of 2018 compared to the same period of 2017.

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 gold as a by-product credit is appropriate at San Sebastian because of its anticipated lower economic value compared to silver over the life of the mine. In addition, we will not receive sufficient revenue from gold at San Sebastian to warrant classification of such as a co-product. Because we consider gold to be a by-product of our silver production at San Sebastian, the value of gold offsets operating costs within our calculations of Cash Cost, After By-product Credits, per Silver Ounce and AISC, After By-product Credits, per Silver Ounce.

Corporate Matters

Employee Benefit Plans

Our defined benefit pension plans provide a significant benefit to our employees, but also represent a significant liability to us. The liability recorded for the funded status of our plans was $48.9 million and $47.1 million as of March 31, 2018 and December 31, 2017, respectively. In April 2018, we contributed $1.3 million in cash to our defined benefits plans, and expect to contribute an additional $2.6 million in cash or shares of our common stock to our defined benefit plans in 2018. While the economic variables which will determine future funding requirements are uncertain, we expect contributions to continue to be required 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

Each reporting period we assess our deferred tax balance based on a review of long-range forecasts and quarterly activity. We recognized a full valuation allowance on our U.S. net deferred tax assets at the end of 2017 based on results of tax law changes. We continue to recognize a net deferred tax liability in Canada. Our net deferred tax asset in Mexico is partially recognized.

Our U.S. net deferred tax liability at March 31, 2018 totaled $0.3 million, or 0% of total assets, representing no net change from the net deferred tax liability at December 31, 2017. On December 22, 2017, the United States enacted tax reform legislation known as H.R. 1, commonly referred to as the “Tax Cuts and Jobs Act” (the “Act”), resulting in significant modifications to prior law. Among other changes, the Act repealed corporate Alternative Minimum tax ("AMT") and reduced the U.S. corporate income tax rate to 21 percent. However, due to the change relating to the U.S. taxation of foreign earnings under the Act and cumulative tax losses in recent years, we determined it is more likely than not that we will not realize our U.S. net deferred tax assets. At March 31, 2018, we retained a full valuation allowance on U.S. deferred tax assets of $77.2 million.

Our net Canadian deferred tax liability at March 31, 2018 was $116.9 million, a decrease of $4.6 million from the $121.5 million net deferred tax liability at December 31, 2017. The deferred tax liability is primarily related to the excess of the carrying value of the mineral resource assets over the tax bases of those assets for Canadian tax reporting.

Our Mexican net deferred tax asset at March 31, 2018 was $1.0 million, a decrease of $0.8 million from the net deferred tax asset of $1.8 million at December 31, 2017. A $1.5 million valuation allowance remains on deferred tax assets in Mexico.

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

The tables below present reconciliations between the most comparable GAAP measure of cost of sales and other direct production costs and depreciation, depletion and amortization to the non-GAAP measures of Cash Cost, Before By-product Credits, Cash Cost, After By-product Credits, AISC, Before By-product Credits and AISC, After By-product Credits for our operations at the Greens Creek, Lucky Friday, San Sebastian and Casa Berardi units and for the Company for the three-month periods ended March 31, 2018 and 2017.

Cash Cost, After By-product Credits, per Ounce is an important operating statistic that we utilize to measure each mine's operating performance. We have recently started reporting AISC, After By-product Credits, per Ounce which we use as a measure of our mines' net cash flow after costs for exploration, pre-development, reclamation, and sustaining capital. This is similar to the Cash Cost, After By-product Credits, per Ounce non-GAAP measure we report, but also includes on-site exploration, reclamation, and sustaining capital costs. Current GAAP measures used in the mining industry, such as cost of goods sold, do not capture all the expenditures incurred to discover, develop and sustain silver and gold production. Cash Cost, After By-product Credits, per Ounce and AISC, After By-product Credits, per Ounce also allow us to benchmark the performance of each of our mines versus those of our competitors. As a primary silver mining company, we also use these statistics on an aggregate basis - aggregating the Greens Creek, Lucky Friday and San Sebastian 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 and AISC, After By-product Credits, per Gold Ounce to compare its performance with other gold mines. Similarly, these statistics are useful in identifying acquisition and investment opportunities as they provide a common tool for measuring the financial performance of other mines with varying geologic, metallurgical and operating characteristics.

Cash Cost, Before By-product Credits and AISC, Before By-product Credits 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. AISC, Before By-product Credits for each mine also includes on-site exploration, reclamation, and sustaining capital costs. AISC, Before By-product Credits for our consolidated silver properties also includes corporate costs for general and administrative expense, exploration and sustaining capital projects. By-product credits include revenues earned from all metals other than the primary metal produced at each unit. As depicted in the 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. Cash Cost, After By-product Credits, per Ounce and AISC, After By-product Credits, per Ounce provide management and investors an indication of operating cash flow, after consideration of the average price, received from production. We also use these measurements 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 these non-GAAP measures as we report them are the same as those reported by other mining companies.

The Casa Berardi section below reports Cash Cost, After By-product Credits, per Gold Ounce and AISC, 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 and AISC, 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 and AISC, After By-product Credits, per Silver Ounce for the total of Greens Creek, Lucky Friday and San Sebastian, our combined silver properties.

In thousands (except per ounce amounts)	Three Months Ended March 31, 2018						
	Greens Creek	Lucky Friday[(2)]	San Sebastian	Corporate[(3)]	Total Silver	Casa Berardi (Gold)	Total
Cost of sales and other direct production costs and depreciation, depletion and amortization	$ 41,861	$ 4,100	$ 5,775		$ 51,736	$ 49,187	$ 100,923
Depreciation, depletion and amortization	(10,639)	(621)	(684)		(11,944)	(16,110)	(28,054)
Treatment costs	11,388	572	204		12,164	535	12,699
Change in product inventory	5,154	(1,022)	2,638		6,770	(101)	6,669
Reclamation and other costs	(912)	(45)	(494)		(1,451)	(142)	(1,593)
Exclusion of Lucky Friday costs	—	(2,984)	—		(2,984)	—	(2,984)
Cash Cost, Before By-product Credits [(1)]	46,852	—	7,439		54,291	33,369	87,660
Reclamation and other costs	849	—	106		955	143	1,098
Exploration	360	—	2,312	444	3,116	1,190	4,306
Sustaining capital	9,482	—	430	117	10,029	9,067	19,096
General and administrative				7,735	7,735		7,735
AISC, Before By-product Credits [(1)]	57,543	—	10,287		76,126	43,769	119,895
By-product credits:							
Zinc	(32,142)	—			(32,142)		(32,142)
Gold	(15,292)	—	(5,998)		(21,290)		(21,290)
Lead	(8,974)	—			(8,974)		(8,974)
Silver						(148)	(148)
Total By-product credits	(56,408)	—	(5,998)		(62,406)	(148)	(62,554)
Cash Cost, After By-product Credits	$ (9,556)	$ —	$ 1,441		$ (8,115)	$ 33,221	$ 25,106
AISC, After By-product Credits	$ 1,135	$ —	$ 4,289		$ 13,720	$ 43,621	$ 57,341
Divided by ounces produced	1,913	—	512		2,425	40	
Cash Cost, Before By-product Credits, per Ounce	$ 24.49	$ —	$ 14.52		$ 22.38	$ 830.56	
By-product credits per ounce	(29.48)	—	(11.71)		(25.73)	(3.68)	
Cash Cost, After By-product Credits, per Ounce	$ (4.99)	$ —	$ 2.81		$ (3.35)	$ 826.88	
AISC, Before By-product Credits, per Ounce	$ 30.07	$ —	$ 20.08		$ 31.39	$ 1,089.40	
By-product credits per ounce	(29.48)	—	(11.71)		(25.73)	(3.68)	
AISC, After By-product Credits, per Ounce	$ 0.59	$ —	$ 8.37		$ 5.66	$ 1,085.72	

In thousands (except per ounce amounts)	Three Months Ended March 31, 2017						
	Greens Creek	Lucky Friday[(2)]	San Sebastian	Corporate[(3)]	Total Silver	Casa Berardi (Gold)	Total
Cost of sales and other direct production costs and depreciation, depletion and amortization	$ 43,996	$ 14,543	$ 6,623		$ 65,162	$ 42,466	$ 107,628
Depreciation, depletion and amortization	(13,332)	(2,433)	(673)		(16,438)	(12,514)	(28,952)
Treatment costs	14,131	3,817	225		18,173	571	18,744
Change in product inventory	3,265	(149)	(380)		2,736	1,381	4,117
Reclamation and other costs	(386)	(182)	(590)		(1,158)	(17)	(1,175)
Cash Cost, Before By-product Credits [(1)]	47,674	15,596	5,205		68,475	31,887	100,362
Reclamation and other costs	666	179	117		962	17	979
Exploration	278	1	1,532	378	2,189	797	2,986
Sustaining capital	5,234	3,990	1,132	5	10,361	12,411	22,772
General and administrative				9,206	9,206		9,206
AISC, Before By-product Credits [(1)]	53,852	19,766	7,986		91,193	45,112	136,305
By-product credits:							
Zinc	(23,779)	(4,060)			(27,839)		(27,839)
Gold	(14,852)	—	(7,657)		(22,509)		(22,509)
Lead	(7,782)	(7,496)			(15,278)		(15,278)
Silver						(147)	(147)
Total By-product credits	(46,413)	(11,556)	(7,657)		(65,626)	(147)	(65,773)
Cash Cost, After By-product Credits	$ 1,261	$ 4,040	$ (2,452)		$ 2,849	$ 31,740	$ 34,589
AISC, After By-product Credits	$ 7,439	$ 8,210	$ 329		$ 25,567	$ 44,965	$ 70,532
Divided by ounces produced	1,929	681	751		3,361	36	
Cash Cost, Before By-product Credits, per Ounce	$ 24.71	$ 22.90	$ 6.93		$ 20.37	$ 890.53	
By-product credits per ounce	(24.06)	(16.97)	(10.20)		(19.53)	(4.11)	
Cash Cost, After By-product Credits, per Ounce	$ 0.65	$ 5.93	$ (3.27)		$ 0.84	$ 886.42	
AISC, Before By-product Credits, per Ounce	$ 27.92	$ 29.03	$ 10.63		$ 27.13	$ 1,259.87	
By-product credits per ounce	(24.06)	(16.97)	(10.20)		(19.53)	(4.11)	
AISC, After By-product Credits, per Ounce	$ 3.86	$ 12.06	$ 0.43		$ 7.60	$ 1,255.76	

(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. AISC, Before By-product Credits also includes on-site exploration, reclamation, and sustaining capital costs.

(2) The unionized employees at Lucky Friday have been on strike since March 13, 2017, and production at Lucky Friday has been limited since that time. As a result, for the first quarter of 2018 Cash Cost, Before By-product Credits, Cash Cost, After By-product Credits, AISC, Before By-product Credits, and AISC, After By-product Credits are not presented for Lucky Friday, and costs related to the limited production at Lucky Friday are excluded from the calculation of Cash Cost, Before By-product Credits, Cash Cost, After By-product Credits, AISC, Before By-product Credits, and AISC, After By-product Credits for our combined silver operations.

(3) AISC, Before By-product Credits for our consolidated silver properties includes corporate costs for general and administrative expense, exploration and sustaining capital.

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Financial Liquidity and Capital Resources

Our liquid assets include (in millions):

	March 31, 2018	December 31, 2017
Cash and cash equivalents held in U.S. dollars	$ 190.3	$ 168.0
Cash and cash equivalents held in foreign currency	22.3	18.1
Total cash and cash equivalents	212.6	186.1
Marketable debt securities, current	34.4	33.8
Marketable equity securities, non-current	7.7	7.6
Total cash, cash equivalents and investments	$ 254.7	$ 227.5

Cash and cash equivalents increased by $26.5 million in the first three months of 2018. Cash held in foreign currencies represents balances in Canadian dollars and Mexican pesos, with the $4.2 million increase in the first quarter of 2018 resulting from increases in both Canadian dollars and Mexican pesos held. Current marketable debt securities increased by $0.6 million (discussed below), and the value of non-current marketable equity securities increased by $0.1 million (see *Note 2* of *Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information).

As further discussed in *Note 13* of *Notes to Condensed Consolidated Financial Statements (Unaudited)*, on March 16, 2018, we entered into an agreement to acquire Klondex. Under the terms of the acquisition, each Klondex common shareholder may elect to receive either $2.47 (the “Cash Alternative”) or 0.6272 of a Hecla share per Klondex share (the “Share Alternative”), subject in each case to pro-ration based on a maximum cash consideration of $157.4 million and a maximum number of Hecla shares issued of 77,411,859. If all Klondex shareholders elect either the Cash Alternative or the Share Alternative, each Klondex shareholder would be entitled to receive US$0.8411 in cash and 0.4136 Hecla shares. The acquisition is subject to approval of at least 66 2/3% of the votes cast by Klondex shareholders. Klondex's cash and cash equivalents at the close of the acquisition not relating to their Canadian assets would be transferred to us as part of the acquisition. Klondex had cash and cash equivalents not relating to their Canadian assets of approximately $19.1 million as of December 31, 2017.

As discussed in *Note 9* of *Notes to Condensed Consolidated Financial Statements (Unaudited)*, on April 12, 2013, we completed an offering of Senior Notes in the total principal amount of US$500 million, which have a total principal balance of $506.5 million as of March 31, 2018. The Senior Notes are due May 1, 2021 and bear interest at a rate of 6.875% per year from the most recent payment date to which interest has been paid or provided for. In addition, in March 2018 we entered into a note purchase agreement pursuant to which we issued our Series 2018-A Senior Notes due May 1, 2021 (the “RQ Notes”) for total principal of CAD$40 million (approximately USD$30.8 million at the time of the transaction) to Ressources Québec. The RQ Notes bear interest at a rate of 4.68% per year. Interest on the Senior Notes and the RQ Notes is payable on May 1 and November 1 of each year, commencing November 1, 2013 and May 1, 2018, respectively, and we have made all interest payments payable to date. See *Part II, Item 1A – Risk Factors – Risks Relating to Our Debt.*

As further discussed in the *Lucky Friday Segment* section above, the union employees at Lucky Friday have been on strike since March 13, 2017, and production at Lucky Friday has been limited since that time. We cannot predict how long the strike will last or whether an agreement will be reached. As a result of the strike or other related events, operations at Lucky Friday could continue to be disrupted, which could adversely affect our financial condition and results of operations.

As discussed in *Note 8* of *Notes to Condensed Consolidated Financial Statements (Unaudited)*, in February 2016 we entered into an equity distribution agreement under which we may issue and sell shares of our common stock from time to time having an aggregate offering price of up to $75 million, with the net proceeds available for general corporate purposes. Whether or not we engage in sales from time to time may depend on a variety of factors, including share price, our cash resources, customary black-out restrictions, and whether we have any material inside information, and the agreement can be terminated by us at any time. As of March 31, 2018, we had sold 4,608,847 shares through the at-the-market program for net proceeds of $17.7 million.

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 $1.0 million in the first quarter of each of 2018 and 2017. On May 9, 2018, our Board of Directors declared a dividend on common stock totaling $1.0 million payable in June 2018. 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, 2018, 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 8, 2018, was $3.97 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 other forms of 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 and expected operations, current metals prices, proceeds from potential at-the-market sales of common stock, and availability of approximately $97 million 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: cash consideration for the acquisition of Klondex (if approved and consummated), debt service obligations related to the Senior Notes and RQ Notes, capital expenditures at our operations, potential acquisitions of other mining companies or properties, regulatory matters, litigation, potential repurchases of our common stock under the program described above, and payment of dividends on common stock, if declared by our board of directors. For our current operations, we currently estimate that in 2018, a total of between $95 million and $105 million will be spent on capital expenditures, primarily for equipment, infrastructure, and development at our mines, including $17.6 million incurred in the first three months of March 31, 2018. We also estimate that in 2018 exploration and pre-development expenditures for our current projects will total between $35 million and $42 million, including $8.4 million already incurred as of March 31, 2018. In addition, we expect research and development expenditures for our current projects in 2018 to total between $13 million and $18 million, including $1.4 million already incurred as of March 31, 2018. However, capital, exploration, pre-development, and research and development expenditures may change with the proposed acquisition of Klondex or 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 31, 2018	March 31, 2017
Cash provided by operating activities (in millions)	**$ 16.4**	**$ 38.3**

Cash provided by operating activities in the first quarter of 2018 decreased by $21.9 million compared to the same period in 2017. The decrease was primarily due to lower income, adjusted for non-cash items, primarily as a result of reduced metals production and lower silver prices, partially offset by higher gold, lead and zinc prices. In addition, working capital and other operating asset and liability changes resulted in a net cash flow decrease of $10.8 million in the first three months of 2018 compared to a net decrease in cash flows of $7.4 million in the 2017 period. The $3.4 million variance in working capital changes is attributed to higher inventories and lower payroll accruals due to the timing of payment of incentive compensation related to prior year performance, partially offset by higher accounts payable.

	Three Months Ended	
	March 31, 2018	March 31, 2017
Cash used in investing activities (in millions)	**$ (18.2)**	**$ (29.1)**

During the first quarter of 2018 we invested $17.6 million in capital expenditures, not including $2.4 million in capital lease additions, compared to $21.7 million in the same period in 2017, with the variance primarily due to lower costs at Lucky Friday, Casa Berardi and San Sebastian, partially offset by higher costs at Greens Creek. During the first quarter of 2018, we purchased bonds having a cost basis of $31.2 million and maturities of greater than 90 days and less than 365 days. Bonds valued at $30.5 million matured during the first quarter of 2018. During the first quarter of 2017, we purchased bonds having a cost basis of $11.1 million and bonds valued at $3.6 million matured.

	Three Months Ended	
	March 31, 2018	March 31, 2017
Cash provided by (used in) financing activities (in millions)	**$ 27.3**	**$ (4.0)**

In March 2018, we received net proceeds of $31.0 million from the issuance of Notes to Ressources Québec, as discussed above. We paid cash dividends of $1.0 million on our common stock and cash dividends of $0.1 million on our Series B Preferred Stock during the first quarter of each of 2018 and 2017. We made repayments on our capital leases of $1.3 million and $1.6 million, respectively, in the first quarter of 2018 and 2017. In the first quarter of 2017, we also made repayments of debt totaling $0.5 million. In addition, during the first quarter of 2018 and 2017, we acquired treasury shares for $1.2 million and $0.7 million, respectively, as the result of employees' elections to utilize net share settlement to satisfy their tax withholding obligations related to incentive compensation paid in stock. See *Note 8* of *Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information.

Contractual Obligations, Contingent Liabilities and Commitments

The table below presents our fixed, non-cancelable contractual obligations and commitments primarily related to our Senior Notes, outstanding purchase orders, certain capital expenditures, our credit facility and lease arrangements as of March 31, 2018 (in thousands):

	Payments Due By Period				
	Less than 1 year	1-3 years	4-5 years	More than 5 years	Total
Purchase obligations (1)	$ 6,492	$ —	$ —	$ —	$ 6,492
Commitment fees (2)	500	692	—	—	1,192
Contractual obligations (3)	7,106	—	—	—	7,106
Capital lease commitments (4)	5,672	6,557	1,361	—	13,590
Operating lease commitments (5)	4,325	5,750	4,708	—	14,783
Supplemental executive retirement plan (6)	526	1,453	1,929	4,801	8,709
Defined benefit pension plans (6)	2,527	—	—	—	2,527
Senior Notes (7)	34,822	69,644	509,402	—	613,868
RQ Notes (8)	1,452	2,904	31,145	—	35,501
Total contractual cash obligations	$ 63,422	$ 87,000	$ 548,545	$ 4,801	$ 703,768

(1) Consists of open purchase orders of approximately $3.3 million at the Greens Creek unit, $0.1 million at the Lucky Friday unit and $3.1 million at the Casa Berardi unit.

(2) We have a $100 million revolving credit agreement under which we are required to pay a standby fee of 0.5% per annum on undrawn amounts under the revolving credit agreement. With the exception of $2.6 million in letters of credit outstanding, there was no amount drawn under the revolving credit agreement as of March 31, 2018, 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, 2018, we were committed to approximately $7.1 million for various items.

(4) Includes scheduled capital lease payments of $4.5 million, $2.8 million, and $6.3 million (including interest), respectively, for equipment at our Greens Creek, Lucky Friday and Casa Berardi units. These leases have fixed payment terms and contain bargain purchase options at the end of the lease periods (see *Note 9* of *Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information).

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

(6) We sponsor defined benefit pension plans covering substantially all U.S. employees and provide certain post-retirement benefits for qualifying retired employees, along with a supplemental executive retirement plan. These amounts represent our estimate of the future funding requirements for these plans. We believe we will have funding requirements related to our defined benefit plans beyond one year; however, such obligations are not fixed in nature and are difficult to estimate, as they involve significant assumptions. See *Note 7* of *Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information.

(7) On April 12, 2013, we completed an offering of $500 million in aggregate principal amount of our Senior Notes due May 1, 2021. The Senior Notes bear interest at a rate of 6.875% per year from the date of original issuance or from the most recent payment date to which interest has been paid or provided for. Interest on the Senior Notes is payable on May 1 and November 1 of each year, commencing November 1, 2013, and we have made all interest payments payable to date. Since the initial offering, we have issued an additional $6.5 million in aggregate principal amount of the Senior Notes to fund obligations under our defined benefit pension plan. See *Note 9* of *Notes to Condensed Consolidated Financial Statements (Unaudited)* for more information.

(8) On March 5, 2018, we entered into a note purchase agreement pursuant to which we issued CAD$40 million (approximately USD$30.8 million at the time of the transaction) in aggregate principal amount of our Series 2018-A Senior Notes due May 1, 2021 (the “RQ Notes”) to Ressources Québec, a subsidiary of Investissment Québec, a financing arm of the Québec government. The RQ Notes bear interest at a rate of 4.68% per year, payable on May 1 and November 1 of each year, commencing May 1, 2018, and we have made all interest payments payable to date.

We record liabilities for costs associated with mine closure, reclamation of land and other environmental matters. At March 31, 2018, our liabilities for these matters totaled $87.2 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. For additional information relating to our environmental obligations, see *Note 4* of *Notes to Condensed Consolidated Financial Statements (Unaudited)*.

Off-Balance Sheet Arrangements

At March 31, 2018, 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.

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. As described in *Note 1* of our 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 are highly uncertain at the time the accounting estimates are 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 above in *Item 1. – Business* in our annual report filed on Form 10-K for the year ended December 31, 2017, 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 can be influenced by several 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 related to the political environment in the U.S., Britain's exit from the European Union and a global economic recovery, including recent uncertainty in China, could result in continued investment demand for precious metals. Industrial demand for silver is closely linked to world Gross Domestic Product growth and industrial fabrication levels, as it is difficult to substitute for silver in industrial fabrication. Consumer demand is driven significantly by demand for jewelry and other retail products. We believe that long-term industrial and economic trends, including urbanization and growth of the middle class in countries such as China and India, will result in continued consumer demand for silver and gold and industrial demand for silver. However, China has recently experienced a lower rate of economic growth which could continue in the near term. There can be no assurance whether these trends will continue or how they will impact prices of the metals we produce. In the past, we have recorded impairments to our asset carrying value because of low prices, and we can offer no assurance that prices will either remain at their current levels or increase.

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

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

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 above in *Item 2. – Properties* in our annual report filed on Form 10-K for the year ended December 31, 2017. Our assessment of reserves occurs at least annually, and periodically utilizes external audits.

Reserves are a key component in the valuation of our properties, plants and equipment. Reserve estimates are used in determining appropriate rates of units-of-production depreciation, with net book value of many assets depreciated over remaining estimated reserves. Reserves are also a key component in forecasts, with which we compare future cash flows to current asset values in an effort to ensure that carrying values are reported appropriately. Our forecasts are also used in determining the level of valuation allowances on our deferred tax assets. Reserves also play a key role in the valuation of certain assets in the determination of the purchase price allocations for acquisitions. Annual reserve estimates are also used to determine conversions of mineral assets beyond the known reserve resulting from business combinations to depreciable reserves, in periods subsequent to the business combinations (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 mineral assets beyond the known reserve). These estimates include future metals prices and mineral reserves, as discussed above. Management may also be required to make estimates related to the valuation of deferred tax assets or liabilities as part of the purchase price allocation for business combinations. In some cases, we use third-party appraisers to determine the fair values 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.

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, 2018, which are sensitive to changes in commodity prices and foreign exchange rates and are not held for trading purposes. Actual results could differ materially from those projected in the forward-looking statements. In the normal course of business, we also face risks that are either non-financial or non-quantifiable (See *Part II, Item 1A. – Risk Factors* of our annual report filed on Form 10-K for the year ended December 31, 2017).

Provisional Sales

Sales of all metals products sold directly to customers, including by-product metals, are recorded as revenues upon the completion of all performance obligations and the transaction price can be determined or reasonably estimated. For concentrate sales, revenues are generally recorded 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, 2017). At March 31, 2018, metals contained in concentrates and exposed to future price changes totaled 1.5 million ounces of silver, 6,151 ounces of gold, 11,030 tons of zinc, and 1,800 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 may use commodity forward sales commitments, commodity swap contracts and commodity put and call option contracts to manage our exposure to fluctuation in the prices of certain metals 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. Our risk management policy allows for up to 75% of our planned metals price exposure for five years into the future, with certain other limitations, to be hedged under such programs. These instruments do, however, expose us to (i) credit risk in the form 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 are using 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.

As of March 31, 2018, we recorded the following balances for the fair value of the contracts:

- a current asset of $0.3 million, which is included in other current assets;
- a non-current asset of $0.3 million, which is included in other non-current assets;
- a current liability of $6.8 million, which is included in other current liabilities and is net of $0.1 million for contracts in a fair value current asset position; and
- a non-current liability of $0.3 million, which is included in other non-current liabilities and is net of $3.1 million for contracts in a fair value non-current asset position.

We recognized a $0.6 million net gain during the first quarter of 2018 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 $4.0 million net gain during the first quarter of 2018 on the contracts utilized to manage exposure to prices for forecasted future concentrate shipments. The net gain on these contracts is included as a separate line item under other income (expense), as they relate to forecasted future shipments, as opposed to sales that have already taken place but are subject to final pricing as discussed in the preceding paragraph. The net gain for the first quarter of 2018 is the result of a decline in zinc and lead prices. This program, when utilized, 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). When those prices increase compared to the contracts, we incur losses on the contracts.

The following tables summarize the quantities of metals committed under forward sales contracts at March 31, 2018 and December 31, 2017:

March 31, 2018	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								
2018 settlements	543	2	7,385	—	$ 16.91	$ 1,342	$ 1.52	N/A
Contracts on forecasted sales								
2018 settlements	—	—	26,841	15,598	N/A	N/A	$ 1.23	$ 1.07
2019 settlements	—	—	48,502	20,283	N/A	N/A	$ 1.40	$ 1.10
2020 settlements	—	—	42,329	19,401	N/A	N/A	$ 1.40	$ 1.13

December 31, 2017	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								
2018 settlements	1,447	5	21,550	4,740	$ 16.64	$ 1,279	$ 1.45	$ 1.11
Contracts on forecasted sales								
2018 settlements	—	—	32,187	16,645	N/A	N/A	$ 1.29	$ 1.06
2019 settlements	—	—	23,589	18,078	N/A	N/A	$ 1.33	$ 1.09
2020 settlements	—	—	3,307	2,866	N/A	N/A	$ 1.27	$ 1.08

Foreign Currency

We operate or have mining interests in Canada and Mexico, which exposes us to risks associated with fluctuations in the exchange rates between the U.S. dollar ("USD") and the Canadian dollar ("CAD") and Mexican peso ("MXN"). We have determined the functional currency for our Canadian and Mexican operations is the USD. As such, foreign exchange gains and losses associated with the re-measurement of monetary assets and liabilities from CAD and MXN to USD are recorded to earnings each period. For the three months ended March 31, 2018, we recognized a net foreign exchange gain of $2.6 million. Foreign currency exchange rates are influenced by a number of factors beyond our control. A 10% change in the exchange rate between the USD and CAD from the rate at March 31, 2018 would have resulted in a change of approximately $11.6 million in our net foreign exchange gain or loss. A 10% change in the exchange rate between the USD and MXN from the rate at March 31, 2018 would have resulted in a change of approximately $0.5 million in our net foreign exchange gain or loss.

In April 2016, we initiated a program to manage our exposure to fluctuations in the exchange rate between the USD and CAD and the impact on our future operating costs denominated in CAD. In October 2016, we also initiated a program to manage our exposure to the impact of fluctuations in the exchange rate between the USD and MXN on our future operating costs denominated in MXN. The programs utilize forward contracts to buy CAD and MXN, and each contract is designated as a cash flow hedge. As of March 31, 2018, we have 120 forward contracts outstanding to buy CAD$285.4 million having a notional amount of USD$220.8 million, and 36 forward contracts outstanding to buy MXN$276.6 million having a notional amount of USD$13.9 million. The CAD contracts are related to forecasted cash operating costs at Casa Berardi to be incurred from 2018 through 2022 and have CAD-to-USD exchange rates ranging between 1.2729 and 1.3360. The MXN contracts are related to forecasted cash operating costs at San Sebastian for 2018 through 2020 and have MXN-to-USD exchange rates ranging between 19.1750 and 20.8550. Our risk management policy allows for up to 75% of our planned cost exposure for five years into the future to be hedged under such programs, and for potential additional programs to manage other foreign currency-related exposure areas.

As of March 31, 2018, we recorded the following balances for the fair value of the contracts:

- a current asset of $1.1 million, which is included in other current assets;
- a non-current asset of $2.0 million, which is included in other non-current assets; and
- a current liability of $0.2 million, which is included in other current liabilities.

Net unrealized gains of approximately $3.0 million related to the effective portion of the hedges were included in accumulated other comprehensive income as of March 31, 2018, and are net of related deferred taxes. Unrealized gains and losses will be transferred from accumulated other comprehensive loss to current earnings as the underlying operating expenses are recognized. We estimate approximately $0.8 million in net unrealized gains included in accumulated other comprehensive income as of March 31, 2018 would be reclassified to current earnings in the next twelve months. Net realized gains of approximately $0.5 million on contracts related to underlying expenses which have been recognized were transferred from accumulated other comprehensive loss and included in cost of sales and other direct production costs for the three months ended March 31, 2018. Net unrealized gains of approximately $15 thousand related to ineffectiveness of the hedges were included in gain (loss) on derivatives contracts on our consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2018.

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, 2018, 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, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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, 2017 sets forth information relating to important risks and uncertainties that could materially adversely affect our business, financial condition or operating results. Certain of those risk factors have been updated, and additional risk factors have been added in this Form 10-Q to provide updated information, as set forth below. References to “we”, “our” and “us” in these risk factors refer to the Company.

On March 5, 2018, we entered into a note purchase agreement pursuant to which we issued CAD$40 million in aggregate principal amount of our Series 2018-A Senior Notes due May 1, 2021 (the “Notes”) to Ressources Québec, a subsidiary of Investissment Québec, a financing arm of the Québec government. The Notes were issued at a discount of 0.58%, and bear interest at a rate of 4.68% per year, payable on May 1 and November 1 of each year, commencing May 1, 2018. The Notes are senior and unsecured and are pari passu in all material respects with the Senior Notes, including with respect to guarantees of the Notes by certain of our subsidiaries.

On March 16, 2018, we entered into an agreement to acquire Klondex Mines Ltd. ("Klondex"), as further discussed in *Note 13* of *Notes to Condensed Consolidated Financial Statements (Unaudited)*. The acquisition is subject to approval of at least 66 2/3% of the votes to be cast by the Klondex shareholders, along with certain regulatory approvals and other customary conditions.

The information in *Item 1A - Risk Factors* of our annual report filed on Form 10-K for the for the year ended December 31, 2017 has been updated below to reflect risks associated (i) with the issuance of the Notes, (ii) specifically related to completing the acquisition of Klondex, and (iii) with the operation of the combined company following the acquisition.

Risks Relating to Our Debt

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

As of March 31, 2018, we had total indebtedness of approximately $546.3 million. Our level of debt and our debt service obligations could:

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

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

If new debt is added to our and our subsidiaries’ existing debt levels, the risks associated with such debt that we currently face would increase. In addition, neither the indenture governing the Senior Notes nor the note purchase agreement governing the Notes prevent us from incurring additional indebtedness under those agreements.

Operating, Development, Exploration and Acquisition Risks

Our acquisition of Klondex may not be completed on the terms currently contemplated, or at all.

If the acquisition is not completed, our business may be adversely affected and we may be subject to various risks without realizing any of the benefits of having the acquisition completed, including the following:

- We may experience negative reactions from the financial markets or from our customers, suppliers or employees; and

- We may be subject to litigation related to any failure to complete the acquisition or to enforcement proceedings commenced against us to perform our obligations under the acquisition agreement.

The agreement for the acquisition of Klondex may be terminated by us in certain circumstances, including in the event of the occurrence of a Klondex material adverse effect.

Both we and Klondex have the right to terminate the acquisition agreement in certain circumstances. Accordingly, there can be no assurance that the acquisition agreement will not be terminated by either us or Klondex before the completion of the acquisition. For example, we have the right, in certain circumstances, to terminate the acquisition agreement if a Klondex material adverse effect, as defined in the agreement, occurs.

Obtaining required approvals and satisfying closing conditions may prevent or delay completion of the acquisition of Klondex.

The acquisition of Klondex is subject to customary conditions to closing. These closing conditions include, among others, the receipt of certain governmental consents and approvals. No assurance can be given that the required governmental consents and approvals will be obtained or that the required conditions to closing will be satisfied, and, if all required consents and approvals are obtained and the conditions are satisfied, no assurance can be given as to the terms, conditions and timing of the consents and approvals. We and Klondex will also be obligated to pay certain investment banking, legal and accounting fees and other expenses in connection with the acquisition, whether or not it is completed.

The acquisition of Klondex will involve substantial costs.

We have incurred and expect to continue to incur substantial costs and expenses relating directly to the acquisition including fees and expenses payable to financial advisors, other professional fees and expenses, insurance premium costs, Hart-Scott-Rodino Act filing fees, SEC filing fees, printing and mailing costs and other transaction-related costs, fees and expenses. We also will incur transaction fees and costs related to formulating and implementing integration plans, including facilities and systems consolidation costs and employment-related costs. There are a large number of systems that must be integrated, including management information, accounting and finance, payroll and benefits, and regulatory compliance. Expenses related to this integration are by their nature difficult to estimate accurately. These expenses could, particularly in the near term, exceed the savings that we expect to achieve from the realization of economies of scale and cost savings and synergies related to the integration of Klondex's business. These integration expenses likely will result in significant charges against earnings following the completion of the acquisition, but the amount and timing of such charges are uncertain.

The acquisition of Klondex will consume much of our cash.

As of March 31, 2018, we had total cash, cash equivalents and short-term investments of $246.9 million. The purchase price of Klondex includes approximately $157.4 million that would be paid in cash to Klondex shareholders. Further, as discussed in the Risk Factor immediately above, we will incur substantial costs in connection with the transaction and assume certain liabilities which will also consume cash. Thus, the acquisition, if consummated, would utilize a large portion of our cash. We have ongoing cash requirements related to operating expenses, capital expenditures, working capital, general corporate purposes and for required interest and principal payments on our outstanding debt. While we believe that we will be able to meet our cash requirements, either through normal operations or additional sources of financing, there can be no assurance we will be able to access additional financing on terms acceptable to us, or at all.

Uncertainties associated with the acquisition may cause a loss of management personnel and other key employees of Klondex which could adversely affect the future business and operations of the combined company following the acquisition.

Hecla and Klondex are dependent on the experience and industry knowledge of their officers, other key employees and hourly employees at the mine sites to execute their business plans and conduct operations. The combined company's success after the acquisition will depend in part upon its ability to retain key management personnel and other key employees of Klondex, as well as hourly employees. Current and prospective employees of Klondex may experience uncertainty about their future roles with the combined company following the acquisition, which may materially adversely affect the ability of Klondex to attract and retain key personnel during the pendency of the acquisition. Accordingly, no assurance can be given that the combined company will be able to retain key management personnel, other key employees or hourly employees of Klondex. Losses of such personnel could adversely affect the business and operations of Hecla after the acquisition is complete.

Hecla's future results may suffer if the combined company does not effectively manage its expanded operations following the acquisition.

Following the acquisition, the size of the business of the combined company will increase significantly beyond the current size of Hecla's business. In addition, Hecla may continue to expand its operations through additional acquisitions or other strategic transactions. Hecla's future success depends, in part, upon its ability to manage its expanded business, which may pose substantial challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. There can be no assurances that the combined company will be successful or that it will realize the expected economies of scale, synergies and other benefits currently anticipated from the acquisition or anticipated from any additional acquisitions or strategic transactions.

The market price of shares of Hecla common stock may decline in the future as a result of the acquisition.

The market price of shares of Hecla common stock may decline in the future as a result of the acquisition for a number of reasons, including the unsuccessful integration of Hecla and Klondex or the failure of Hecla to achieve the perceived benefits of the acquisition, including financial results, as rapidly as or to the extent anticipated by financial or industry analysts.

The acquisition of Klondex would increase our exposure to gold price volatility.

Klondex's financial results are highly sensitive to changes in the price of gold, and the acquisition of Klondex will increase the sensitivity of our results to such changes. Gold prices fluctuate and are affected by numerous factors, including expectations with respect to the rate of inflation, exchange rates, interest rates, global and regional political and economic crises and governmental policies with respect to gold holdings by central banks. The demand for and supply of gold affects gold prices but not necessarily in the same manner as demand and supply affect the prices of other commodities. The supply of gold consists of a combination of mine production and existing stocks of bullion and fabricated gold held by governments, public and private financial institutions, industrial organizations and private individuals. The demand for gold consists primarily of jewelry and investment demand.

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

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

- operating a larger organization;

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

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

We may not realize all of the anticipated benefits from our acquisitions, including the potential acquisition of Klondex.

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

The Klondex properties and any others we may acquire may not produce as expected and may not generate additional reserves, and may come with liabilities beyond those known at the time of acquisition.

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

Certain of our Klondex’s mines and exploration properties are located on land that is or may become subject to traditional territory, title claims and/or claims of cultural significance by certain Native American tribes, and such claims and the attendant obligations of the federal government to those tribal communities and stakeholders may affect our current and future operations.

Native American interests and rights as well as related consultation issues may impact our ability to pursue exploration, development and mining at Klondex properties that we would acquire if the acquisition is consummated. There is no assurance that claims or other assertion of rights by tribal communities and stakeholders or consultation issues will not arise on or with respect to our properties or activities. These could result in significant costs and delays or materially restrict our activities. Opposition by Native American tribes and stakeholders to our presence, operations or development on land subject to their traditional territory or title claims or in areas of cultural significance could negatively impact us in terms of public perception, costly legal proceedings, potential blockades or other interference by third parties in our operations, or court-ordered relief impacting our operations. In addition, we may be required to, or may voluntarily, enter into certain agreements with such Native American tribes in order to facilitate development of our properties, which could reduce the expected earnings or income from any future production.

The acquisition of Klondex may expose us to additional environmental hazards and reclamation obligations.

All phases of Klondex's operations are, like ours, subject to environmental regulation, which mandates such things as air and water quality standards, land reclamation, site restoration and site closure requirements. Environmental regulations also prescribe limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will likely require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes to environmental regulation, if any, will not adversely affect Klondex's or the combined company's operations. Environmental hazards may exist on Klondex's properties, which are currently unknown to Klondex or us and may have been caused by previous owners or operators of the properties. Such hazards could result in loss or liability for Klondex or regulatory or legal action.

Reclamation requirements may change and do vary depending on the location and the government regulatory body, but they are similar in that they aim to minimize long term effects of exploration and mining disturbance by requiring the operating company to control possible deleterious effluents and to re-establish to some degree pre-disturbance land forms and vegetation. Klondex calculates its estimates of the ultimate reclamation liability based on current laws and regulations and the expected future costs to be incurred in reclaiming, restoring and closing its operating mine sites. It is possible that Klondex's estimate of its ultimate reclamation liability could change in the near term due to changes in laws and regulations and changes in cost estimates.

Asset retirement obligations of Klondex's Nevada properties represented liabilities of approximately $19.6 million as of March 31, 2018.

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 2, 3 and 5 of Part II are not applicable and are omitted from this report.

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 10, 2018	By:	/s/ Phillips S. Baker, Jr. Phillips S. Baker, Jr., President, Chief Executive Officer and Director
Date:	May 10, 2018	By:	/s/ Lindsay A. Hall Lindsay A. Hall, Senior Vice President and Chief Financial Officer

Hecla Mining Company and Wholly Owned Subsidiaries
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2.1	Arrangement Agreement, dated March 16, 2018, among Hecla Mining Company, 1156291 B.C. Unlimited Liability Company, and Klondex Mines Ltd. Filed as exhibit 2.1 to Registrant's Current Report on Form 8-K filed on March 19, 2018 (File No. 1-8491), and incorporated herein by reference.
3.1	Restated Certificate of Incorporation of the Registrant, as amended. *
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	Designations, Preferences and Rights of Series B Cumulative Convertible Preferred Stock of the Registrant. Included as Annex II to Restated Certificate of Incorporation of Registrant. Filed as exhibit 3.1 to Registrant's Form 10-K for the year ended December 31, 2017 (File No. 1-8491), and incorporated herein by reference.
4.2(a)	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(b)	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 registration statement on Form S-3ASR filed on April 14, 2014 (Registration No. 333-195246), and incorporated herein by reference.
4.2(c)	Supplemental Indenture dated August 5, 2015, among Revett Mining Company, Inc., Revett Silver Company, Troy Mine, Inc., RC Resources, Inc., Revett Exploration, Inc., and Revett Holdings, Inc., as Guaranteeing Subsidiaries, and The Bank of New York Mellon Trust Company, N.A., as Trustee. Filed as exhibit 4.2 (d) to Registrant's Form 10-K for the year ended December 31, 2015 (File No. 1-8491), and incorporated herein by reference.

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4.2(d)	Supplemental Indenture, dated October 26, 2016, among Mines Management Inc., Newhi, Inc., Montanore Minerals Corp., as Guaranteeing Subsidiaries, and The Bank of New York Mellon Trust, N.A., as Trustee. Filed as exhibit 4.2 (e) to Registrant's Form 10-K for the year ended December 31, 2016 (File No. 1-8491), and incorporated herein by reference.
10.1	Note Purchase Agreement, dated March 5, 2018, among Hecla Mining Company, as Issuer, certain subsidiaries of Hecla Mining Company, as Guarantors thereto, and Resources Quebec. Filed as exhibit 10.1 to Registrant's Current Report on Form 8-K filed on March 5, 2018 (File No. 1-8491), and incorporated herein by reference.
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. *
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.**

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* 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 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.

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Section 2: EX-3.1 (EXHIBIT 3.1)

Exhibit 3.1

RESTATED CERTIFICATE OF INCORPORATION

OF

HECLA MINING COMPANY

Hecla Mining Company (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware (the "Delaware Law"), hereby certifies as follows:

I. The name of the corporation is Hecla Mining Company. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on August 7, 2006, and the original name of the Corporation was Hecla Holdings Inc.

II. A Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on December 10, 2014.

III. At the Annual Shareholders Meeting held on May 25, 2017, the shareholders approved a proposal to increase the authorized shares of Common Shares of the Corporation 500,000,000 to 750,000,000.

IV. An Amendment to the Certificate of Incorporation amending Section 1 of Article IV of the Restated Certificate of Incorporation on June 1, 2017.

V. A Certificate of Correction was filed with the Secretary of State of the State of Delaware on February 12, 2018.

VI. A Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on February 14, 2018.

VII. A Certificate of Correction was filed with the Secretary of State of the State of Delaware on April 27, 2018.

VIII. This Restated Certificate of Incorporation was duly adopted in accordance with Section 245 of the Delaware Law.

IX. This Restated Certificate of Incorporation restates and integrates only and does not further amend the provisions of the Corporation's Certificate of Incorporation, as heretofore amended, and there is no discrepancy between those provisions and the provisions of the Restated Certificate of Incorporation.

X. The Certificate of Incorporation is hereby restated to read as follows:

* * * * * * * * * * * * * * * * * *

ARTICLE I.

Name

The name of the Corporation shall be HECLA MINING COMPANY.

ARTICLE II.

Registered Office

The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

ARTICLE III.

Purpose

The purpose for which the Corporation is formed is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware.

ARTICLE IV.

Capital Stock

Section 1. Authorized Capital Stock. The Corporation shall be authorized to issue two classes of shares of Capital Stock to be designated, respectively, “Preferred Stock” and “Common Stock”; the total number of shares of capital stock which the Corporation shall have authority to issue is 755,000,000; the total number of shares of Preferred Stock shall be 5,000,000, and each such share shall have a par value of $0.25; the total number of shares of Common Stock shall be 750,000,000, and each such share shall have a par value of $0.25.

Section 2. Issuance of Preferred Stock. Shares of Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Corporation (hereinafter referred to in this Certificate of Incorporation as the “Board”) is hereby authorized to fix the voting rights, if any, designations, powers, preferences and the relative, participating, optional or other rights, if any, and the qualifications, limitations or restrictions thereof, of any unissued series of Preferred Stock; and to fix the number of shares constituting such series, and to increase or decrease the number of shares of any such series (but not below the number of shares thereof then outstanding).

Section 3. No Preemptive Rights. Without limiting the power of the Corporation to grant such rights by private contract, no holders of stock of the Corporation shall be entitled as such, as a matter of right, to the preemptive right to purchase or subscribe for any stock which the Corporation may issue or sell, whether or not exchangeable for any stock of the Corporation and whether out of unissued shares authorized by this Certificate of Incorporation as originally filed, or by any amendment hereof, or out of shares of stock of the Corporation acquired by it after the issuance thereof, and whether issued for cash, labor performed, personal property of any kind, including securities of other corporations, real property or interest therein, nor shall any holder of any shares of the capital stock of the Corporation be entitled as such, as a matter of right, to purchase or subscribe for any obligation which the Corporation may issue or sell which shall be attached or appurtenant to any warrant or warrants or any other instrument or instruments that shall confer upon the holder or holders of such obligation the right to subscribe for or purchase from the Corporation any shares of its capital stock.

Section 4. Voting Rights. Except as otherwise provided by law or by the resolution or resolutions adopted by the Board designating the rights, powers and preferences of any series of Preferred Stock, the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, each holder of the Common Stock being entitled to one vote for each share held. Whenever this Certificate of Incorporation or the By-Laws of the Corporation shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors (such capital stock is hereinafter referred to in this Certificate of Incorporation as “Voting Stock”), voting together as a single class, for the taking of corporate action: (i) such affirmative vote shall be in addition to any other affirmative vote required by law or by the resolution or resolutions designating the rights, powers and preferences of any outstanding series of Preferred Stock; and (ii) each outstanding share of Common Stock shall be entitled to one vote and each outstanding share of each series of Preferred Stock which is Voting Stock shall be entitled to the number of votes to which it is generally entitled, pursuant to the resolution or resolutions designating the rights, powers and preferences of such series of Preferred Stock, in the election of directors.

Section 5. Provisions Related to Series A Junior Participating Preferred Stock. The provisions of the Series A Junior Participating Preferred Stock of the Corporation are set forth in full in Annex I to this Restated Certificate of Incorporation, and they are incorporated herein by this reference thereto.

Section 6. Provisions Related to Series B Cumulative Convertible Preferred Stock. The provisions of the Series B Cumulative Convertible Preferred Stock of the Corporation are set forth in full in Annex II to this Restated Certificate of Incorporation, and they are incorporated herein by this reference.

ARTICLE V.

By-Laws

In furtherance and not in limitation of the powers conferred by law, the Board is expressly authorized to make, repeal, alter, amend and rescind the By-Laws of the Corporation by a majority vote of the entire Board at any regular or special meeting of the Board; provided, however that, notwithstanding anything contained in this Certificate of Incorporation or the By-Laws of the Corporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of Voting Stock, voting together as a single class, shall be required to (i) alter, amend or repeal any provision of the By-Laws which is substantially identical to and/or implements the last sentence of Section 4 of Article IV, or Articles VI, VII or VIII, of this Certificate of Incorporation or (ii) alter, amend or repeal any provision of this proviso to Article V.

ARTICLE VI.

Board of Directors

Section 1. Number, Election and Terms. The business and affairs of the Corporation shall be managed under the direction of a Board of Directors which, subject to any right of the holders of any series of Preferred Stock then outstanding to elect additional directors under specified circumstances shall consist of not less than five nor more than nine persons. The exact number of directors within the minimum and maximum limitations specified in the preceding sentence shall be fixed from time to time by the Board pursuant to a resolution adopted by a majority of the entire Board. The directors shall be divided into three classes, as nearly equal in number as possible, with the term of office of the first class to expire at the 1984 Annual Meeting of Shareholders, the term of office of the second class to expire at the 1985 Annual Meeting of Shareholders and the term of office of the third class to expire at the 1986 Annual Meeting of Shareholders. At each Annual Meeting of Shareholders following such initial classification and election, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the third succeeding Annual Meeting of Shareholders after their election.

Section 2. Newly Created Directorships and Vacancies. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board resulting from death, resignation, retirement, disqualification, removal from office or other cause shall be filled only by a majority vote of the directors then in office, and directors so chosen shall hold office for a term expiring at the Annual Meeting of Shareholders at which the term of the class to which they have been elected expires. No decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

Section 3. Removal. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director, or the entire Board may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of the Voting Stock, voting together as a single class.

Section 4. Amendment, Repeal, etc. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of Voting Stock, voting together as a single class, shall be required to alter, amend or repeal this Article VI.

ARTICLE VII.

Actions by Shareholders

Any action required or permitted to be taken by the shareholders of the Corporation must be effected at a duly called annual or special meeting of shareholders of the Corporation and may not be effected by any consent in writing by such shareholders. Special meetings of shareholders of the Corporation may be called only by the Board pursuant to a resolution approved by a majority of the entire Board. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of Voting Stock, voting together as a single class, shall be required to alter, amend or repeal this Article VII.

ARTICLE VIII.

Certain Business Combinations

Section 1. Vote Required for Certain Business Combinations.

A. Higher Vote for Certain Business Combinations. Except as otherwise expressly provided in Section 2 of this Article VIII:

(i) any merger or consolidation of the Corporation or any Subsidiary (as hereinafter defined) with (a) any Interested Shareholder (as hereinafter defined) or (b) any other corporation (whether or not itself an Interested Shareholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Shareholder; or

(ii) any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value (as herein defined) of $1,000,000 or more; or

(iii) the issuance or transfer by the Corporation of any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of $1,000,000 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of an Interested Shareholder or any Affiliate of any Interested Shareholder; or

(v) any reclassification of securities (including any reverse stock split), or recapitalization of the Corporation, or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving an Interested Shareholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary which is directly or indirectly owned by any Interested Shareholder or any Affiliate of any Interested Shareholder;

shall require the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of Voting Stock, voting together as a single class. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law or in any agreement with any national securities exchange or otherwise.

B. Definition of "Business Combination". The term "Business Combination" as used in this Article VIII shall mean any transaction which is referred to in any one or more of clauses (i) through (v) of paragraph A of this Section 1.

Section 2. When Higher Vote is Not Required. The provisions of Section 1 of this Article VIII shall not be applicable to any particular Business Combination, and such Business Combination shall require only such affirmative vote as is required by law and any resolution or resolutions designating the rights, powers and preferences of any outstanding series of Preferred Stock, if all of the conditions specified in either of the following paragraphs A and B are met (it being intended that in the case of a Business Combination not involving any cash or consideration other than cash to be received by the holders of each class or series of outstanding Voting Stock (other than Institutional Voting Stock, as hereinafter defined), the provisions of such Section 1 shall not be applicable only if the condition specified in the following paragraph A is met)".

A. Approval by Continuing Directors. The Business Combination shall have been approved by a majority of the Continuing Directors (as hereinafter defined).

B. Price and Procedure Requirements. All of the following conditions shall have been met:

(i) The aggregate amount of the cash and the Fair Market Value (as hereinafter defined) as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of Common Stock in such Business Combination shall be at least equal to the highest of the following:

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers' fees) paid by the Interested Shareholder for any shares of Common Stock acquired by it (1) within the two-year period immediately prior to the first public announcement of the proposal of the Business Combination (the "Announcement Date") or (2) in the transaction in which it became an Interested Shareholder, whichever is higher;

(b) the Fair Market Value per share of Common Stock on the Announcement Date or on the date on which the Interested Shareholder became an Interested Shareholder (such latter date is referred to in this Article VIII as the “Determination Date”), whichever is higher; and

(c) (if applicable) the price per share equal to the Fair Market Value per share of Common Stock on the Announcement Date or the Determination Date, whichever is higher, multiplied by the ratio of (1) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers’ fees) paid by the Interested Shareholder for any shares of Common Stock acquired by it within the two-year period immediately prior to the Announcement Date to (2) the Fair Market Value per share of Common Stock on the first day in such two-year period upon which the Interested Shareholder acquired any shares of Common Stock.

(ii) The aggregate amount of the cash and the Fair Market Value as of the date of the consummation of the Business Combination of consideration other than cash to be received per share by holders of shares of any other series of outstanding Voting Stock (other than Institutional Voting Stock, as hereinafter defined) shall be at least equal to the highest of the following (it being intended that the requirements of this paragraph B (ii) shall be required to be met with respect to every series of outstanding Voting Stock (other than Institutional Voting Stock), whether or not the Interested Shareholder has previously acquired any shares of a particular series of Voting Stock):

(a) (if applicable) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers’ fees) paid by the Interested Shareholder for any shares of such series of Voting Stock acquired by it (1) within the two-year period immediately prior to the Announcement Date or (2) in the transaction in which it became an Interested Shareholder, whichever is higher;

(b) (if applicable) the highest preferential amount per share to which the holders of shares of such series of Voting Stock are entitled in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation;

(c) the Fair Market Value per share of such series of Voting Stock on the Announcement Date or on the Determination Date, whichever is higher; and

(d) (if applicable) the price per share equal to the Fair Market Value per share of such series of Voting Stock on the Announcement Date or the Determination Date, whichever is higher, multiplied by the ratio of (1) the highest per share price (including any brokerage commissions, transfer taxes and soliciting dealers’ fees) paid by the Interested Shareholder for any shares of such series of Voting Stock acquired by it within the two-year period immediately prior to the Announcement Date to (2) the Fair Market Value per share of such series of Voting Stock on the first day in such two-year period upon which the Interested Shareholder acquired any shares of such series of Voting Stock.

(iii) The consideration to be received by holders of a particular class (in the case of Common Stock) or series (in the case of Preferred Stock of outstanding Voting Stock) shall be in cash or in the same form as the Interested Shareholder has previously paid for shares of such class or series of Voting Stock. If the Interested Shareholder has paid for shares of any class or series of Voting Stock with varying forms of consideration, the form of consideration for such class or series of Voting Stock shall be either cash or the form used to acquire the largest number of shares of such class or series of Voting Stock previously acquired by it.

(iv) After such Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combinations: (a) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefore any full quarterly dividends (whether or not cumulative) on the outstanding Preferred Stock; (b) there shall have been (1) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Continuing Directors, and (2) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split), recapitalization, reorganization or any similar transaction which has the effect of reducing the number of outstanding shares of Common Stock, unless the failure so to increase such annual rate is approved by a majority of the Continuing Directors; and (c) such Interested Shareholder shall have not become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Shareholder becoming an Interested Shareholder.

(v) After such Interested Shareholder has become an Interested Shareholder, such Interested Shareholder shall not have received the benefit directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(vi) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934 and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to public shareholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

Section 3. Certain Definitions. For the purposes of this Article VIII:

A. A “Person” shall mean any individual, firm, corporation or other entity.

B. “Interested Shareholder” shall mean any person (other than the Corporation or any Subsidiary) who or which:

(i) is the beneficial owner, directly or indirectly, of more than 12 ½% of the voting power of the outstanding Voting Stock; or

(ii) if an Affiliate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 12 ½% or more of the voting power of the then outstanding Voting Stock; or

(iii) if an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933.

C. A person shall be a “beneficial owner” of any Voting Stock:

(i) which such person or any of its Affiliates or Associates (as hereinafter defined) beneficially owns, directly or indirectly; or

(ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options, or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding; or

(iii) which are beneficially owned, directly or indirectly, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock.

D. For the purpose of determining whether a person is an Interested Shareholder pursuant to paragraph B of this Section 3, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned through application of paragraph C of this Section 3 but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding, or upon exercise of conversion rights, warrants or options, or otherwise.

E. “Affiliate” or “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on March 1, 1983.

F. “Subsidiary” means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Shareholder set forth in paragraph B of this Section 3, the term “Subsidiary” shall mean only a corporation of which a majority of each class of equity security is owned directly or indirectly, by the Corporation.

G. “Continuing Director” means any member of the Board who is unaffiliated with the Interested Shareholder and was a member of the Board prior to the time that the Interested Shareholder became an Interested Shareholder, and any successor of a Continuing Director who is unaffiliated with the Interested Shareholder and is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board.

H. “Fair Market Value” means: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange – Listed Stock, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Securities Exchange Act of 1934 on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Board in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board in good faith.

I. “Institutional Voting Stock” shall mean any series of Voting Stock which was issued to and continues to be held solely by one or more insurance companies, pension funds, commercial banks, savings banks or similar financial institutions or institutional investors.

J. In the event of any Business Combination in which the Corporation survives, the phrase “consideration other than cash to be received” as used in Section 2 of this Article VIII shall include the shares of Common Stock and/or the shares of any series of outstanding Voting Stock retained by the holders of such shares.

Section 4. Powers of the Board of Directors. A majority of the directors of the Corporation shall have the power and duty to determine for the purposes of this Article VIII, on the basis of information known to them after reasonable inquiry (A) whether a person is an Interested Shareholder, (B) the number of shares of Voting Stock beneficially owned by any person, (C) whether a person is an Affiliate or Associate of another, (D) whether a series of Voting Stock is Institutional Voting Stock, and (E) whether the assets which are the subject of any Business Combination have, or the consideration to be received for the issuance or transfer of securities by the Corporation or any Subsidiary in any Business Combination has, an aggregate Fair Market Value of $1,000,000 or more.

Section 5. No Effect on Fiduciary Obligations of Interested Shareholders. Nothing contained in this Article VIII shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

Section 6. Amendment, Repeal, etc. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of the Voting Stock, voting together as a single class, shall be required to alter, amend or repeal this Article VIII.

ARTICLE IX.

Limitation of Liability and Indemnification

Section 1. Limitation of Liability. A director of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived any improper personal benefit. If the Delaware General Corporation Law is amended after approval by the shareholders of this article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended. This paragraph shall not eliminate or limit the liability of a director for any act or omission which occurred prior to the effective date of its adoption. Any repeal or modification of this paragraph by the shareholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

Section 2. Indemnification and Insurance.

A. Right to Indemnification of Directors, Officers and Employees. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director, officer or employee of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director, officer or employee or in any other capacity while serving as a director, officer or employee shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer or employee and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that except as provided in paragraph B hereof with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expense incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section or otherwise.

B. Right of Indemnitee to Bring Suit. If a claim under paragraph A of this Section is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses under this Section or otherwise shall be on the Corporation.

C. Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Section shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, this Certificate of Incorporation, By-Law, agreement, vote of shareholders or disinterested directors or otherwise. The Corporation is authorized to enter into contracts of indemnification.

D. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

E. Indemnification of Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and to the advancement of expenses to any agent of the Corporation to the fullest extent of the provisions of this Section with respect to the indemnification and advancement of expenses of directors, officers and employees of the Corporation.

ARTICLE X.

Amendment of Certificate of Incorporation

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on shareholders herein are granted subject to this reservation. Notwithstanding the foregoing, the provisions set forth in the last sentence of Section 4 of Article IV, and in Articles VI, VII and VIII may not be altered, amended or repealed in any respect unless such alteration, amendment or repeal is approved as specified in each thereof.

IN WITNESS WHEREOF, this Restated Certificate of Incorporation is executed on behalf of the Corporation by one of its duly authorized officers and attested by its Assistant Corporate Secretary this 8th day of May 2018.

HECLA MINING COMPANY

By: /s/ David C. Sienko
David C. Sienko
Vice President & General Counsel

ATTEST:

By: /s/ Tami D. Whitman
Tami D. Whitman
Assistant Corporate Secretary

ANNEX I

**DESIGNATIONS, PREFERENCES
AND RIGHTS OF SERIES A JUNIOR
PARTICIPATING PREFERRED STOCK**

I. Designation and Amount. The shares of this series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting such series shall be 273,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than that of the shares then outstanding.

II. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock and of any other junior stock, shall be entitled to receive, when as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $10 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock, par value $0.25 per share, of the Corporation (the "Common Stock") or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the net subsequent Quarterly Dividend Payment Date, a dividend of $10 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date net preceding the date of issue of such shares of Series A Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which event such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

III. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(C) Except as set forth herein, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

IV. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section II are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section IV purchase or otherwise acquire such shares at such time and in such manner.

V. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

VI. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received $100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of Common Stock, or (2) to the holders of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all other such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock), into a greater or lesser number of shares of Common Stock then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the provision in clause (i) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

VII. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

VIII. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

IX. Amendment. The Certificate of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single series.

ANNEX II

DESIGNATIONS, PREFERENCES AND RIGHTS OF SERIES B CUMULATIVE CONVERTIBLE PREFERRED STOCK (Par Value $0.25 Per Share)

Section 1. Number of Shares and Designation. One hundred fifty-seven thousand eight hundred sixteen (157,816) shares of the Preferred Stock, par value $0.25 per share, of the Corporation are hereby constituted as a series of the Preferred Stock designated as Series B Cumulative Convertible Preferred Stock (the "Convertible Preferred Stock").

Section 2. Definitions. For purposes of the Convertible Preferred Stock, the following terms shall have the meanings indicated:

"Board of Directors" shall mean the board of directors of the Corporation or any committee authorized by such board of directors to perform any of its responsibilities with respect to the Convertible Preferred Stock.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

"Common Stock" shall mean the Common Stock of the Corporation, par value $0.25 per share.

"Constituent Person" shall have the meaning set forth in paragraph (E) of Section 7 hereof.

"Conversion Price" shall mean the conversion price per share of Common Stock for which the Convertible Preferred Stock is convertible; as such Conversion Price may be adjusted pursuant to Section 7 hereof. The initial Conversion Price will be $15.55.

"Current Market Price" of publicly traded shares of Common Stock or any other class of capital stock or other security of the Corporation or any other issuer for any day shall mean the last reported sales price, regular way on such day, or, if no sale takes place on such day, the average of the reported closing bid and asked prices on such day, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such security is not listed or admitted for trading on the New York Stock Exchange ("NYSE"), on the principal national securities exchange on which such security is listed or admitted for trading or, if not listed or admitted for trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or, if such security is not quoted on such National Market System, the average of the closing bid and asked prices on such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for such security on such day shall not have been reported through NASDAQ, the average of the bid and asked prices on such day as furnished by any NYSE member firm regularly making a market in such security selected for such purpose by the Board of Directors.

"Dividend Payment Date" shall mean October 1, January 1, April 1 and July 1 in each year, commencing on **October 1, 1993**; provided, however, that if any Dividend Payment Date falls on any day other than a Business Day, the dividend payment due on such Dividend Payment Date shall be paid on the Business Day immediately following such Dividend Payment Date.

"Dividend Periods" shall mean quarterly dividend periods commencing on October 1, January 1, April 1 and July 1 of each year and ending on and including the day preceding the first day of the next succeeding Dividend Period (other than the initial Dividend Period, which shall commence on the Issue Date and end on and include **October 1, 1993**).

"Fair Market Value" shall mean the average of the daily Current Market Prices of a share of Common Stock during the five (5) consecutive Trading Days selected by the Corporation commencing not more than 20 Trading Days before, and ending not later than, the earlier of the day in question and the day before the "ex" date with respect to the issuance or distribution requiring such computation. The term "ex" date, when used with respect to any issuance or distribution, means the first day on which the Common Stock trades regular way, without the right to receive such issuance or distribution, on the exchange or in the market, as the case may be, used to determine that day's Current Market Price.

"Issue Date" shall mean the first date on which shares of Convertible Preferred Stock are issued and sold.

"Junior Stock" shall mean the Common Stock, the Series A Preferred Shares and any other class or series of stock of the Corporation over which the Convertible Preferred Stock has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

"Liquidation Preference" shall have the meaning set forth in paragraph (A) of Section 4 hereof.

"LYONS" shall mean the Corporation's outstanding Liquid Yield Option Notes due 2004.

"non-electing share" shall have the meaning set forth in paragraph (E) of Section 7 hereof.

"Parity Stock" shall mean any other class or series of stock of the Corporation which ranks on a parity with the Convertible Preferred Stock as to payment of dividends or in the distribution of the assets on any liquidation, dissolution or winding up of the Corporation.

"Person" shall mean any individual, firm, partnership, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

"Preferred Director" shall mean a director elected pursuant to paragraph (C) of Section 9 hereof.

“Redemption Date” shall have the meaning set forth in paragraph (C) of Section 5 hereof.

“Rights” shall mean the rights of the Corporation which are issuable under the Corporation’s Rights Agreement dated as of May 19, 1986, and amended from time to time, or rights to purchase any capital stock of the Corporation under any successor shareholder rights plan or plans adopted in replacement of the Corporation’s Rights Agreement.

“Securities” shall have the meaning set forth in paragraph (D) (iii) of Section 7 hereof.

“Series A Preferred Shares” shall mean the preferred stock of the Corporation, par value $0.25 per share, designated Series A Junior Participating Preferred Shares in the Certificate of Incorporation of the Corporation.

“set apart for payment” shall be deemed to include, without any action other than the following, the recording by the Corporation in its accounting ledgers of any accounting or bookkeeping entry which indicates, pursuant to a declaration of dividends or other distribution by the Board of Directors, the allocation of funds to be so paid on any series or class of capital stock of the Corporation; provided, however, that if any funds for any class or series of Junior Stock or any parity stock are placed in a separate account of the Corporation or delivered to a disbursing, paying or other similar agent, then during the period that any such funds remain in such account or with such agent, “set apart for payment” with respect to the Convertible Preferred Stock shall mean placing such funds in a separate account or delivering such funds to a disbursing, paying or other similar agent.

“Stated Value” shall have the meaning set forth in paragraph (A) of Section 4 hereof.

“Trading Day” shall mean any day on which the securities in question are traded on the NYSE, or if such securities are not listed or admitted for trading on the NYSE, on the principal national securities exchange on which such securities are listed or admitted, or if not listed or admitted for trading in any national securities exchange, on the National Market System of the NASDAQ, or if such securities are not quoted on such National Market System, in the applicable securities market in which the securities are traded.

“Transaction” shall have the meaning set forth in paragraph (E) of Section 7 hereof.

“Transfer Agent” shall mean American Stock Transfer & Trust Company or such other agent or agents of the Corporation as may be designated by the Board of Directors as the transfer agent for the Convertible Preferred Stock.

Section 3. Dividends.

(A) The holders of shares of the Convertible Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of assets legally available for that purpose, dividends payable in cash at the rate per annum of $3.50 per share of Convertible Preferred Stock. Such dividends shall be cumulative from the Issue Date, whether or not in any Dividend Period or Dividend Periods there shall be assets of the Corporation legally available for the payment of such dividends, and shall be payable quarterly, when, as and if declared by the Board of Directors, in arrears on Dividend Payment Dates, commencing on October 1, 1993. Each such dividend shall be payable in arrears to the holders of record and shares of the Convertible Preferred Stock, as they appear on the stock records of the Corporation at the close of business on such record dates, which shall not be more than 60 days nor less than 10 days preceding the payment dates thereof, as shall be fixed by the Board of Directors. Accrued and unpaid dividends for any past Dividend Periods may be declared and paid at any time, without reference to any Dividend Payment Date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors.

(B) The amount of dividends payable for each full Dividend Period for the Convertible Preferred Stock shall be computed by dividing the annual dividend rate by four. The amount of dividends payable for the initial Dividend Period, or any other period shorter or longer than a full Dividend Period, on the Convertible Preferred Stock shall be computed on the basis of twelve 30-day months and a 360-day year. Holders of shares of Convertible Preferred Stock shall not be entitled to any dividends, whether payable in cash, property or stock, in excess of cumulative dividends, as herein provided, on the Convertible Preferred Stock. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Convertible Preferred Stock that may be in arrears.

(C) So long as any shares of the Convertible Preferred Stock are outstanding, no dividends, except as described in the next succeeding sentence, shall be declared or paid or set apart for payment on any Parity Stock for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Convertible Preferred Stock for all Dividend Periods terminating on or prior to the date of payment of the dividend on such Parity Stock. When dividends are not paid in full or a sum sufficient for such payment is not set apart, as aforesaid, all dividends declared upon shares of the Convertible Preferred Stock and all dividends declared upon any Parity Stock shall be declared ratably in proportion to the respective amounts of dividends accumulated and unpaid on the Convertible Preferred Stock and accumulated and unpaid on such Parity Stock.

(D) So long as any shares of the Convertible Preferred Stock are outstanding, no dividends (other than (i) the Rights and (ii) dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, Junior Stock) shall be declared or paid or set apart for payment or other distribution declared or made upon Junior Stock, nor shall any Junior Stock or any Parity Stock be redeemed, purchased or otherwise acquired (other than a redemption, purchase or other acquisition of shares of Common Stock made for purposes of an employee incentive or benefit plan of the Corporation or any subsidiary) for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation, directly or indirectly (except by conversion into or exchange for Junior Stock), unless in each case all accrued and unpaid dividends on all outstanding shares of the Convertible Preferred Stock and any Parity Stock shall have been paid or funds have been set apart for payment of such dividends for all past Dividend Periods with respect to the Convertible Preferred Stock and all past Dividend Periods with respect to such Parity Stock.

Section 4. Payments upon Liquidation.

(A) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, before any payment or distribution of the assets of the Corporation (whether capital or surplus) shall be made to or set apart for the holders of Junior Stock, the holders of the shares of Convertible Preferred Stock shall be entitled to receive fifty dollars ($50) per share of Convertible Preferred Stock (the “Stated Value”) plus an amount per share of Convertible Preferred Stock equal to all dividends (whether or not earned or declared) accrued and unpaid thereon to the date of final distribution to such holders (the “Liquidation Preference”); but such holders shall not be entitled to any further payment. If, upon any liquidation, dissolution or winding up of the Corporation, the assets of the Corporation, or proceeds thereof, distributable among the holders of the shares of Convertible Preferred Stock shall be insufficient to pay in full and Liquidation Preference and the Liquidation Preference on all other shares of any Parity Stock, then such assets, or the proceeds thereof, shall be distributed among the holders of shares of Convertible Preferred Stock and any such other Parity Stock ratably in accordance with the respective amounts that would be payable on such shares of Convertible Preferred Stock and any such other stock if all amounts payable thereon were paid in full. For the purposes of this Section 4, (i) a consolidation, merger or business combination of the Corporation with or into one or more corporations, or (ii) a sale or transfer of all or substantially all of the Corporation’s assets, shall not be deemed to be a liquidation, dissolution or winding up, voluntary or involuntary, of the Corporation.

(B) Subject to the rights of the holders of Parity Stock, after payment shall have been made to the holders of the Convertible Preferred Stock, and to the fullest extent provided in this Section 4, any other series or class or classes of Junior Stock shall, subject to the respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Convertible Preferred Stock shall not be entitled to share therein.

Section 5. Redemption at the Option of the Corporation.

(A) The shares of Convertible Preferred Stock shall be redeemable at the option of the Corporation, in whole, or, from time to time, in part, out of funds legally available for such purpose, at any time or after July 1, 1996, at the following redemption prices per share, if redeemed during the twelve-month period beginning July 1 of the year indicated below, plus, in each case, an amount equal to all dividends accrued and unpaid on the shares of Convertible Preferred Stock up to the date fixed for the redemption, upon giving notice as provided herein below:

Year	Redemption Price Per Share
1996	$ 52.45
1997	52.10
1998	51.75
1999	51.40
2000	51.05
2001	50.70
2002	50.35
2003 and thereafter	50.00

(B) If fewer than all of the outstanding shares of Convertible Preferred Stock are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors and the shares to be redeemed shall be determined pro rata or by lot or in such other manner and subject to such regulations as the Board of Directors in its sole discretion shall prescribe.

(C) At least 30 days, but not more than 60 days, prior to the date fixed for the redemption of shares of Convertible Preferred Stock, a written notice shall be mailed in postage prepaid envelope to each holder of record of the shares of Convertible Preferred Stock to be redeemed, addressed to such holder at his or her post office address as shown on the records of the Corporation, notifying such holder of the election of the Corporation to redeem such shares, stating the date fixed for redemption thereof (the "Redemption Date"), and calling upon such holder to surrender to the Corporation, on the Redemption Date at the place designated in such notice, his or her certificate or certificates representing the number of shares specified in such notice of redemption. On or after the Redemption Date, such holder of shares of Convertible Preferred Stock to be redeemed shall present and surrender his or her certificate or certificates for such shares to the Corporation at the place designated in such notice and thereupon the redemption price of such shares shall be paid to the order of the person whose name appears on such certificate or certificates as the owner thereof and such surrendered certificate shall be cancelled. In case less than all the shares represented by any such certificates are redeemed, a new certificate shall be issued representing the unredeemed shares.

From and after the Redemption Date (unless the Corporation defaults in payment of the redemption price), all dividends on the shares of Convertible Preferred Stock designated for redemption in such notice shall cease to accrue, and all rights of the holders thereof as stockholders of the Corporation, except the right to receive the redemption price of such shares (including an amount equal to all accrued and unpaid dividends up to the Redemption Date) upon the surrender of certificates representing the same, shall cease and terminate and such shares shall not thereafter be transferred (except with the consent of the Corporation) on the books of the Corporation, and such shares shall not be deemed to be outstanding for any purpose whatsoever; provided, however, in the case of the Redemption Date falling after a dividend payment record date and prior to the related Dividend Payment Date, the holders of Convertible Preferred Stock at the close of business on such record date will be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date, notwithstanding the redemption of such shares following such dividend payment record date.

At its election, the Corporation, prior to the Redemption Date, may deposit the redemption price (including an amount equal to all accrued and unpaid dividends up to the Redemption Date) of the shares of Convertible Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company having a capital surplus and undivided profits aggregating not less than $50,000,000 in the borough of Manhattan, city and state of New York, or in any other city in which the Corporation at the time shall maintain a transfer agency with respect to such shares, in which case the aforesaid notice to holders of shares of Convertible Preferred Stock to be redeemed shall (i) state the date of such deposit, (ii) shall specify the office of such bank or trust company as the place of payment of the redemption price and (iii) shall call upon such holders to surrender the certificates representing such shares at such place on or after the date fixed in such redemption notice (which shall not be later than the Redemption Date) against payment of the redemption price (including an amount equal to all accrued and unpaid dividends up to the Redemption Date). Any interest accrued on such funds shall be paid to the Corporation from time to time. Any moneys so deposited which shall remain unclaimed by the holders of such shares of Convertible Preferred Stock at the end of two years after the Redemption Date shall be returned by such bank or trust company to the Corporation.

If a notice of redemption has been given pursuant to this Section 5 and any holder of shares of Convertible Preferred Stock shall, prior to the close of business on the day preceding the Redemption Date, given written notice to the Corporation pursuant to Section 7 below of the conversion of any or all of the shares to be redeemed held by such holder (accompanied by a certificate or certificates for such shares, duly endorsed or assigned to the Corporation, and any necessary transfer tax payment, as required by Section 7 below), then such redemption shall not become effective as to such shares to be converted, such conversion shall become effective as provided in Section 7 below, and any moneys set aside by the Corporation for the redemption of such shares of converted Convertible Preferred Stock shall revert to the general funds of the Corporation.

Section 6. Shares to be Retired. All shares of Convertible Preferred Stock which shall have been issued and reacquired in any manner by the Corporation (excluding, until the Corporation elects to retire them, shares which are held as treasury shares) shall be restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series.

Section 7. Conversion. Holders of shares of Convertible Preferred Stock shall have the right to convert all or a portion of such shares into shares of Common Stock, as follows:

(A) Subject to and upon compliance with the provisions of this Section 7, a holder of shares of Convertible Preferred Stock shall have the right, at his or her option, at any time after the Issue Date, to convert such shares into the number of fully paid and nonassessable shares of Common Stock obtained by dividing the aggregate Stated Value of such shares by the Conversion Price (as in effect on the date provided for in the last paragraph of paragraph (B) of this Section 7) by surrendering such shares to be converted, such surrender to be made in the manner provided in paragraph (B) of this Section 7; provided, however, that the right to convert shares called for redemption pursuant to Section 5 shall terminate at the close of business on the date preceding the Redemption Date, unless the Corporation shall default in making payment of the cash payable upon such redemption under Section 5 hereof. Certificates will be issued for the remaining shares of Convertible Preferred Stock in any case in which fewer than all of the shares of Convertible Preferred Stock represented by a certificate are converted.

(B) In order to exercise the conversion right, the holder of shares of Convertible Preferred Stock to be converted shall surrender the certificate or certificates representing such shares, duly endorsed or assigned to the Corporation or in blank, at the office of the Transfer Agent in the Borough of Manhattan, City of New York, accompanied by written notice to the Corporation that the holder thereof elects to convert Convertible Preferred Stock. Unless the shares issuable on conversion are to be issued in the same name as the name in which such share of Convertible Preferred Stock is registered, each share surrendered for conversion shall be accompanied by instruments of transfer, in the form satisfactory to the Corporation, duly executed by the holder or such holder's duly authorized attorney and an amount sufficient to pay any transfer or similar tax (or evidence reasonably satisfactory to the Corporation demonstrating that such taxes have been paid).

Holders of shares of Convertible Preferred Stock at the close of business on a dividend payment record date shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the conversion thereof following such dividend payment record date and prior to such Dividend Payment Date. However, shares of Convertible Preferred Stock surrendered for conversion during the period between the close of business on any dividend payment record date and the opening of business on the corresponding Dividend Payment Date (except shares converted after the issuance of a notice of redemption with respect to a Redemption Date during such period, which shall be entitled to the benefit of such dividend on the Dividend Payment Date) must be accompanied by payment of an amount equal to the dividend payable on such shares on such Dividend Payment Date. A holder of shares of Convertible Preferred Stock on a dividend payment record date who (or whose transferee) tenders any such shares for conversion into shares of Common Stock on such Dividend Payment Date will receive the dividend payable by the Corporation on such shares of Convertible Preferred Stock on such date, and the converting holder need not include payment of the amount of such dividend upon surrender of shares of Convertible Preferred Stock for conversion. Except as provided above, the Corporation shall make no payment or allowance for unpaid dividends, whether or not in arrears, on converted shares or for dividends on the shares of Common Stock issued upon such conversion.

As promptly as practicable after the surrender of certificates for shares of Convertible Preferred Stock as aforesaid, the Corporation shall issue and deliver at such office to such holder, or on his or her written order, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such shares in accordance with the provisions of this Section 7, and any fractional interest in respect of a share of Common Stock arising upon such conversion shall be settled as provided in paragraph (C) of this Section 7.

Each conversion shall be deemed to have been effected immediately prior to the close of business on the date on which the certificates for shares of Convertible Preferred Stock shall have been surrendered and such notice (and if applicable payment of an amount equal to the dividend payable on such shares) received by the Corporation as aforesaid, and the person or persons in whose name or names any certificate or certificates for shares of Common Stock shall be issuable upon such conversion shall be deemed to have become the holder or holders of record of the shares represented thereby at such time on such date and such conversion shall be at the Conversion Price in effect at such time on such date, unless the stock transfer books of the Corporation shall be closed on that date, in which event such person or persons shall be deemed to have become such holder or holders of record at the close of business on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such shares shall have been surrendered and such notice received by the Corporation.

(C) No fractional shares or scrip representing fractions of shares of Common Stock shall be issued upon conversion of the Convertible Preferred Stock. Instead of any fractional interest in a share of Common Stock that would otherwise be deliverable upon the conversion of a share of Convertible Preferred Stock, the Corporation shall pay to the holder of such share an amount in cash based upon the Current Market Price of Common Stock on the Trading Day immediately preceding the date of conversion. If more than one share shall be surrendered for conversion at one time by the same holder, the number of full shares of Common Stock issuable upon conversion thereof shall be computed on the basis of the aggregate number of shares of Convertible Preferred Stock so surrendered.

(D) The Conversion Price shall be adjusted from time to time as follows:

(i) If the Corporation shall after the Issue Date (A) pay a dividend or make a distribution on its capital stock in shares of its Common Stock, (B) subdivide its outstanding Common Stock into a greater number of shares, (C) combine its outstanding Common Stock into a smaller number of shares or (D) issue any shares of capital stock by reclassification of its Common Stock, the Conversion Price in effect at the opening of business on the day next following the date fixed for the determination of stockholders entitled to receive such dividend or distribution or at the opening of business on the day next following the day on which such subdivision, combination or reclassification becomes effective, as the case may be, shall be adjusted so that the holder of any share of Convertible Preferred Stock thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock that such holder would have owned or have been entitled to receive after the happening of any of the events described above had such share been converted immediately prior to the record date in the case of a dividend or distribution or the effective date in the case of a subdivision, combination or reclassification. An adjustment made pursuant to this subparagraph (i) shall become effective immediately after the opening of business on the day next following the record date (except as provided in paragraph (H) below) in the case of a dividend or distribution and shall become effective on the day next following the effective date in the case of a subdivision, combination or reclassification.

(ii) If the Corporation shall issue after the Issue Date rights or warrants (in each case, other than the Rights) to all holders of Common Stock entitling them (for a period expiring within 45 days after the record date mentioned below) to subscribe for or purchase Common Stock or Securities which are convertible into Common Stock at a price per share less than the Fair Market Value per share of Common Stock on the record date for the determination of stockholders entitled to receive such rights or warrants, then the Conversion Price in effect at the opening of business on the day next following such record date shall be adjusted to equal the price determined by multiplying (I) the Conversion Price in effect immediately prior to the opening of business on the day next following the date fixed for such determination by (II) a fraction, the numerator of which shall be the sum of (A) the number of shares of Common Stock outstanding on the close of business on the date fixed for such determination and (B) the number of shares that the aggregate proceeds to the Corporation from the exercise of such rights or warrants for Common Stock would purchase at such Fair Market Value, and the denominator of which shall be the sum of (A) the number of shares of Common Stock outstanding on the close of business on the date fixed for such determination and (B) the number of additional shares of Common Stock offered for subscription or purchase pursuant to such rights or warrants. Such adjustment shall become effective immediately after the opening of business on the day next following such record date (except as provided in paragraph (H) below). In determining whether any rights or warrants entitle the holders of Common Stock to subscribe for or purchase shares of Common Stock at less than such Fair Market Value, there shall be taken into account any consideration received by the Corporation upon issuance and upon exercise of such rights or warrants, the value of such consideration, if other than cash, to be determined by valuation of the Board of Directors.

(iii) If the Corporation shall distribute to all holders of its Common Stock any shares of capital stock of the Corporation (other than Common Stock) or evidence of its indebtedness or assets (excluding any cash dividends or distributions paid from profits or surplus of the Corporation or referred to in subparagraph (i) above or any stock, securities or other property received pursuant to paragraph 7(E) below) or rights or warrants (in each case, other than the Rights) to subscribe for or purchase any of its securities (excluding those rights and warrants issued to all holders of Common Stock entitling them for a period expiring within 45 days after the record date referred to in subparagraph (ii) above to subscribe for or purchase Common Stock, which rights and warrants are referred to in and treated under subparagraph (ii) above) (any of the foregoing being hereinafter in this subparagraph (iii) called the "Securities"), then in each such case the Conversion Price shall be adjusted so that it shall equal the price determined by multiplying (I) the Conversion Price in effect immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such distribution by (II) a fraction, the numerator of which shall be the Fair Market Value per share of the Common Stock on the record date mentioned below less the then Fair Market Value (as determined by the Board of Directors, whose determination shall be conclusive) of the portion of the capital stock or assets or evidences of indebtedness so distributed or of such rights or warrants applicable to one share of Common Stock, and the denominator of which shall be the Fair Market Value per share of the Common Stock on the record date mentioned below. Such adjustment shall become effective immediately at the opening of business on the Business Day next following (except as provided in paragraph (H) below) the record date for the determination of shareholders entitled to receive such distribution. For the purposes of this subparagraph (iii), the distribution of a Security, which is distributed not only to the holders of the Common Stock on the date fixed for the determination of stockholders entitled to such distribution of such Security, but also is distributed to the holders of the Convertible Preferred Stock (assuming for purposes of this subparagraph (iii) that such shares of Convertible Preferred Stock have been converted) or reserved for distribution with each share of Common Stock delivered to a person converting a share of Convertible Preferred Stock after such determination date, shall not require an adjustment of the Conversion Price pursuant to this subparagraph (iii); <u>provided</u> that on the date, if any, on which a Person converting a share of Convertible Preferred Stock would no longer be entitled to receive such Security with a share of Common Stock (other than as a result of the termination of all such Securities), a distribution of such Securities shall be deemed to have occurred and the Conversion Price shall be adjusted as provided in this subparagraph (iii) (and such day shall be deemed to be "the date fixed for the determination of the stockholders entitled to receive such distribution" and "the record date" within the meaning of the two preceding sentences).

(iv) No adjustment in the Conversion Price shall be required unless such adjustment would require a cumulative increase or decrease of at least 1% in such price; provided, however, that any adjustments that by reason of this subparagraph (iv) are not required to be made shall be carried forward and taken into account in any subsequent adjustment until made; and provided, further, that any adjustment shall be required and made in accordance with the provisions of this Section 7 (other than this subparagraph (iv)) not later than such time as may be required in order to preserve the tax-free nature of a distribution to the holders of shares of Common Stock. Notwithstanding any other provisions of this Section 7, the Corporation shall not be required to make any adjustment of the Conversion Price for the issuance of any shares of Common Stock pursuant to any plan providing for the reinvestment of dividends in securities of the Corporation. All calculations under this Section 7 shall be made to the nearest cent (with $.005 being rounded upward) or to the nearest 1/10 of a share (with .05 of a share being rounded upward), as the case may be. Anything in this paragraph (D) to the contrary notwithstanding, the Corporation shall be entitled, to the extent permitted by law, to make such reductions in the Conversion Price, in addition to those required by this paragraph (D), as it in its discretion shall determine to be advisable in order that any stock dividends, subdivision of shares, reclassification or combination of shares, distribution of rights or warrants to purchase stock or securities, or a distribution of other assets (other than cash dividends) hereafter made by the Corporation to its stockholders shall not be taxable.

(v) Anything in this paragraph (D) to the contrary notwithstanding, no adjustment in the Conversion Price shall be required upon the issuance of any shares of Common Stock to holders of the LYONs, upon the conversion or redemption thereof, if any, in the case of any adjustment in the conversion rate for the LYONs, or in the case of any exchange of shares of Common Stock for LYONs.

(E) If the Corporation shall be a party to any transaction (including without limitation a merger, consolidation, sale of all or substantially all of the Corporation's assets or recapitalization of the Common Stock and excluding any transaction as to which subparagraph (D) (i) of this Section 7 applies) (each of the foregoing being referred to herein as a "Transaction"), in each case as a result of which shares of Common Stock shall be converted into the right to receive stock, securities or other property (including cash or any combination thereof), each share of Convertible Preferred Stock which is not converted into the right to receive stock, securities or other property in connection with such Transaction shall thereafter be convertible into the kind and amount of shares of stock, securities and other property (including cash or any combination thereof) receivable upon the consummation of such Transaction by a holder of that number of shares or fraction thereof of Common Stock into which one share of Convertible Preferred Stock was convertible immediately prior to such Transaction, assuming such holder of Common Stock (i) is not a Person with which the Corporation consolidated or into which the Corporation merged or which merged into the Corporation or to which such sale or transfer was made, as the case may be ("Constituent Person"), or an affiliate of a Constituent Person and (ii) failed to exercise his or her rights of election, if any, as to the kind or amount of stock, securities and other property (including cash) receivable upon such Transaction (provided that if the kind or amount of stock, securities and other property (including cash) receivable upon such Transaction is not the same for each share of Common Stock of the Corporation held immediately prior to such Transaction by other than a Constituent Person or an affiliate thereof and in respect of which such rights of election shall not have been exercised ("non-electing share"), than for the purpose of this paragraph (E) the kind and amount of stock, securities and other property (including cash) receivable upon such Transaction by each non-electing share shall be deemed to be the kind and amount so receivable per share by the plurality of the non-electing shares). The Corporation shall not be a party to any Transaction unless the terms of such Transaction are consistent with the provisions of this paragraph (E) and it shall not consent or agree to the occurrence of any Transaction until the Corporation has entered into an agreement with the successor or purchasing entity, as the case may be, for the benefit of the holders of the Convertible Preferred Stock that will contain provisions enabling the holders of the Convertible Preferred Stock that remains outstanding after such Transaction to convert into the consideration received by holders of Common Stock at the Conversion Price in effect immediately prior to such Transaction. The provisions of this paragraph (E) shall similarly apply to successive Transactions.

(F) If:

(i) the Corporation shall declare a dividend (or any other distribution) on the Common Stock (other than in cash out of profits or surplus and other than the Rights); or

(ii) the Corporation shall authorize the granting to the holders of the Common Stock of rights or warrants (other than the Rights) to subscribe for or purchase any shares of any class or any other rights or warrants (other than the Rights); or

(iii) there shall be any reclassification of the Common Stock (other than an event to which subparagraph (D) (i) of this Section 7 applies) or any consolidation or merger to which the Corporation is a party and for which approval of any stockholders of the Corporation is required, or the sale or transfer of all or substantially all of the assets of the Corporation as an entirety; or

(iv) there shall occur the voluntary or involuntary liquidation, dissolution or winding up of the Corporation,

then the Corporation shall cause to be filed with the Transfer Agent and shall cause to be mailed to the holders of shares of the Convertible Preferred Stock at their address as shown on the stock records of the Corporation, as promptly as possible, but at least 15 days prior to the applicable date hereinafter specified, a notice stating (A) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date on which the holders of Common Stock of record to be entitled to such dividend, distribution or rights or warrants are to be determined or (B) the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution or winding up is expected to become effective, and the date on which it is expected that holders of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities or other property, if any, deliverable upon such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution or winding up. Failure to give or receive such notice or any defect therein shall not affect the legality or validity of the proceedings described in this Section 7.

(G) Whenever the Conversion Price is adjusted as herein provided, the Corporation shall promptly file with the Transfer Agent an officer's certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment which certificate shall be prima facie evidence of the correctness of such adjustment. Promptly after delivery of such certificate, the Corporation shall prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the effective date of such adjustment and shall mail such notice of such adjustment of the Conversion Price to the holder of each share of Convertible Preferred Stock at such holder's last address as shown on the stock records of the Corporation.

(H) In any case in which paragraph (D) of this Section 7 provides that an adjustment shall become effective on the day next following a record date for an event, the Corporation may defer until the occurrence of such event (A) issuing to the holder of any share of Convertible Preferred Stock converted after such record date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment and (B) paying to such holder an amount in cash in lieu of any fraction pursuant to paragraph (C) of this Section 7.

(I) For purposes of this Section 7, the number of shares of Common Stock at any time outstanding shall not include any shares of Common Stock then owned or held by or for the account of the Corporation. The Corporation shall not pay a dividend or make any distribution on shares of Common Stock held in the treasury of the Corporation.

(J) There shall be no adjustment of the Conversion Price in case of the issuance of any stock of the Corporation in a reorganization, acquisition or other similar transaction except as specifically set forth in this Section 7. If any action or transaction would require adjustment of the Conversion Price pursuant to more than one paragraph of this Section 7, only one adjustment shall be made and such adjustment shall be the amount of adjustment that has the highest absolute value to the holders of Convertible Preferred Stock as determined by the Board of Directors.

(K) If the Corporation shall take any action affecting the Common Stock, other than action described in this Section 7, that in the opinion of the Board of Directors would materially adversely affect the conversion rights of the holders of the shares of Convertible Preferred Stock, the Conversion Price for the Convertible Preferred Stock may be adjusted, to the extent permitted by law, in such manner, if any, and at such time, as the Board of Directors may determine to be equitable in the circumstances.

(L) The Corporation covenants that it will at all times reserve and keep available, free from preemptive rights, out of the aggregate of its authorized but unissued shares of Common Stock or its issued shares of Common Stock held in its treasury, or both, for the purpose of effecting conversion of the Convertible Preferred Stock, the full number of shares of Common Stock deliverable upon the conversion of all outstanding shares of Convertible Preferred Stock not theretofore converted. For purposes of this paragraph (L), the number of shares of Common Stock that shall be deliverable upon the conversion of all outstanding shares of Convertible Preferred Stock shall be computed as if at the time of computation all such outstanding shares were held by a single holder.

The Corporation covenants that any shares of Common Stock issued upon conversion of the Convertible Preferred Stock shall be validly issued, fully paid and non-assessable. Before taking any action that would cause an adjustment reducing the Conversion Price below the then-par value of the shares of Common Stock deliverable upon conversion of the Convertible Preferred Stock, the Corporation will take any corporate action that in the opinion of its counsel, may be necessary in order that the Corporation may validly and legally issue fully paid and non-assessable shares of Common Stock at such adjusted Conversion Price.

The Corporation shall endeavor to list the shares of Common Stock required to be delivered upon conversion of the Convertible Preferred Stock, prior to such delivery, upon each national securities exchange, if any, upon which the outstanding Common Stock is listed at the time of such delivery.

Prior to the delivery of any securities that the Corporation shall be obligated to deliver upon conversion of the Convertible Preferred Stock, the Corporation shall endeavor to comply with all federal and state laws and regulations thereunder requiring the registration of such securities with, or any approval of or consent to the delivery thereof by, any governmental authority.

(M) The Corporation will pay any and all documentary, stamp or similar issue or transfer taxes payable in respect of the issue or delivery of shares of Common Stock or other securities or property on conversion of the Convertible Preferred Stock pursuant hereto; provided, however, that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issue or delivery of shares of Common Stock or other securities or property in a name other than that of the holder of the Convertible Preferred Stock to be converted and no such issue or delivery shall be made unless and until the person requesting any issue or delivery has paid to the Corporation the amount of any such tax or established, to the reasonable satisfaction of the Corporation, that such tax has been paid.

Section 8. Ranking. Any class or series of stock of the Corporation shall be deemed to rank:

(A) prior to the Convertible Preferred Stock, as to the payment of dividends and as to distributions of assets upon liquidation, dissolution or winding up, if the holders of such class or series shall be entitled to the receipt of dividends and of amounts distributed upon liquidation, dissolution or winding up in preference or priority to the holders of Convertible Preferred Stock;

(B) on a parity with the Convertible Preferred Stock, as to the payment of dividends and as to distribution of assets upon liquidation, dissolution or winding up, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share thereof be different from those of the Convertible Preferred Stock if the holders of such class of stock or series and the Convertible Preferred Stock shall be entitled to the receipt of dividends and of amounts distributable upon liquidation, dissolution or winding up in proportion to their respective amounts of accrued and unpaid dividends per share or Liquidation Preferences, without preference or priority one over the other; and

(C) junior to the Convertible Preferred Stock, as to the payment of dividends or as to the distribution of assets upon liquidation, dissolution or winding up, if such stock or series shall be Common Stock or Series A Preferred Shares or if the holders of Convertible Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon liquidation, dissolution or winding up in preference or priority to the holders of shares of such stock or series.

Section 9. Voting. (A) Unless the affirmative vote of the holders of a greater number of shares shall then be required by law, the affirmative vote of the holders of at least 66-2/3% of all of the outstanding shares of Convertible Preferred Stock, given in person or by proxy, by a vote at a meeting called for the purpose of voting separately as a class, shall be necessary for authorizing, effecting or validating the amendment, alteration or repeal of any of the provisions of the Certificate of Incorporation or of any certificate amendatory thereof or supplement thereto (including any Certificate of Designations, Preferences and rights or any similar document relating to any series of Preferred Stock) which would materially adversely affect the preferences, rights, powers or privileges of the Convertible Preferred Stock; provided, however, that the amendment of the provisions of the Certificate of Incorporation so as to authorize or create, or to increase the authorized amount of, any Junior Stock or Parity Stock shall not be deemed to materially adversely affect the preferences, rights, powers or privileges of Convertible Preferred Stock.

(B) Unless the affirmative vote or consent of the holders of a greater number of shares shall then be required by law, the consent of the holders of at least 66-2/3% of all of the outstanding shares of Convertible Preferred Stock and all other series of Parity Stock upon which such voting power shall have been conferred, given in person or by proxy, by a vote at a meeting called for the purpose at which the holders of shares of Convertible Preferred Stock and such Parity Stock shall vote together as a single class without regard to series, shall be necessary for authorizing, effecting or validating the creation, authorization or issue of any shares of any class of stock of the Corporation ranking prior to the Convertible Preferred Stock as to dividends or upon liquidation, dissolution or winding up, or the reclassification of any authorized stock of the Corporation into any such prior shares, or the creation, authorization or issuance of any obligation or security convertible into or evidencing the right to purchase any such prior shares.

(C) If at the time of any annual meeting of stockholders for the election of directors the Corporation shall be in default on preference dividends (as defined below) on the Convertible Preferred Stock and any other Parity Stock, the number of directors constituting the Board of Directors of the Corporation shall be increased by two, and the holders of the Convertible Preferred Stock together with the holders of such other Parity Stock upon which such voting power shall have been conferred shall have the right at such meeting (and any subsequent meeting if such default shall continue to exist), voting together as a single class without regard to series, to the exclusion of the holders of Common Stock, to elect two additional directors (the "Preferred Directors") of the Corporation to fill such newly created directorships. Such right shall continue until there are no dividends in arrears upon the Convertible Preferred Stock. Any Preferred Director may be removed without cause by, and shall not be removed without cause except by, the vote of the holders of record of the outstanding shares of Convertible Preferred Stock and Parity Stock with respect to which such a default shall exist, voting together as a single class without regard to series, at a meeting of the stockholders, or of the holders of shares of such stock as to which a default exists, called for the purpose. So long as a default in any preference dividends on such stock shall exist, (a) any vacancy in the office of a Preferred Director may be filled (except as provided in the following clause (b)) pursuant to an instrument in writing signed by the remaining Preferred Director and filed with the Corporation and (b) in the case of the removal of any Preferred Director, the vacancy may be filled by the vote of the holders of the outstanding shares of Convertible Preferred Stock and Parity Stock with respect to which such a default shall exist, voting together as a single class without regard to series, at the same meeting at which such removal shall be voted. Each director appointed as aforesaid by the remaining Preferred Director shall be deemed, for all purposes hereof, to be a Preferred Director. Whenever a default in preference dividends shall no longer exist, the term of office of each Preferred Director shall terminate forthwith and the number of directors constituting the Board of Directors of the Corporation shall be reduced by two. For the purposes hereof, a "default on preference dividends" on the Convertible Preferred Stock or Parity Stock shall be deemed to exist whenever the equivalent of six quarterly dividends have not been declared and paid or set apart for payment, whether or not consecutive, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all shares of Convertible Preferred Stock or Parity Stock of each and every series then outstanding shall have been declared and paid or set apart for payment to the end of the last preceding dividend period.

(D) For purposes of the foregoing provisions of this Section 9, each share of Convertible Preferred Stock shall have one (1) vote per share. Except as otherwise required by applicable law or as set forth herein, the shares of Convertible Preferred Stock shall not have any relative, participating, optional or other special voting rights and powers and the consent of the holders thereof shall not be required for the taking of any corporate action.

Section 10. Determinations by the Board of Directors. Any determinations made in good faith by the Board of Directors of the Corporation under any provision of this Certificate of Designations, Preferences and Rights shall be final and binding on all stockholders (including holders of shares of Convertible Preferred Stock) of the Corporation.

Section 11. Record Holders. The Corporation and the Transfer Agent may deem and treat the record holder of any shares of Convertible Preferred Stock as the true and lawful owner thereof for all purposes, and neither the Corporation nor the Transfer Agent shall be affected by any notice to the contrary.

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Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATIONS

I, Phillips S. Baker, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hecla Mining Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 10, 2018

/s/ Phillips S. Baker, Jr.
Phillips S. Baker, Jr.
President, Chief Executive Officer and Director

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Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATIONS

I, Lindsay A. Hall, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hecla Mining Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 10, 2018

/s/ Lindsay A. Hall
Lindsay A. Hall
Senior Vice President and Chief Financial Officer

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Section 5: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

CERTIFICATIONS

I, Phillips S. Baker, Jr., President, Chief Executive Officer and Director of Hecla Mining Company (“Hecla”), certify that to my knowledge:

1. This quarterly report of Hecla on Form 10-Q (“report”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Hecla.

Date: May 10, 2018

/s/ Phillips S. Baker, Jr.
Phillips S. Baker, Jr.
President, Chief Executive Officer and Director

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to Hecla Mining Company and will be retained by Hecla and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished in accordance with Securities and Exchange Commission Release No. 34-47551 and shall not be considered filed as part of the Form 10-Q.

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Section 6: EX-32.2 (EXHIBIT 32.2)

EXHIBIT 32.2

CERTIFICATIONS

I, Lindsay A. Hall, Senior Vice President and Chief Financial Officer of Hecla Mining Company (“Hecla”), certify that to my knowledge:

1. This quarterly report of Hecla on Form 10-Q (“report”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of Hecla.

Date: May 10, 2018

/s/ Lindsay A. Hall
Lindsay A. Hall
Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to Hecla Mining Company and will be retained by Hecla and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished in accordance with Securities and Exchange Commission Release No. 34-47551 and shall not be considered filed as part of the Form 10-Q.

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Section 7: EX-95 (EXHIBIT 95)

Exhibit 95

Mine Safety Disclosures

Our mines are operated subject to the regulation of the Federal Mine Safety and Health Administration (“MSHA”), under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”). In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was signed into law, and amended in December 2011. The following mine safety data is provided pursuant to the Dodd-Frank Act.

When MSHA believes a violation of the Mine Act has occurred, it may issue a citation for such violation, including a civil penalty or fine, and the mine operator must abate the alleged violation. During the first quarter of 2018, MSHA proposed no penalty assessments at the Greens Creek mine, $4,061 in penalty assessments at the Lucky Friday mine, and no penalty assessments at the Troy mine. Hecla has not yet received all penalty assessments related to the citations issued in the first quarter of 2018. We have the opportunity to contest or appeal these penalties.

During the first quarter of 2018, MSHA issued the Greens Creek mine 4 citations pursuant to Section 104 of the Mine Act for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard, one such citation to the Lucky Friday mine, and no such citations at the Troy mine.

The Greens Creek, Lucky Friday, and Troy mines have no legal actions pending before the Federal Mine Safety and Health Review Commission, regarding citations for which penalties have been assessed.

As required by the reporting requirements of the Dodd-Frank Act, as amended, the table below presents the following information for the three-month period ended March 31, 2018.

Mine	Section 104 S&S Citations	Section 104(b) Orders	Section 104(d) Citations and Orders	Section 110(b)(2) Violations	Section 107(a) Orders	Total Dollar Value of MSHA Assessments Proposed	Total Number Of Mining Related Fatalities	Received Notice of Pattern of Violations Under Section 104(e)	Received Notice of Potential to have Patterns Under Section 104(e)	Legal Actions Pending as of Last Day of Period	Legal Actions Initiated During Period	Legal Actions Resolved During Period
Greens Creek	4	0	0	—	—	$0	—	no	no	0	0	0
Lucky Friday	1	0	0	—	—	$4,061	—	no	no	0	0	0
Troy	0	0	0	—	—	$0	—	no	no	0	0	0

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