
Section 1: 8-K (8-K)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

**Current Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 24, 2018

HECLA MINING COMPANY

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

1-8491
(Commission File Number)

77-0664171
(IRS Employer Identification No.)

**6500 North 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)

N/A
(Former name or Former Address, if changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12(b))
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 5.07 – Submission of Matters to a Vote of Security Holders

At the Annual Meeting of Shareholders of Hecla Mining Company (“our,” “we,” or “Hecla”) held on May 24, 2018, our shareholders were asked to consider and vote upon the following six proposals: (1) election of three nominees to our Board of Directors to hold office until the 2021 Annual Meeting of Shareholders or until their successors are duly elected and qualified; (2) ratification of the Audit Committee’s appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year 2018; (3) approval, on an advisory basis, of the compensation of our named executive officers; (4) amendment to our Certificate of Incorporation and Bylaws to remove certain 80% supermajority voting provisions; (5) amendments to our Certificate of Incorporation and Bylaws to permit shareholders to call special meetings of shareholders under certain circumstances; and (6) shareholder proposal to declassify the Board of Directors.

On the record date of March 28, 2018, there were 400,301,617 shares of Hecla common stock issued and outstanding and entitled to vote at the Annual Meeting. The count of shares present at the meeting, in person or proxy, was 330,138,062 or 82.47% of the outstanding shares of common stock of Hecla. For each proposal, the results of shareholder voting were as follows:

Proposal 1. *Election of Three Director Nominees.* The shareholders elected each of the director nominees proposed by our Board of Directors to serve until the 2021 Annual Meeting of Shareholders or until such nominee’s successor is duly elected and qualified. The following is a breakdown of the voting results:

| | <u>Votes For</u> | <u>Votes Against</u> | <u>Abstain</u> | <u>Broker Non-Votes</u> |
|---------------------------|----------------------|--------------------------|----------------|-----------------------------|
| George R. Nethercutt, Jr. | 220,392,905 | 8,511,667 | 1,020,922 | 100,212,568 |
| Stephen F. Ralbovsky | 222,928,267 | 5,951,966 | 1,045,261 | 100,212,568 |
| Catherine J. Boggs | 222,180,210 | 6,713,556 | 1,031,728 | 100,212,568 |

Proposal 2. *Ratification of the Appointment of BDO USA, LLP as the Company’s Independent Registered Public Accounting Firm.* Our shareholders ratified the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018. The following is a breakdown of the voting results:

| <u>Votes For</u> | <u>Votes Against</u> | <u>Abstain</u> |
|----------------------|--------------------------|----------------|
| 315,806,571 | 11,162,886 | 3,168,605 |

There were no broker non-votes with respect to Proposal 2.

Proposal 3. *Advisory Vote on Executive Compensation.* Our shareholders approved the compensation of Hecla's named executive officers. The following is a breakdown of the voting results:

| Votes For | Votes Against | Abstain | Broker Non-Votes |
|----------------------|--------------------------|----------------|-----------------------------|
| 155,965,233 | 72,816,250 | 1,144,011 | 110,212,568 |

Proposal 4. *Approval of Amendments to the Company's Certificate of Incorporation and Bylaws to Remove Certain 80% Supermajority Voting Provisions.* The following is a breakdown of the voting results on the amendments:

| Votes For | Votes Against | Abstain | Broker Non-Votes |
|----------------------|--------------------------|----------------|-----------------------------|
| 223,400,328 | 5,405,453 | 1,119,713 | 100,212,568 |

The affirmative vote by at least 80% of our outstanding shares of common stock eligible to vote was required for approval of Proposal 4. The proposal received the affirmative vote of only 55.80% of the outstanding shares, which was not enough for it to pass.

Proposal 5. *Approval of Amendments to the Company's Certificate of Incorporation and Bylaws to Permit Shareholders to Call Special Meetings of Shareholders under Certain Circumstances.* The following is a breakdown of the voting results on the amendments:

| Votes For | Votes Against | Abstain | Broker Non-Votes |
|----------------------|--------------------------|----------------|-----------------------------|
| 225,919,639 | 3,316,503 | 689,362 | 100,212,568 |

The affirmative vote by at least 80% of our outstanding shares of common stock eligible to vote was required for approval of Proposal 5. The proposal received the affirmative vote of only 56.43% of the outstanding shares, which was not enough for it to pass.

Proposal 6. *Shareholder Proposal to Declassify the Board of Directors.* The following is a breakdown of the voting results:

| Votes For | Votes Against | Abstain | Broker Non-Votes |
|----------------------|----------------------|----------------|-----------------------------|
| 205,584,523 | 13,218,307 | 11,122,656 | 100,212,576 |

Item 7.01 Regulation FD Disclosure

Klondex Mines Ltd.

On March 16, 2018, Hecla and our wholly owned subsidiary, 1156291 B.C. Unlimited Liability Company, entered into an Arrangement Agreement (the "Agreement") with Klondex Mines Ltd. ("Klondex"). On May 23, 2018 Klondex filed a Preliminary Management Information Proxy Circular on Schedule 14A (the "Circular") with the Securities and Exchange Commission ("SEC"), with respect to the annual and special meeting (the "Meeting") of the Klondex Securityholders which is expected to be held in late June or early July 2018. At the Meeting, among other proposals, Klondex securityholders will be asked to consider and approve a special resolution with respect to the proposed transaction whereby a wholly-owned subsidiary of Hecla would acquire all of the issued and outstanding common shares of Klondex.

The Circular included unaudited pro forma condensed combined financial statements of Hecla. Such financial statements are included as Exhibit 99.1 to this Current Report on Form 8-K, and are incorporated herein by reference.

In accordance with General Instruction B.2 of Form 8-K, the information in Item 7.01, including Exhibit 99.1, is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any of the Company's filings or other documents filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 8.01 Other

On May 24, 2018, we issued a news release announcing the promotion of Lawrence P. Radford, Hecla's Senior Vice President – Operations, to the position of Senior Vice President – Chief Operating Officer. Mr. Radford has been with the Company since October 2011 when he was appointed Vice President – Operations, and was promoted to Senior Vice President – Operations in July 2013. Mr. Radford will continue to be Hecla's principal operating officer, as he has been since 2011. Additional information about Mr. Radford can be obtained from Hecla's proxy statement on Schedule 14A filed with the SEC on April 9, 2018. The news release is attached as Exhibit 99.2.

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1 [Unaudited pro forma condensed combined financial statements of Hecla.#](#)

99.2 [News Release dated May 24, 2018.*](#)

Furnished herewith.

* Filed herewith.

SIGNATURE

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 hereunto duly authorized.

HECLA MINING COMPANY

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

Dated: May 29, 2018

5

[\(Back To Top\)](#)

Section 2: EX-99.1 (EX-99.1)

Exhibit 99.1

APPENDIX "L"

PRO FORMA FINANCIAL STATEMENTS OF THE COMBINED COMPANY

**HECLA AND KLONDEX UNAUDITED PRO FORMA CONDENSED
COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma condensed combined financial statements (the "Pro Forma Statements") give effect to the proposed Arrangement and represent the Combined Company's unaudited pro forma condensed combined balance sheet as of March 31, 2018 and the Combined Company's unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2018 and the year ended December 31, 2017. The unaudited pro forma condensed combined balance sheet gives effect to the proposed Arrangement (as defined herein) as if it had occurred on the date of such balance sheet. The accompanying unaudited pro forma condensed combined statements of operations give effect to the proposed Arrangement as if it had occurred on January 1, 2017.

For accounting purposes, the transaction would be accounted for using the acquisition method, pursuant to which assets and liabilities are recorded at fair value. The valuation of Hecla's shares to be issued as consideration was based upon an assumed closing price of Hecla's common stock of \$3.94. See *Note 2* to these Pro Forma Statements for additional information on the estimated purchase consideration and the impact thereon of changes in the per share price of our stock.

The unaudited pro forma condensed combined balance sheet and statements of operations should be read in conjunction with the historical financial statements of Hecla and Klondex including the notes thereto, which are included in their respective Quarterly Reports filed on Form 10-Q for the three months ended March 31, 2018 and Annual Reports filed on Form 10-K for the year ended December 31, 2017, which are incorporated by reference in this Circular.

The Pro Forma Statements are not necessarily indicative of the operating results or financial condition that would have been achieved if the proposed Arrangement had been completed on the dates or for the periods presented, nor do they purport to project the results of operations or financial position of the combined entities for any future period or as of any future date. Actual amounts recorded upon consummation of the proposed Arrangement would likely differ from those recorded in the Pro Forma Statements. The Pro Forma Statements do not reflect any special items such as integration costs or operating synergies that may be realized as a result of the proposed Arrangement.

L-1

Hecla Mining Company
Unaudited Pro Forma Condensed Combined Balance Sheet
As of March 31, 2018
(in thousands)

| | <u>Hecla</u> | <u>Klondex</u> | <u>Pro forma adjustments</u> (Notes 2, 3 and 5) | <u>Pro forma combined</u> |
|--|--------------------|------------------|--|-------------------------------|
| Assets: | | | | |
| Cash and cash equivalents | \$212,569 | \$27,814 | \$(1,217) | (a) \$33,114 |
| | | | (157,411) | (b) |
| | | | (41,641) | (c) |
| | | | (7,000) | (d) |
| Investments | 34,358 | — | — | 34,358 |
| Accounts receivable | 39,006 | — | — | 39,006 |
| Inventories | 62,803 | 37,739 | (4,593) | (a) 105,584 |
| | | | 9,635 | (e) |
| Other current assets | 17,369 | 4,457 | (494) | (a) 21,332 |
| Total current assets | 366,105 | 70,010 | (202,721) | 233,394 |
| Non-current investments | 7,652 | — | 7,000 | (d) 14,652 |
| Non-current restricted cash and investments | 1,005 | 9,504 | — | 10,509 |
| Properties, plants, equipment and mineral interests, net | 2,008,704 | 276,040 | (49,569) | (a) 2,552,885 |
| | | | 236,038 | (e) |
| | | | 81,672 | (f) |
| Non-current deferred income taxes | 671 | 18,696 | — | 19,367 |
| Other non-current asset | 13,954 | — | — | 13,954 |
| Total assets | <u>\$2,398,091</u> | <u>\$374,250</u> | <u>\$72,420</u> | <u>\$2,844,761</u> |
| Liabilities: | | | | |
| Accounts payable and other current liabilities | \$ 101,950 | \$ 30,362 | (2,632) | (a) \$ 123,557 |
| | | | (6,123) | (c) |
| Current portion of capital leases and notes payable | 5,669 | 873 | — | 6,542 |
| Current portion of accrued reclamation and closure costs | 8,315 | — | — | 8,315 |
| Total current liabilities | 115,934 | 31,235 | (8,755) | 138,414 |
| Accrued reclamation and closure costs | 78,887 | 21,389 | (1,818) | (a) 98,458 |
| Deferred tax liabilities | 116,866 | 17,030 | 81,672 | (f) 210,984 |
| | | | (4,584) | (g) |
| Long-term debt and capital leases | 540,660 | 35,717 | — | 576,377 |
| Non-current pension liability | 48,459 | — | — | 48,459 |
| Other non-current liabilities | 2,784 | 847 | (847) | (c) 2,784 |
| Total liabilities | <u>903,590</u> | <u>106,218</u> | <u>65,668</u> | <u>1,075,476</u> |
| Shareholders' Equity: | | | | |
| Series B preferred stock | 39 | — | — | 39 |
| Common stock | 101,290 | — | 19,353 | (h) 120,643 |
| Capital surplus | 1,626,298 | 378,435 | (100,936) | (a) 1,911,816 |
| | | | 285,518 | (h) |
| | | | (277,499) | (i) |
| Accumulated deficit | (187,092) | (89,942) | 51,494 | (a) (217,179) |
| | | | (34,671) | (c) |
| | | | 4,584 | (g) |
| | | | 38,448 | (i) |
| Accumulated other comprehensive loss, net | (26,767) | (20,461) | (1,981) | (a) (26,767) |
| | | | 22,442 | (i) |
| Less treasury stock | (19,267) | — | — | (19,267) |
| Total shareholders' equity | <u>1,494,501</u> | <u>268,032</u> | <u>6,752</u> | <u>1,769,285</u> |
| Total liabilities and shareholders' equity | <u>\$2,398,091</u> | <u>\$374,250</u> | <u>\$72,420</u> | <u>\$2,844,761</u> |

See accompanying notes to these unaudited pro forma condensed combined financial statements.

Hecla Mining Company
Unaudited *Pro Forma* Condensed Combined Statement of Operations
For the three months ended March 31, 2018
(in thousands, except per share amounts)

| | <u>Hecla</u> | <u>Klondex</u> | <u>Pro forma adjustments</u> (Notes 2, 3, 4 and 6) | | <u>Pro forma combined</u> |
|--|----------------|------------------|---|-----|-----------------------------------|
| Sales of products | \$139,709 | \$56,771 | \$(6,867) | (j) | \$189,613 |
| Cost of sales and other direct production costs | 72,869 | 35,449 | (8,168) | (j) | 100,150 |
| Depreciation, depletion and amortization | 28,054 | 13,103 | (2,506) | (j) | 38,651 |
| Write-down of production inventories | — | 8,517 | (1,460) | (j) | 7,057 |
| | <u>100,923</u> | <u>57,069</u> | <u>(12,134)</u> | | <u>145,858</u> |
| Gross profit | 38,786 | (298) | 5,267 | | 43,755 |
| General and administrative | 7,735 | 5,824 | (1,378) | (j) | 12,181 |
| Exploration | 7,360 | 502 | — | | 7,862 |
| Pre-development | 1,005 | — | — | | 1,005 |
| Research and development | 1,436 | — | — | | 1,436 |
| Provision for closed operations and environmental matters | 1,262 | 334 | (31) | (j) | 1,565 |
| Lucky Friday suspension related costs | 5,017 | — | — | | 5,017 |
| Acquisition costs | 2,507 | 3,616 | (6,123) | (k) | — |
| Other operating (expense) income | 515 | 20 | — | | 535 |
| Income (loss) from operations | <u>11,949</u> | <u>(10,594)</u> | <u>12,799</u> | | <u>14,154</u> |
| Other income (expense): | | | | | |
| Net foreign exchange loss | 2,592 | 3,185 | 398 | (j) | 6,175 |
| Loss on derivative contracts | 4,007 | (128) | — | | 3,879 |
| Interest expense, net of amounts capitalized | (9,794) | (599) | 1 | (j) | (10,392) |
| Other income (expense) | 254 | 6 | — | | (270) |
| | | | <u>(530)</u> | (l) | |
| | <u>(2,941)</u> | <u>2,464</u> | <u>(131)</u> | | <u>(608)</u> |
| (Loss) income before income taxes | 9,008 | (8,130) | 12,668 | | 13,546 |
| Income tax provision | (768) | 132 | (1,395) | (m) | (2,031) |
| Net (loss) income | 8,240 | (7,998) | 11,273 | | 11,515 |
| Preferred stock dividends | (138) | — | — | | (138) |
| (Loss) income applicable to common shareholders | <u>\$8,102</u> | <u>\$(7,998)</u> | <u>\$11,273</u> | | <u>\$11,377</u> |
| Basic and diluted (loss) income per common share after preferred stock dividends | \$0.02 | | | | \$0.02 |
| Weighted average number of common shares outstanding - basic | 399,322 | | 77,412 | (h) | 476,734 |
| Weighted average number of common shares outstanding - diluted | 401,923 | | 77,412 | (h) | 479,335 |

See accompanying notes to these unaudited pro forma condensed combined financial statements.

Hecla Mining Company
Unaudited *Pro Forma* Condensed Combined Statement of Operations
For the year ended December 31, 2017
(in thousands, except per share amounts)

| | Year ended December 31, 2017 | | | |
|--|------------------------------|--------------------|---|--------------------------|
| | Hecla | Klondex | Pro forma adjustments (Notes 2, 3, 4 and 6) | Pro forma combined |
| Sales of products | \$577,775 | \$240,651 | \$ (32,567) | (j) \$ 785,859 |
| Cost of sales and other direct production costs | 304,727 | 134,311 | (28,191) | (j) 410,847 |
| Depreciation, depletion and amortization | 116,062 | 47,778 | (7,016) | (j) 160,680 |
| Write-down of production inventories | — | 24,766 | 3,856 | (n) 11,652 |
| | <u>420,789</u> | <u>206,855</u> | <u>(44,465)</u> | <u>583,179</u> |
| Gross profit | 156,986 | 33,796 | 11,898 | 202,680 |
| General and administrative | 35,611 | 19,401 | (3,980) | (j) 51,032 |
| Exploration | 23,510 | 8,246 | (239) | (j) 31,517 |
| Pre-development | 5,448 | 11,674 | — | 17,122 |
| Research and development | 3,276 | — | — | 3,276 |
| Provision for closed operations and environmental matters | 6,701 | (1,872) | (51) | (j) 4,778 |
| Lucky Friday suspension related costs | 21,301 | — | — | 21,301 |
| Other operating (expense) income | (3,504) | 352 | 24 | (j) (3,128) |
| Income (loss) from operations | <u>64,643</u> | <u>(4,005)</u> | <u>16,144</u> | <u>76,782</u> |
| Other income (expense): | | | | |
| Net foreign exchange loss | (10,300) | (8,601) | (918) | (j) (19,819) |
| Loss on derivative contracts | (21,250) | (1,182) | — | (22,432) |
| Interest expense, net of amounts capitalized | (38,012) | (4,117) | 4 | (j) (42,125) |
| Other income (expense) | 1,279 | (163) | (36) | (j) (507) |
| | | | <u>(1,587)</u> | <u>(i)</u> |
| | <u>(68,283)</u> | <u>(14,063)</u> | <u>(2,537)</u> | <u>(84,883)</u> |
| (Loss) income before income taxes | (3,640) | (18,068) | 13,607 | (8,101) |
| Income tax provision | (19,879) | (5,596) | 1,358 | (m) (24,117) |
| Net (loss) income | (23,519) | (23,664) | 14,965 | (32,218) |
| Preferred stock dividends | (552) | — | — | (552) |
| (Loss) income applicable to common shareholders | <u>\$ (24,071)</u> | <u>\$ (23,664)</u> | <u>\$ 14,965</u> | <u>\$ (32,770)</u> |
| Basic and diluted (loss) income per common share after preferred stock dividends | \$(0.06) | | | \$(0.07) |
| Weighted average number of common shares outstanding - basic | 397,394 | | 77,412 | (h) 474,806 |
| Weighted average number of common shares outstanding - diluted | 397,394 | | 77,412 | (h) 474,806 |

See accompanying notes to these unaudited pro forma condensed combined financial statements.

NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1. Basis of presentation

Hecla Mining Company (“Hecla”) and Klondex Mines Ltd. (“Klondex”) entered into an Arrangement pursuant to which Hecla would acquire all of the issued and outstanding common shares of Klondex (see *Note 2* for more information). It is assumed the Arrangement would be accounted for as a business combination. The Pro Forma Statements are prepared on that basis and are presented to give effect to the proposed Arrangement of all of the outstanding common shares of Klondex by Hecla. The Pro Forma Statements represent the Combined Company’s unaudited pro forma condensed combined balance sheet as of March 31, 2018, and unaudited pro forma condensed combined statements of operations for the three months ended March 31, 2018 and the year ended December 31, 2017. The unaudited pro forma condensed combined balance sheet gives effect to the proposed Arrangement as if it occurred on the date of such balance sheet. The unaudited pro forma condensed combined statements of operations give effect to the proposed Arrangement as if it occurred on January 1, 2017. The Pro Forma Statements reflect the acquisition of assets, assumptions of liabilities, and operating activities relating to Klondex’s Nevada properties, and not Klondex’s Canadian properties, as Klondex’s Canadian assets would be held by a newly formed entity and not retained by the Combined Company as a result of the proposed Arrangement. Historical information for Hecla and Klondex has been derived from historical consolidated financial statements, which were prepared and presented in accordance with United States Generally Accepted Accounting Principles (“GAAP”). The pro forma adjustments and allocations of the estimated consideration that would be transferred are based on preliminary estimates of the fair value of assets to be acquired, liabilities to be assumed, and consideration to be transferred. As of the date of this Circular, the proposed Arrangement has not yet been completed. The final determination of the consideration transferred and the related allocation would be completed after asset and liability valuations are finalized as of the date of completion of the proposed Arrangement. Changes to these adjustments may materially affect both the estimated value of the consideration transferred and the preliminary estimated fair value to the assets and liabilities as presented in the Pro Forma Statements.

In preparing the unaudited pro forma condensed combined balance sheet and statements of operations in accordance with GAAP, the following historical information was used:

- Klondex’s Quarterly Report filed on Form 10-Q for the three months ended March 31, 2018;
- Hecla’s Quarterly Report filed on Form 10-Q for the three months ended March 31, 2018;
- Klondex’s Annual Report filed on Form 10-K for the year ended December 31, 2017; and
- Hecla’s Annual Report filed on Form 10-K for the year ended December 31, 2017.

The unaudited pro forma condensed combined balance sheet and statements of operations should be read in conjunction with the historical financial statements including the notes thereto, as listed above, which are incorporated by reference in this Circular. All amounts are stated in U.S. dollars unless otherwise noted.

Note 2. Description of the Arrangement

On March 16, 2018, Hecla and Klondex entered into an Arrangement Agreement pursuant to which Hecla would acquire all of the issued and outstanding common shares of Klondex for consideration valued at \$2.47 per share. Under the terms of the proposed Arrangement, each holder of Klondex common shares may elect to receive either (i) US\$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 total cash consideration of approximately \$157.4 million and a maximum total 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 proposed Arrangement. For financial accounting purposes, the purchase price allocation is based upon the assumption of Hecla paying \$157.4 million in cash and issuing 77,411,859 shares of Hecla common stock having a total value of \$304.9 million, for total consideration of \$462.3 million. The pro forma value of Hecla stock issued as consideration was based upon the 60-day volume-weighted average price at the time of announcement on March 19, 2018 of \$3.94 per share. The closing price of Hecla's common stock was \$3.97 at May 7, 2018.

The following represents the preliminary estimated allocation of the consideration to be transferred as if the proposed Arrangement had occurred on March 31, 2018:

| | (in thousands) |
|--|------------------|
| Consideration: | |
| Hecla stock issued (77.4M shares @ \$3.94 per share) | \$304,871 |
| Cash | 157,411 |
| Total consideration | \$462,282 |
| Fair value of net assets acquired: | |
| Assets: | |
| Cash | \$26,597 |
| Inventories | 42,781 |
| Property, plant, and equipment and mineral interests | 544,181 |
| Non-current restricted cash and investments | 9,504 |
| Deferred tax assets | 18,696 |
| Other assets | 3,963 |
| Total assets | 645,722 |
| Liabilities: | |
| Accounts payable | 20,784 |
| Payroll liabilities | 3,008 |
| Income taxes payable | 3,203 |
| Debt and capital leases | 36,590 |
| Deferred tax liabilities | 98,702 |
| Accrued reclamation and closure costs | 19,571 |
| Other liabilities | 1,582 |
| Total liabilities | 183,440 |
| Net assets | \$462,282 |

The actual value of consideration transferred would be based on the market price of Hecla's common stock on the date the proposed Arrangement is consummated. A 10% change in the price per share of Hecla stock would result in an approximate \$30.5 million change in the amount of total consideration transferred in the Arrangement.

Note 3. Effect of the Arrangement on the unaudited pro forma condensed combined balance sheet

The unaudited pro forma condensed combined balance sheet includes the following adjustments:

- a) To adjust amounts included in the consolidated balance sheet related to the Canadian assets of Klondex, which would be transferred to a new entity and not retained by the Combined Company as a result of the proposed Arrangement.

-
- b) To record the cash consideration of \$157.4 million to be paid to Klondex shareholders, as discussed above.
 - c) To record payment of estimated costs related to the Arrangement of \$41.6 million. The costs include investment banking, legal, advisory, valuation, financial and other professional fees, change-in-control payments under Klondex's compensation agreements, and settlement of restricted share units, performance share units and deferred share units. This adjustment is not reflected in the pro forma statements of operations, as it is non-recurring.

In connection with the proposed Arrangement, Hecla is also expected to issue 2,068,000 warrants to purchase one share of Hecla's common stock ("Hecla Warrants") to a holder of warrants to purchase Klondex's common stock. The Hecla Warrants would have an exercise price of CAD\$5.47 less the Canadian dollar equivalent of US\$0.8411, all divided by 0.4136, and would expire in April 2032. The accounting treatment of the Hecla Warrants is being evaluated, and no adjustment has been made to unaudited pro forma condensed combined balance sheet for the Hecla Warrants. However, it is expected that such adjustment would not have a material effect on the Pro Forma Statements.

- d) To record Hecla's subscription for \$7.0 million in common shares in a new company which would hold the Canadian assets of Klondex.
- e) To recognize the preliminary estimated fair value of Klondex's assets acquired and liabilities assumed in the proposed Arrangement. The adjustment includes the assumption that the allocation of the estimated difference between consideration and the net fair value of assets acquired and liabilities assumed would be recorded to value beyond proven and probable reserves, with no amount allocated to goodwill. This allocation is preliminary and is subject to change due to several factors, including: (1) detailed valuations of assets and liabilities which have not been completed as of the date of this Circular; (2) subsequent changes in the fair values of the assets and liabilities of Klondex up to the closing date of the Arrangement; and 3) an assessment of the extent to which the Combined Company may realize its deferred tax assets. These changes would not be known until after the closing date of the proposed Arrangement.

No adjustment has been made to the unaudited pro forma condensed combined statements of operations for the preliminary estimated fair value adjustment for product inventory. This adjustment, which would decrease the pro forma net income for the three months ended March 31, 2018 by \$9.6 million and increase the pro forma net loss for the year ended December 31, 2017 by approximately \$3.5 million, is non-recurring.

- f) To record an increase in non-current deferred tax liabilities and a corresponding increase in mineral interests resulting from the excess of the asset bases for financial reporting over the asset bases for tax reporting. The increased asset bases for financial reporting is the result of an increase in the value of the assets of Klondex to reflect their estimated fair value at the time of the Arrangement, as described in (e) above. See *Note 4(m)* below for information on tax rate assumptions used.
- g) To record a decrease to deferred tax liabilities related to the tax benefit of the deductible portion of the costs related to the Arrangement described in *Note (c)* above. See *Note 4(m)* below for information on tax rate assumptions used.
- h) To record the issuance of 77,411,859 shares of Hecla common stock to Klondex shareholders, valued at \$3.94 per share, or \$304.9 million, as discussed in *Note 2* above.
- i) To eliminate the equity accounts of Klondex.

Note 4. The effect of the Arrangement on the unaudited pro forma condensed combined statements of operations

The following is information on the unaudited pro forma condensed combined statements of operations:

- j) To adjust amounts included in the consolidated statements of operations related to the Canadian assets of Klondex, which would be transferred to a new entity and not retained by the Combined Company as a result of the proposed Arrangement.
- k) To adjust for costs related to the Arrangement incurred by Hecla and Klondex in the three months ended March 31, 2018, as they are non-recurring.
- l) To record an adjustment for the decrease in estimated interest income related to cash used in the proposed Arrangement.
- m) To record the estimated income tax effect of the pro forma adjustments. Hecla is a taxable entity; therefore, an adjustment is necessary to reflect an income tax provision if Hecla had acquired Klondex as of January 1, 2017. A combined U.S. federal and state statutory tax rate of 24.95% is applied to the adjustments.
- n) To adjust depreciation and depletion expense for the year ended December 31, 2017 to reflect the total related to the preliminary fair value of approximately \$544.2 million allocated to properties, plants, equipment and mineral interests. For the three months ended March 31, 2018, depreciation and depletion expense recognized by Klondex, adjusted to exclude amounts related to their Canadian assets, is assumed to approximate pro forma depreciation and depletion expense for the Nevada assets under the Combined Company. Depreciation and depletion expense considers the estimated mine lives and related production for the Fire Creek, Midas and Hollister mines. A significant amount of the preliminary estimated consideration is allocated to value beyond proven and probable reserves, which is not immediately depreciable. As the allocation of estimated consideration is preliminary, the estimate of depreciation and depletion expense is subject to change upon completion of the valuation of the properties, plants, equipment and mineral interests of Klondex.

Note 5. Share capital

The following is information on the pro forma share capital of the Combined Company which gives effect to common shares of Hecla that would be issued under the proposed Arrangement:

| (in thousands) | <u>Common shares outstanding</u> | <u>Amount</u> |
|---|--------------------------------------|--------------------|
| Balance at March 31, 2018 | 400,301 | \$1,727,588 |
| Hecla shares to be issued under the Agreement - see Note 3 h) | 77,412 | 304,871 |
| Pro forma share capital | <u>447,713</u> | <u>\$2,032,459</u> |

Note 6. Earnings per share

For purposes of the Pro Forma Statements, earnings per share has been calculated using the weighted average number of common shares which would have been outstanding for the three months ended March 31, 2018 and the year ended December 31, 2017 after giving effect to the Arrangement as if it had occurred on January 1, 2017. The following is information on pro forma basic and diluted weighted average common shares outstanding:

| (in thousands) | Three months ended March 31, 2018 | Year ended December 31, 2017 |
|---|--------------------------------------|---------------------------------|
| Hecla actual weighted average common shares outstanding - basic | 399,322 | 397,394 |
| Hecla shares to be issued under the Agreement - see Note 3 h) | 77,412 | 77,412 |
| Pro forma weighted average common shares outstanding - basic | 476,734 | 474,806 |
| Hecla actual weighted average common shares outstanding - diluted | 401,923 | 397,394 |
| Hecla shares to be issued under the Agreement - see Note 3 h) | 77,412 | 77,412 |
| Pro forma weighted average common shares outstanding - diluted | 479,335 | 474,806 |

L-9

[\(Back To Top\)](#)

Section 3: EX-99.2 (EX-99.2)

Exhibit 99.2



NEWS RELEASE

HECLA ANNOUNCES APPOINTMENT OF LARRY RADFORD AS CHIEF OPERATING OFFICER

FOR IMMEDIATE RELEASE
May 24, 2018

COEUR D'ALENE, IDAHO—Hecla Mining Company ([NYSE:HL](#)) today announced that Mr. Larry Radford has been appointed Chief Operating Officer of the Company effective immediately, a promotion from his previous role of Senior Vice President – Operations, overseeing Hecla's operations, development projects, pre-development initiatives.

"Throughout his career Larry has demonstrated a strong ability to optimize operations, and you can see this in the improved performance of Greens Creek and Casa Berardi since he joined Hecla," said Phillips S. Baker, Jr., Hecla's President and Chief Executive Officer. "With the expected addition of the Klondex assets, Hecla is growing again and his talents will continue to be an important part of our strong team as it integrates and optimizes these new mines."

Mr. Radford joined Hecla in 2011 and has over 35 of experience in the mining industry, providing operational and technical support to large-scale operations with Barrick and Kinross in the United States, Chile, Brazil, and Australia.

About Hecla

Founded in 1891, Hecla Mining Company ([NYSE:HL](#)) is a leading low-cost U.S. silver producer with operating mines in Alaska, Idaho and Mexico, and is a growing gold producer with an operating mine in Quebec, Canada. The Company also has exploration and pre-development properties in seven world-class silver and gold mining districts in the U.S., Canada, and Mexico, and an exploration office and investments in early-stage silver exploration projects in Canada.

Cautionary Note Regarding Forward-Looking Statements

Statements made or information provided in this news release that are not historical facts are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and "forward-looking information" within the meaning of Canadian securities laws. Words such as "may", "will", "should", "expects", "intends", "projects", "believes", "estimates", "targets", "anticipates" and similar expressions are used to identify these forward-looking statements. Such forward-looking statements or forward-looking information include statements or information regarding {add text}. The material factors or assumptions used to develop such forward-looking statements or forward-looking information include that the Company's plans for development and production will proceed as expected and will not require revision as a result of risks or uncertainties, whether known, unknown or unanticipated, to which the Company's operations are subject.

Forward-looking statements involve a number of risks and uncertainties that could cause actual results to differ materially from those projected, anticipated, expected or implied. These risks and uncertainties include, but are not limited to, metals price volatility, volatility of metals production and costs, litigation, regulatory and environmental risks, operating risks, project development risks, political risks, labor issues, ability to raise financing and exploration risks and results. Refer to the Company's Form 10K and 10-Q reports for a more detailed discussion of factors that may impact expected future results. The Company undertakes no obligation and has no intention of updating forward-looking statements other than as may be required by law.

For further information, please contact:

Mike Westerlund
Vice President—Investor Relations
800-HECLA91 (800-432-5291)
hmc-info@hecla-mining.com

Hecla Mining Company • 1-800-432-5291 • hmc-info@hecla-mining.com

2

[\(Back To Top\)](#)